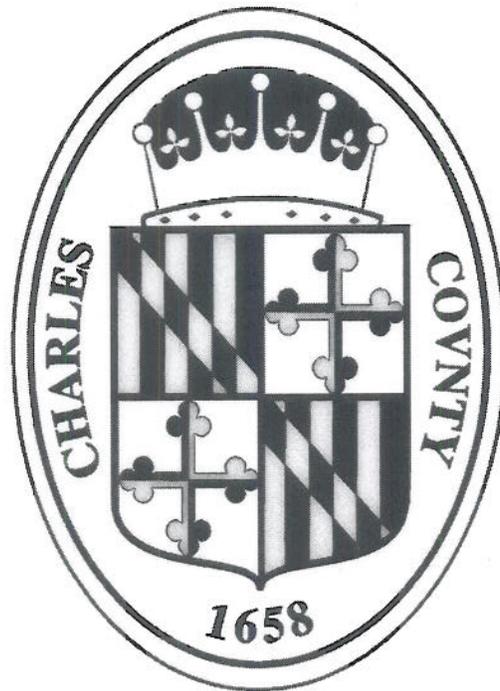


# CHARLES COUNTY, MARYLAND

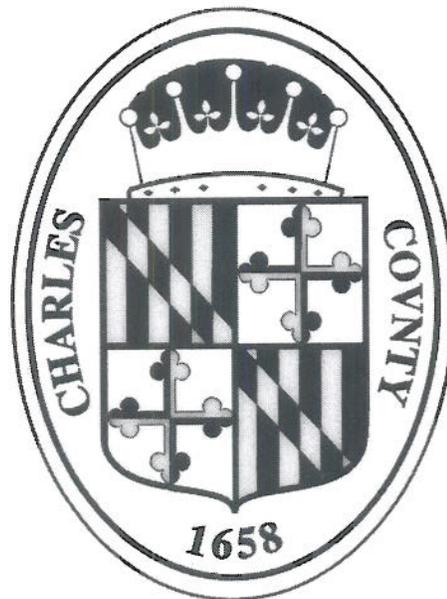
## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2011

# CHARLES COUNTY, MARYLAND

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2011

Prepared by:  
Department of Fiscal and Administrative Services  
Charles County, Maryland

Deborah E. Hudson, CPA  
Director of Fiscal & Administrative Services

Rebecca B. Bridgett, Ed.D  
County Administrator

[www.charlescounty.org](http://www.charlescounty.org)

# Charles County, Maryland

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**Charles County, Maryland**  
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# **Introductory Section**



*Charles County Government*  
**DEPARTMENT OF FISCAL &  
ADMINISTRATIVE SERVICES**

CHARLES COUNTY COMMISSIONERS

*Candice Quinn Kelly, President*  
*Reuben B. Collins, II, Esq., Vice President*  
*Ken Robinson*  
*Debra M. Davis, Esq.*  
*Bobby Rucci*

*Rebecca B. Bridgett, Ed.D.*  
*County Administrator*

*Deborah E. Hudson, CPA, Director*

November 15, 2011

To the Honorable Charles County Commissioners and  
The Citizens of Charles County, Maryland

The Comprehensive Annual Financial Report of Charles County, Maryland for the Fiscal Year ended June 30, 2011 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that Charles County annually issue a report of its financial condition and that this report be audited by an independent firm of licensed Certified Public Accountants. The audited Financial Statements must be submitted to the State of Maryland by November 1<sup>st</sup> each year. Responsibility for the accuracy of the County's financial records, including all required disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of Charles County Government. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

This report consists of management's representations concerning the finances of Charles County Government. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with U.S. generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Clifton Gunderson, LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurances that the financial statements of the County for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the year ended June 30, 2011, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

GASB requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be used in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Charles County Government**

Charles County, Maryland was created in 1658 by an Order in Council. The County was named for Charles Calvert (1637-1715), 3<sup>rd</sup> Lord Baltimore. Calvert lived in Maryland from 1661 until he returned to England in 1684. He was Proprietor of the Maryland colony from 1675 to 1689, when he lost his right to govern. From 1692 until Calvert's death in 1715, Maryland was governed as a royal colony.

**Form of Government.** The County operated under the Commissioner form of government until March 2003 when the Code Home Rule form of government was adopted. Policy-making and certain legislative authority are vested in the Board of County Commissioners consisting of five Commissioners who are elected for four-year terms. The President of the County Commissioners, who must declare his or her candidacy at the time of filing, is elected County-wide and may reside anywhere within the County. The other four Commissioner members also run County-wide, but one must reside within each of the four Commissioner districts. The President serves on a full-time basis and the other Commissioners serve in a part-time capacity. The Board meets as needed at the Charles County Government Building in La Plata, Maryland. Other elected officials in the County include four Resident Judges of the Circuit Court, Clerk of the Circuit Court, States Attorney, Sheriff, Register of Wills, Judges of the Orphans' Court (three), and members of the County Board of Education (seven).

The County serves a population of approximately 146,551 and provides a full range of municipal services enacted by statute or charter. These include public safety, education, sanitation, transportation, public health, social services, recreation, public improvements, planning and zoning, and administrative services. The three incorporated municipalities within the County are La Plata, Indian Head and Port Tobacco. These entities are independent of the County and, as such, are not included in this report.

**Component Units.** The County is financially accountable for a legally separate school system and a legally separate library system. Both of these entities are reported separately within the County's financial statements.

**Location.** Charles County, Maryland, located on the Southern Maryland Peninsula between the Patuxent River and the Potomac River, adjoins Prince George's County on the north and west and St. Mary's County on the southeast. It occupies 502 square miles, of which 458 are land and 44 are waters.

The town of La Plata, the County seat, is 71 miles from Baltimore, and 32 miles from Washington, D.C. The County's executive offices are located in the County Government Building, 200 Baltimore Street, La Plata, Maryland 20646.

**Budget.** The annual budget serves as the foundation for the County's financial planning and control. The County Commissioners are required to adopt a final budget no later than the close of the prior fiscal year. The budget is prepared by fund, function and department. Department heads may make transfers up to \$2,000 within a department, with approval by the Fiscal & Administrative Services Director. Transfers between \$2,001 and \$15,000 require the approval of the County Administrator, between \$15,001 and \$35,000 require the approval of the President of the County Commissioners and transfers over \$35,001 require the approval of the full Board of Commissioners. Transfers between departments require the special approval of the County Administrator of the Board of Commissioners depending on the dollar amount. Increase or decrease to total budget is allowed only with the Board of Commissioners approval.

Budget-to-actual comparisons are provided in this report for the General Fund for which an appropriated annual budget is adopted. This comparison is presented on page 102 as part of the required supplementary information.

### **Economic Condition and Outlook**

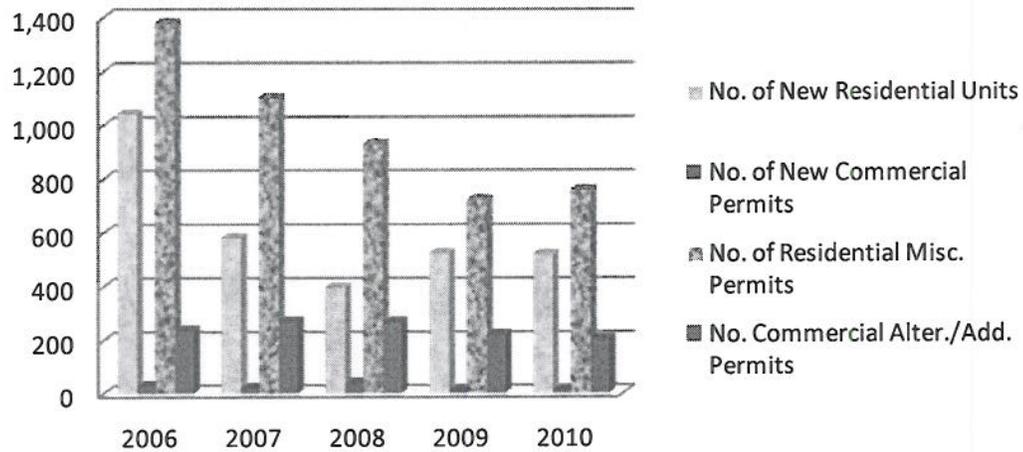
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

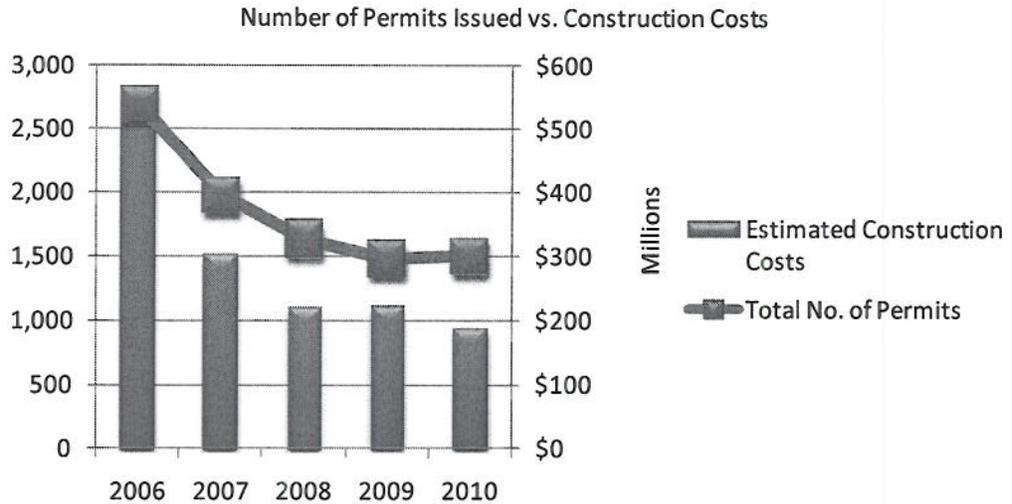
**Local Economy.** The Southern Maryland region (consisting of Charles County, St. Mary's County and Calvert County) continues to receive attention as a result of tremendous expansion of the Patuxent River Naval Air Base, which is now designated as the primary training center for the entire U.S. Navy. The geographic location of our County, almost evenly situated between the Pentagon and the Naval Base, makes Charles County an excellent choice for both business and residential relocation. The Naval Surface Weapons Center (NSWC), a base located within Charles County in the Town of Indian Head, is home to the largest workforce in Charles County. NSWC has continued to expand, and currently this facility is the host to a multi-mission military installation. NSWC's role is contributing significantly to the growth of the County. Continued growth and economic strength have been experienced throughout the Washington, D.C. Metropolitan Area jurisdiction.

The value of building permits issued annually has generally increased each year. As a result of the current housing and economic slowdown, both permits and construction values have declined from Fiscal Year 2006 to 2008 and have leveled off in 2009 and 2010.

Building Permit Summary						
Year	No. of New Residential Units	No. of New Commercial Permits	No. of Residential Misc. Permits	No. Commercial Alter./Add. Permits	Total No. of Permits	Estimated Construction Costs
2006	1,043	32	1,381	237	2,693	515,266,408
2007	581	22	1,103	271	1,977	302,263,342
2008	397	41	930	268	1,636	221,314,567
2009	524	14	723	221	1,482	222,629,345
2010	520	15	761	206	1,502	189,021,394

5 Year Building Permit Summary





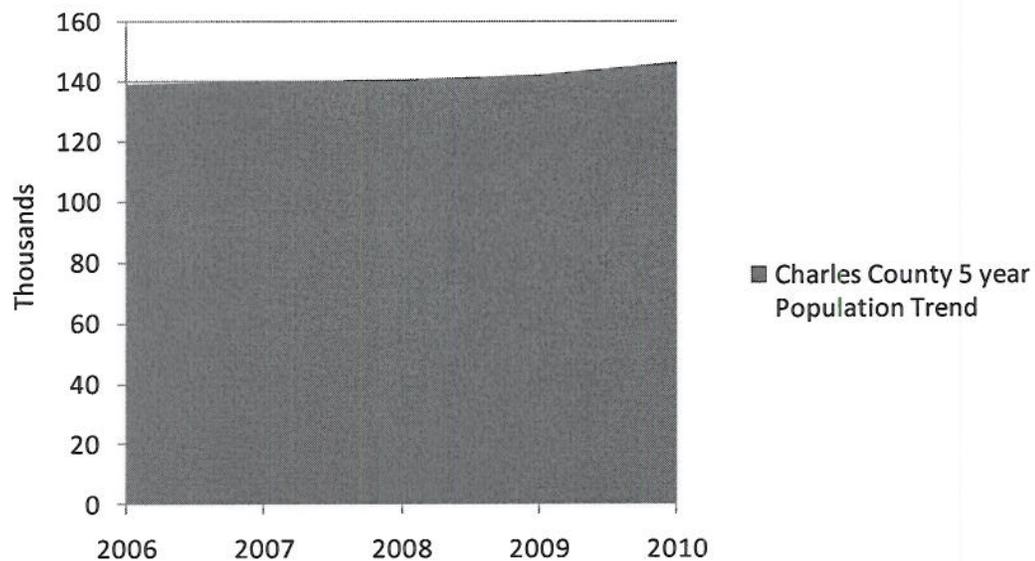
As indicated in the following table, employment in the County decreased from 41,970 in 2006 to 40,419 in 2010, a loss of 1,551 jobs and a 3.7% decrease in total employment. Only the Government Sector of employment experienced increases in Calendar Year 2010.

Five-Year Employment Statistics						
Persons Employed by Industry						
	2006	2007	2008	2009	2010	% Change '06 to '10
<b>GOVERNMENT</b>						
Federal	2,179	2,170	2,190	2,231	2,353	8.0%
State	388	386	391	391	400	3.1%
Local	6,076	6,338	6,592	6,594	6,591	8.5%
Subtotal	8,643	8,894	9,173	9,216	9,344	8.1%
<b>INDUSTRY</b>						
Services, Transportation, Communication & Utilities	27,791	27,738	27,507	26,755	27,109	-2.5%
Construction	4,240	4,411	4,468	3,630	3,129	-26.2%
Manufacturing	1,166	1,090	856	797	750	-35.7%
Other	130	115	109	87	87	-33.1%
Subtotal	33,327	33,354	32,940	31,269	31,075	-6.8%
<b>Total</b>	<b>41,970</b>	<b>42,248</b>	<b>42,113</b>	<b>40,485</b>	<b>40,419</b>	<b>-3.7%</b>

The County's unemployment rates have remained lower than that of the nation, the state and most other neighboring counties within the region.

Average Annual Unemployment Rate					
	2006	2007	2008	2009	2010
Calvert County	3.1%	2.9%	3.6%	5.9%	6.1%
<b>Charles County</b>	<b>3.1</b>	<b>3.0</b>	<b>3.7</b>	<b>5.9</b>	<b>6.1</b>
Frederick County	3.1	3.0	3.6	6.1	6.5
Montgomery County	2.8	2.7	3.2	5.2	5.5
Prince George's County	4.1	3.9	4.5	7.1	7.4
St. Mary's County	3.3	3.1	3.7	5.7	6.2
State of Maryland	3.8	3.6	4.3	7.1	7.5
United States	4.6	4.6	5.8	9.3	9.6

Charles County has experienced continued increased in population each year. The Census of 1990 showed the County's population at 101,154. The 2000 Census put the County's population at 121,204. The Census of 2010 puts the County's population at 146,551. The increase from 1990 to 2010 is 44.9%. It is expected that population growth within the County will continue at a steady but moderate rate.



**Relevant Financial Policies.** The County Commissioners have formalized several financial policies to address their long and short term concerns. Several of these are as follows:

1. Review and approve five-year comprehensive plans for operating and capital budgets for all major funds. By establishing long range plans, the County measures the fiscal impact of today's decisions on tomorrow's outcomes.

2. An annual review of all programs that operate on an enterprise fund basis is prepared to ensure that the revenues for such programs continue in a self-supporting nature. By doing so, the Commissioners relieve the pressure of funding such programs on the general taxpayer. Major programs include Solid Waste, Water & Sewer, Recreation, Developer Inspection & Review, and the Golf Course Operation.
3. Regular reports are prepared for most major operations comparing year-to-date activity and year-end estimates with budget and prior year actual results. The review alerts the Board of County Commissioners to any financial problems that may require action, or operating surpluses that could be reinvested for program improvements.
4. When needed, the County will advance the State of Maryland's share for school construction to provide adequate classroom space, only when assurances are given by the State that the County will be reimbursed. All advanced projects have been reimbursed by the State.
5. Established a Fund Balance policy on March 9, 2010:
  - a. This policy will ensure the County maintains a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unexpected one-time expenditures.
  - b. The policy will be reviewed on an annual basis during the budget process.
  - c. The fund balance range for the General Fund shall not be less than 8% and not more than 15% of the total budgeted operating revenues of the General Fund budget.
  - d. The fund balance of the Water and Sewer Operating Budget shall not be less than 30 days and not more than 120 days of the total budgeted operating expenses of the Utilities Operating Fund.
  - e. A surplus of 15% of the General Fund shall be transferred to cover shortfalls within Special Revenue Funds. Water and Sewer surplus shall be reserved for one-time capital needs. Surplus funds can be utilized to reduce or avoid debt, applied to capital outlay purchases, or stabilize taxes, rates and fees.
  - f. A shortfall is to be rebuilt through the following mechanisms: distribution of surplus from other related funds or appropriation during the next three annual budget cycles of at least 20% of the shortfall. If this is financially unfeasible, a written plan shall be forwarded by the County Administrator to the Board of Commissioners for approval to restore the required range. This plan may require reduction of services, increased taxes, fees or rates.
6. Established a Debt policy on September 22, 2009:
  - a. Authority to Issue Debt – The County may only issue general obligation bonds under the authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County may also authorize the issuance of general obligation bonds by a public local law enacted by the County Commissioners. The County may issue economic development revenue bonds under State law which provides that such bonds shall not constitute indebtedness or charge against the general credit of taxing power of the County. The County may issue bonds necessary to finance the cost

incurred to construct new capacity for public schools. The County may issue general obligation bonds to finance water systems, sewerage systems, solid waste disposal systems and solid waste acceptance systems.

- b. Debt Issue Guidelines – Long-term borrowing will not be used to finance current operations. All debt issued will be repaid within a period not to exceed the useful life of the asset. General Fund debt service payments levels will be maintained not to exceed 8% of operating revenues. The County will seek to maintain and, if possible, improve current bond rating in order to minimize borrowing costs.
- c. Debt Capacity – The five-year financial plan will help determine the amount of debt that can be issued while maintaining an 8% debt service ratio.

**Long-term Financial Planning.** The County implements five-year financial forecast models for all major funds to aid with both operating and capital budget plans. Our financial models have the ability to adjust current and future revenues to fulfill the desired service level requirements. The outcome of compiling financial plans is to determine the amount of additional debt that the County can issue over a five-year period in order to make fiscally sound management decisions as it relates to future infrastructure.

In 2011, the County issued bonds in the amount of \$57.8 million (\$53.8 million for general obligation and \$4 million in taxable bonds). These funds, along with other sources, financed certain public buildings, facilities, and grounds in the County and to refund certain outstanding County bonds. Significant projects include: renovations to Board of Education facilities (\$3.4 million); construction of a new High School (\$15.5 million); renovations and additions to College of Southern Maryland facilities (\$1.2 million); improvements to other various general government facilities including construction of a New Library (\$5.5 million); continuation of Western Parkway, reconstruction of Middletown Road and Acton Lane, Road Overlay program, and various road upgrades (\$7.1 million); various park projects (\$265 thousand); stormwater retrofit projects (\$1.4 million); and water and sewer projects, including implementing an automation and technology plan (\$1.5 million).

The County's debt service levels have remained well below the legal debt margin for the past five years as a direct result of the extensive financial planning that is conducted from both a capital and operating budget perspective. The Commissioner's target debt ceiling limit of 8% provides a sturdy framework from which to make long-term financial decisions.

**Major Initiatives.** The County's Fiscal Year 2012 budget reflects long-range goals of achieving many goals set forth to improve the overall quality of life in Charles County. The following are those objectives:

- Improve economic development to achieve a balance in commercial, industrial and residential growth as measured by the assessable tax base, per capita income and average County wages (as measured against the metropolitan area) and other appropriate benchmarks through close coordination with the Economic Development Executive Board through innovative business retention, expansion and location policies; promoting a favorable regulatory climate for business; and maintaining a

thriving business climate and high quality of life where citizens can live, work and prosper in Charles County.

- Enhance the County's infrastructure through funding an aggressive, yet affordable, Capital Improvement Program (CIP) for those functions which are a government responsibility; increase the carrying capacity of the CIP through maintaining levies on new growth and construction projects in-house where feasible; and facilitate wholly, or partially/privately constructed and financed infrastructure, whenever advantageous.
- Improve the effectiveness and efficiency of the government through utilization of productivity enhancing technology, equipment and incentives; maintain a well-trained, highly motivated, fairly compensated, diverse workforce in a safe and orderly environment. The County values fiscal responsibility, the highest ethical standards and excellent standards in conducting County business.
- Achieve a prosperous, aesthetically pleasing County, with safe and healthy communities and a balanced economic base, where our heritage, rural character and legacy are also respected and protected through citizen involvement in the planning process, relevant land use plans and policies and conformance to smart growth principles to assure a high quality of life.
- Through a mutually cooperative and supportive relationship between the Board of Education and County Commissioners, provide the financial resources and public facilities, and establish benchmarks for academic achievement, within a safe, orderly and healthy environment for all students and personnel.
- Maintain a high level of public safety and health in the County, as evidenced by crime rates, response times and security measures to thwart or combat terrorism and bio-terrorism, by providing the financial resources, emergency planning and support for law enforcement, fire and EMS, and public health functions, respectively.
- The County values a Smart Growth approach to our community development needs. We recognize that it is imperative to respect and preserve Mother Earth in every decision made. We must be ever mindful of the environment and protect its beauty.

In summary, the Fiscal Year 2012 economic outlook for the County is stable. Property tax revenues continue to increase as the tax liability continues to move towards the assessment value. The homeowner tax credit has assisted in a slower but constant growth pattern despite fluctuations in the housing market. Local income tax continues to increase although at a much slower rate due to the economic recession.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Charles County, Maryland for its comprehensive annual financial report for the year ended June 30, 2010. This is the ninth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

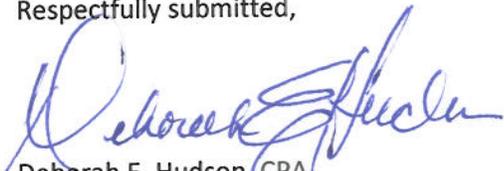
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the dedicated services of the staff of the Department of Fiscal & Administrative Services, Accounting Division. Special recognition is given to Jacqueline Garland, Senior Accountant, for her coordination and management of the preparation of these statements. Each member of the Department of Fiscal & Administrative Services, as well as members of other Departments who assisted and contributed information, has our sincere appreciation for their efforts.

The County has also received the Government Finance Officers Association (GFOA) Award for Distinguished Budget Presentation for its annual appropriated budget dated July 1, 2010 to June 30, 2011. This is the sixteenth year in a row in which the award has been received by the County. In order to qualify for the Distinguished Budget Award, the County must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication medium.

We would also like to thank the County Commissioners for their leadership role and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Deborah E. Hudson, CPA  
Director of Fiscal & Administrative Services



William G. DeAtley  
Chief of Accounting

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Charles County Government  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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



*Linda C. Danison*

President

*Jeffrey R. Enen*

Executive Director

**CHARLES COUNTY, MARYLAND  
GOVERNMENTAL ORGANIZATION  
CERTAIN ELECTED AND APPOINTED OFFICIALS**

**CERTAIN ELECTED OFFICIALS**

President, County Commissioners  
County Commissioners

Candice Quinn-Kelly  
Reuben B. Collins, II, Esq.  
Ken Robinson  
Debra M. Davis, Esq.  
Bobby Rucci

County Sheriff

Rex W. Coffey

**CERTAIN ADMINISTRATIVE OFFICIALS**

County Administrator  
County Attorney  
Director of Fiscal & Administrative Services  
Director of Planning & Growth Management  
Director of Emergency Services  
Director of Public Works  
Director of Community Services  
Director of Human Resources

Rebecca B. Bridgett, Ed.D  
Barbara Holtz, Esq.  
Deborah E. Hudson, CPA  
Peter Aluotto  
William D. Stephens  
William A. Shreve, Sr.  
Eileen Minnick  
Stephen A. Brayman

**Independent Auditor**

Clifton Gunderson LLP  
9515 Deereco Road  
Timonium, MD 21093

**Bond Counsel**

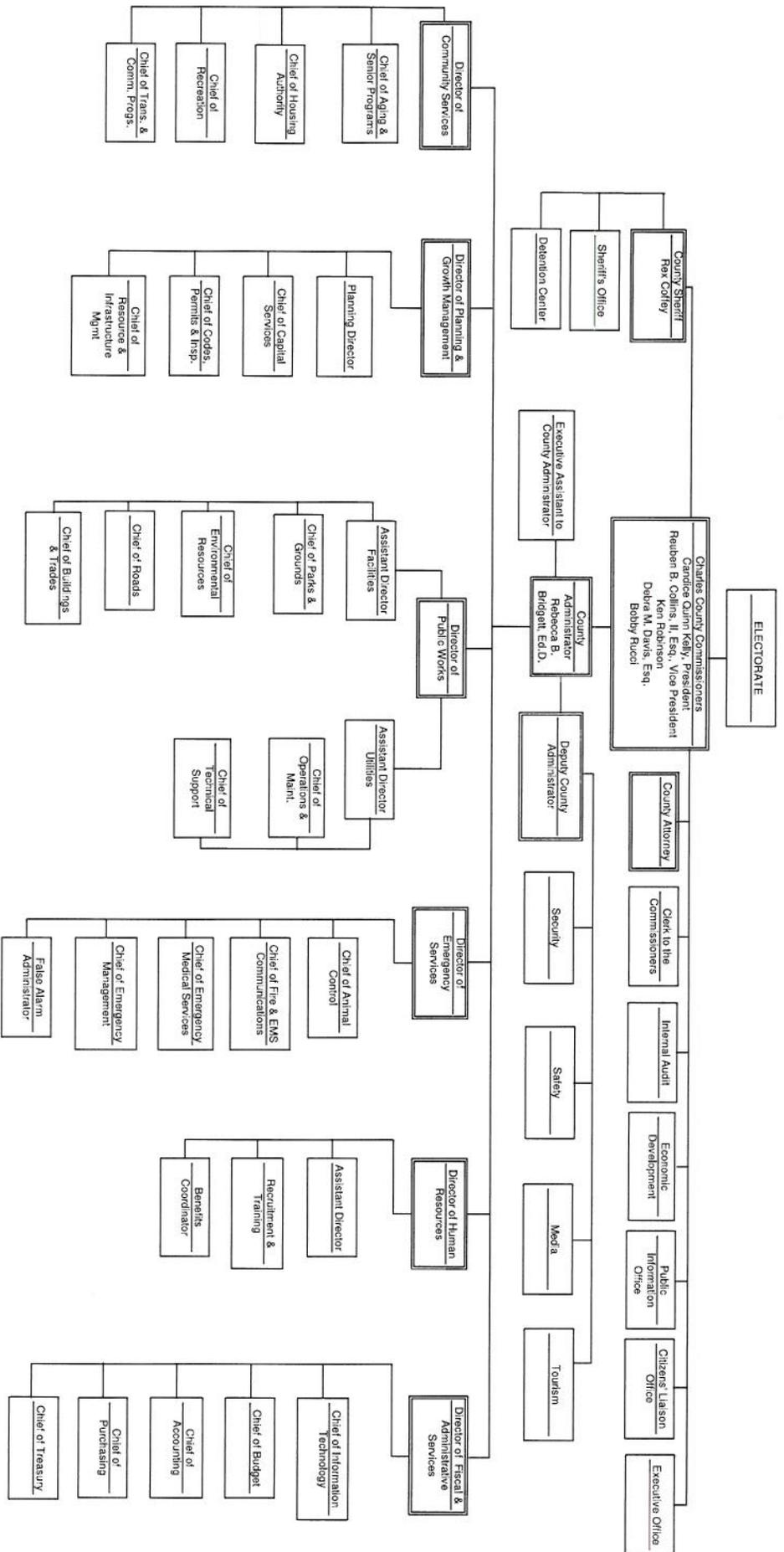
McGuire Woods LLP  
7 Saint Paul Street, Suite 100  
Baltimore, MD 21201

**Financial Advisor**

Davenport & Company LLC  
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Towson, MD 21286



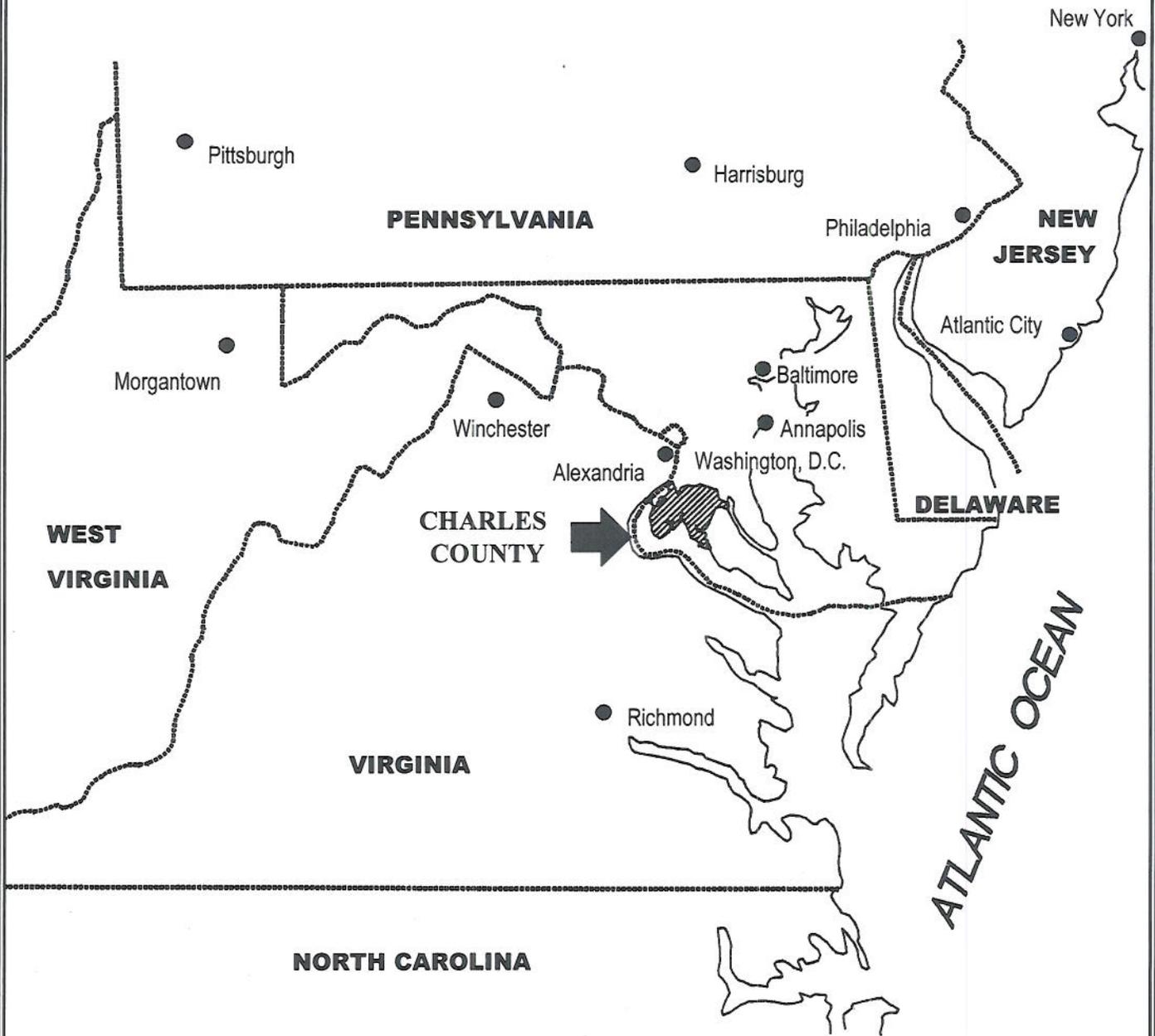
# Charles County Government FY12 Organization Chart



Charles County Government  
200 Baltimore St., P. O. Box 2150  
La Plata, MD 20646

301-645-0550 • 301-870-3000 • 711 (MD Relay Service) • 1-800-735-2258 (Relay Service TDD)  
Equal Opportunity

# ***CHARLES COUNTY LOCATION MAP***



Prepared by the Charles County Department  
Of Planning and Growth Management - Mapping

# **Charles County Government**

## **Our Mission**

The mission of the Charles County Government is to provide our citizens the highest quality of service possible in a timely, efficient, and courteous manner. To achieve this goal, our government must be operated in an open and accessible atmosphere, be based on comprehensive long and short term planning, and have an appropriate managerial organization tempered by fiscal responsibility.

## **Our Vision**

Charles County is a place where: Private initiative is rewarded and businesses grow and prosper, while the preservation of our heritage is paramount; government services have reached the highest level of excellence; the quality of life is felt by its citizens to be the best in the region; and its government is recognized as a leader in support of these expectations.

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# Financial Section

## 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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Library Trustees for Charles County, Maryland, a discretely presented component unit, which represent .29 percent of the assets, (.33) percent of the net assets, and 1.08 percent of the revenues of the aggregate discretely presented components units. 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 auditor.

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 auditor, 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, 2011, 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 October 31, 2011, 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 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 accompanying supplementary information such as the introductory section, combining and individual fund statements and schedules, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Henderson LLP*

Calverton, Maryland  
October 31, 2011

## 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, 2011. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 21), and the accompanying notes to those financial statements (beginning on page 38).

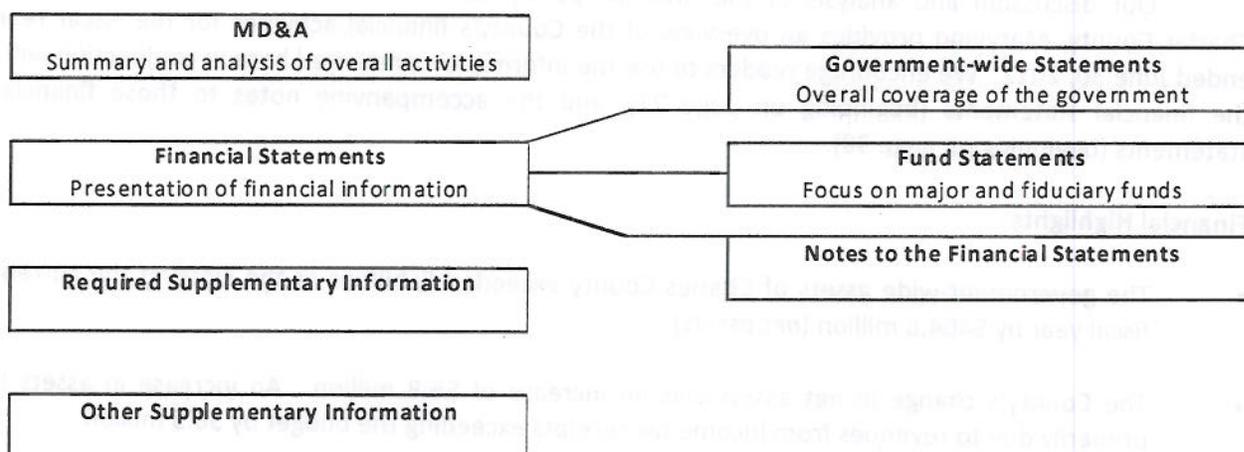
### Financial Highlights

- The government-wide assets of Charles County exceeded liabilities at the close of the current fiscal year by \$404.6 million (*net assets*).
- The County's change in net assets was an increase of \$6.8 million. An increase in assets is primarily due to revenues from income tax receipts exceeding the budget by \$6.3 million.
- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balances of \$86.8 million, an increase of \$19.4 million from the prior year. Approximately 2% of this total amount is classified as Non-spendable fund balance, or \$1.8 million. The majority of the total is classified as Restricted, Committed or Assigned fund balance, or \$36.5 million. The remaining portion of fund balance available for spending at the government's discretion is Unassigned fund balance of \$2 million.
- Unassigned fund balance for the General Fund was \$2 million or less than 1% of General Fund expenditures at June 30, 2011. The County's revenue policy sets a goal to establish fund balance at a minimum of 8% of operating revenues. For FY2011, \$23.8 million, or 8% of fund balance is classified as Committed Fund Balance-Policy Target of the total \$40.3 million.
- The County maintains a long-term financial plan that calls for the reinvestment of fund balance over the course of the next five years of approximately \$5 million to fund capital projects, another \$4 million to fund debt service associated with new schools, and \$3 million to stabilize future health care costs.

### 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 these 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 21-23 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 state and other 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 much narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the 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-four 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 twenty-one 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, some recreational programs including the golf course operations, vending and inspection 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 and Solid Waste Fund, which are considered major

funds of the County. The remaining four 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 28-31 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 or private-purpose trusts. The three trust funds maintained by the County are the Sheriff's Office Retirement Plan, the County Employees Retirement Plan, and the Other Post Employment Benefit (OPEB) Trust plan. The single agency fund that the County maintains is the Volunteer Emergency Services Length Of Services Awards Program (LOSAP) plan. The fiduciary fund financial statements can be found on pages 32-33 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 40-99 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 102 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 non-major 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 non-major proprietary funds. These reports can be found on pages 114-117 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 \$404.6 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, \$404 million (99%), 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 (6%) represents resources that are subject to external restrictions on how they may be used.

**Net Assets**  
**June 30, 2011 and 2010**  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 219,562	\$ 190,713	\$ 33,833	\$ 40,875	\$ 253,395	\$ 231,588
Capital assets, net of depreciation	445,807	444,011	191,330	186,057	637,137	630,068
Total assets	<u>665,369</u>	<u>634,724</u>	<u>225,163</u>	<u>226,932</u>	<u>890,532</u>	<u>861,656</u>
Non-current liabilities	322,921	308,164	95,846	98,038	418,767	401,202
Other liabilities	61,065	58,127	6,060	4,490	67,125	62,617
Total liabilities	<u>383,986</u>	<u>366,291</u>	<u>101,906</u>	<u>102,528</u>	<u>485,892</u>	<u>463,819</u>
Net assets:						
Invested in capital assets, net of related debt	299,008	286,448	108,355	101,484	407,363	387,932
Restricted net assets	25,906	21,247	0	0	25,906	21,247
Unrestricted net assets	<u>(43,531)</u>	<u>(34,262)</u>	<u>14,902</u>	<u>22,920</u>	<u>(28,629)</u>	<u>(11,342)</u>
Total net assets	<u>\$ 281,383</u>	<u>\$ 273,433</u>	<u>\$ 123,257</u>	<u>\$ 124,404</u>	<u>\$ 404,640</u>	<u>\$ 397,837</u>

Changes in Net Assets  
Years ended June 30, 2011 and 2010  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Program revenues:						
Charges for services	\$ 16,996	\$ 14,958	\$ 41,423	\$ 38,787	\$ 58,419	\$ 53,745
Operating grants	20,481	31,458	0	0	20,481	31,458
Capital grants	3,802	3,632	1,011	1,040	4,813	4,672
General revenues:					0	0
Property taxes	193,940	190,132	0	0	193,940	190,132
Other taxes	116,051	101,640	0	0	116,051	101,640
Other	7,274	9,593	465	453	7,739	10,046
Total revenues	<u>358,544</u>	<u>351,413</u>	<u>42,899</u>	<u>40,280</u>	<u>401,443</u>	<u>391,698</u>
Program expenses:						
General government	13,249	11,606	0	0	13,249	11,606
Public safety	92,757	92,357	0	0	92,757	92,357
Education	171,972	172,482	0	0	171,972	172,482
Judicial	5,524	9,590	0	0	5,524	9,590
Health	5,581	9,229	0	0	5,581	9,229
Social services	1,888	1,834	0	0	1,888	1,834
Community services	21,023	20,240	0	0	21,023	20,240
Economic development	619	1,281	0	0	619	1,281
Public facilities	31,111	16,647	0	0	31,111	16,647
Water and sewer	0	0	30,073	25,146	30,073	25,146
Solid Waste	0	0	3,515	3,577	3,515	3,577
Other	7,081	18,581	10,247	10,725	17,328	29,306
Total expenses	<u>350,805</u>	<u>353,847</u>	<u>43,835</u>	<u>39,448</u>	<u>394,640</u>	<u>393,295</u>
Excess(deficit) before transfers	7,739	(2,434)	(936)	832	6,803	(1,602)
Net transfers	211	530	(211)	(530)	0	0
Change in net assets	<u>7,950</u>	<u>(1,904)</u>	<u>(1,147)</u>	<u>302</u>	<u>6,803</u>	<u>(1,602)</u>
Net assets - beginning of year	273,433	275,337	124,404	124,102	397,837	399,439
Net assets - end of year	<u>\$ 281,383</u>	<u>\$ 273,433</u>	<u>\$ 123,257</u>	<u>\$ 124,404</u>	<u>\$ 404,640</u>	<u>\$ 397,837</u>

Overall, the financial position of Charles County improved slightly by 1.7% compared to FY2010. As shown on the table on page 8, total revenues increased from \$398 million in FY2010 to \$405 million in FY2011. Property and other taxes increased by \$18 million. The tax increases were partially offset by a reduction in operating grants of \$11 million. Program expenses increased from \$393 million in FY2010 to \$395 million in FY2011.

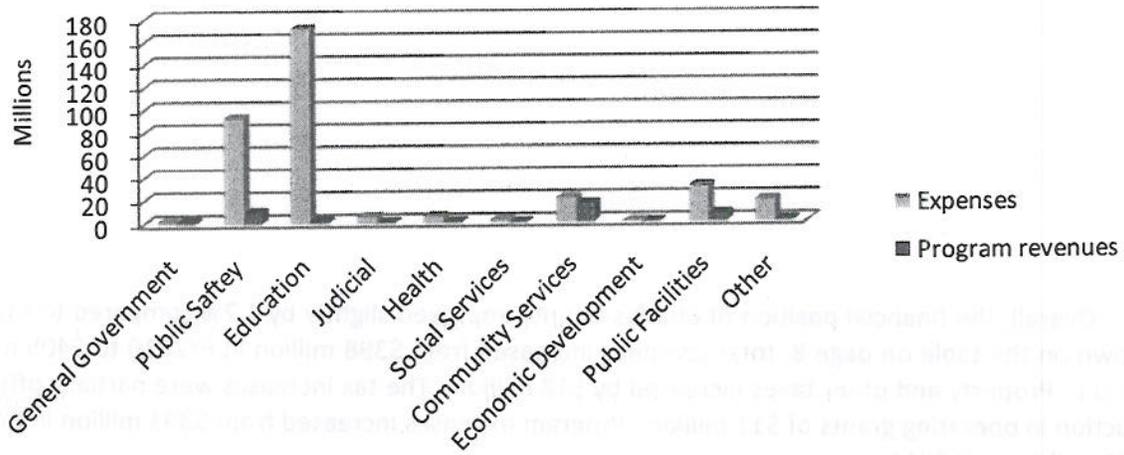
**Governmental activities.** To aid in the understanding of the Statement of Activities (pg 18-19), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported 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.

An increase in net assets of \$6.8 million was experienced when all funds are combined, as indicated on page 19. Total expenditures of \$394.6 million were partially offset by program related service fees, grants, and other contributions of nearly \$83.7 million. The remaining \$310.9 million in expenditures were funded through non-program revenue sources, primarily property and income taxes.

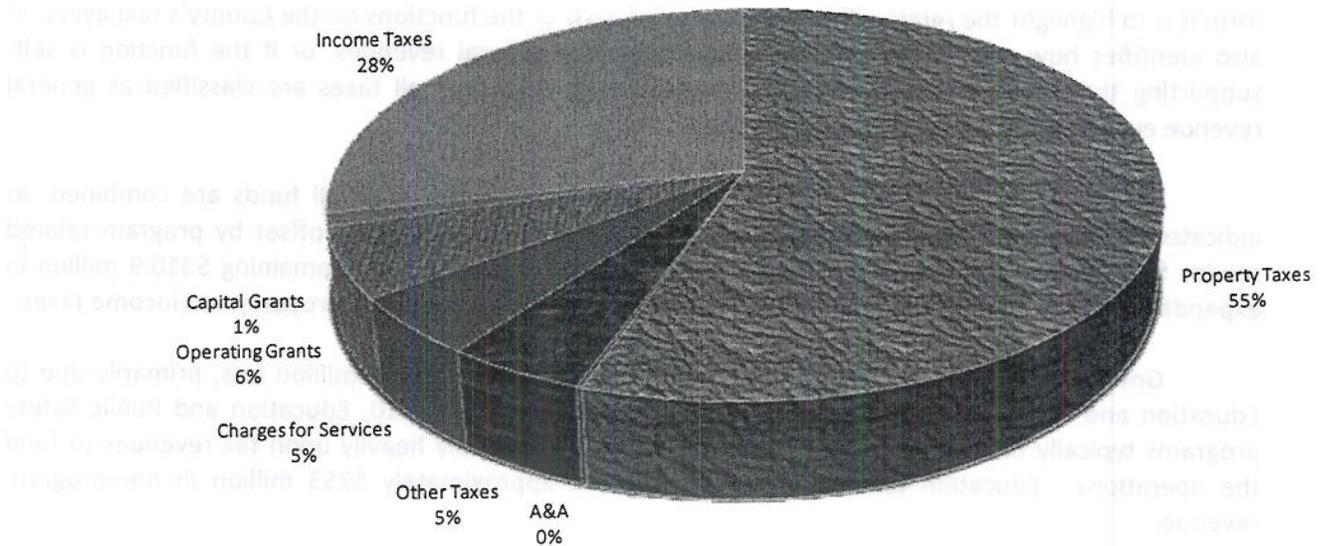
Governmental-type activities, as expected, operated at a \$309.5 million loss, primarily due to Education and Public Safety. As depicted in the bar chart on page 10, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately \$253 million in non-program revenue.

The County operates many programs on a fee for service basis (business-type activities) in order to help keep the burden on the taxpayer down. Business-type activities account for \$43.8 million of the total \$394.6 million expended, or approximately 11% of the total, and finished the fiscal year with an operating loss of \$1.1 million. Of that operating loss, \$2.7 million was sustained in the Water & Sewer Fund as a result of incurring expenditures for various capital project plans and studies.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2011)



General Governmental Revenues by Source - Governmental Activities (Year Ended June 30, 2011)

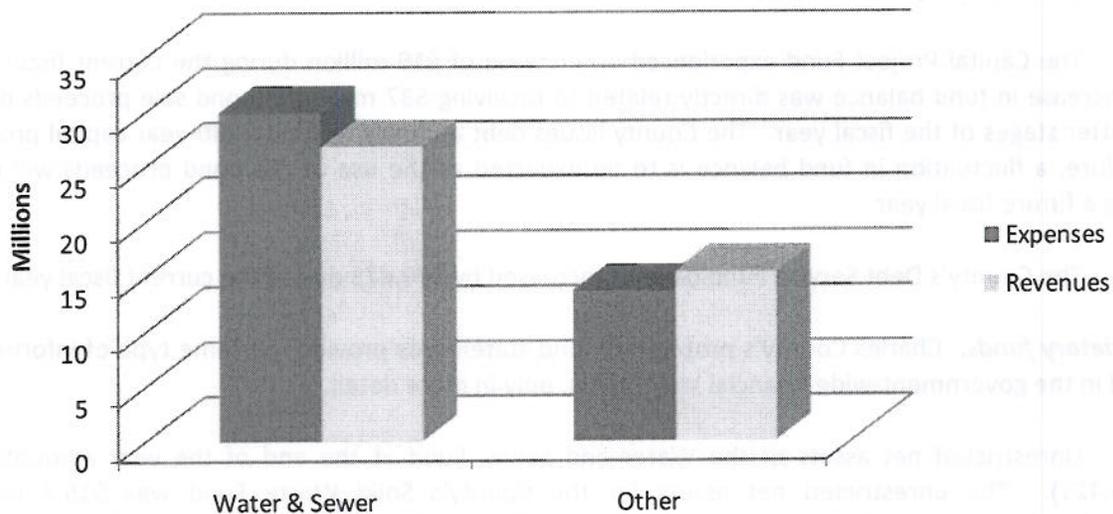


**Business-type activities.** The Water and Sewer Fund is considered a major fund for reporting purposes. For Fiscal Year 2011, the user fee rate structure was adjusted to a tiered method. This resulted in a rate decrease for the average residential customer who consumes less than 18,000 gallons per quarter. Customers consuming more than 18,000 gallons will be charged a higher rate on the excess usage. The residential rate for water is \$2.62 for the first 18,000 gallons, \$5.24 from 18,001 to 24,000 gallons, and \$7.87 for 24,000 and above. The residential sewer rate is \$5.70 and is capped at 24,000 gallons. The commercial/multi-family rate for water is \$3.37 and sewer is \$5.70 per 1,000 gallons.

The Solid Waste Fund is considered a major fund for reporting purposes. 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 unchanged compared to FY2010. 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 \$74 assessed on each improved property in the County. This was unchanged compared to FY2010. Additional revenue is generated from the sale of recyclable materials.

The Board of County Commissioners is 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.



## 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 \$86.8 million, an increase of \$19.4 million in comparison with the prior year. The general fund decreased \$800,872 and the capital projects fund increased \$19 million for the fiscal year. The debt service and special revenue funds increased \$70,473 and \$1.1 million respectively. The County's governmental fund balances at June 30, 2011 includes General Fund reserves of \$1.5 million for inventory, \$37.5 million for various other reserves, Capital Project reserves of \$38.5 million with the balance of \$8 million reserved in debt service and special revenue funds as indicated on page 70. The governmental fund balances of the County that are designated and the largest components include (1) \$3 million for health insurance, (2) \$44 million for infrastructure, and (3) \$23 million as the policy target for bond rating. The un-assigned fund balance for the County at year end was \$2 million. This amount can be used for non-recurring items, emergencies or to offset potential State budget cuts in FY12 and beyond.

The General Fund is the chief operating fund of the Charles County Government. At the end of the current fiscal year, non-spendable and restricted fund balance was \$2.5 million, the committed fund balance, including the policy target of 8% of the operating revenues, was \$27 million, the assigned fund balance for specific purposes was \$8.8 million, and the un-assigned fund balance was \$2 million for a total fund balance of \$40.3 million.

The Capital Project Fund experienced an increase of \$19 million during the current fiscal year. The increase in fund balance was directly related to receiving \$37 million in bond sale proceeds during the latter stages of the fiscal year. The County issues debt annually to fund multi-year capital projects, therefore, a fluctuation in fund balance is to be expected as the use of the bond proceeds will occur during a future fiscal year.

The County's Debt Service Fund balance increased by \$70,473 during the current fiscal year.

**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 (\$390,421). The unrestricted net assets for the County's Solid Waste Fund was \$15.7 million. Unrestricted net assets of all proprietary funds were \$14.9 million. There was a total decrease in net assets for all proprietary funds in the amount of \$1.1 million. 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 FY2011 General Fund Operating Budget was adopted at \$305 million. Budget amendments approved during the year equaled \$2.4 million increasing the budget to an amended total of nearly \$308 million. The Budget provided funds to the local Board of Education sufficient to meet the State mandated "Maintenance-of-Effort". Appropriations also included nearly \$1 million to fund additional snow removal cost and \$3.5 million to subsidize a revenue shortfall associated with new school construction debt.

The FY2011 Operating Budget was adopted and maintained at a level that was flat to the FY2010 Budget. Revenues and other resources continued to be limited due to the economy and housing market. The bright spot in the budget was the expenditure budget savings of \$5 million combined with a one-time revenue source of \$3 million which offset the need to use Fund Balance budgeted at \$8.5 million. As a result, a decrease of approximately \$800,000 was experienced instead of \$8.5 million.

## 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, 2011, amounts to \$637.1 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 1% (a 1% increase for governmental activities and a 1% increase for business-type activities).

**Capital Assets**  
(net of depreciation)  
June 30, 2011 and 2010  
(amounts are presented in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land (not depreciated)	\$ 58,360	\$ 53,576	\$ 2,174	\$ 2,174	\$ 60,534	\$ 55,750
Construction in progress (not depreciated)	106,358	133,785	44,297	40,618	150,655	174,403
Land improvements	7,450	6,867	9,272	4,649	16,722	11,516
Infrastructure	156,478	148,805	95,816	96,704	252,294	245,509
Buildings and improvements	91,071	71,852	9,881	10,346	100,952	82,198
Machinery and equipment	21,331	23,628	29,325	30,752	50,656	54,380
Vehicles	4,759	5,498	565	814	5,324	6,312
<b>Total</b>	<b>445,807</b>	<b>444,011</b>	<b>191,330</b>	<b>186,057</b>	<b>637,137</b>	<b>630,068</b>

Additional information on the County's capital assets can be found in Note 3 on pages 56-58 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had notes and bonds outstanding of \$336 million, which are backed by the full faith and credit of the County.

**Outstanding Debt**  
**General Obligation Bonds and Notes Payable**  
**June 30, 2011 and 2010**  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 260,527	\$ 248,379	\$ 63,488	\$ 66,021	\$ 324,015	\$ 314,400
Notes payable	616	1,148	11,399	12,222	12,015	13,370
Total	<u>261,143</u>	<u>249,527</u>	<u>74,887</u>	<u>78,243</u>	<u>336,030</u>	<u>327,770</u>

The County's total debt during the current fiscal year increased by \$8.3 million. The issuance of bonds at favorable interest rates combined with the County's strategic long term financial policy of primary 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 \$57 million of general obligation bonds, of which \$4 million was Taxable Bonds. The bond issue included \$39.8 million in new money to finance various capital projects and nearly \$18 million in bonds to refund existing debt related to former Road Bonds. The FY2012 budget was balanced in part by replacing former 15-year term Road Bonds with 20-year term Road Bonds which lowered the annual debt service payments.

The County continues to maintain an "AA" rating from Standard & Poor's, and an "AAA" from Fitch Investors Service. According to the press release issued by Fitch, the rating reflects the County's strong and expanding tax base, sustained growth, robust local wealth and employment levels. Charles County maintains a "Aa2" rating from Moody's Investors Service. All three ratings led to a historically low interest rate for Charles County's bond sale in June 2011.

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 \$100,891,100 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 \$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 64-68 of this report.

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

- The FY2012 General Fund Budget was adopted at \$307,623,600, representing a 1% increase compared to FY2011.
- In FY2012, the County's largest revenue source, Property Tax, was budgeted at \$190 million, representing an increase of 2.2% compared to the FY2011 Adjusted Budget. The second largest revenue source, Income Tax, was adopted at \$89 million, a 3.6% increase compared to the FY2011 Adjusted Budget. Other revenues combined are budgeted \$600,000 below the FY2011 budget level with the exception of transfers from other funds. Transfers are \$3.8 million less than FY2011 reflecting the one-time specific nature of these funding sources.
- Overall property tax revenue for both commercial and residential assessments was budgeted to increase by 2.2% despite lower property values. In an effort to offset decreasing assessments, the tax rate was adopted at the "Constant Yield Tax Rate". This term is used to reflect the tax rate that would need to be adopted to generate the same amount of revenue in the coming fiscal year. The tax rate for the constant yield equaled a 4% increase, consequently, property tax revenue increased by approximately \$4.1 million.
- Income tax revenue was budgeted 3.6% more than FY2011 due to better than expected results from FY2010 and FY2011. The local tax rate remained the same.
- Expense budgets increased in total by 1% compared to the FY2011 Budget. As in FY2011, the County met the State mandated funding requirement for the public school education system known as the "Maintenance of Effort", which essentially provides the same level of funding from the prior year adjusted for student enrollment growth. The largest increase in expenditures is \$2.4 million for the Sheriff's Office to keep pace with payroll salary scale changes and pension contributions.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2012.

## 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)

# **Basic Financial Statements**

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 20,850,741	\$ 929,749	\$ 21,780,490	\$ 45,152,022
Short-term investments	56,239,499	0	56,239,499	309,871
Other receivables	79,040,440	8,898,372	87,938,812	8,176,278
Notes receivable	0	255,070	255,070	0
Excise tax receivable	35,758,479	0	35,758,479	0
Taxes receivable	2,716,488	0	2,716,488	0
Internal balances	(23,065,527)	23,065,527	0	0
Inventory	1,537,974	525,877	2,063,851	839,675
Other current assets	278,190	55,034	333,224	7,955,739
Restricted assets	46,205,436	103,823	46,309,259	0
Capital assets, net of accumulated depreciation:				
Land	58,360,178	2,174,186	60,534,364	16,849,701
Construction in progress	106,357,896	44,296,684	150,654,580	14,081,454
Land improvements	7,449,405	9,271,858	16,721,263	2,436,223
Infrastructure	156,478,601	95,815,253	252,293,854	0
Buildings and improvements	91,071,221	9,881,399	100,952,620	228,448,446
Machinery and equipment	21,331,033	29,325,476	50,656,509	7,585,805
Vehicles	4,758,788	565,245	5,324,033	0
Total assets	<u>665,368,842</u>	<u>225,163,552</u>	<u>890,532,394</u>	<u>331,835,214</u>
<b>LIABILITIES:</b>				
Accounts payable	6,279,757	3,446,732	9,726,489	9,179,976
Accrued expenses	3,838,243	1,220,188	5,058,431	23,566,412
Unearned revenue	39,721,907	313,254	40,035,161	8,291,398
Other liabilities	11,224,325	1,080,588	12,304,913	131,533
Noncurrent liabilities:				
Due within one year	27,581,130	7,270,476	34,851,606	930,000
Due in more than one year	295,340,425	88,575,519	383,915,944	82,127,154
Total liabilities	<u>383,985,787</u>	<u>101,906,757</u>	<u>485,892,544</u>	<u>124,226,473</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	299,008,922	108,354,734	407,363,656	269,401,629
Restricted for:				
Capital projects	17,963,717	0	17,963,717	0
Public housing	3,420,519	0	3,420,519	0
Public safety	965,683	0	965,683	0
Other purposes	3,555,540	0	3,555,540	0
Unrestricted	(43,531,325)	14,902,061	(28,629,264)	(61,792,888)
Total net assets	<u>\$ 281,383,056</u>	<u>\$ 123,256,795</u>	<u>\$ 404,639,851</u>	<u>\$ 207,608,741</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Legislative	\$ 1,440,487	\$ 0	\$ 0	\$ 0
Judicial	5,523,977	54,133	814,610	0
Law	1,225,112	0	0	0
General government	1,762,747	1,708,149	481,636	0
Elections	1,004,415	0	0	0
Public safety	92,757,414	6,005,879	3,678,275	51,332
Planning and growth management	2,842,458	1,435,941	191,395	0
Health	5,580,675	256,361	1,019,715	0
Social services	1,888,397	0	0	0
Community services	21,022,903	1,978,318	14,208,416	8,541
Public facilities	31,111,042	3,178,265	0	3,742,298
Economic development	618,852	0	86,600	0
Education	171,972,269	2,379,379	0	0
Conservation of natural resources	568,366	0	0	0
Interest expense on long term debt	11,485,900	0	0	0
<b>Total governmental activities</b>	<b>350,805,014</b>	<b>16,996,425</b>	<b>20,480,647</b>	<b>3,802,171</b>
Business-type activities:				
Water and sewer	30,073,573	26,011,549	0	944,907
Inspection and review	3,104,577	2,554,054	0	0
Recreation	3,635,017	3,396,116	0	66,554
Solid waste	3,515,373	5,450,318	0	0
Environmental services	3,403,209	3,858,445	0	0
Vending machines	105,366	152,372	0	0
<b>Total business-type activities</b>	<b>43,837,115</b>	<b>41,422,854</b>	<b>0</b>	<b>1,011,461</b>
<b>Total primary government</b>	<b>\$ 394,642,129</b>	<b>\$ 58,419,279</b>	<b>\$ 20,480,647</b>	<b>\$ 4,813,632</b>
<b>COMPONENT UNITS:</b>				
Board of Education of Charles County, Maryland	370,045,161	6,745,283	88,976,479	12,603,401
Board of Library Trustees for Charles County	4,359,072	157,383	24,960	0
<b>Total component units</b>	<b>\$ 374,404,233</b>	<b>\$ 6,902,666</b>	<b>\$ 89,001,439</b>	<b>\$ 12,603,401</b>

General revenues:  
Taxes:  
Local property taxes  
Local taxes - Excise  
Local taxes - Admissions & Amusement  
Local taxes - Recordation  
Local taxes - Hotel/Motel  
Income taxes  
State shared  
County and state appropriations  
Other income  
Interest and investment earnings  
Net transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning of year  
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
\$ (1,440,487)	\$ 0	\$ (1,440,487)	\$ 0
(4,655,234)	0	(4,655,234)	0
(1,225,112)	0	(1,225,112)	0
427,038	0	427,038	0
(1,004,415)	0	(1,004,415)	0
(83,021,928)	0	(83,021,928)	0
(1,215,122)	0	(1,215,122)	0
(4,304,599)	0	(4,304,599)	0
(1,888,397)	0	(1,888,397)	0
(4,827,628)	0	(4,827,628)	0
(24,190,479)	0	(24,190,479)	0
(532,252)	0	(532,252)	0
(169,592,890)	0	(169,592,890)	0
(568,366)	0	(568,366)	0
(11,485,900)	0	(11,485,900)	0
<u>(309,525,771)</u>	<u>0</u>	<u>(309,525,771)</u>	<u>0</u>
0	(3,117,117)	(3,117,117)	0
0	(550,523)	(550,523)	0
0	(172,347)	(172,347)	0
0	1,934,945	1,934,945	0
0	455,236	455,236	0
0	47,006	47,006	0
<u>0</u>	<u>(1,402,800)</u>	<u>(1,402,800)</u>	<u>0</u>
<u>(309,525,771)</u>	<u>(1,402,800)</u>	<u>(310,928,571)</u>	<u>0</u>
0	0	0	(261,719,998)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,176,729)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(265,896,727)</u>
193,939,891	0	193,939,891	0
6,803,892	0	6,803,892	0
671,499	0	671,499	0
9,446,893	0	9,446,893	0
953,219	0	953,219	0
97,544,231	0	97,544,231	0
631,126	0	631,126	0
0	0	0	249,781,578
3,806,510	389,597	4,196,107	253,192
3,468,006	76,761	3,544,767	55,277
211,038	(211,038)	0	0
<u>317,476,305</u>	<u>255,320</u>	<u>317,731,625</u>	<u>250,090,047</u>
7,950,534	(1,147,480)	6,803,054	(15,806,680)
<u>273,432,522</u>	<u>124,404,275</u>	<u>397,836,797</u>	<u>223,415,421</u>
<u>\$ 281,383,056</u>	<u>\$ 123,256,795</u>	<u>\$ 404,639,851</u>	<u>\$ 207,608,741</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 17,653,219	\$ 0	\$ 0	\$ 3,197,522	\$ 20,850,741
Investments	56,239,499	0	0	0	56,239,499
Other receivables	74,117,583	1,696,167	110,690	3,116,000	79,040,440
Excise tax receivable	0	0	35,758,479	0	35,758,479
Taxes receivable	2,716,488	0	0	0	2,716,488
Due from other funds	0	42,305,976	0	7,417,976	49,723,952
Inventory	1,537,974	0	0	0	1,537,974
Other assets	278,190	0	0	0	278,190
Restricted assets	1,472,114	0	44,733,322	0	46,205,436
<b>Total assets</b>	<b>\$ 154,015,067</b>	<b>\$ 44,002,143</b>	<b>\$ 80,602,491</b>	<b>\$ 13,731,498</b>	<b>\$ 292,351,199</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Accounts payable	\$ 2,076,167	\$ 2,742,141	\$ 0	\$ 1,461,449	\$ 6,279,757
Accrued expenditures	3,248,099	0	0	0	3,248,099
Deferred revenue	27,509,952	2,707,870	80,257,628	1,455,914	111,931,364
Due to other funds	72,120,499	0	135,319	533,661	72,789,479
Other liabilities	7,203,935	0	0	2,548,276	9,752,211
Payable from restricted assets	1,472,114	0	0	0	1,472,114
<b>Total liabilities</b>	<b>113,630,766</b>	<b>5,450,011</b>	<b>80,392,947</b>	<b>5,999,300</b>	<b>205,473,024</b>
<b>Fund balances:</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Nonspendable fund balance	1,805,165	0	0	0	1,805,165
Restricted fund balance	699,770	20,588,415	209,544	77,534	21,575,263
Committed fund balance	27,022,596	0	0	0	27,022,596
Assigned fund balance	8,806,694	17,963,717	0	7,688,790	34,459,201
Unassigned fund balance	2,050,076	0	0	(34,126)	2,015,950
<b>Total fund balances (deficit)</b>	<b>40,384,301</b>	<b>38,552,132</b>	<b>209,544</b>	<b>7,732,198</b>	<b>86,878,175</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 154,015,067</b>	<b>\$ 44,002,143</b>	<b>\$ 80,602,491</b>	<b>\$ 13,731,498</b>	<b>\$ 292,351,199</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, 2011

Total Governmental Fund Balance	\$	86,878,175
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		445,807,122
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		(260,526,767)
Loans and notes payable		(68,701)
Capital leases payable		(2,459,490)
Landfill closure costs		(546,869)
Health insurance claims		(589,159)
Net pension obligation		(383,800)
Net OPEB obligation		(39,354,228)
Unearned revenue		72,209,458
Unamortized deferred charges		(6,093,817)
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds		(13,488,868)
Net assets of Governmental Activities	\$	<u>281,383,056</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, 2011

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes - local property	\$ 181,734,631	\$ 0	\$ 0	\$ 12,205,260	\$ 193,939,891
Taxes - income	92,049,627	0	0	0	92,049,627
Taxes - Excise	0	0	6,803,892	0	6,803,892
Taxes - Admissions and Amusement	671,499	0	0	0	671,499
Taxes - Recordation	9,446,893	0	0	0	9,446,893
Taxes - Hotel/Motel	953,219	0	0	0	953,219
Taxes - state shared	631,126	0	0	0	631,126
Charges for services	7,114,271	1,090,987	0	5,101,354	13,306,612
Intergovernmental	1,863,269	3,995,425	0	18,442,301	24,300,995
Interest income	238,602	0	3,215,083	14,321	3,468,006
Other income	3,689,812	0	3,425,715	380,797	7,496,324
<b>Total revenues</b>	<b>298,392,949</b>	<b>5,086,412</b>	<b>13,444,690</b>	<b>36,144,033</b>	<b>353,068,084</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Education	156,619,582	5,966,648	0	954,613	163,540,843
Public safety	72,445,551	923,438	0	15,387,004	88,755,993
Other general government	17,653,994	222,628	0	0	17,876,622
Public facilities	16,650,348	15,103,313	0	0	31,753,661
Financial administration	7,794,237	0	0	0	7,794,237
Community services	3,311,300	65,054	0	17,900,167	21,276,521
Judicial	2,986,730	1,244,265	0	1,176,722	5,407,717
Planning and growth management	2,393,324	210,570	0	242,587	2,846,481
Health	3,125,159	235,813	0	1,191,941	4,552,913
Economic development	481,728	0	0	133,359	615,087
Social services	1,048,179	0	0	840,218	1,888,397
Legislative	1,309,966	0	0	4,545	1,314,511
Law	1,281,988	0	0	0	1,281,988
Conservation of natural resources	560,986	0	0	0	560,986
Elections	1,010,575	0	0	0	1,010,575
<b>Debt service:</b>					
Principal	0	0	11,543,633	0	11,543,633
Interest	7,501,344	0	3,984,556	0	11,485,900
<b>Total expenditures</b>	<b>296,174,991</b>	<b>23,971,729</b>	<b>15,528,189</b>	<b>37,831,156</b>	<b>373,506,065</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,217,957</b>	<b>(18,885,317)</b>	<b>(2,083,499)</b>	<b>(1,687,123)</b>	<b>(20,437,982)</b>
<b>Other financing sources (uses):</b>					
Issuance of debt	0	36,900,000	0	0	36,900,000
Premium on issuance of debt	3,214,979	0	0	0	3,214,979
Bond Proceeds from debt refunding	17,985,000	0	0	0	17,985,000
Defeased Bonds	(18,495,286)	0	0	0	(18,495,286)
Transfers in	1,259,700	1,262,820	2,153,972	3,196,381	7,872,873
Transfers out	(6,983,223)	(328,800)	0	(349,812)	(7,661,835)
<b>Total other financing sources (uses)</b>	<b>(3,018,829)</b>	<b>37,834,020</b>	<b>2,153,972</b>	<b>2,846,569</b>	<b>39,815,732</b>
<b>Net change in fund balance</b>	<b>(800,872)</b>	<b>18,948,703</b>	<b>70,473</b>	<b>1,159,446</b>	<b>19,377,750</b>
<b>Fund balance (deficit) - beginning of year</b>	<b>41,185,173</b>	<b>19,603,429</b>	<b>139,071</b>	<b>6,572,752</b>	<b>67,500,425</b>
<b>Fund balance (deficit) - end of year</b>	<b>\$ 40,384,301</b>	<b>\$ 38,552,132</b>	<b>\$ 209,544</b>	<b>\$ 7,732,198</b>	<b>\$ 86,878,175</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, 2011

Net change in fund balance - Governmental Funds	\$	19,377,750
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.		
		1,796,505
Governmental funds report 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.		
		(1,099,486)
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.		
		(9,976,073)
Governmental funds report revenues based on the availability of the funds. However, in the government-wide statements revenues are recorded based on collectibility.		
		7,670,878
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:		
Amortization of deferred charges		(644,083)
Compensated absences		(12,663)
Self-Insurance Claims - IBNR		150,980
Net pension obligation		26,412
Net OPEB obligation		(9,339,686)
		7,950,534
Change in Net Assets of Governmental Activities	\$	7,950,534

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Business-type activities			Total
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 200	\$ 2,000	\$ 927,549	\$ 929,749
Other receivables	6,796,453	509,245	1,592,674	8,898,372
Notes receivable	255,070	0	0	255,070
Due from other funds	7,600,598	16,184,868	2,999,619	26,785,085
Inventory	468,202	0	57,675	525,877
Other current assets	0	0	55,033	55,033
Total current assets	<u>15,120,523</u>	<u>16,696,113</u>	<u>5,632,550</u>	<u>37,449,186</u>
Noncurrent assets:				
Net capital assets	168,415,534	10,672,447	12,242,119	191,330,100
Restricted assets	0	103,823	0	103,823
Total noncurrent assets	<u>168,415,534</u>	<u>10,776,270</u>	<u>12,242,119</u>	<u>191,433,923</u>
Total assets	<u>183,536,057</u>	<u>27,472,383</u>	<u>17,874,669</u>	<u>228,883,109</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	2,951,208	50,636	444,888	3,446,732
Accrued expenses	1,066,733	23,563	129,892	1,220,188
Due to other funds	0	0	3,719,558	3,719,558
Unearned revenue	1,311	0	311,943	313,254
Current portion of long-term debt	6,394,736	51,078	824,662	7,270,476
Total current liabilities	<u>10,413,988</u>	<u>125,277</u>	<u>5,430,943</u>	<u>15,970,208</u>
Noncurrent liabilities:				
Other liabilities	976,765	103,823	0	1,080,588
Bonds payable	48,778,684	0	9,248,258	58,026,942
Net deferred bond issue premiums	1,629,816	(3,557)	241,210	1,867,469
Long-term debt	11,728,559	5,598,341	283,313	17,610,213
Net pension obligation	95,558	14,376	27,338	137,272
Net OPEB obligation	4,476,083	707,937	1,028,162	6,212,182
Capital lease obligation	4,564,771	44,409	112,260	4,721,440
Total noncurrent liabilities	<u>72,250,236</u>	<u>6,465,329</u>	<u>10,940,541</u>	<u>89,656,106</u>
Total liabilities	<u>82,664,224</u>	<u>6,590,606</u>	<u>16,371,484</u>	<u>105,626,314</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	101,262,254	5,186,047	1,906,433	108,354,734
Unrestricted	(390,421)	15,695,730	(403,248)	14,902,061
Total net assets	<u>\$ 100,871,833</u>	<u>\$ 20,881,777</u>	<u>\$ 1,503,185</u>	<u>\$ 123,256,795</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, 2011

	Business-type activities			Total
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	
Operating revenues:				
Charges for services	\$ 26,011,549	\$ 5,450,318	\$ 9,960,987	\$ 41,422,854
Other income	347,376	6,975	35,246	389,597
Total operating revenues	<u>26,358,925</u>	<u>5,457,293</u>	<u>9,996,233</u>	<u>41,812,451</u>
Operating expenses:				
Personnel services	10,318,322	1,960,911	4,710,476	16,989,709
Utilities	4,143,313	39,664	408,136	4,591,113
Repairs and maintenance	846,286	135,246	230,214	1,211,746
Insurance costs	234,989	14,766	43,051	292,806
Indirect costs	384,000	184,000	50,100	618,100
Supplies	1,470,036	210,538	659,129	2,339,703
Contract services	482,104	78,781	2,999,977	3,560,862
Other operating costs	3,137,690	299,695	397,826	3,835,211
Depreciation	6,578,836	586,856	704,268	7,869,960
Total operating expenses	<u>27,595,576</u>	<u>3,510,457</u>	<u>10,203,177</u>	<u>41,309,210</u>
Operating income (loss)	<u>(1,236,651)</u>	<u>1,946,836</u>	<u>(206,944)</u>	<u>503,241</u>
Nonoperating revenues (expenses):				
Interest income	36,953	26,529	13,279	76,761
Intergovernmental	944,907	0	66,554	1,011,461
Interest expense	(2,477,997)	(4,916)	(44,992)	(2,527,905)
Gain on disposal of capital assets	0	0	0	0
Total nonoperating revenues (losses)	<u>(1,496,137)</u>	<u>21,613</u>	<u>34,841</u>	<u>(1,439,683)</u>
Income before transfers	<u>(2,732,788)</u>	<u>1,968,449</u>	<u>(172,103)</u>	<u>(936,442)</u>
Donations - noncash transactions	0	0	0	0
Transfers in	0	0	388,762	388,762
Transfers out	0	(599,800)	0	(599,800)
Change in net assets	<u>(2,732,788)</u>	<u>1,368,649</u>	<u>216,659</u>	<u>(1,147,480)</u>
Net assets - beginning of year	<u>103,604,621</u>	<u>19,513,128</u>	<u>1,286,526</u>	<u>124,404,275</u>
Net assets - end of year	<u>\$ 100,871,833</u>	<u>\$ 20,881,777</u>	<u>\$ 1,503,185</u>	<u>\$ 123,256,795</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 24,719,346	\$ 5,523,868	\$ 8,470,330	\$ 38,713,544
Cash paid to suppliers	(9,942,105)	(568,883)	(4,446,294)	(14,957,282)
Cash paid to employees	(10,389,031)	(1,970,797)	(4,790,687)	(17,150,515)
Net cash provided by operating activities	<u>4,388,210</u>	<u>2,984,188</u>	<u>(766,651)</u>	<u>6,605,747</u>
Cash flows from investing activities:				
Interest received	36,953	26,529	13,279	76,761
Net cash provided by investing activities	<u>36,953</u>	<u>26,529</u>	<u>13,279</u>	<u>76,761</u>
Cash flows from noncapital financing activities:				
Intergovernmental	944,907	0	66,554	1,011,461
Transfers in (out)	0	(599,800)	388,762	(211,038)
Receipts from interfund loans	12,310,407	(2,359,810)	69,985	10,020,582
Repayments of interfund loans	0	0	(900,547)	(900,547)
Net cash used by (used in) noncapital financing activities	<u>13,255,314</u>	<u>(2,959,610)</u>	<u>(375,246)</u>	<u>9,920,458</u>
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	1,500,000	0	1,400,000	2,900,000
Proceeds from new loan	0	0	0	0
Principal payments on bonds payable	(3,251,091)	0	(681,674)	(3,932,765)
Principal payments on capital lease obligations	(573,071)	(27,294)	(108,793)	(709,158)
Principal payments on loans	(822,751)	0	0	(822,751)
Interest paid	(2,477,997)	(4,916)	(44,992)	(2,527,905)
Proceeds from disposal of assets	0	0	0	0
Cash paid for capital expenses	(12,055,567)	(18,897)	(251,123)	(12,325,587)
Net cash used in capital and related financing activities	<u>(17,680,477)</u>	<u>(51,107)</u>	<u>313,418</u>	<u>(17,418,166)</u>
Net increase in cash and cash equivalents	0	0	(815,200)	(815,200)
Cash and cash equivalents - beginning of year	200	2,000	1,742,749	1,744,949
Cash and cash equivalents - end of year	<u>\$ 200</u>	<u>\$ 2,000</u>	<u>\$ 927,549</u>	<u>\$ 929,749</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS (continued)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (1,236,651)	\$ 1,946,836	\$ (206,944)	\$ 503,241
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	6,578,836	586,856	704,268	7,869,960
Increase (decrease) in compensation-related liabilities included in long-term debt	20,571	(7,264)	21,205	34,512
Increase in landfill closure liabilities included in long-term debt	0	256,489	0	256,489
(Increase) decrease in other receivables	(1,684,744)	66,575	(1,473,203)	(3,091,372)
(Increase) decrease in notes receivable	45,742	0	0	45,742
(Increase) decrease in inventories	107,879	0	(1,274)	106,605
(Increase) decrease in other current assets	2,559	(41,702)	24,428	(14,715)
(Increase) decrease in restricted assets	(337,105)	18,450	0	(318,655)
(Increase) decrease in deferred bond issue costs	40,043	0	0	40,043
Increase (decrease) in accounts payable	1,418,817	(1,220)	46,892	1,464,489
Increase (decrease) in accrued expenses	(70,709)	(2,622)	(101,666)	(174,997)
Increase (decrease) in other liabilities	(1,624,493)	(18,077)	0	(1,642,570)
Increase (decrease) in Net Pension Obligation	3,523	421	1,454	5,398
Increase (decrease) in Net OPEB Obligation	1,124,519	179,446	270,889	1,574,854
Increase (decrease) in deferred revenue	(577)	0	(52,700)	(53,277)
Net cash provided by operating activities	<u>\$ 4,388,210</u>	<u>\$ 2,984,188</u>	<u>\$ (766,651)</u>	<u>\$ 6,605,747</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Borrowing under capital lease	0	0	0	0
Non-cash donations - developers	0	0	0	0

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011

		Pension and OPEB Trust Funds
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$	4,556,463
Interest receivable		128,991
		4,685,454
Investments at fair value:		
Bond mutual funds		62,701,683
Equity securities		187,628,691
		250,330,374
Total investments		250,330,374
Total assets		255,015,828
<b>LIABILITIES:</b>		
Accrued expenses		(46,054)
<b>NET ASSETS:</b>		
Held in trust for pension benefits and OPEB benefits	\$	254,969,774

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2011

	Pension and OPEB Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	\$ 13,612,059
Employee contributions	4,109,785
Total contributions	17,721,844
Investment earnings:	
Interest	10,785,212
Net change in fair value of investments	32,813,181
Total investment earnings	43,598,393
Less investment expenses	(1,291,660)
Net investment earnings	42,306,733
Total additions	60,028,577
DEDUCTIONS:	
Benefits paid to members	9,565,730
Administrative costs	97,860
Total deductions	9,663,590
Changes in net assets	50,364,987
Net assets - beginning of year	204,604,787
Net assets - end of year	\$ 254,969,774

See accompanying notes.

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET ASSETS  
 COMPONENT UNITS  
 JUNE 30, 2011

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 45,074,506	\$ 77,516	\$ 45,152,022
Short-term investments	0	309,871	309,871
Accounts receivable	8,163,132	13,146	8,176,278
Inventory	839,675	0	839,675
Other assets	7,919,453	36,286	7,955,739
Capital assets			
Land	16,849,701	0	16,849,701
Construction in progress	14,081,454	0	14,081,454
Land improvements	2,436,223	0	2,436,223
Buildings	228,448,446	0	228,448,446
Machinery and equipment	7,066,855	518,950	7,585,805
Total assets	<u>330,879,445</u>	<u>955,769</u>	<u>331,835,214</u>
<b>LIABILITIES:</b>			
Accounts payable	9,154,216	25,760	9,179,976
Accrued expenses	23,476,108	90,304	23,566,412
Unearned revenue	8,291,398	0	8,291,398
Other liabilities	131,533	0	131,533
Non-current liabilities:			
Due within one year	930,000	0	930,000
Due in more than one year	80,593,663	1,533,491	82,127,154
Total liabilities	<u>122,576,918</u>	<u>1,649,555</u>	<u>124,226,473</u>
Invested in capital assets, net of related debt	268,882,679	518,950	269,401,629
Unrestricted assets	(60,580,152)	(1,212,736)	(61,792,888)
Total net assets	<u>\$ 208,302,527</u>	<u>\$ (693,786)</u>	<u>\$ 207,608,741</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 YEAR ENDED JUNE 30, 2011

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	\$ 370,045,161	\$ 6,745,283	\$ 88,976,479	\$ 12,603,401
Board of Library Trustees for Charles County	4,359,072	157,383	24,960	0
Total component units	<u>\$ 374,404,233</u>	<u>\$ 6,902,666</u>	<u>\$ 89,001,439</u>	<u>\$ 12,603,401</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 the 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
\$ (261,719,998)	\$ 0	\$ (261,719,998)
0	(4,176,729)	(4,176,729)
(261,719,998)	(4,176,729)	(265,896,727)
246,107,267	3,674,311	249,781,578
0	0	0
54,256	1,021	55,277
233,094	20,098	253,192
246,394,617	3,695,430	250,090,047
(15,325,381)	(481,299)	(15,806,680)
223,627,908 *	(212,487)	223,415,421
\$ 208,302,527	\$ (693,786)	\$ 207,608,741

See accompanying notes.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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, economic development and general administrative services.

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to state and local government units as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include those of the 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 with 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 the 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. Each discretely presented component unit has 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 COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

The members of the Board of Education are elected by the residents of Charles County every four years. The Board of Education is financially accountable to the Charles County Government because the Board of Education's annual budget is subject to approval of the elected County Commissioners. The Board of Education is presented as a governmental fund type. The County provided \$145,296,600 in operating funds and \$4,136,440 in capital funding to the Board of Education during fiscal year 2011.

**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 Maryland and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the elected County Commissioners. The Library is presented as a governmental fund type. The County provided \$1,899,500 in operating funds to the Library during fiscal year 2011.

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  
Assistant Superintendent of Finance  
Business Administration and Technology  
P.O. Box 2770  
La Plata, MD 20646

Board of Library Trustees of 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, health and social services, some parks and recreation, public transportation, public works, economic development 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 operations, solid waste

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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 non-fiduciary 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 thru 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 indicates operating-specific and discretionary (either operating or capital) grants,

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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 regulation. As required, the County received an annual central services allocation plan and indirect cost rate proposal 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 criterion used by the County is based on the percentage of assets, liabilities, revenues, or expenditures/expenses by fund category and then 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. Non-major funds by category are summarized into a single column.

**1. Governmental Funds:**

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

- 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 always considered a major fund.
- b. **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.
- c. **Debt Service Fund** is used to account for the accumulation of certain funds for the periodic payment of principal and interest on long-term debt. The Debt Service fund is a major fund.
- d. **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.

**2. Proprietary Funds:**

The focus of proprietary fund measurement is the 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. The Water and Sewer Fund qualifies as a major fund and is presented separately. The County also has elected to present separately the Solid Waste Fund for consistency as it may qualify as a major fund one year and fall just below the next. 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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

fiduciary funds is on net assets and changes in net assets, and accounting principles used are similar to proprietary funds.

The County's fiduciary and pension trust funds account for the retirement benefits for the Charles County Maryland Sheriff's Office Retirement Plan, the Charles County Pension Plan, the Volunteer Fireman/EMS Associations LOSAP plan, and the OPEB Trust 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 thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected with 60 days after year end. Property taxes, income taxes, highway user taxes, and interest associated with 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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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 judgements, 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 non-current) 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 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 fiscal year-end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

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**3. Receivables:**

All trade, excise and property tax receivables are reported at 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 fiscal year-end has been reclassified from property tax revenues to deferred revenues, or unearned revenue.

**4. Inter-fund Transactions:**

The following is a description of the basic types of inter-fund 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.

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**5. Inventories:**

Inventories of the County, consisting of expendable supplies held for the County's use, are valued at the Average Cost Method. Inventories in all funds are initially recorded in an 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 are held for construction escrow bonds, inmates at the Detention Center, a County Attorney escrow, 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 a fully refundable interest-bearing bank account.

**8. Capital Assets:**

Capital assets 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 Library (component units) define capital assets as assets having an initial individual cost of more than \$1,000 and 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.

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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:

Charles County Government

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 and software	3 – 5 years
Other infrastructure	10 -50 years

The Board of Education

Buildings and improvements	30 years
Land improvements	10 years
Furniture and equipment	5 -10 years

The Library

Leasehold improvements	15 -39 years
Furniture and equipment	7 years
Vehicles and 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 these assets.

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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. Non-spendable Fund Balance – this classification reports governmental funds that are not spendable in the current form, such as inventory and prepaid items, or due to a legal or contractual requirement that they maintain intact.
- b. Restricted Fund Balance - this classification reports amounts that are externally enforced and limited in their use. Typical external parties are creditors, grantors, contributors, laws and regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Committed Fund Balance – this category reports amounts that are self-imposed limitations that are set in place prior to the end of the reporting period. The limitation imposed at the highest level of decision making that requires formal action must at the same level to remove.
- d. Assigned Fund Balance – this classification reports amounts that are limited by their intent for use by either the highest decision making body, one that is designated for that purpose, or established by official designated for that purpose
- e. Un-assigned Fund Balance – this classification reports the residual net resources.

Equity in the proprietary fund statements is classified in the same manner 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

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County, non-critical 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 for 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 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 expense and a liability in the governmental fund that will pay it. The non-current portion for governmental funds is maintained separately and represents a reconciling item between the fund and the 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.

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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 non-operating 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 non-operating 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.

**14. Implementation of New GASB Pronouncements**

The County has recognized and put in place the required effort to implement in FY2011, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement changes the present classifications of fund balance from the previous types: Reserved, Designated, and Undesignated. The new classifications are: Non-spendable, Restricted, Committed, Assigned, or Unassigned. The statement also further clarifies the Governmental Fund Type definitions explained on page 40 of these notes and the subsequent reporting in the financial statements starting with FY2011.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

**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 four 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 our Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Proprietary Funds or the 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, 2011.

**B. Deficit Fund Equity**

The Recreation Fund had a deficit fund balance of \$1,450,401 as of June 30, 2011. The deficit fund balance is primarily the cumulative result of operations from an indoor recreation complex which was acquired by the County in May 2006. A contract was awarded to Rink Management Services for the operation of this facility and commenced on July 5, 2008. After two years of managing the facility, significant improvements have been achieved in operations, including a small gain for the past fiscal year. However, the cumulative effect of these past results and continued recording of the growing annual OPEB liability share for the Recreation Fund as a whole will continue to reflect a deficit fund balance into the short-term future.

The Housing Special Loan Fund had a deficit fund balance of \$34,126 as of June 30, 2011. This is the temporary result of the associated costs to evaluate and process the applications for the loan program that the County will pass along in State grant funding in the subsequent fiscal year.

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**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's Chief of Treasury is charged with the responsibility for selecting depositories and investing idle funds as directed by the State and County Codes. The Chief of Treasury 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 \$18,337,479 and the bank balances were \$18,316,160. Of the bank balance, \$8,363,857 was covered by Federal depository insurance and \$9,952,303 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. The various amounts of cash on hand was \$18,947.

At year-end, the carrying amount of the Board of Education's deposits was \$13,490,284 and the bank balances were \$22,372,087. The bank balance was covered by either Federal depository insurance or by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

At year-end, the carrying amount of the Library's deposits was \$76,636 and the bank balances was \$73,099. The bank balance was covered by Federal depository insurance. The amount of cash on hand was \$880.

Investments

Statutes authorize the Chief of Treasury 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 365 days. Statutes also authorize the County's Chief of Treasury to invest in a local government investment pool established by state law. Investments are subject to approval of

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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:

	Total Governmental Funds	Total Fiduciary Funds	Total Enterprise Funds	Total
Cash on hand	\$ 17,322,855	\$ -	\$ 1,033,572	\$ 18,356,426
U.S. government securities				
Agencies	5,992,184	-	-	5,992,184
Repurchase agreements (sweep)	5,000,000	-	-	5,000,000
Money Market	314,955	4,556,463	-	4,871,418
Certificates of deposit	15,000,000	-	-	15,000,000
Maryland local government pool	34,932,360	-	-	34,932,360
Bond mutual funds	-	62,701,683	-	62,701,683
Equity securities	-	187,628,691	-	187,628,691
Total cash and investments	<u>\$ 78,562,354</u>	<u>\$ 254,886,837</u>	<u>\$ 1,033,572</u>	<u>\$ 334,482,763</u>

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

Cash on hand and deposits	\$ 2,719,509
Repurchase agreements	8,500,012
Maryland local government investment pool	<u>33,854,985</u>
Total cash and investments	<u>\$ 45,074,506</u>

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

Cash on hand and deposits	\$ 77,516
Maryland local government investment pool	<u>309,871</u>
Total cash and investments	<u>\$ 387,387</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.

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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 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 and carry a credit rating of AAA.

**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 365 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 counter party or the counter party's trust department or agent, but not in the government's name. The County's policy relating to credit risk of investments 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 also require that a third party custodian hold investments securities and the collateral underlying all investments, in the government's name. The County's Chief of Treasury recognizes investment diversification as an important safeguard of County assets. Investment instruments, investment maturities, and financial institutions doing business with the County shall be diversified in such a way to insure that there is no concentration of risk in any of these categories. These diversification standards, as outlined in the County's Joint Statement of Investment Policies, are applied at the time of each investment. At June 30, 2011, the County's investments were not exposed to custodial credit risk.

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**B. Receivables**

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

	General	Capital Projects	Debt Service	Water and Sewer Fund	Solid Waste Fund	Non-major Funds	Total
Receivables:							
Interest	\$ 124,139	\$ -	\$ -	\$ 7,787	\$ -	\$ -	\$ 131,926
Taxes	27,575,102	-	35,758,479	-	-	-	63,333,581
Accounts	49,097,030	1,696,167	103,936	6,808,244	509,245	4,597,559	62,812,181
Special assessments	-	-	6,754	235,492	-	-	242,246
Intergovernmental	37,800	-	-	-	-	111,115	148,915
Total receivables	<u>\$ 76,834,071</u>	<u>\$ 1,696,167</u>	<u>\$ 35,869,169</u>	<u>\$ 7,051,523</u>	<u>\$ 509,245</u>	<u>\$ 4,708,674</u>	<u>\$ 126,668,849</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)	\$ -	\$ 2,663,992	\$ 2,663,992
Deferred property taxes receivable (Debt Service)	-	35,517,552	35,517,552
Deferred income tax reserve	-	24,742,926	24,742,926
Agricultural preservation taxes	1,019,309	-	1,019,309
Special assessments not yet due (Debt Service)	-	6,754	6,754
School construction impact fees	2,707,870	-	2,707,870
Grant draw-downs prior to meeting all eligibility requirements	399,266	-	399,266
Other unearned revenue	140,373	-	140,373
Loans receivable (Debt Service Fund)	-	44,733,322	44,733,322
Total unearned revenue for governmental funds	<u>\$ 4,266,818</u>	<u>\$ 107,664,546</u>	<u>\$ 111,931,364</u>

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C. Property Taxes Receivable

The County levies a property tax each July 1 on the assessed value of all taxable real property location within the County on that date. Assessed values are established by the Maryland Departments 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, 2011 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

The following is a schedule of the notes receivable balances of the Debt Service Fund:

<u>Loan &amp; Year</u>	<u>Total Borrowed</u>	<u>Term &amp; Rate</u>	<u>Principal Balance 6/30/2011</u>
Hospital 2004	\$ 15,000,000	15 years, 3.04831%	\$ 10,508,317
St. Charles Companies 2004	\$ 8,000,000	15 years, 4%-5%	\$ 4,895,000
St. Charles Companies 2005	6,000,000	15 years, 5%-5.125%	3,967,500
St. Charles Companies 2006	10,000,000	15 years, 5.125%-8%	7,302,500
St. Charles Companies 2007	3,000,000	15 years, 5.25%-5.75%	2,373,750
St. Charles Companies 2008	3,000,000	15 years, 4.90%-5.25%	2,495,062
St. Charles Companies 2009	2,000,000	15 years, 4%-5.375%	1,750,000
St. Charles Companies 2011	4,000,000	15 years, 2%-4.5%	4,000,000
Subtotal: ACPT	<u>\$ 36,000,000</u>		<u>\$ 26,783,812</u>
So. MD Baseball LLC 2008	9,248,200	15 years, 4.90%-5.25%	\$ 6,782,012
CSM 2005	1,000,000	15 years, 3.67%	\$ 659,181
Total Notes Receivable	<u>\$ 61,248,200</u>		<u>\$ 44,733,322</u>

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Bonds issued by the County for St. Charles Companies, Southern MD Baseball Club LLC, College of Southern Maryland, and Civista Hospital are secured by Bond Repayment Agreements, Letters of Credit, and by the full faith and credit of the County's General Fund. Principal and interest payments on the related bonds from these restricted resources are also accounted for in the same Debt Service fund.

The future minimum note payments receivable for the year ended June 30, 2011 are as follows:

	Civista	St. Charles Companies	So. MD Baseball	CSM	Total
2012	\$ 1,247,234	\$ 3,232,909	\$ 894,000	\$ 86,791	\$ 5,460,934
2013	1,247,234	3,435,926	894,000	86,791	5,663,951
2014	1,247,234	3,432,500	894,000	86,791	5,660,525
2015	1,247,234	3,420,922	894,000	86,791	5,648,947
2016	1,247,234	3,419,350	894,000	86,791	5,647,375
2017-2021	5,924,241	14,700,442	4,470,000	339,954	25,434,637
2022-2026	-	3,421,851	894,000	-	4,315,851
Subtotal	<u>12,160,411</u>	<u>35,063,900</u>	<u>9,834,000</u>	<u>773,910</u>	<u>57,832,220</u>
Less: Interest	<u>1,652,094</u>	<u>8,280,087</u>	<u>3,051,988</u>	<u>114,728</u>	<u>13,098,897</u>
Total future minimum note payments receivable	<u>\$ 10,508,317</u>	<u>\$ 26,783,813</u>	<u>\$ 6,782,012</u>	<u>\$ 659,182</u>	<u>\$ 44,733,323</u>

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E. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 53,575,910	\$ 4,784,268	\$ -	\$ 58,360,178
Construction in progress	133,784,963	25,525,738	52,952,805	106,357,896
Total capital assets, not depreciated	<u>187,360,873</u>	<u>30,310,006</u>	<u>52,952,805</u>	<u>164,718,074</u>
Capital assets, depreciated:				
Land Improvements	9,092,876	1,000,240	-	10,093,116
Infrastructure	304,075,404	17,129,415	-	321,204,819
Buildings and Improvements	127,176,178	22,471,073	-	149,647,251
Machinery and Equipment	39,459,314	1,063,646	12,275	40,510,685
Vehicles	20,554,104	1,563,696	691,354	21,426,446
Total capital assets, depreciated	<u>500,357,876</u>	<u>43,228,070</u>	<u>703,629</u>	<u>542,882,317</u>
Less: accumulated depreciation for:				
Land Improvements	(2,226,123)	(417,588)	-	(2,643,711)
Infrastructure	(155,270,074)	(9,456,144)	-	(164,726,218)
Buildings and Improvements	(55,324,625)	(3,251,405)	-	(58,576,030)
Machinery and Equipment	(15,831,305)	(3,360,622)	(12,275)	(19,179,652)
Vehicles	(15,056,005)	(2,303,007)	(691,354)	(16,667,658)
Total accumulated depreciation	<u>(243,708,132)</u>	<u>(18,788,766)</u>	<u>(703,629)</u>	<u>(261,793,269)</u>
Total capital assets, depreciated net	<u>256,649,744</u>	<u>24,439,304</u>	<u>0</u>	<u>281,089,048</u>
Governmental activities, capital assets, net	<u>\$ 444,010,617</u>	<u>\$ 54,749,310</u>	<u>\$ 52,952,805</u>	<u>\$ 445,807,122</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

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Business Type Activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not depreciated:				
Land	\$ 2,174,186	\$ -	\$ -	\$ 2,174,186
Construction in progress	40,618,204	14,079,752	10,401,272	44,296,684
Total capital assets, not depreciated	<u>42,792,390</u>	<u>14,079,752</u>	<u>10,401,272</u>	<u>46,470,870</u>
Capital assets, depreciated:				
Land Improvements	9,891,132	4,895,526	-	14,786,658
Infrastructure	204,345,137	4,174,520	-	208,519,657
Buildings and Improvements	14,140,437	14,985	-	14,155,422
Machinery and Equipment	38,347,282	238,052	18,987	38,566,347
Vehicles	4,679,170	141,626	65,955	4,754,841
Total capital assets, depreciated	<u>271,403,158</u>	<u>9,464,709</u>	<u>84,942</u>	<u>280,782,925</u>
Less: accumulated depreciation for:				
Land Improvements	(5,242,240)	(272,558)	-	(5,514,798)
Infrastructure	(107,641,320)	(5,063,083)	-	(112,704,403)
Buildings and Improvements	(3,794,136)	(479,889)	-	(4,274,025)
Machinery and Equipment	(7,595,759)	(1,664,099)	(18,987)	(9,240,871)
Vehicles	(3,865,221)	(390,331)	(65,955)	(4,189,597)
Total accumulated depreciation	<u>(128,138,676)</u>	<u>(7,869,960)</u>	<u>(84,942)</u>	<u>(135,923,694)</u>
Total capital assets, depreciated net	<u>143,264,482</u>	<u>1,594,749</u>	<u>-</u>	<u>144,859,231</u>
Business-type, capital assets, net	<u>\$ 186,056,872</u>	<u>\$ 15,674,501</u>	<u>\$ 10,401,272</u>	<u>\$ 191,330,101</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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

Governmental Activities:

General Government	\$	10,570
Public Safety		4,194,353
Legislative		129,368
Judicial		111,141
Financial Administration		167,715
Law		2,522
Planning and Growth		1,900
Health		161,299
Community Services		1,012,636
Public Facilities		12,939,975
Education		57,287
Total depreciation expense- Governmental Activities	\$	<u>18,788,766</u>

Business-Type Activities:

Water and Sewer	\$	6,578,836
Solid Waste		586,856
Environmental Services		275,151
Recreation Programs		375,139
Inspection and Reviews		53,978
Total depreciation expense-Business-type Activities	\$	<u>7,869,960</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

**Construction Commitments**

The County has active construction projects as of June 30, 2011. The projects include widening and reconstruction of existing streets and bridges, maintenance of existing roads, landfill expansion, construction of a new Courthouse building, 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	\$ 66,056,980	\$ 46,250,705
Other transportation projects	70,874	318,966
General government		
Buildings and improvements	16,454,976	8,505,194
Other general government projects	8,101,458	13,223,832
Water and sewer		
Expansions and improvements	38,516,237	62,968,202
Parks		
Expansions and improvements	5,175,296	5,624,354
Environmental service		
Various environmental service projects	1,183,532	7,292,238
Total	<u>\$ 135,559,353</u>	<u>\$ 144,183,491</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.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**Discretely Presented Component Units**

Capital asset activity for the Board of Education for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 16,687,486	\$ 261,125	\$ (98,910)	\$ 16,849,701
Construction in progress	9,221,764	12,170,151	(7,310,461)	14,081,454
Total capital assets, not depreciated	<u>25,909,250</u>	<u>12,431,276</u>	<u>(7,409,371)</u>	<u>30,931,155</u>
Capital assets, depreciated:				
Buildings	413,251,560	7,924,673	(35,200)	421,141,033
Land Improvements	8,250,343	506,874	-	8,757,217
Furniture and Equipment	27,261,305	1,535,042	(1,035,627)	27,760,720
Total capital assets, depreciated	<u>448,763,208</u>	<u>9,966,589</u>	<u>(1,070,827)</u>	<u>457,658,970</u>
Less: accumulated depreciation for:				
Buildings	(181,660,466)	(11,032,121)	-	(192,692,587)
Land Improvements	(5,945,057)	(375,937)	-	(6,320,994)
Furniture and Equipment	(19,820,765)	(1,862,837)	989,737	(20,693,865)
Total accumulated depreciation	<u>(207,426,288)</u>	<u>(13,270,895)</u>	<u>989,737</u>	<u>(219,707,446)</u>
Total capital assets, depreciated net	<u>241,336,920</u>	<u>(3,304,306)</u>	<u>(81,090)</u>	<u>237,951,524</u>
Board capital assets, net	<u>\$ 267,246,170</u>	<u>\$ 9,126,970</u>	<u>\$ (7,490,461)</u>	<u>\$ 268,882,679</u>

Capital asset activity for the Library for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, depreciated:				
Furniture and Equipment	\$ 665,373	\$ 48,863	\$ (96,686)	\$ 617,550
Library books and AV material	948,631	204,570	(241,126)	912,075
Total capital assets, depreciated	<u>1,614,004</u>	<u>253,433</u>	<u>(337,812)</u>	<u>1,529,625</u>
Less: accumulated depreciation	(1,058,449)	(282,269)	(330,043)	(1,010,675)
Library capital assets, depreciated, net	<u>\$ 555,555</u>	<u>\$ (28,836)</u>	<u>\$ (7,769)</u>	<u>\$ 518,950</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**F. Inter-fund 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 inter-fund balances. The composition of inter-fund balances as of June 30, 2011, is as follows:

Due (to) from other funds:		
	Governmental Activities	Business-type Activities
General Fund	\$ (72,120,499)	\$ -
Capital Projects Fund	42,305,976	-
Debt Service Fund	(135,319)	-
Water and Sewer Fund	-	7,600,598
Solid Waste Fund	-	16,184,868
Other Non-major Funds	6,884,315	(719,939)
<b>Total</b>	<b>\$ (23,065,527)</b>	<b>\$ 23,065,527</b>

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 expand 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 inter-fund transfers:

<b>Transfers Out</b>	<b>Transfers In</b>					<b>Total</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Non-major Governmental Funds</b>	<b>Non-major Enterprise Funds</b>	
General Fund	\$ -	\$ 1,262,820	\$ 2,153,972	\$ 3,177,669	\$ 388,762	\$ 6,983,223
Capital Projects Fund	328,800	-	-	-	-	328,800
Non-major Governmental Funds	331,100	-	-	18,712	-	349,812
Solid Waste Fund	599,800	-	-	-	-	599,800
Non-major Enterprise Funds	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers In:</b>	<b>\$ 1,259,700</b>	<b>\$ 1,262,820</b>	<b>\$ 2,153,972</b>	<b>\$ 3,196,381</b>	<b>\$ 388,762</b>	<b>\$ 8,261,635</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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. However, due to the economy and budget constraints, there was no County capital lease during the fiscal year 2011. Information on each of the various prior lease agreements is as follows:

- Fiscal Year 2006 – Various equipment for the General Fund, Water and Sewer Fund, Environmental Service Fund, and Cable Franchise 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 the 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 \$396,605 over fifteen years ending February 2022, including interest at a rate of 4.14%, various components expended at \$5,862,900.
- Fiscal Year 2008 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$214,240 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 over five years ending January 2013, including interest at a rate of 3.50%, equipment capitalized at \$900,160.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

- Fiscal Year 2009 – Various equipment for the General Fund, Water and Sewer Fund, Inspection Fund, and the Environmental Service Fund – semiannual payments of \$330,929 over five years ending September 2013, including interest at a rate of 3.65%, equipment capitalized at \$3,000,000.
- Fiscal Year 2010 – Various equipment for the General Fund, Golf Course Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$120,512 thru FY13 except for a scheduled payment of \$378,268 in October 2011. Over the remaining period, scheduled payments of \$22,557 ending October 2014, including interest at a rate of 3.30%, equipment capitalized at \$1,102,600.

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

	Governmental Activities	Business-type Activities
Assets:		
Building and Improvements	\$ 90,906	\$ -
Machinery and equipment	9,162,855	2,117,478
Vehicles	5,192,088	2,747,899
Total capital assets	<u>14,445,849</u>	<u>4,865,377</u>
Less accumulated depreciation:		
Building and Improvements	(46,534)	-
Machinery and equipment	(7,172,962)	(1,631,665)
Vehicles	(4,514,209)	(2,278,950)
Total accumulated depreciation	<u>(11,733,705)</u>	<u>(3,910,615)</u>
Total capital assets, net	<u>\$ 2,712,144</u>	<u>\$ 954,762</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2011, were as follows:

	Governmental Activities	Business-type Activities	Total
2012	\$ 1,309,545	\$ 1,112,181	\$ 2,421,726
2013	997,698	788,763	1,786,461
2014	254,159	605,555	859,714
2015	16,756	504,999	521,755
2016	-	514,175	514,175
2017-2021	-	2,811,716	2,811,716
2022-2026	-	547,368	547,368
Subtotal	<u>2,578,158</u>	<u>6,884,757</u>	<u>9,462,915</u>
Interest	<u>(118,668)</u>	<u>(1,263,884)</u>	<u>(1,382,552)</u>
Present value of minimum lease payments	<u>\$ 2,459,490</u>	<u>\$ 5,620,873</u>	<u>\$ 8,080,363</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 \$604,538,000. During the year ended June 30, 2011, general obligation bonds totaling \$57,785,000 were issued for consolidated public improvement, of which \$4,000,000 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 a mix of 10-year serial bonds and 15-year serial bonds with equal amounts of principal maturing each year. The County's General Obligation Bonds currently outstanding are as follows:

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/11	Business-type Activities Balance 6/30/11
Consolidated Public Improvement and Refunding Bonds of 2002	\$ 26,860,000	15 yrs, 3% - 5%	\$ 860,938	\$ 229,062
Consolidated Public Improvement Bonds of 2003	\$ 22,090,000	15 yrs, 2% - 4%	4,783,599	4,711,401
Consolidated Public Improvement Bonds of 2003	\$ 6,910,000	10 yrs, 2% - 4%	1,545,000	-
Consolidated Public Improvement and Refunding Bonds of 2004	\$ 41,270,000	15 yrs, 2% - 4%	15,890,171	2,674,829
Consolidated Public Improvement and Refunding Bonds of 2004	\$ 31,500,000	10 yrs, 2% - 4%	10,325,000	-
Consolidated Public Improvement Bonds (Taxable) of 2004	\$ 8,000,000	15 yrs, 4% - 5%	4,895,000	-
Consolidated Public Improvement and Refunding Bonds of 2005	\$ 52,550,000	15 yrs, 3% - 4.5%	12,255,116	6,659,884
Consolidated Public Improvement and Refunding Bonds of 2005	\$ 10,160,000	10 yrs, 3% - 4.5%	4,615,000	-
Consolidated Public Improvement Bonds (Taxable) of 2005	\$ 6,000,000	15 yrs, 5% - 5.125%	4,060,000	-
Consolidated Public Improvement Bonds of 2006	\$ 26,880,000	15 yrs, 4% - 5%	16,837,761	2,637,239
Consolidated Public Improvement Bonds of 2006	\$ 16,120,000	10 yrs, 4% - 5%	8,760,000	-
Consolidated Public Improvement Bonds (Taxable) of 2006	\$ 10,000,000	15 yrs, 5.125% - 8%	7,450,000	-
Consolidated Public Improvement Bonds of 2007	\$ 33,700,000	15 yrs, 3.5% - 4%	12,810,341	11,489,659
Consolidated Public Improvement Bonds of 2007	\$ 16,300,000	10 yrs, 3.5% - 4%	10,480,000	-
Consolidated Public Improvement Bonds (Taxable) of 2007	\$ 3,000,000	15 yrs, 5.75% - 5.51%	2,415,000	-
Consolidated Public Improvement Bonds of 2008	\$ 25,400,000	15 yrs, 3% - 5%	13,302,165	7,947,835
Consolidated Public Improvement Bonds of 2008	\$ 1,600,000	10 yrs, 3% - 5%	1,170,000	-
Consolidated Public Improvement Bonds (Taxable) of 2008	\$ 20,000,000	15 yrs, 5% - 5.25%	16,905,000	-
Consolidated Public Improvement Bonds of 2009	\$ 49,640,000	20 yrs, 2% - 4.25%	34,718,970	8,826,030
Consolidated Public Improvement Bonds of 2009	\$ 900,000	10 yrs, 2% - 4.25%	730,000	-
Consolidated Public Improvement Bonds (Taxable) of 2009	\$ 2,000,000	15 yrs, 4% - 5.375%	1,785,000	-
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 22,730,000	10 yrs, 2% - 5%	12,932,528	8,292,472
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 2,000,000	10 yrs, 2% - 5%	-	1,820,000

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

Consolidated Public Improvement Taxable BAB Bonds of 2010	\$ 11,415,000	5 yrs, 5% - 5.3%	6,115,178	5,299,822
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 36,960,000	16 yrs, 2% - 4%	35,385,000	1,575,000
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 15,500,000	10 yrs, 2% - 4%	15,500,000	-
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 1,325,000	10 yrs, 2% - 4%	-	1,325,000
Consolidated Public Improvement Bonds (Taxable) of 2011	\$ 4,000,000	15 yrs, 2% - 4.5%	4,000,000	-
Total bonds outstanding			<u>260,526,767</u>	<u>63,488,233</u>
<hr/>				
<u>Loan Description and Year</u>				
FHA Loan 1973	\$ 250,000	40 yrs, 3.649%	68,701	-
MD Water Quality Revolving Loan Fund for Pisgah Landfill	\$ 7,838,664	15 yrs, 4.37%	546,869	-
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	\$ 14,767,900	20 yrs, 1.200%	-	11,399,375
Total loans outstanding			<u>615,570</u>	<u>11,399,375</u>
Total bonds and loans outstanding			<u>\$ 261,142,337</u>	<u>\$ 74,887,608</u>

**Advanced Refunding and Defeased Debt**

On June 21, 2011, the County committed to issue \$57,785,000 in general obligation bonds, \$4,000,000 were Taxable Bonds, \$35,800,000 were new money tax exempt bonds, and \$17,985,000 was issued to defease old bonds. The new money portion of \$35,800,000 was used to finance certain capital projects in the County.

Of the \$57,785,000 of general obligation bonds that were issued, \$17,985,000 was used to defease \$16,865,000 in outstanding road debt maturities of the County's Consolidated Public Improvement Bonds of 2003, 2004, 2005, 2007, & 2009. In prior years the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were place in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2011, the amount of defeased debt outstanding but removed from the financial statements amounted to \$16,865,000. As a result of the refunding, the County achieved a net present value savings of \$1,278,257.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 248,379,002	\$ 54,885,000	\$ (42,737,235)	\$ 260,526,767	\$ 24,681,941
Plus deferred amounts for bond premiums	7,885,326	3,214,979	(995,350)	10,104,955	-
Less deferred loss on refunding	(1,036,206)	(1,630,286)	223,979	(2,442,513)	-
Less deferred bond issue costs	<u>(1,210,704)</u>	<u>(485,207)</u>	<u>127,288</u>	<u>(1,568,623)</u>	<u>-</u>
Total bonds payable	254,017,418	55,984,486	(43,381,318)	266,620,586	24,681,941
Notes payable	1,147,685	-	(532,115)	615,570	555,310
Capital leases	4,098,080	-	(1,639,577)	2,458,503	1,230,239
Net Pension obligation	410,212	-	(26,412)	383,800	-
Net OPEB obligation	30,014,543	9,339,686	-	39,354,229	-
Compensated absences	<u>13,476,204</u>	<u>22,397</u>	<u>(9,733)</u>	<u>13,488,868</u>	<u>1,113,640</u>
Governmental activities noncurrent liabilities	<u>303,164,142</u>	<u>65,346,569</u>	<u>(45,589,155)</u>	<u>322,921,556</u>	<u>27,581,130</u>
<b><u>Business-type activities:</u></b>					
General obligation bonds	66,020,998	2,900,000	(5,432,765)	63,488,233	5,461,291
Plus deferred amounts for bond premiums	2,590,278	218,382	(289,083)	2,519,577	-
Less deferred loss on refunding	(357,307)	-	78,263	(279,044)	-
Less deferred bond issue costs	<u>(387,047)</u>	<u>(24,515)</u>	<u>38,496</u>	<u>(373,066)</u>	<u>-</u>
Total bonds payable	67,866,922	3,093,867	(5,605,089)	65,355,700	5,461,291
Notes payable	12,222,126	-	(822,751)	11,399,375	698,151
Capital leases	6,330,031	-	(709,158)	5,620,873	899,432
Landfill closure costs	5,160,762	256,489	-	5,417,251	-
Net Pension obligation	131,874	5,398	-	137,272	-
Net OPEB obligation	4,637,328	1,574,854	-	6,212,182	-
Compensated absences	<u>1,689,398</u>	<u>35,984</u>	<u>(22,041)</u>	<u>1,703,341</u>	<u>211,603</u>
Business-type activities noncurrent liabilities	<u>98,038,440</u>	<u>4,966,592</u>	<u>(7,159,039)</u>	<u>95,845,994</u>	<u>7,270,477</u>
Total primary government noncurrent liabilities	<u>\$ 401,202,582</u>	<u>\$ 70,313,161</u>	<u>\$ (52,748,194)</u>	<u>\$ 418,767,549</u>	<u>\$ 34,851,607</u>
<b><u>Component units:</u></b>					
Board of Education	\$ 64,836,259	\$ 16,687,404	\$ -	\$ 81,523,663	\$ 930,000
Library	\$ 185,197	\$ (16,103)	\$ -	\$ 169,094	\$ 169,094

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

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

The annual requirements to amortize all debt outstanding as of June 30, 2011, including interest of \$90,846,741 and excluding compensated absences, net pension obligation, OPEB obligation 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>	
2012	\$ 25,377,582	\$ 9,902,952	\$ 7,058,874	\$ 2,889,030	\$ 45,228,438
2013	24,313,743	9,787,681	6,590,941	2,697,240	43,389,605
2014	25,697,291	8,832,708	6,786,338	2,466,861	43,783,198
2015	21,990,865	7,750,228	6,884,676	2,211,829	38,837,598
2016	20,990,328	6,799,181	6,726,785	1,931,460	36,447,754
2017-2021	86,853,561	21,700,877	30,513,986	5,853,157	144,921,581
2022-2026	48,247,818	5,936,441	14,396,533	1,295,513	69,876,305
2027-2031	10,129,652	670,332	1,550,348	121,251	12,471,583
	<u>\$ 263,600,840</u>	<u>\$ 71,380,400</u>	<u>\$ 80,508,481</u>	<u>\$ 19,466,341</u>	<u>\$ 434,956,062</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'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. Of these five issues, three of them have been satisfied or paid in full. For the two issues remaining, the aggregate principal amount outstanding at June 30, 2011 is \$903,972.

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.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

I. Restricted Assets

The details of the restricted assets are as follows:

Governmental Activities

Cash and cash equivalents

Inmate account	\$ 61,982
County Attorney escrow	10,023
SAO Restitution account	3,144
Lease deposits	10,026
Construction Escrow	<u>1,386,939</u>

Total cash and cash equivalents \$ 1,472,114

Notes Receivable

Civista	\$ 10,508,317
St. Charles Companies	26,783,812
So. MD Baseball LLC	6,782,012
College of Southern MD	<u>659,181</u>

Total notes receivable \$ 44,733,322

Total Governmental Activities \$ 46,205,436

Business-type Activities

Cash and cash equivalents

Landfill Bonds	<u>\$ 103,823</u>
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TOTAL PRIMARY GOVERNMENT \$ 46,309,259

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

J. Fund Balance Analysis

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

Fund balances:	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Inventory	\$ 1,537,974	\$ -	\$ -	\$ -	\$ 1,537,974
Prepay Items	267,191	-	-	-	267,191
	<u>1,805,165</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,805,165</u>
<b>Restricted</b>					
Capital Outlay	-	20,588,415	-	-	20,588,415
Economic Development	659,330	-	-	-	659,330
Debt Service	-	-	209,544	-	209,544
Fire and Rescue	-	-	-	77,534	77,534
Animal Control	40,440	-	-	-	40,440
	<u>699,770</u>	<u>20,588,415</u>	<u>209,544</u>	<u>77,534</u>	<u>21,575,263</u>
<b>Committed</b>					
Policy Target 8%	23,871,436	-	-	-	23,871,436
Bond Premium	3,151,160	-	-	-	3,151,160
	<u>27,022,596</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,022,596</u>
<b>Assigned</b>					
Aging Grants	-	-	-	4,628	4,628
Judicial Grants	-	-	-	36,949	36,949
Capital Outlay	-	17,963,717	-	-	17,963,717
Transportation	-	-	-	739,289	739,289
Public Safety	-	-	-	498,797	498,797
Community Development	-	-	-	161,558	161,558
Housing	540,676	-	-	3,297,837	3,838,513
Infrastructure	3,522,909	-	-	-	3,522,909
Animal Control	-	-	-	51,946	51,946
Drug Enforcement	-	-	-	337,407	337,407
Mental Health	-	-	-	241,877	241,877
Inet Technology	-	-	-	2,318,502	2,318,502
Health Ins Rate Stabilization	2,678,985	-	-	-	2,678,985
CIP & Operations	2,064,124	-	-	-	2,064,124
	<u>8,806,694</u>	<u>17,963,717</u>	<u>0</u>	<u>7,688,790</u>	<u>34,459,201</u>
<b>Unassigned</b>					
Other unassigned	2,050,076	-	-	-	2,050,076
Housing	-	-	-	(34,126)	(34,126)
	<u>\$ 2,050,076</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (34,126)</u>	<u>\$ 2,015,950</u>
	<u>\$ 40,384,301</u>	<u>\$ 38,552,132</u>	<u>\$ 209,544</u>	<u>\$ 7,732,198</u>	<u>\$ 86,878,175</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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, 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 \$125,000 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, 2011, a liability of \$900,000 (\$589,159 in governmental funds and \$310,841 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>End of Year</u>
2004	\$ 750	\$ 410	\$ 1,160
2005	\$ 1,160	600	\$ 1,760
2006	\$ 1,760	-	\$ 1,760
2007	\$ 1,760	(800)	\$ 960
2008	\$ 960	(90)	\$ 870
2009	\$ 870	-	\$ 870
2010	\$ 870	210	\$ 1,080
2011	\$ 1,080	(180)	\$ 900

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Other insurance

The County continues to carry commercial insurance for other risks of loss, including other general liability, earth movement, flood; fiduciary; 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 five 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, 2011, which have not resulted in any findings or liabilities. The County does not expect any disallowances of grant expenditures in the future.

**B. Litigation**

Charles County is routinely engaged in litigation regarding matters that arise in the normal course of the County's activities. In the opinion of the County Attorney and County Management, none of these matters will have a material effect on the financial position of the County. Additionally, a large Power Plant operating in the County has appealed the State of Maryland's real and personal property assessments for calendar year 2008 and calendar year 2009. For calendar year 2010, there is no pending assessment appeal. For calendar year 2011, an appeal has been filed on the real property tax assessment and a hearing was held this past June. Charles County has vigorously contested these appeals and has cross-filed its appeals contending that the assessments are too low. These appeals are currently pending before the Maryland Tax Court or State Assessor. In the opinion of the County Attorney and County Management the likelihood of an unfavorable outcome and material loss is remote.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 6. PENSION & TRUST PLANS**

The County maintains two separate single-employer, defined benefit pension plans: one for the 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.

Charles County also administers a single employer length of service award program (LOSAP) for volunteer fire and rescue members of all Charles County Companies and Departments. The County does not produce separate comprehensive financial reports for any of the fiduciary plans. Therefore, all required disclosures for the plans are included within this report.

The following are the required statements for the County's Fiduciary Funds, including the OPEB trust funds that are explained in detail under Note 7 starting on page 92.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Funds</u>	<u>LOSAP Funds</u>	<u>Total</u>
<b>ASSETS:</b>					
Current assets:					
Cash and cash equivalents	\$ 2,792,535	\$ 445,458	\$ 918,197	\$ 400,273	\$ 4,556,463
Interest receivable	<u>0</u>	<u>128,991</u>	<u>0</u>	<u>0</u>	<u>128,991</u>
Total current assets	<u>2,792,535</u>	<u>574,449</u>	<u>918,197</u>	<u>400,273</u>	<u>4,685,454</u>
Investments at fair value:					
Bond mutual funds	15,894,287	46,807,396	0	0	62,701,683
Equity securities	<u>93,565,664</u>	<u>83,553,292</u>	<u>0</u>	<u>10,509,735</u>	<u>187,628,691</u>
Total investments	<u>109,459,951</u>	<u>130,360,688</u>	<u>0</u>	<u>10,509,735</u>	<u>250,330,374</u>
Total assets	112,252,486	130,935,137	918,197	10,910,008	255,015,828
<b>LIABILITIES:</b>					
Accrued expenses	<u>(46,054)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(46,054)</u>
<b>NET ASSETS:</b>					
Held in trust for pension benefits	<u>\$ 112,206,432</u>	<u>\$ 130,935,137</u>	<u>\$ 918,197</u>	<u>\$ 10,910,008</u>	<u>\$ 254,969,774</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2011

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Funds</u>	<u>LOSAP Funds</u>	<u>Total</u>
ADDITIONS:					
Contributions:					
Employer contributions	\$ 5,765,963	\$ 6,817,196	\$ 250,000	\$ 778,900	13,612,059
Employee contributions	1,870,245	2,239,540	0	0	4,109,785
Total contributions	<u>7,636,208</u>	<u>9,056,736</u>	<u>250,000</u>	<u>778,900</u>	<u>17,721,844</u>
Investment earnings:					
Interest, Dividends, Gains	4,930,485	5,583,529	517	270,681	10,785,212
Net change in fair value of investments	14,481,330	16,979,261	0	1,352,590	32,813,181
Total investment earnings	<u>19,411,815</u>	<u>22,562,790</u>	<u>517</u>	<u>1,623,271</u>	<u>43,598,393</u>
Less investment expenses	<u>(652,254)</u>	<u>(639,406)</u>	<u>0</u>	<u>0</u>	<u>(1,291,660)</u>
Net investment earnings	<u>18,759,561</u>	<u>21,923,384</u>	<u>517</u>	<u>1,623,271</u>	<u>42,306,733</u>
Total additions	<u>26,395,769</u>	<u>30,980,120</u>	<u>250,517</u>	<u>2,402,171</u>	<u>60,028,577</u>
DEDUCTIONS:					
Benefits paid to members	3,455,813	5,515,828	0	594,089	9,565,730
Administrative costs	<u>11,767</u>	<u>39,709</u>	<u>79</u>	<u>46,305</u>	<u>97,860</u>
Total deductions	<u>3,467,580</u>	<u>5,555,537</u>	<u>79</u>	<u>640,394</u>	<u>9,663,590</u>
Changes in net assets	22,928,189	25,424,583	250,438	1,761,777	50,364,987
Net assets - beginning of year	<u>89,278,243</u>	<u>105,510,554</u>	<u>667,759</u>	<u>9,148,231</u>	<u>204,604,787</u>
Net assets - end of year	<u>\$ 112,206,432</u>	<u>\$ 130,935,137</u>	<u>\$ 918,197</u>	<u>\$ 10,910,008</u>	<u>254,969,774</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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 the 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, 2010, the date of the last actuarial valuation:

	<u>Sworn Officers</u>	<u>Correctional Officers</u>	<u>Communications Employees</u>
Active plan members	284	143	41
Retirees and beneficiaries receiving benefits	90	10	5
Disabled, receiving benefits	14	-	-
Vested termination	2	-	-
	<u>390</u>	<u>153</u>	<u>46</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 \$5,392,243 at June 30, 2011, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2011 totaled \$1,134,548.

**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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011, net assets were invested in fixed income mutual funds (36%) and Equity mutual funds (64%).

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

Vesting – For Sworn Officers 5 years of service is required to be 100% vested. For Communications & Corrections Officers, 20 years of service is required to be 100% vested.

Normal Retirement Age – 25 years of service, or age 60, if earlier. For Sworn Officers hired before 7-1-86, 20 years of service, or age 60, if earlier.

Normal Form of Benefit – 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.

Post-Retirement Cost of Living Increases – CPI Index, but no more or less than 4% in a year.

Employee Contributions – 8% of base earnings for Sworn Officers. 7% of base earnings for Correctional and Communications.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Average Compensation – Three year average of base pay on July 1.

Benefit Formula – For Sworn Officers, 3% for each of first 20 years and 2% thereafter, to a maximum of 80% of average compensation. For Correctional Officers, 2.25% per year to a maximum of 75% of average compensation. For Communications Officers, 2.0% per year to a maximum of 75% of average compensation.

DROP – For Sworn Officers, a 5 year DROP (Deferred Retirement Option Program) is offered. DROP allows a sworn member of the Sheriff's Office to retire without terminating employment for up to 5 years. DROP credits consist of DROP monthly retirement income deposits and County pick-up contributions. DROP monthly retirement income deposits are subject to annual COLA. DROP account balances are credited with 7% interest each July 1.

Service – 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 additional 0.1% for each additional 100 hours to a maximum of 4.0%

Early Retirement – With at least 20 years of service, reduction factors are as follows:

With at least 20 years of service, reduction factors are as follows:

<u>Years early</u>	<u>Sworn (post 7/1/86)</u>	<u>Communications &amp; Corrections</u>
1	3.0%	8.4%
2	6.0%	16.8%
3	9.0%	25.2%
4	12.0%	32.4%
5	15.0%	39.6%

Termination Prior to Retirement – Return of employee contributions with 3% interest.

Line of Duty Disability – For 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. For Disability from own position, a percentage of final 3 years average earnings, based on a 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 Dispatchers are not eligible for this benefit

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Non-Line of Duty Disability – 5 years of service is required for this benefit. For Total and Permanent, a percentage of final 3 years average earnings, based on a 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 Workers Compensation
- e) no benefits until LTD benefits, if any, expire.

For Disability from own position, a percentage of final 3 years average earnings, based on a 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

Disability must be catastrophic (loss of limb, loss of hearing, blindness).

Communications Dispatchers are not eligible for this benefit.

Pre-Retirement Spouse's Benefit – For Line of Duty Death Benefit, 66-2/3% of participant's average compensation less any survivor benefits paid under Social Security. For 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, 2011 was equal to the amount of the Annual Required Contribution of \$6,817,196. There was no net pension obligation at June 30, 2011. The Annual Required Contribution for the current year was determined as part of the July 1, 2010 actuarial valuation. The actuarial assumptions and methods include:

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. Restarted 7/1/2009.

Asset Method – Five-year average method. Returns on the average market value of assets above or below the assumed 7.75% return are gradually recognized over a five-year period. (effective 7/1/2009)

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Interest – 7.75% compounded annually. (8% in prior valuation)

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 – 2% first 2 years, 5 thereafter; compounded annually. (5.5% for all years in prior valuation)

DROP Load Factor – Retirement liabilities were loaded to reflect Sworn Officers electing a 5-year DROP.

Sample rates are:

Age	Sheriff's hired prior to 7/1/1986			Age	Sheriff's hired after to 7/1/1986		
	Years of Service				Years of Service		
	25	30	35		25	30	35
45	1.055	1.071	1.219	45	1.000	1.071	1.219
50	1.075	1.092	1.242	50	1.000	1.092	1.242
55	1.105	1.121	1.275	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 as follows:

Age	Rate
25	0.19%
35	.28%
45	.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 as follows:

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

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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 Sheriff's and 37.5% of the base rates for the Correctional and Communications Employees.

Retirement –

Sheriff's 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.

Sheriff's 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

<u>Age</u>	<u>Years of Service</u>			
	<u>0-19</u>	<u>20-24</u>	<u>25</u>	<u>26+</u>
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.

Termination – For Sworn Officers, participants terminating with 5 or more years of service are eligible for a benefit. Participants reaching age 45 are assumed to receive accrued benefit upon reaching age 60. All other participants are assumed to elect to receive a refund of their contributions. For Communications and Correctional Officers, terminating with less than 20 years of service (normal retirement eligibility) are assumed to receive a refund of their contributions.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Military Service – Actual service.

Loading – A 0.5% loading expense is added to the liabilities and normal cost for administrative expenses and \$95,000 is added to the normal cost for investment expenses. The \$95,000 was added with the 2008 valuation.

Other Methods and Assumptions – Cost and assets are measured separately for each of the three employee groups. If an employee transfers 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 2010 valuation determines the cost for fiscal year 2012.

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, 2010. It is assumed to be the salary for the next 12 months and not part of the accrued benefit when measuring projected benefits.

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
SHERIFF'S OFFICE RETIREMENT PLAN

<u>Fiscal Year</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net Pension</u>
<u>Ending</u>	<u>Required</u>	<u>ARC</u>	<u>Obligation</u>
	<u>Contribution</u>	<u>Contribution</u>	
6/30/2004	\$ 4,100,000	100%	\$0
6/30/2005	4,150,000	100%	\$0
6/30/2006	4,451,597	100%	\$0
6/30/2007	5,263,564	100%	\$0
6/30/2008	4,955,872	100%	\$0
6/30/2009	5,861,072	100%	\$0
6/30/2010	6,964,201	100%	\$0
6/30/2011	6,817,196	100%	\$0

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

SCHEDULE OF FUNDING PROGRESS  
SHERIFF'S OFFICE RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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>						
7/1/04	\$ 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	\$ 20,669,709	77.5%	\$ 14,195,503	145.6%
7/1/06*	\$ 80,364,953	\$ 9,525,770	\$ 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%
7/1/08	\$ 98,067,749	\$ 121,806,238	\$ 23,738,489	80.5%	\$ 18,653,670	127.3%
7/1/09	\$ 104,966,686	\$ 128,639,635	\$ 23,672,949	81.6%	\$ 19,245,648	123.0%
7/1/10	\$ 108,062,149	\$ 137,307,331	\$ 29,245,182	78.7%	\$ 19,205,628	152.3%
<b>Corrections Officers</b>						
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%
7/1/08	\$ 13,315,300	\$ 17,613,334	\$ 4,298,034	75.6%	\$ 7,834,547	54.9%
7/1/09	\$ 15,073,431	\$ 19,618,794	\$ 4,545,363	76.8%	\$ 8,062,697	56.4%
7/1/10	\$ 16,414,905	\$ 22,163,811	\$ 5,748,906	74.1%	\$ 8,144,022	70.6%
<b>Communications Employees</b>						
7/1/04	\$ 2,674,056	\$ 3,180,222	\$ 506,166	84.1%	\$ 1,145,301	44.2%
7/1/05	\$ 2,998,522	\$ 3,496,802	\$ 498,280	85.8%	\$ 1,175,771	42.4%
7/1/06*	\$ 3,353,839	\$ 3,982,409	\$ 628,570	84.2%	\$ 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%
7/1/08	\$ 4,243,211	\$ 5,352,606	\$ 1,109,395	79.3%	\$ 1,948,764	56.9%
7/1/09	\$ 4,646,894	\$ 5,496,181	\$ 849,287	84.5%	\$ 1,956,033	43.4%
7/1/10	\$ 4,883,743	\$ 5,849,245	\$ 965,502	83.5%	\$ 2,025,663	47.7%
<b>Total</b>						
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%
7/1/08	\$ 115,626,260	\$ 144,772,178	\$ 29,145,918	79.9%	\$ 28,436,981	102.5%
7/1/09***	\$ 117,768,804	\$ 153,754,610	\$ 35,985,806	76.6%	\$ 29,264,378	123.0%
7/1/09	\$ 124,687,011	\$ 153,754,610	\$ 29,067,599	81.1%	\$ 29,264,378	99.3%
7/1/10	\$ 129,360,797	\$ 165,320,387	\$ 35,959,590	78.2%	\$ 29,375,313	122.4%

Note: \*Before mortality change.

\*\*Before plan change.

\*\*\*Before change to five year Smoothing Method.

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**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 the 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, 2010, the last date of the last actuarial valuation:

Active plan members	774
Terminated, entitled to but not yet receiving benefits	125
Retirees and beneficiaries receiving benefits	224
	<u>1,123</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

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contributions annually as actuarially determined. For the year ended June 30, 2011, the County fully funded the ARC of \$5,765,963 to the Plan as recommended in the actuarial report as of July 1, 2010. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

**Investment Concentrations** – At June 30, 2011, the County’s Plan’s net assets were invested in the following types of investments:

Guaranteed Deposit	25%
Fixed Income - Domestic	14%
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 earlier of (a) age 62 with 5 years of service or (b) age 60 with 20 years; for participants in the Plan prior to July 1, 1977., the retirement date is assumed to be 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 – Amounts described in (a) or (b) below, whichever applies.

- (a) If participant has a spouse as of his/her 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/her retirement date or elects to receive his/her income under the normal form, retirement income will be the amount determined under the benefit formula.

Form of Annuity – Modified cash refund.

Cost of Living Increases – Provides for an annual increase/decrease in the annuity benefit in proportion to the last annual increase in the Consumer Price Index. This increase/decrease shall not be in excess of 4% per year.

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Earnings – Basic compensation received from the employer excluding overtime payments, commissions, bonuses and any other additional compensation, subject to a \$200,000 limit.

Final Earnings – 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.

Benefit Formula – Employees are entitled to an annual retirement benefit payable monthly for life, calculated as follows:

*For non-public safety participants:*

Final average earnings X 1.5% X credited years of service 1-5

Final average earnings X 1.75% X credited years of service 5-10 plus

Final average earnings X 2.0% X credited years of service 10-15 plus

Final average earnings X 2.25% X credited years of service 15-20 plus

Final average earnings X 2.5% X credited years of service in excess of 20

To a maximum benefit of 65% of final average earnings

*For public safety participants:*

Final average earnings X 2.0% X credited years of service

To a maximum benefit of 75% of final average earnings

Service – All years of service with the County from date of employment to early retirement, termination of employment, or retirement date.

Credited Service – 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.

Additional Credited Service – For non-public safety participants, the Plan provides for 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. 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 credit service for military service up to 3 years, if precedes employment, up to 3 year if non-military service is at least 10 years.

Participation Eligibility – Making employee contributions to the Plan.

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Early Eligibility – For non-public safety participants, ten years early with five years of service. For public safety participants, twenty years of service.

Early Benefit Amount – For non-public safety participants, normal retirement benefit accrued to early retirement, actuarially reduced by 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.

Vesting Schedule – For non-public safety participants hired before July 1, 1997, 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.

Vested Benefit – Benefit accrued to date of termination adjusted by the appropriate vesting percentage.

Employee Contributions

*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.

Disability – For public safety participants, no eligibility requirements 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 income. Non Line of Duty: 15%-40% of final average earnings offset by other income.

Pre-Retirement Spouse's Benefit – For non-public safety participants:

Eligibility (A): Active and attained age 55 and completed 5 years of service, married one full year prior to death.

Benefit Formula (A): 50% of the pension benefit accrued to date of death

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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 –  $66 \frac{2}{3}$  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, 2011 was slightly less than the Annual Required Contribution made of \$5,765,963, as shown in the historical chart that follows. As a result, the net pension obligation at June 30, 2011 was decreased to a balance of \$521,072. The Annual Required Contribution for the current year was determined as part of the July 1, 2010 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 20 years, as re-established effective July 1, 2009.

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

Investment Return – 7.75% compounded annually, net of investment and contract fees.

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Post Retirement COLA Increases – 3.25% compounded annually.

Inflation – 2.25%

Mortality – The RP-2000 Mortality Table for males and females projected to 2010.

Salary Increases – 4.5% compounded annually.

Termination – For non-public safety participants, the probabilities that participants (males 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 with less than 10 years of service, the probabilities that participants at the indicated ages terminate within the upcoming year are as follows:

<u>Age</u>	<u>%</u>
25	15.4
35	13.7
45	10.3
55	2.7

For those with 10 or more but less than 15 years of service, 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 Credit Service – For non-public safety participants, additional credit service at assumed retirement, due to unused sick leave is eight months. For public safety participants,

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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 \$50,000.

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 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-service 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-line-of-duty and the remainder would be non-service related. It is assumed that 100% of line-of-duty disabilities are total disabilities.

Calculation of Net Pension Obligation (NPO)

Annual Required Contribution	\$	5,765,963
Interest on NPO		43,367
Annual Required Contribution Adjustment		(64,381)
Annual Pension Cost		5,744,949
Contribution made		(5,765,963)
Change in NPO		(21,014)
NPO Beginning of Year		542,086
NPO End of Year (6/30/11)	\$	521,072

SCHEDULE OF EMPLOYER CONTRIBUTIONS

COUNTY EMPLOYEES 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>
6/30/2004	\$ 2,777,724	75.6%	\$ 680,966
6/30/2005	2,955,490	100.1%	\$ 486,180
6/30/2006	3,911,688	100.0%	\$ 265,085
6/30/2007	5,104,225	100.0%	\$ 608,499
6/30/2008	5,527,452	100.0%	\$ 586,176
6/30/2009	6,169,831	100.0%	\$ 563,700
6/30/2010	6,547,222	100.0%	\$ 542,086
6/30/2011	5,765,963	100.0%	\$ 521,072

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**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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)
6/30/04	\$ 49,323,829 **	\$ 55,688,894	\$ 6,365,065	88.6%	\$ 27,278,917	23.3%
6/30/05	\$ 54,479,225 **	\$ 66,420,831	\$ 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 **	\$ 105,247,008	\$ 20,356,734	80.7%	\$ 44,697,536	45.5%
6/30/09	\$ 90,444,095 **	\$ 115,830,778	\$ 25,386,683	78.1%	\$ 44,478,995	57.1%
6/30/10	\$ 107,512,136 **	\$ 130,111,643	\$ 22,599,507	82.6%	\$ 41,506,048	54.4%
6/30/11	\$ 117,535,957 **	\$ 142,070,236 ***	\$ 24,534,279 ***	82.7% ***		

**Notes:**

\* includes contributions received in July of that year if applicable to the 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 Squad Members**

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 contributions for this plan have historically not been actuarially determined. An actuary study was solicited and contracted mid fiscal-year 2009 and those results were presented in July 2009. The results on participant data as of December 2008 showed a funded ratio of 45.4% and an unfunded liability of \$9,184,317. However, for the fiscal year and future, the plan was 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.

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Contributions made to the program for the year ended June 30, 2011 totaled \$778,900 from the 2010/11 tax levy. The County Commissioners were not obligated to fund the plan, only to administer it.

Program assets are held in trust during the year by a custodian. As of June 30, 2011, M&T held the fair value of net assets for the plan benefits in the amount of \$400,273. Investment decisions are made by an investment firm appointed by the Board of Fire and Rescue Commissioners. Assets have been invested in various stocks, bonds, and mutual funds. As of June 30, 2011, BB&T held the fair value of these assets in the amount of \$10,509,735.

**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, or in trust equivalents, for the exclusive benefit of participants and their beneficiaries. Therefore, in accordance with the GASB Statement 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	189	241	57	487
Plan Assets	\$ 10,852,098	\$ 7,062,380	\$ 2,062,995	\$ 19,977,473
Annual Employee Contribution	\$ 728,170	\$ 743,331	\$ 157,372	\$ 1,628,873

**B. Other Post-Employment Benefits (OPEB)**

Charles County's post employment benefit plan is a single employer defined benefit plan. The following actuarial calculations are based on OPEB benefits provided under the terms of the County's substantive plan in effect at the time of the valuation and on a pattern of sharing costs between the employer and plan members to that point, while also reflecting

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a long term financial perspective. 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 or the Sheriff's Office Retirement Plan which are outlined previously in these notes.

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 (25% max)
Years 11-15	4% per year (45% max)
Years 16-20	4.34% per year (66.75% max)
Years 21+	66.75%

For the year ended June 30, 2011, there were 286 former employees and family members with medical coverage, 337 with dental, and 316 with vision. For the fiscal year ended June 30, 2011, the County incurred and recorded \$1,538,423 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 No. 45. The ARC represents a level of funding, that, if paid on an on-going 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 combined amount contributed both on the pay-go basis and our trust contribution, and changes in the County's net OPEB obligation:

Annual required contribution	\$	13,126,000
Interest on OPEB obligation		1,499,000
Annual required contribution adjustment		<u>(1,356,000)</u>
Annual OPEB cost (expense)		13,269,000
Pay-go contribution made		(1,538,423)
Trust contribution made		<u>(250,000)</u>
Increase in net OPEB obligation		11,480,577
Net OPEB obligation - beginning of year		<u>35,277,146</u>
Net OPEB obligation - end of year	\$	46,757,723

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**NOTES TO THE FINANCIAL STATEMENTS**

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The Library's pro-rata share of the Net OPEB obligation at the end of the current fiscal year is \$1,364,397.

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	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	\$ 430,663	\$ 124,041,000	\$ 123,610,337	0.3%	\$ 73,743,373	167.6%
7/1/10	\$ 667,759	\$ 134,539,000	\$ 133,871,241	0.5%	\$ 70,881,361	188.9%
7/1/11	\$ 918,197	\$ 144,038,000	\$ 143,119,803	0.6%	\$ n/a	n/a

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, 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 15,162,000	9.35%	\$ 13,743,245
June 30, 2009	\$ 11,904,000	13.60%	\$ 24,028,146
June 30, 2010	\$ 12,858,000	12.51%	\$ 35,277,146
June 30, 2011	\$ 13,269,000	17.70%	\$ 46,757,723

**Actuarial Methods and Assumptions**

These notes to the financial statements disclose that (1) actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and (2) actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. In the effective June 30, 2010 actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement was used. The actuarial assumptions included a 4.25% 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 market value. The annual healthcare cost trend rate is 8% initially, reduced to an ultimate rate of 4.20% after year 2080. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 27 years.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

**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 the closure. The Pisgah landfill stopped accepting waste in September 1994. The majority of closure costs related to this 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 the fiscal year ended June 30, 2011 were \$75,239.

**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, 2011, approximately 61% 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 \$5,417,251 reported as landfill closure and post-closure care liability at June 30, 2011, 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 \$256,489.

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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, 2011

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes - local property	\$ 186,153,400	\$ 186,153,400	\$ 181,734,631	\$ (4,418,769)
Taxes - income	85,695,000	85,695,000	92,049,627	6,354,627
Taxes - other local	11,951,000	11,951,000	11,071,611	(879,389)
Taxes - state shared	413,000	413,000	631,126	218,126
Charges for services	7,315,200	7,336,200	7,114,271	(221,929)
Intergovernmental	1,387,400	1,469,480	1,863,269	393,789
Interest income	1,500,000	1,500,000	238,602	(1,261,398)
Other income	3,255,100	3,405,450	3,689,812	284,362
Total revenues	<u>297,670,100</u>	<u>297,923,530</u>	<u>298,392,949</u>	<u>469,419</u>
<b>Expenditures:</b>				
Education	156,658,000	156,658,000	156,619,582	38,418
Public safety	73,164,430	73,279,700	72,445,551	834,149
General government (including contingencies)	18,398,200	18,249,060	17,653,994	595,066
Public facilities	16,142,400	17,112,540	16,650,348	462,192
Financial administration	8,049,480	8,059,940	7,794,237	265,703
Judicial	3,023,270	3,023,120	2,986,730	36,390
Planning and growth management	2,340,000	2,392,210	2,393,324	(1,114)
Community services	3,661,950	3,747,190	3,311,300	435,890
Health services	3,110,300	3,110,300	3,125,159	(14,859)
Economic development	584,800	742,190	481,728	260,462
Social services	1,037,900	1,181,500	1,048,179	133,321
Legislative	1,417,500	1,467,760	1,309,966	157,794
Law	865,900	1,036,900	1,281,988	(245,088)
Conservation of natural resources	603,680	603,980	560,986	42,994
Elections	1,287,100	1,287,100	1,010,575	276,525
<b>Debt service</b>				
Interest	7,234,500	7,234,500	7,501,344	(266,844)
Total expenditures	<u>297,579,410</u>	<u>299,185,990</u>	<u>296,174,991</u>	<u>3,010,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,690</u>	<u>(1,262,460)</u>	<u>2,217,958</u>	<u>3,480,418</u>
<b>Other financing sources (uses):</b>				
Proceeds from capital lease agreement	0	0	0	0
Premium on debt proceeds	0	0	3,214,979	3,214,979
Bond Proceeds from debt refunding	0	0	17,985,000	17,985,000
Defeased Bonds	0	0	(18,495,286)	(18,495,286)
Transfers in	1,259,700	1,259,700	1,259,700	0
Transfers out	(7,439,200)	(8,493,540)	(6,983,223)	1,510,317
Total other financing sources (uses)	<u>(6,179,500)</u>	<u>(7,233,840)</u>	<u>(3,018,830)</u>	<u>4,215,010</u>
Net change in fund balance	(6,088,810)	(8,496,300)	(800,872)	7,695,428
Fund balance - beginning of year	41,185,173	41,185,173	41,185,173	0
Fund balance - end of year	<u>\$ 35,096,363</u>	<u>\$ 32,688,873</u>	<u>\$ 40,384,301</u>	<u>\$ 7,695,428</u>

See independent auditor's report.

# **Schedules and Combining Statements**

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## **General Fund**

The General Fund is established to account for resources devoted to financing the general services that the county performs for its citizens.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGETARY (NON-GAAP) BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Taxes - Local Property</u>			
Real Property	\$ 173,047,800	\$ 171,594,994	\$ (1,452,806)
Business Personal Property	150,000	265,239	115,239
Railroad & Public Utilities	4,926,000	6,233,496	1,307,496
Ordinary Business Corporation	20,230,600	15,924,276	(4,306,324)
Penalties and Interest	600,000	633,190	33,190
Half-year Billing Fee	280,500	32,004	(248,496)
Homestead Tax Credit	(11,571,100)	(11,314,533)	256,567
Low Income Tax Credit	(289,400)	(356,713)	(67,313)
La Plata Tax Differential	(1,013,100)	(1,020,052)	(6,952)
Indian Head Tax Differential	(109,800)	(108,410)	1,390
Agriculture Preservation Credit	(96,100)	(139,121)	(43,021)
Other Tax Credits	(2,000)	(9,739)	(7,739)
Total Taxes - Local Property	186,153,400	181,734,631	(4,418,769)
<u>Taxes - Income</u>	85,695,000	92,049,627	6,354,627
<u>Taxes - Other Local</u>			
Admission and Amusement	957,000	671,500	(285,500)
Recordation	10,000,000	9,446,893	(553,107)
Hotel / Motel	994,000	953,219	(40,781)
Total Taxes - Other Local	11,951,000	11,071,611	(879,389)
<u>Taxes - State Shared</u>			
Highway User	413,000	631,126	218,126
Total Taxes - State Shared	413,000	631,126	218,126
<u>Charges for Services</u>			
Licenses and Permits			
Alcohol Licenses	176,000	162,470	(13,530)
Electrical Permits	39,000	40,740	1,740
Traders Licenses	235,200	214,078	(21,122)
Civil Marriage Licenses	33,000	30,930	(2,070)
Protective Inspection Licenses	111,100	95,321	(15,779)
Building Permits	95,200	99,983	4,783
Plumbing Permits	19,800	26,722	6,922
Occupancy Permits	17,400	15,972	(1,428)
Park Facilities Permits	101,100	98,683	(2,417)
Trailer Occupancy Permits	46,600	46,005	(595)
Other Licenses and Permits	70,400	61,387	(9,013)
subtotal	944,800	892,291	(52,509)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGETARY (NON-GAAP) BASIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Charges for Services (continued)</u>			
Service Charges			
Soil Conservation Plan Fee	15,600	17,711	2,111
Indirect Cost Revenue	730,500	742,133	11,633
Plat Review & Processing	49,800	52,274	2,474
Courtroom Security	47,700	19,312	(28,388)
Special Exception Fees	15,000	20,068	5,068
Bail Bond Fees	44,000	58,893	14,893
EMS Billing Fees	993,400	1,070,019	76,619
School Allocation Extension Fees	24,500	50,108	25,608
Forest Conservation Fees	24,900	20,907	(3,993)
Site Development Plan Application	18,200	8,290	(9,910)
Mosquito Control Fees	44,000	42,137	(1,863)
Deeds & Tax Verification Fees	74,900	71,007	(3,893)
Advertising Fees	45,000	34,495	(10,505)
Custodial Fees	252,400	247,300	(5,100)
Animal Shelter Boarding Fees	30,200	26,693	(3,507)
False Alarm Registration Fees	246,000	236,943	(9,057)
Sheriff Fees	279,900	288,620	8,720
Sheriff Pay Phone Commission	175,000	195,404	20,404
Detention Center Room and Board	150,000	188,001	38,001
Federal Inmate Operating	1,539,000	1,384,395	(154,605)
Local 911 Fees	1,022,900	1,010,400	(12,500)
Park Entrance Fees	40,200	36,736	(3,464)
Food and Drink Sales	66,700	43,606	(23,094)
Outdoor Sports Programs Fees	196,500	162,917	(33,583)
Other Fees	265,100	193,611	(71,489)
subtotal	6,391,400	6,221,980	(169,420)
Total Charges for Services	7,336,200	7,114,271	(221,929)
<u>Intergovernmental</u>			
Federal Grants			
FEMA	0	0	0
HIDTA Grant	0	0	0
Miscellaneous Grants	46,420	208,255	161,835
subtotal	46,420	208,255	161,835

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGETARY (NON-GAAP) BASIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Intergovernmental (continued)</u>			
State Grants			
Aid for Police Protection	752,500	752,332	(168)
Aid for Inmate Operations	0	230,715	230,715
Jury Fee Reimbursement	82,000	94,470	12,470
Soil Conservation	50,100	53,322	3,222
Other State Grants	58,660	98,304	39,644
subtotal	<u>943,260</u>	<u>1,229,143</u>	<u>285,883</u>
Animal Shelter			
Calvert County	191,900	170,348	(21,552)
St. Mary's County	287,900	255,523	(32,377)
subtotal	<u>479,800</u>	<u>425,871</u>	<u>(53,929)</u>
Total Intergovernmental	<u>1,469,480</u>	<u>1,863,269</u>	<u>393,789</u>
<u>Interest Income</u>			
MLGIP	700,000	97,250	(602,750)
US Government Agencies	60,000	7,672	(52,328)
CD's & Other Interest	740,000	133,680	(606,320)
Total Interest Income	<u>1,500,000</u>	<u>238,602</u>	<u>(1,261,398)</u>
<u>Other Income</u>			
Rent			
Courthouse Rent	961,200	796,549	(164,651)
Water Tower Rental	215,300	244,840	29,540
Office Space	167,700	211,777	44,077
Nanjemoy Community Center	0	0	0
Civista Hospital	12,300	12,668	368
Post Office	6,000	6,000	0
Other Rent	3,600	3,803	203
subtotal	<u>1,366,100</u>	<u>1,275,637</u>	<u>(90,463)</u>
Fines and Forfeitures			
False Alarm Fines	211,500	249,549	38,049
Alcoholic Beverage Fines	23,000	20,925	(2,075)
State Shared Fines	31,200	2,171	(29,029)
County Parking Fines	6,600	7,958	1,358
Red Light Camera Fines	965,200	754,278	(210,922)
Building Permit Fines	90,100	48,891	(41,209)
Other Fines	12,900	10,138	(2,762)
subtotal	<u>1,340,500</u>	<u>1,093,910</u>	<u>(246,590)</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGETARY (NON-GAAP) BASIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Other Income (continued)</u>			
Non-Recurring Revenue	0	19,187	19,187
Worker's Compensation	37,200	71,214	34,014
Miscellaneous	369,640	961,261	591,621
Gain (Loss) on Fixed Assets	292,010	268,602	(23,408)
Total Other Income	3,405,450	3,689,812	284,362
Total Revenues	297,923,530	298,392,950	469,419
<u>Other Financing Sources:</u>			
Proceeds from capital lease agreement	0	0	0
Premium on debt proceeds	0	3,214,979	3,214,979
Bond Proceeds from debt refunding	0	17,985,000	17,985,000
Transfers In			
Enterprise Funds	599,800	599,800	0
Special Revenue Funds	331,100	331,100	0
Capital Projects Funds	328,800	328,800	0
Total Other Financing Sources	1,259,700	22,459,679	21,199,979
Total Revenues and Other Financing Sources	<u>\$ 299,183,230</u>	<u>\$ 320,852,629</u>	<u>\$ 21,669,398</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGETARY (NON-GAAP) BASIS  
FOR THE YEAR ENDED JUNE 30, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<b>Education</b>			
Board of Education	\$ 145,296,600	\$ 145,296,600	\$ 0
College of Southern Maryland	9,115,200	9,115,200	0
Library	2,195,400	2,175,382	20,018
Other	50,800	32,400	18,400
Total Education	156,658,000	156,619,582	38,418
<b>Public Safety</b>			
Sheriff's Office			
Sheriff's Office	45,643,370	44,757,448	885,922
Detention Center	15,476,400	15,774,096	(297,696)
Red Light Camera Program	880,300	648,656	231,644
Fingerprinting Service	36,800	2,979	33,821
subtotal	62,036,870	61,183,179	853,691
Emergency Services			
Administration	243,500	261,337	(17,837)
False Alarm Reduction Unit	161,200	137,630	23,570
Communications	2,796,700	2,662,271	134,429
Emergency Management	43,700	21,842	21,858
Tactical Response	102,450	101,987	463
Career EMS	6,293,340	6,571,494	(278,154)
Animal Control	562,820	554,529	8,291
Animal Shelter	772,420	709,262	63,158
subtotal	10,976,130	11,020,352	(44,222)
Security	134,200	120,383	13,817
Safety	132,500	121,637	10,863
Total Public Safety	73,279,700	72,445,551	834,149
<b>General Government</b>			
Debt Service	16,434,850	16,482,523	(47,673)
Central Services	1,814,210	1,171,471	642,739
Contingencies	0	0	0
Total General Government	18,249,060	17,653,994	595,066
<b>Public Facilities</b>			
Administration	715,240	793,575	(78,335)
Buildings & Trades	6,746,390	6,393,840	352,550
Parks & Grounds	3,627,600	3,555,189	72,411
Vehicle Maintenance	783,900	798,912	(15,012)
Roads	5,239,410	5,108,832	130,578
Total Public Facilities	17,112,540	16,650,348	462,192

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGETARY (NON-GAAP) BASIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Financial Administration</u>			
Internal Audit	169,920	184,301	(14,381)
Fiscal & Administrative Services			
Administration	248,900	275,540	(26,640)
Budget	423,830	454,722	(30,892)
Accounting	978,800	1,000,379	(21,579)
Purchasing	416,320	373,336	42,984
Information Technology	2,461,620	2,290,216	171,404
subtotal	4,529,470	4,394,193	135,277
Treasurer's Office	982,300	949,889	32,411
Liquor Board	201,000	203,062	(2,062)
Human Resources	600,950	595,993	4,957
Retiree Fringe	1,576,300	1,466,799	109,501
Total Financial Administration	8,059,940	7,794,237	265,703
<u>Judicial</u>			
State's Attorney's Office	1,902,570	1,879,017	23,553
Circuit Court	1,073,050	1,061,080	11,970
Orphan's Court	47,500	46,633	867
Total Judicial	3,023,120	2,986,730	36,390
<u>Planning &amp; Growth Management</u>			
Administration	293,310	309,691	(16,381)
Planning	1,344,350	1,341,169	3,181
Inspection & Enforcement	316,520	317,903	(1,383)
Codes & Permits	292,550	282,938	9,612
Resource & Infrastructure Mgmt	145,480	141,623	3,857
Total Planning & Growth Mgmt	2,392,210	2,393,324	(1,114)
<u>Community Services</u>			
Administration	296,600	274,141	22,459
Aging Services	1,320,180	1,270,716	49,464
Recreation	1,452,120	1,408,536	43,584
Housing Authority	678,290	357,907	320,383
Total Community Services	3,747,190	3,311,300	435,890
<u>Health Services</u>	3,110,300	3,125,159	(14,859)
<u>Economic Development</u>			
Economic development	90,100	83,907	6,193
Tourism	57,800	39,751	18,049
Other	594,290	358,070	236,220
Total Economic Development	742,190	481,728	260,462

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGETARY (NON-GAAP) BASIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2011

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Social Services</u>	1,181,500	1,048,179	133,321
<u>Legislative</u>			
County Commissioners	453,100	392,966	60,134
County Administrator			
Administration	510,430	474,229	36,201
Executive Office	504,230	442,771	61,459
Security	0	0	0
Safety	0	0	0
subtotal	1,014,660	917,000	97,660
Total Legislative	1,467,760	1,309,966	157,794
<u>Law - County Attorney</u>	1,036,900	1,281,988	(245,088)
<u>Conservation of Natural Resources</u>			
Weed Control	14,800	14,893	(93)
Resource Conservation & Development	17,350	10,310	7,040
University of MD Extension	228,300	193,373	34,927
Soil Conservation	343,530	342,410	1,120
Total Conservation	603,980	560,986	42,994
<u>Elections</u>	1,287,100	1,010,575	276,525
<u>Debt service</u>			
Interest	7,234,500	7,501,344	(266,844)
Total expenditures	299,185,990	296,174,991	3,010,999
<u>Other financing uses:</u>			
Defeased Bonds	0	18,495,286	(18,495,286)
Transfers out			
Capital Projects	1,262,820	1,262,820	0
Special Revenue Funds	3,279,620	3,177,669	101,951
Debt Service Fund	3,562,300	2,153,972	1,408,328
Enterprise Funds	388,800	388,762	38
subtotal	8,493,540	6,983,223	1,510,317
Total other financing uses	8,493,540	25,478,509	(16,984,969)
Total Expenditures and Other Financing Uses	\$ 307,679,530	\$ 321,653,500	\$ (13,973,970)

See accompanying notes.

# Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

<b>Drug, Alcohol and Sheriff's Funds -</b>	Established to assist in educating and helping those within our community fight crime.
<b>Fire Tax Fund -</b>	Established to fund volunteer fire and rescue stations throughout the county.
<b>Community Development Funds -</b>	Established to fund a wide variety of programs that benefit and improve our community infrastructure.
<b>Housing Funds -</b>	Established to fund programs that provide low income housing assistance.
<b>Child Support Funds -</b>	Established to fund programs that aid in collection of child support.
<b>Aging Funds -</b>	Established to fund programs that provide housing assistance, health programs and other services for the elderly.
<b>Agricultural Fund -</b>	Established to track and fund land preservation efforts.
<b>Planning Fund -</b>	Established to fund plans for future growth and conservation of the county's natural resources.
<b>Animal Shelter Fund -</b>	Established to fund the Tri-County Animal Shelter.
<b>Human Services Fund -</b>	Established to fund programs that provide assistance to mentally disabled individuals.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	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	\$ 3,197,422
Other receivables	25,598	229,736	1,284,477	211,415	0	54,387
Due (to) from other funds	251,279	0	392,463	0	156,808	117,734
Other assets	0	0	0	0	0	0
Restricted assets	0	0	0	0	0	0
Total assets	<u>\$ 276,877</u>	<u>\$ 229,736</u>	<u>\$ 1,676,940</u>	<u>\$ 211,415</u>	<u>\$ 156,808</u>	<u>\$ 3,369,543</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 31,540	\$ 15,576	\$ 936,131	\$ 4,610	\$ 0	\$ 71,706
Accrued expenditures	0	0	0	0	0	0
Deferred revenue	240,587	31,228	1,520	16,659	0	0
Due to other funds	0	182,932	0	190,146	0	0
Other liabilities	0	0	0	0	0	0
Total liabilities	<u>272,127</u>	<u>229,736</u>	<u>937,651</u>	<u>211,415</u>	<u>0</u>	<u>71,706</u>
<b>Fund balance:</b>						
Nonspendable fund balance	0	0	0	0	0	0
Restricted fund balance	0	0	0	0	0	0
Committed fund balance	0	0	0	0	0	0
Assigned fund balance	4,750	0	739,289	0	156,808	3,297,837
Unassigned fund balance	0	0	0	0	0	0
Total fund balance	<u>4,750</u>	<u>0</u>	<u>739,289</u>	<u>0</u>	<u>156,808</u>	<u>3,297,837</u>
Total liabilities and fund balance	<u>\$ 276,877</u>	<u>\$ 229,736</u>	<u>\$ 1,676,940</u>	<u>\$ 211,415</u>	<u>\$ 156,808</u>	<u>\$ 3,369,543</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	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	3,086	43,814	8,853	0
Due (to) from other funds	0	412,356	0	55,091	337,744
Other assets	0	0	0	0	0
Restricted assets	0	0	0	0	0
<b>Total assets</b>	<b>\$ 0</b>	<b>\$ 415,442</b>	<b>\$ 43,814</b>	<b>\$ 63,944</b>	<b>\$ 337,744</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 24,317	\$ 560	\$ 0	\$ 5,354	\$ 337
Accrued expenditures	0	0	0	0	0
Deferred revenue	0	0	4,451	4,800	0
Due to other funds	9,809	0	39,363	0	0
Other liabilities	0	0	0	1,844	0
<b>Total liabilities</b>	<b>34,126</b>	<b>560</b>	<b>43,814</b>	<b>11,998</b>	<b>337</b>
<b>Fund balance:</b>					
Nonspendable fund balance	0	0	0	0	0
Restricted fund balance	0	0	0	0	0
Committed fund balance	0	0	0	0	0
Assigned fund balance	0	414,882	0	51,946	337,407
Unassigned fund balance	(34,126)	0	0	0	0
<b>Total fund balance</b>	<b>(34,126)</b>	<b>414,882</b>	<b>0</b>	<b>51,946</b>	<b>337,407</b>
<b>Total liabilities and fund balance</b>	<b>\$ 0</b>	<b>\$ 415,442</b>	<b>\$ 43,814</b>	<b>\$ 63,944</b>	<b>\$ 337,744</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	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	4,320	11,759	92,849
Due (to) from other funds	1,019,309	2,629,395	37,306	0	69,125
Other assets	0	0	0	0	0
Restricted assets	0	0	0	0	0
Total assets	<u>\$ 1,019,309</u>	<u>\$ 2,629,395</u>	<u>\$ 41,726</u>	<u>\$ 11,759</u>	<u>\$ 161,974</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 0	\$ 5,430	\$ 4,777	\$ 401	\$ 46,764
Accrued expenditures	0	0	0	0	0
Deferred revenue	1,019,309	0	0	0	110,582
Due to other funds	0	0	0	11,358	0
Other liabilities	0	2,546,431	0	0	0
Total liabilities	<u>1,019,309</u>	<u>2,551,861</u>	<u>4,777</u>	<u>11,759</u>	<u>157,346</u>
<b>Fund balance:</b>					
Nonspendable fund balance	0	0	0	0	0
Restricted fund balance	0	77,534	0	0	0
Committed fund balance	0	0	0	0	0
Assigned fund balance	0	0	36,949	0	4,628
Unassigned fund balance	0	0	0	0	0
Total fund balance	<u>0</u>	<u>77,534</u>	<u>36,949</u>	<u>0</u>	<u>4,628</u>
Total liabilities and fund balance	<u>\$ 1,019,309</u>	<u>\$ 2,629,395</u>	<u>\$ 41,726</u>	<u>\$ 11,759</u>	<u>\$ 161,974</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,197,522
Other receivables	34,871	0	193,424	626,948	290,462	3,115,999
Due (to) from other funds	0	92,967	151,901	1,694,498	0	7,417,976
Other assets	0	0	0	0	0	0
Restricted assets	0	0	0	0	0	0
Total assets	<u>\$ 34,871</u>	<u>\$ 92,967</u>	<u>\$ 345,325</u>	<u>\$ 2,321,446</u>	<u>\$ 290,462</u>	<u>\$ 13,731,497</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 11,264	\$ 9,052	\$ 103,239	\$ 2,944	\$ 187,447	\$ 1,461,449
Accrued expenditures	0	0	0	0	0	0
Deferred revenue	6,109	0	209	0	20,460	1,455,914
Due to other funds	17,498	0	0	0	82,555	533,661
Other liabilities	0	0	0	0	0	2,548,275
Total liabilities	<u>34,871</u>	<u>9,052</u>	<u>103,448</u>	<u>2,944</u>	<u>290,462</u>	<u>5,999,299</u>
<b>Fund balance:</b>						
Nonspendable fund balance	0	0	0	0	0	0
Restricted fund balance	0	0	0	0	0	77,534
Committed fund balance	0	0	0	0	0	0
Assigned fund balance	0	83,915	241,877	2,318,502	0	7,688,790
Unassigned fund balance	0	0	0	0	0	(34,126)
Total fund balance	<u>0</u>	<u>83,915</u>	<u>241,877</u>	<u>2,318,502</u>	<u>0</u>	<u>7,732,198</u>
Total liabilities and fund balance	<u>\$ 34,871</u>	<u>\$ 92,967</u>	<u>\$ 345,325</u>	<u>\$ 2,321,446</u>	<u>\$ 290,462</u>	<u>\$ 13,731,497</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, 2011

	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	853,051	0	0	1,125,267
Intergovernmental	138,073	814,610	3,911,177	965,708	69,965	8,989,766
Interest income	0	3	0	0	0	492
Other income	0	7,521	184,729	635	0	26,493
<b>Total revenues</b>	<b>138,073</b>	<b>822,134</b>	<b>4,948,957</b>	<b>966,343</b>	<b>69,965</b>	<b>10,142,018</b>
<b>EXPENDITURES:</b>						
Education	0	0	0	0	0	0
Public safety	0	0	0	1,365,787	0	0
Community services	0	0	7,366,852	0	69,965	9,529,416
Judicial	0	1,103,617	0	0	0	0
Planning & growth mgmt.	142,765		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>142,765</b>	<b>1,103,617</b>	<b>7,366,852</b>	<b>1,365,787</b>	<b>69,965</b>	<b>9,529,416</b>
Excess (deficiency) of revenues over (under) expenditures	(4,692)	(281,483)	(2,417,895)	(399,444)	0	612,602
<b>Other financing sources:</b>						
Issuance of debt	0	0	0	0	0	0
Transfers in	4,750	281,483	2,243,480	399,444	0	0
Transfers out	0	0	0	0	0	0
	<b>4,750</b>	<b>281,483</b>	<b>2,243,480</b>	<b>399,444</b>	<b>0</b>	<b>0</b>
Net change in fund balance	58	0	(174,415)	0	0	612,602
Fund balance - beginning of year	4,692	0	913,704	0	156,808	2,685,235
<b>Fund balance - end of year</b>	<b>\$ 4,750</b>	<b>\$ 0</b>	<b>\$ 739,289</b>	<b>\$ 0</b>	<b>\$ 156,808</b>	<b>\$ 3,297,837</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, 2010

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
<b>REVENUES:</b>					
Taxes - local property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charge for services	0	283,593	0	77,971	97,459
Intergovernmental	131,326	0	315,396	0	0
Interest income	0	0	11	0	130
Other income	0	0	0	26,697	0
<b>Total revenues</b>	<b>131,326</b>	<b>283,593</b>	<b>315,407</b>	<b>104,668</b>	<b>97,589</b>
<b>EXPENDITURES:</b>					
Education	0	0	0	0	0
Public safety	0	243,398	0	128,974	85,212
Community services	618,527	0	315,407	0	0
Judicial	0	0	0	0	0
Planning & growth mgmt.	0	0	0	0	0
Health	0	0	0	0	0
Economic development	0	0	0	0	0
Social services	0	0	0	0	0
Legislative	0	0	0	0	4,545
<b>Total expenditures</b>	<b>618,527</b>	<b>243,398</b>	<b>315,407</b>	<b>128,974</b>	<b>89,757</b>
Excess (deficiency) of revenues over (under) expenditures	(487,201)	40,195	0	(24,306)	7,832
<b>Other financing sources:</b>					
Issuance of debt	0	0	0	0	0
Transfers in	0	0	0	0	0
Transfers out	0	0	0	0	(8,042)
	0	0	0	0	(8,042)
Net change in fund balance	(487,201)	40,195	0	(24,306)	(210)
Fund balance - beginning of year	453,075	374,687	0	76,252	337,617
Fund balance - end of year	\$ (34,126)	\$ 414,882	\$ 0	\$ 51,946	\$ 337,407

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, 2011

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
<b>REVENUES:</b>						
Taxes - local property	\$ 30,000	\$ 12,175,260	\$ 0	\$ 0	\$ 0	\$ 0
Charge for services	0	0	54,133	0	0	0
Intergovernmental	0	243,464	0	86,600	383,277	407,509
Interest income	0	13,685	0	0	0	0
Other income	0	0	1,537	216	54,060	0
<b>Total revenues</b>	<b>30,000</b>	<b>12,432,409</b>	<b>55,670</b>	<b>86,816</b>	<b>437,337</b>	<b>407,509</b>
<b>EXPENDITURES:</b>						
Education	0	0	0	0	0	0
Public safety	0	12,439,039	0	0	0	0
Community services	0	0	0	0	0	0
Judicial	0	0	73,105	0	0	0
Planning & growth mgmt.	99,822	0	0	0	0	0
Health	0	0	0	0	0	0
Economic development	0	0	0	133,359	0	0
Social services	0	0	0	0	432,709	407,509
Legislative	0	0	0	0	0	0
<b>Total expenditures</b>	<b>99,822</b>	<b>12,439,039</b>	<b>73,105</b>	<b>133,359</b>	<b>432,709</b>	<b>407,509</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(69,822)</b>	<b>(6,630)</b>	<b>(17,435)</b>	<b>(46,543)</b>	<b>4,628</b>	<b>0</b>
<b>Other financing sources:</b>						
Issuance of debt	0	0	0	0	0	0
Transfers in	69,822	0	3,000	46,543	0	0
Transfers out	0	0	0	0	0	0
	<b>69,822</b>	<b>0</b>	<b>3,000</b>	<b>46,543</b>	<b>0</b>	<b>0</b>
<b>Net change in fund balance</b>	<b>0</b>	<b>(6,630)</b>	<b>(14,435)</b>	<b>0</b>	<b>4,628</b>	<b>0</b>
<b>Fund balance - beginning of year</b>	<b>0</b>	<b>84,164</b>	<b>51,384</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund balance - end of year</b>	<b>\$ 0</b>	<b>\$ 77,534</b>	<b>\$ 36,949</b>	<b>\$ 0</b>	<b>\$ 4,628</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, 2011

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
<b>REVENUES:</b>					
Taxes - local property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,205,260
Charge for services	16,277	214,224	2,379,379	0	5,101,354
Intergovernmental	80,000	1,019,715	0	885,715	18,442,301
Interest income	0	0	0	0	14,321
Other income	35	49,977	2,420	26,477	380,797
<b>Total revenues</b>	<b>96,312</b>	<b>1,283,916</b>	<b>2,381,799</b>	<b>912,192</b>	<b>36,144,033</b>
<b>EXPENDITURES:</b>					
Education	0	0	954,613	0	954,613
Public safety	115,213	0	0	1,009,381	15,387,004
Community services	0	0	0	0	17,900,167
Judicial	0	0	0	0	1,176,722
Planning & growth mgmt.	0	0	0	0	242,587
Health	0	1,191,941	0	0	1,191,941
Economic development	0	0	0	0	133,359
Social services	0	0	0	0	840,218
Legislative	0	0	0	0	4,545
<b>Total expenditures</b>	<b>115,213</b>	<b>1,191,941</b>	<b>954,613</b>	<b>1,009,381</b>	<b>37,831,156</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(18,901)</b>	<b>91,975</b>	<b>1,427,186</b>	<b>(97,189)</b>	<b>(1,687,123)</b>
<b>Other financing sources:</b>					
Issuance of debt	0	0	0	0	0
Transfers in	40,000	10,670	0	97,189	3,196,381
Transfers out	0	(10,670)	(331,100)	0	(349,812)
	40,000	0	(331,100)	97,189	2,846,569
<b>Net change in fund balance</b>	<b>21,099</b>	<b>91,975</b>	<b>1,096,086</b>	<b>0</b>	<b>1,159,446</b>
<b>Fund balance - beginning of year</b>	<b>62,816</b>	<b>149,902</b>	<b>1,222,416</b>	<b>0</b>	<b>6,572,752</b>
<b>Fund balance - end of year</b>	<b>\$ 83,915</b>	<b>\$ 241,877</b>	<b>\$ 2,318,502</b>	<b>\$ 0</b>	<b>\$ 7,732,198</b>

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# Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Recreation Programs -**

This fund is used to manage the operations of recreation programs and park operations for the county.

**Environmental Service Program -**

This fund is used to manage the operations of environmental recycling services for the county.

**Inspections and Review -**

This fund is used to manage the operations of inspections and review for the county.

**Vending Machines -**

This fund is used to manage the operations of vending machines for the county.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET ASSETS  
 OTHER PROPRIETARY FUNDS  
 JUNE 30, 2011

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
<b>ASSETS:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 0	\$ 834,916	\$ 0	\$ 92,633	\$ 927,549
Other receivables	59,788	18,680	1,514,206	0	1,592,674
Due (to) from other funds	769,642	0	2,204,077	25,900	2,999,619
Inventory	0	57,675	0	0	57,675
Other current assets	0	55,033	0	0	55,033
<b>Total current assets</b>	<b>829,430</b>	<b>966,304</b>	<b>3,718,283</b>	<b>118,533</b>	<b>5,632,550</b>
<b>Noncurrent assets:</b>					
Net capital assets	101,450	8,533,561	3,607,108	0	12,242,119
Restricted assets	0	0	0	0	0
<b>Total noncurrent assets</b>	<b>101,450</b>	<b>8,533,561</b>	<b>3,607,108</b>	<b>0</b>	<b>12,242,119</b>
<b>Total assets</b>	<b>930,880</b>	<b>9,499,865</b>	<b>7,325,391</b>	<b>118,533</b>	<b>17,874,669</b>
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
Accounts payable	57,293	123,085	264,510	0	444,888
Accrued expenses	7,942	63,404	58,545	0	129,891
Due to other funds	0	3,719,558	0	0	3,719,558
Unearned revenue	23,662	288,281	0	0	311,943
Current portion of long-term debt	63,807	563,680	197,176	0	824,663
<b>Total current liabilities</b>	<b>152,704</b>	<b>4,758,008</b>	<b>520,231</b>	<b>0</b>	<b>5,430,943</b>
<b>Noncurrent liabilities:</b>					
Other liabilities	0	0	0	0	0
Bonds payable	0	5,750,030	3,498,228	0	9,248,258
Net bond issue premiums	0	107,039	134,171	0	241,210
Long-term debt	110,441	80,235	92,637	0	283,313
Net pension obligation	14,388	5,854	7,096	0	27,338
Net OPEB obligation	503,066	239,093	286,003	0	1,028,162
Capital lease obligation	63,115	10,007	39,138	0	112,260
<b>Total noncurrent liabilities</b>	<b>691,010</b>	<b>6,192,258</b>	<b>4,057,273</b>	<b>0</b>	<b>10,940,541</b>
<b>Total liabilities</b>	<b>843,714</b>	<b>10,950,266</b>	<b>4,577,504</b>	<b>0</b>	<b>16,371,484</b>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	(5,121)	2,108,832	(197,278)	0	1,906,433
Unrestricted	92,287	(3,559,233)	2,945,165	118,533	(403,248)
<b>Total net assets</b>	<b>\$ 87,166</b>	<b>\$ (1,450,401)</b>	<b>\$ 2,747,887</b>	<b>\$ 118,533</b>	<b>\$ 1,503,185</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2011

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
<b>Operating revenues:</b>					
Charge for services	\$ 2,554,054	\$ 3,396,116	\$ 3,858,445	\$ 152,372	\$ 9,960,987
Other income	0	30,246	5,000	0	35,246
Total operating revenue	<u>2,554,054</u>	<u>3,426,362</u>	<u>3,863,445</u>	<u>152,372</u>	<u>9,996,233</u>
<b>Operating expenses:</b>					
Personnel services	1,717,908	1,874,401	1,118,167	0	4,710,476
Utilities	0	387,061	21,075	0	408,136
Repairs and maintenance	3,137	125,418	101,659	0	230,214
Insurance costs	3,708	27,642	11,701	0	43,051
Indirect costs	50,100	0	0	0	50,100
Supplies	20,328	429,381	209,420	0	659,129
Contract services	1,240,171	364,254	1,395,552	0	2,999,977
Other operating costs	10,667	103,285	178,508	105,366	397,826
Depreciation	53,978	375,139	275,151	0	704,268
Total operating expenses	<u>3,099,997</u>	<u>3,686,581</u>	<u>3,311,233</u>	<u>105,366</u>	<u>10,203,177</u>
Operating income (loss)	<u>(545,943)</u>	<u>(260,219)</u>	<u>552,212</u>	<u>47,006</u>	<u>(206,944)</u>
<b>Nonoperating revenues (expenses)</b>					
Interest income	0	2,799	10,480	0	13,279
Intergovernmental	0	66,554	0	0	66,554
Interest expense	(4,580)	51,564	(91,976)	0	(44,992)
Gain on disposal of capital assets	0	0	0	0	0
Total nonoperating revenue (expenses)	<u>(4,580)</u>	<u>120,917</u>	<u>(81,496)</u>	<u>0</u>	<u>34,841</u>
Income (loss) before transfers	<u>(550,523)</u>	<u>(139,302)</u>	<u>470,716</u>	<u>47,006</u>	<u>(172,103)</u>
Transfers in	0	388,762	0	0	388,762
Transfers out	0	0	0	0	0
Change in net assets	<u>(550,523)</u>	<u>249,460</u>	<u>470,716</u>	<u>47,006</u>	<u>216,659</u>
Net assets - beginning of year	<u>637,689</u>	<u>(1,699,861)</u>	<u>2,277,171</u>	<u>71,527</u>	<u>1,286,526</u>
Net assets - end of year	<u>\$ 87,166</u>	<u>\$ (1,450,401)</u>	<u>\$ 2,747,887</u>	<u>\$ 118,533</u>	<u>\$ 1,503,185</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2011

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 2,550,577	\$ 3,381,778	\$ 2,385,603	\$ 152,372	\$ 8,470,330
Cash paid to suppliers	(1,211,235)	(1,317,983)	(1,811,710)	(105,366)	(4,446,294)
Cash paid to employees	(1,716,508)	(1,966,357)	(1,107,822)	0	(4,790,687)
Net cash provided by (used in) operating activities	<u>(377,166)</u>	<u>97,438</u>	<u>(533,929)</u>	<u>47,006</u>	<u>(766,651)</u>
<b>Cash flows from investing activities:</b>					
Interest received	0	2,799	10,480	0	13,279
Net cash provided by investing activities	<u>0</u>	<u>2,799</u>	<u>10,480</u>	<u>0</u>	<u>13,279</u>
<b>Cash flows from noncapital financing activities:</b>					
Intergovernmental	0	66,554	0	0	66,554
Transfers in (out)	0	388,762	0	0	388,762
Receipts from interfund loans	430,557	0	(341,937)	(18,635)	69,985
Repayment of interfund loans	0	(900,547)	0	0	(900,547)
Net cash provided by (used in) noncapital financing activities	<u>430,557</u>	<u>(445,231)</u>	<u>(341,937)</u>	<u>(18,635)</u>	<u>(375,246)</u>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from issuance of bonds	0	0	1,400,000	0	1,400,000
Proceeds from new loans	0	0	0	0	0
Principal payments on bonds payable	0	(526,691)	(154,983)	0	(681,674)
Principal payments on capital lease obligations	(48,811)	(14,951)	(45,031)	0	(108,793)
Principal payments on loans	0	0	0	0	0
Interest paid	(4,580)	51,564	(91,976)	0	(44,992)
Proceeds from disposal of assets	0	0	0	0	0
Cash (paid) received for capital expenses	0	(8,499)	(242,624)	0	(251,123)
Net cash used in capital and related financing activities	<u>(53,391)</u>	<u>(498,577)</u>	<u>865,386</u>	<u>0</u>	<u>313,418</u>
Net increase (decrease) in cash and cash equivalents	0	(843,571)	0	28,371	(815,200)
Cash and cash equivalents - beginning of year	0	1,678,487	0	64,262	1,742,749
Cash and cash equivalents - end of year	<u>\$ 0</u>	<u>\$ 834,916</u>	<u>\$ 0</u>	<u>\$ 92,633</u>	<u>\$ 927,549</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS - (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2011

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (545,943)	\$ (260,219)	\$ 552,212	\$ 47,006	\$ (206,944)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	53,978	375,139	275,151	0	704,268
Increase (decrease) in compensation-related liabilities included in long-term debt	4,931	2,564	13,710	0	21,205
(Increase) decrease in other receivables	0	4,639	(1,477,842)	0	(1,473,203)
(Increase) decrease in inventories	0	(1,274)	0	0	(1,274)
(Increase) decrease in other current assets	0	24,428	0	0	24,428
(Increase) decrease in restricted assets	0	0	0	0	0
Increase (decrease) in accounts payable	(21,863)	36,937	31,818	0	46,892
Increase (decrease) in accrued expenses	(3,810)	(94,520)	(3,336)	0	(101,666)
Increase (decrease) in other liabilities	0	0	0	0	0
Increase (decrease) in Net Pension Obligation	172	443	839	0	1,454
Increase (decrease) in Net OPEB Obligation	138,846	58,524	73,519	0	270,889
Increase (decrease) in deferred revenue	(3,477)	(49,223)	0	0	(52,700)
Net cash provided by operating activities	<u>\$ (377,166)</u>	<u>\$ 97,438</u>	<u>\$ (533,929)</u>	<u>\$ 47,006</u>	<u>\$ (766,651)</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Borrowing under capital lease	0	0	0	0	0

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## Statistical Section

This part of the Charles County's comprehensive annual financial report contains selected financial and socio-demographic information, generally presented on a multi-year basis to best illustrate other factors when looking at the County.

<b>Financial Trends -</b>	Tables 1 through 4 contain trend information that may assist the reader in assessing the County's current financial performance by placing it in historical perspective.
<b>Revenue Capacity-</b>	Tables 5 through 8 contain information that may assist the reader in assessing the viability of the County's most significant local revenue source, property taxes.
<b>Debt Capacity-</b>	Tables 9 through 12 present information that may assist the reader in analyzing the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.
<b>Demographic &amp; Economic-</b>	Tables 13 and 14 offer demographic and economic indicators that may assist the reader in understanding the environment within which the County's financial activities take place.
<b>Operating Information-</b>	Tables 15 through 17 contain service and infrastructure indicators that may assist the reader in understanding how the information in the County's financial statements relates to the services and the activities it performs.

**Source:**

Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year. The County implemented GASB Statement No. 34 in fiscal year 2002 therefore tables presenting government-wide information includes only nine years.

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## Net Assets by Component

Charles County, Maryland

Table 1

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 62,625,921	\$ 74,277,350	\$ 55,847,314	\$ 118,756,725
Restricted	8,338,052	10,226,161	20,980,085	24,955,154
Unrestricted	(11,301,604)	(19,285,148)	19,315,919	6,560,741
<b>Total governmental activities net assets</b>	<u>\$ 59,662,369</u>	<u>\$ 65,218,363</u>	<u>\$ 96,143,318</u>	<u>\$ 150,272,620</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 77,967,582	\$ 77,672,439	\$ 71,438,633	\$ 84,847,623
Restricted	0	0	0	0
Unrestricted	19,857,078	22,586,135	32,799,043	29,666,479
<b>Total business-type activities net assets</b>	<u>\$ 97,824,660</u>	<u>\$ 100,258,574</u>	<u>\$ 104,237,676</u>	<u>\$ 114,514,102</u>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 140,593,503	\$ 151,949,789	\$ 127,285,947	\$ 203,604,348
Restricted	8,338,052	10,226,161	20,980,085	24,955,154
Unrestricted	8,555,474	3,300,987	52,114,962	36,227,220
<b>Total primary government activities net assets</b>	<u>\$ 157,487,029</u>	<u>\$ 165,476,937</u>	<u>\$ 200,380,994</u>	<u>\$ 264,786,722</u>

2006	2007	2008	2009	2010	2011
\$ 199,786,953	\$ 217,932,805	\$ 255,344,078	277,293,967	286,447,650	299,008,922
37,960,372	37,214,570	32,866,628	21,011,767	21,247,016	25,905,459
27,243,969	33,992,522	(6,033,159)	(22,968,759)	(34,262,144)	(43,531,325)
<u>\$ 264,991,294</u>	<u>\$ 289,139,897</u>	<u>\$ 282,177,547</u>	<u>\$ 275,336,975</u>	<u>\$ 273,432,522</u>	<u>\$ 281,383,056</u>
\$ 98,060,711	\$ 97,968,074	\$ 100,098,580	109,407,466	101,483,715	108,354,734
0	0	0	0	0	0
24,561,653	21,641,262	19,036,528	14,695,223	22,920,560	14,902,061
<u>\$ 122,622,364</u>	<u>\$ 119,609,336</u>	<u>\$ 119,135,108</u>	<u>\$ 124,102,689</u>	<u>\$ 124,404,275</u>	<u>\$ 123,256,795</u>
\$ 297,847,664	\$ 315,900,879	\$ 355,442,658	386,701,433	387,931,365	407,363,656
37,960,372	37,214,570	32,866,628	21,011,767	21,247,016	25,905,459
51,805,622	55,633,784	13,003,369	(8,273,536)	(11,341,584)	(28,629,264)
<u>\$ 387,613,658</u>	<u>\$ 408,749,233</u>	<u>\$ 401,312,655</u>	<u>\$ 399,439,664</u>	<u>\$ 397,836,797</u>	<u>\$ 404,639,851</u>

Changes in Net Assets

Charles County, Maryland

Table 2

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<b>Expenses</b>				
Governmental activities:				
Legislative	\$ 932,826	\$ 997,839	\$ 1,053,609	\$ 1,231,770
Judicial	2,855,992	3,190,589	3,514,014	3,465,299
Law	505,470	607,516	812,745	824,000
General government	3,431,592	6,851,483	6,676,968	1,436,212
Elections	315,756	454,423	431,157	535,669
Public safety	45,052,530	50,637,755	52,264,855	56,229,625
Planning and growth management	2,689,951	2,592,835	2,601,574	2,748,328
Health	6,575,349	8,461,111	6,503,610	1,035,000
Social services	1,568,063	1,796,412	1,710,199	1,621,933
Community services	9,927,060	12,076,682	12,665,942	12,276,150
Public facilities	9,837,003	14,671,016	12,978,959	9,539,536
Economic development	1,102,575	1,280,579	1,271,000	1,489,956
Education	104,899,110	110,589,587	121,951,316	124,815,150
Conservation of natural resources	479,615	511,672	495,701	506,842
Interest expense on long term debt	3,817,773	4,060,740	4,915,963	6,385,409
<b>Total governmental activities</b>	<b>193,990,665</b>	<b>218,780,239</b>	<b>229,847,612</b>	<b>224,140,879</b>
Business-type activities:				
Water and sewer	16,602,933	14,812,952	17,952,349	17,877,526
Inspection and review	1,687,450	2,023,858	1,942,060	2,091,199
County parks	948,380	1,019,794	973,183	873,127
Recreation	878,359	1,180,617	1,312,817	1,468,480
Solid waste	3,401,765	1,462,094	2,048,497	2,185,184
Environmental services	2,921,293	2,972,987	2,849,274	2,873,237
Vending machines	83,373	122,409	100,470	77,427
EMS-ambulance	593,110	962,438	961,305	0
<b>Total business-type activities</b>	<b>27,116,663</b>	<b>24,557,149</b>	<b>28,139,955</b>	<b>27,446,180</b>
<b>Total primary government expenses</b>	<b>\$ 221,107,328</b>	<b>\$ 243,337,388</b>	<b>\$ 257,987,567</b>	<b>\$ 251,587,059</b>
<b>Program revenues</b>				
Governmental activities:				
Charges for services				
Legislative	\$ 123,613	\$ 1,460	\$ 0	\$ 0
Judicial	0	150,800	133,213	56,324
General government	1,422,313	2,313,698	4,089,045	3,205,074
Elections	0	0	3,792	7,149
Public safety	3,891,115	3,949,607	4,339,552	4,470,000
Planning and growth management	507,820	464,511	552,159	696,796
Health	60,326	53,810	54,345	157,526
Community services	593,076	436,274	697,175	879,526
Public facilities	542,176	459,535	1,145,572	496,357
Education	6,352,856	3,243,522	30,484	0
Operating grants and contributions	16,230,245	20,804,856	21,066,211	23,044,232
Capital grants and contributions	3,980,215	3,546,230	165,412	4,233,125
<b>Total governmental activities program revenues</b>	<b>33,703,755</b>	<b>35,424,303</b>	<b>32,276,960</b>	<b>37,246,109</b>
Business-type activities:				
Charges for services				
Water and sewer	16,004,686	17,459,135	16,388,152	17,225,499
Solid waste management	2,843,108	3,258,355	3,864,656	5,354,573
Environmental services	2,651,419	2,706,604	2,639,077	2,702,658
Other activities	3,541,528	3,899,317	4,534,873	5,613,771
Operating grants and contributions	59,718	99,665	0	6,361,499
Capital grants and contributions	0	0	0	0
<b>Total business-type activities program revenues</b>	<b>25,100,459</b>	<b>27,423,076</b>	<b>27,426,758</b>	<b>37,258,000</b>
<b>Total primary government program revenues</b>	<b>\$ 58,804,214</b>	<b>\$ 62,847,379</b>	<b>\$ 59,703,718</b>	<b>\$ 74,504,109</b>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (160,286,910)	\$ (183,355,936)	\$ (197,570,652)	\$ (186,894,770)
Business-type activities	(2,016,204)	2,865,927	(713,197)	9,811,820
<b>Total primary government net expense</b>	<b>\$ (162,303,114)</b>	<b>\$ (180,490,009)</b>	<b>\$ (198,283,849)</b>	<b>\$ (177,082,950)</b>

	2006	2007	2008	2009	2010	2011
\$	1,331,109	\$ 1,331,325	\$ 2,027,389	\$ 2,080,510	\$ 1,939,759	\$ 1,440,487
	4,072,252	3,931,506	4,198,286	11,545,466	9,589,759	5,523,977
	838,244	790,215	869,395	894,366	896,496	1,225,112
	4,864,884	1,885,753	13,591,909	9,410,137	11,602,410	1,762,747
	450,921	738,503	808,229	706,269	535,401	1,004,415
	68,718,560	77,007,397	87,502,195	95,921,812	92,357,073	92,757,414
	3,080,869	4,245,235	4,036,674	5,883,572	3,736,711	2,842,458
	6,748,879	7,440,758	8,160,231	8,697,964	9,228,755	5,580,675
	1,701,721	1,828,759	1,943,168	1,848,488	1,833,744	1,888,397
	13,939,925	15,857,477	18,734,675	19,108,464	20,239,786	21,022,903
	24,454,714	24,251,462	31,504,139	14,534,181	16,646,652	31,111,042
	1,265,730	1,571,550	1,623,306	1,504,604	1,280,857	618,852
	152,384,426	166,363,198	191,557,369	167,950,725	172,482,312	171,972,269
	539,086	561,820	590,681	611,869	554,157	568,366
	7,660,049	9,279,460	10,264,554	11,100,155	10,922,423	11,485,900
	<u>292,051,369</u>	<u>317,084,418</u>	<u>377,412,201</u>	<u>351,798,582</u>	<u>353,846,295</u>	<u>350,805,014</u>
	21,167,855	28,686,214	25,226,246	23,617,745	25,146,157	30,073,573
	2,525,610	3,251,479	3,424,829	3,062,354	3,370,382	3,104,577
	793,293	957,450	946,765	980,132	867,498	0
	1,978,274	3,927,976	3,495,983	3,185,403	3,045,137	3,635,017
	3,047,990	3,278,830	3,383,287	3,557,332	3,577,336	3,515,373
	3,044,612	3,082,082	3,108,793	3,342,339	3,312,126	3,403,209
	92,791	102,465	118,637	92,185	129,239	105,366
	0	0	0	0	0	0
	<u>32,650,425</u>	<u>43,286,496</u>	<u>39,704,540</u>	<u>37,837,489</u>	<u>39,447,874</u>	<u>43,837,115</u>
\$	<u>324,701,794</u>	<u>\$ 360,370,914</u>	<u>\$ 417,116,741</u>	<u>\$ 389,636,071</u>	<u>\$ 393,294,169</u>	<u>\$ 394,642,129</u>
\$	0	\$ 0	\$ 0	0	0	0
	191,378	179,082	254,840	79,083	73,114	54,133
	3,733,301	11,232,430	10,753,735	2,222,486	1,574,048	1,708,149
	6,500	7,046	6,504	0	0	0
	5,860,154	17,203,036	7,286,631	5,769,229	6,054,547	6,005,879
	725,242	694,038	723,722	1,214,746	2,466,319	1,435,941
	64,301	28,130	47,861	38,362	215,169	256,361
	1,545,253	2,007,430	881,080	1,605,410	1,889,243	1,978,318
	662,741	508,650	641,037	809,628	652,970	3,178,265
	0	0	0	1,732,026	2,032,142	2,379,379
	21,257,099	23,366,365	22,157,042	30,172,818	31,457,586	20,480,647
	3,539,453	144,757	10,133,515	4,556,436	3,631,898	3,802,171
	<u>37,585,422</u>	<u>55,370,964</u>	<u>52,885,967</u>	<u>48,200,224</u>	<u>50,047,036</u>	<u>41,279,243</u>
	20,869,943	20,513,212	23,179,800	23,215,291	24,940,407	26,011,549
	5,632,645	4,310,368	3,863,111	3,771,529	4,583,739	5,450,318
	2,890,912	3,054,939	3,210,401	3,275,175	3,565,524	3,858,445
	5,571,374	7,608,922	6,986,131	5,983,167	5,697,562	6,102,542
	0	0	0	0	0	0
	5,196,779	720,580	771,580	922,555	1,039,983	1,011,461
	<u>40,161,653</u>	<u>36,208,021</u>	<u>38,011,023</u>	<u>37,167,718</u>	<u>39,827,216</u>	<u>42,434,316</u>
\$	<u>77,747,075</u>	<u>\$ 91,578,985</u>	<u>\$ 90,896,990</u>	<u>\$ 85,367,942</u>	<u>\$ 89,874,252</u>	<u>\$ 83,713,559</u>
\$	(254,465,947)	\$ (261,713,455)	\$ (324,526,235)	\$ (303,598,358)	\$ (303,799,258)	\$ (309,525,771)
	7,511,228	(7,078,474)	(1,693,516)	(669,773)	379,340	(1,402,800)
\$	<u>(246,954,719)</u>	<u>\$ (268,791,929)</u>	<u>\$ (326,219,751)</u>	<u>\$ (304,268,131)</u>	<u>\$ (303,419,918)</u>	<u>\$ (310,928,571)</u>

Continued

Changes in Net Assets

Charles County, Maryland

Table 2

Last Ten Fiscal Years

(accrual basis of accounting)

Continued

	Fiscal Year			
	2002	2003	2004	2005
<u>General revenues and other changes in net assets</u>				
Governmental activities:				
Taxes				
Local property taxes	\$ 98,644,386	\$ 102,438,884	\$ 107,270,639	\$ 116,960,932
Other local	12,223,850	15,972,837	19,516,870	32,081,000
Income taxes	57,810,172	61,003,475	70,581,168	77,280,142
State highway user taxes	6,235,924	7,130,244	4,664,291	7,230,251
County and state appropriations	0	0	0	0
Other income	88,359	627,795	437,554	982,631
Interest and investment earnings	2,471,207	1,475,761	1,372,729	3,888,103
Unrestricted grants and contributions	30,802	95,619	471,160	361,140
Miscellaneous	2,042,891	169,042	21,152,383	1,692,000
Transfers	523,449	875,536	(2,212,637)	512,452
Extraordinary loss tornado, net of income rec	(544,426)	(877,263)	(212,835)	36,591
Total governmental activities	<u>179,526,614</u>	<u>188,911,930</u>	<u>223,041,322</u>	<u>241,025,242</u>
Business-type activities:				
Other income	189,897	333,848	2,367,892	192,050
Interest and investment earnings	262,481	128,362	111,770	208,022
Miscellaneous	(168,868)	(10,965)	0	579,100
Transfers	(530,032)	(883,258)	2,212,637	(512,000)
Total business-type activities	<u>(246,522)</u>	<u>(432,013)</u>	<u>4,692,299</u>	<u>467,172</u>
Total primary government	<u>\$ 179,280,092</u>	<u>\$ 188,479,917</u>	<u>\$ 227,733,621</u>	<u>\$ 241,492,414</u>
<u>Change in net assets</u>				
Governmental activities	\$ 19,239,704	\$ 5,555,994	\$ 25,470,670	\$ 54,130,472
Business-type activities	(2,262,726)	2,433,914	3,979,102	10,278,992
Total primary government	<u>\$ 16,976,978</u>	<u>\$ 7,989,908</u>	<u>\$ 29,449,772</u>	<u>\$ 64,409,464</u>

	2006	2007	2008	2009	2010	2011
\$	130,167,509	\$ 144,342,192	\$ 161,343,642	\$ 181,396,190	\$ 190,131,537	\$ 193,939,891
	37,035,382	34,687,130	20,522,655	15,240,771	15,417,825	17,875,503
	79,175,266	80,001,338	82,610,436	71,838,853	85,784,762	97,544,231
	8,963,917	9,489,506	9,142,897	8,077,769	437,492	631,126
	0	0	0	0	0	0
	1,460,713	2,699,439	3,661,909	4,209,764	5,695,002	3,806,510
	8,013,493	10,614,025	8,914,827	5,471,445	3,898,008	3,468,006
	348,651	0	0	0	0	0
	824,268	3,501,055	1,072,491	10,024,646	0	0
	68,155	527,370	515,496	498,348	530,182	211,038
	0	0	0	0	0	0
	<u>266,057,354</u>	<u>285,862,055</u>	<u>287,784,352</u>	<u>296,757,785</u>	<u>301,894,805</u>	<u>317,476,305</u>
	225,460	513,511	310,906	454,841	376,834	389,597
	456,878	753,005	453,435	157,074	75,594	76,761
	(19,148)	3,326,300	970,448	5,523,787	0	0
	(68,155)	(527,370)	(515,496)	(498,348)	(530,182)	(211,038)
	<u>595,035</u>	<u>4,065,446</u>	<u>1,219,293</u>	<u>5,637,354</u>	<u>(77,754)</u>	<u>255,320</u>
\$	<u>266,652,389</u>	<u>289,927,501</u>	<u>289,003,645</u>	<u>302,395,139</u>	<u>301,817,051</u>	<u>317,731,625</u>
\$	11,591,407	\$ 24,148,600	\$ (36,741,883)	\$ (6,840,573)	\$ (1,904,453)	\$ 7,950,534
	8,106,263	(3,013,028)	(474,223)	4,967,581	301,586	(1,147,480)
\$	<u>19,697,670</u>	<u>21,135,572</u>	<u>(37,216,106)</u>	<u>(1,872,992)</u>	<u>(1,602,867)</u>	<u>6,803,054</u>

## Fund Balances of Governmental Funds

Charles County, Maryland

Table 3

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<b>General fund</b>				
Reserved	\$ 110,188	\$ 1,617,018	\$ 1,421,234	\$ 1,879,734
Unreserved	29,326,676	18,677,242	15,545,693	40,680,821
<b>Total general fund</b>	<u>\$ 29,436,864</u>	<u>\$ 20,294,260</u>	<u>\$ 16,966,927</u>	<u>\$ 42,560,555</u>
<b>All other governmental funds</b>				
Reserved	\$ 14,747,366	\$ 28,475,020	\$ 66,797,263	\$ 64,868,355
Unreserved, reported in:				
Capital projects	149,705	211,963	215,367	215,784
Debt service	0	0	0	(86,000)
Other Governmental	0	0	0	(388,000)
<b>Total all other governmental funds</b>	<u>\$ 14,897,071</u>	<u>\$ 28,686,983</u>	<u>\$ 67,012,630</u>	<u>\$ 64,610,139</u>
	<u>2011</u>			
<b>General fund</b>				
Nonspendable fund balance	\$ 1,805,165			
Restricted fund balance	699,770			
Committed fund balance	27,022,596			
Assigned fund balance	8,806,694			
Unassigned fund balance	2,050,076			
<b>Total general fund</b>	<u>\$ 40,384,301</u>			
<b>All other governmental funds</b>				
Capital projects				
Restricted fund balance	\$ 20,588,415			
Assigned fund balance	17,963,717			
Debt service				
Restricted fund balance	209,544			
Other Governmental				
Restricted fund balance	77,534			
Assigned fund balance	7,688,790			
Unassigned fund balance	(34,126)			
	<u>\$ 46,493,874</u>			

2006	2007	2008	2009	2010
\$ 3,148,435	\$ 2,513,359	\$ 2,341,477	\$ 2,851,067	\$ 2,531,035
66,201,505	70,845,770	52,384,223	44,465,708	38,654,138
<u>\$ 69,349,940</u>	<u>\$ 73,359,129</u>	<u>\$ 54,725,700</u>	<u>\$ 47,316,775</u>	<u>\$ 41,185,173</u>
\$ 66,488,425	\$ 53,723,542	36,092,369	28,330,900	19,849,362
215,784	11,526,070	5,445,932	3,163,028	6,465,890
(1,285,199)	(2,329,831)	(569,350)	(1,409,944)	0
0	0	0	0	0
<u>\$ 65,419,010</u>	<u>\$ 62,919,781</u>	<u>\$ 40,968,951</u>	<u>\$ 30,083,984</u>	<u>\$ 26,315,252</u>

Changes in Fund Balances of Governmental Funds

Charles County, Maryland

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<u>Revenues</u>				
Taxes:				
Local property	\$ 98,644,386	\$ 102,438,884	\$ 93,621,591	\$ 117,233,417
Income	57,810,172	61,003,475	70,581,168	77,279,958
Other local	12,223,850	15,972,837	19,516,870	32,080,626
State shared	6,235,924	7,130,244	5,744,015	7,230,125
Charges for services	13,493,295	11,073,217	11,045,337	10,089,670
Intergovernmental	20,458,234	24,446,705	21,702,785	27,659,005
Interest income	2,471,207	1,475,762	1,372,728	3,889,480
Other income	141,820	1,020,346	929,138	1,149,112
Total revenues	<u>211,478,888</u>	<u>224,561,470</u>	<u>224,513,632</u>	<u>276,611,393</u>
<u>Expenditures</u>				
Education	93,596,991	110,515,574	122,144,874	132,215,346
Public safety	44,111,723	49,455,489	51,822,701	56,624,784
Other general government	21,465,594	16,258,368	22,174,581	29,391,680
Public facilities	9,369,892	12,810,629	11,992,297	12,771,642
Financial administration	4,418,105	5,068,897	5,245,976	6,149,773
Community services	9,687,686	11,925,664	12,641,813	14,069,816
Judicial	2,818,442	2,857,371	2,945,405	3,162,410
Planning and growth management	2,608,668	2,410,200	2,545,095	2,687,328
Health services	6,071,660	6,050,499	5,801,296	5,639,444
Economic development	1,102,575	1,278,207	1,270,412	1,454,866
Social services	1,568,063	1,796,411	1,710,198	1,605,591
Legislative	920,878	989,687	948,917	1,064,271
Law	502,226	595,817	791,710	807,839
Conservation of natural resources	479,614	502,428	501,319	518,842
Elections	315,756	454,422	431,157	535,667
Debt service:				
Principal	302,484	2,248,425	2,345,555	6,131,000
Interest	100,828	393,139	4,915,962	6,384,551
Capital outlay	24,460,204	16,259,815	27,765,945	33,784,000
Total expenditures	<u>223,901,389</u>	<u>241,871,042</u>	<u>277,995,213</u>	<u>314,998,850</u>
Excess (deficiency) of revenues over (under) expenditures	(12,422,501)	(17,309,572)	(53,481,581)	(38,387,457)
Other financing sources (uses):				
Issuance of debt	23,199,477	22,219,999	76,936,415	44,168,604
Premium on issuance of debt	0	0	3,330,885	2,682,859
Bond Proceeds from debt refunding	0	0	9,412,556	14,179,596
Defeased Bonds	0	0	0	0
Transfers in	3,635,568	15,318,845	8,856,709	8,079,430
Transfers out	(3,112,119)	(14,723,365)	(11,069,346)	(7,567,000)
Total other financing sources	<u>23,722,926</u>	<u>22,815,479</u>	<u>87,467,219</u>	<u>61,543,489</u>
Net change in fund balances	<u>\$ 11,300,425</u>	<u>\$ 5,505,907</u>	<u>\$ 33,985,638</u>	<u>\$ 23,156,032</u>
Debt service as a percentage of noncapital expenditures	0.202%	1.171%	2.902%	4.451%

	2006	2007	2008	2009	2010	2011
\$	143,256,235	\$ 144,342,192	\$ 161,343,642	\$ 181,396,190	\$ 190,131,537	\$ 193,939,891
	79,175,266	80,001,338	81,823,096	82,314,487	86,513,316	92,049,627
	37,035,382	34,687,130	20,522,655	15,240,771	15,417,825	17,875,503
	8,963,917	9,489,506	9,142,897	8,077,769	437,492	631,126
	12,788,863	26,028,921	19,496,339	13,470,970	13,705,262	13,306,612
	25,145,209	28,035,871	41,170,868	34,729,254	35,089,484	24,300,995
	8,013,496	10,614,025	8,914,827	5,471,445	3,898,008	3,468,006
	1,631,290	2,699,443	3,661,909	4,209,764	6,947,293	7,496,324
	<u>316,009,658</u>	<u>335,898,426</u>	<u>346,076,232</u>	<u>344,910,650</u>	<u>352,140,216</u>	<u>353,068,084</u>
	161,687,215	159,729,820	179,059,944	159,990,086	164,204,676	163,540,843
	66,126,686	79,956,523	83,927,644	92,314,203	87,835,915	88,755,993
	15,950,278	16,694,340	18,628,434	18,948,924	19,227,970	17,876,622
	14,466,542	51,163,301	71,238,410	44,349,363	28,524,687	31,753,661
	7,375,017	7,385,324	8,061,548	9,500,759	8,016,417	7,794,237
	13,891,819	20,115,284	19,337,221	18,932,221	20,707,531	21,276,521
	3,514,752	5,173,562	5,852,295	11,495,678	9,549,790	5,407,717
	2,955,292	5,558,043	6,835,946	5,852,025	3,796,263	2,846,481
	5,384,954	5,946,557	6,894,108	7,185,740	8,158,197	4,552,913
	1,315,935	1,552,596	1,645,300	1,472,393	1,295,704	615,087
	1,701,721	1,828,759	1,943,168	1,848,488	1,833,744	1,888,397
	1,156,823	1,196,965	1,804,515	1,972,696	1,820,205	1,314,511
	812,146	781,485	824,957	880,247	884,268	1,281,988
	525,344	549,096	593,574	602,244	551,419	560,986
	450,915	738,503	813,294	706,011	535,143	1,010,575
	7,313,662	8,413,950	10,122,812	11,166,700	11,243,409	11,543,633
	7,660,050	9,279,460	10,264,554	11,100,155	10,922,423	11,485,900
	29,641,662	0	0	0	0	0
	<u>341,930,813</u>	<u>376,063,567</u>	<u>427,847,725</u>	<u>398,317,933</u>	<u>379,107,761</u>	<u>373,506,065</u>
	(25,921,155)	(40,165,140)	(81,771,493)	(53,407,283)	(26,967,545)	(20,437,982)
	51,504,247	40,114,600	40,048,292	33,619,000	15,621,497	36,900,000
	1,283,122	1,033,133	623,446	1,504,644	1,358,311	3,214,979
	0	0	0	11,200,097	4,853,935	17,985,000
	0	0	0	(11,728,871)	(5,276,540)	(18,495,286)
	17,534,817	12,157,059	17,360,153	10,517,473	17,012,208	7,872,873
	(17,466,662)	(11,629,690)	(16,844,657)	(10,019,125)	(16,482,026)	(7,661,835)
	<u>52,855,524</u>	<u>41,675,102</u>	<u>41,187,234</u>	<u>35,093,218</u>	<u>17,087,385</u>	<u>39,815,732</u>
\$	<u>26,934,369</u>	<u>\$ 1,509,962</u>	<u>\$ (40,584,259)</u>	<u>\$ (18,314,065)</u>	<u>\$ (9,880,160)</u>	<u>\$ 19,377,750</u>
	4.795%	5.465%	5.194%	6.300%	6.284%	6.196%

Assessed Value and Estimated Actual Value of Taxable Property (1)

Charles County, Maryland

Table 5

Last Ten Fiscal Years

Fiscal Year Ending June 30	Real Property		Business Personal Property	Railroads & Public Utilities	Ordinary Business Corporations
	Full Year	1/4, 1/2, 3/4 Yr.			
2002	7,311,886,103	193,505,530	6,921,050	224,821,303	677,192,899
2003	7,733,772,188	221,136,398	9,218,710	209,669,940	690,663,530
2004	8,347,965,528	205,502,575	9,745,670	208,190,400	679,348,840
2005	9,181,707,200	275,897,500	7,143,700	203,431,500	646,906,500
2006	10,389,747,410	243,173,395	7,418,110	195,088,110	666,542,410
2007	12,264,927,064	323,758,657	7,464,250	202,471,100	672,024,330
2008	14,947,505,231	233,312,629	7,285,360	187,147,270	661,521,380
2009	17,572,236,940	185,557,591	5,640,570	195,176,080	808,399,180
2010	18,848,560,018	161,648,430	5,233,180	205,119,670	802,289,680
2011	17,815,986,983	99,737,589	7,900,630	263,545,620	785,847,980

(1) Information source: Maryland State Department of Assessments and Taxation/Charles County Treasurer's Office

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
8,414,326,885	1.10	8,414,326,885	100.00%
8,864,460,765	1.10	8,864,460,765	100.00%
9,450,753,013	1.15	9,450,753,013	100.00%
10,315,086,400	1.16	10,315,086,400	100.00%
11,501,969,435	1.16	11,501,969,435	100.00%
13,470,645,401	1.14	13,470,645,401	100.00%
16,036,771,870	1.14	16,036,771,870	100.00%
18,767,010,361	1.14	18,767,010,361	100.00%
20,022,850,978	1.14	20,022,850,978	100.00%
18,973,018,802	1.14	18,973,018,802	100.00%

Property Tax Rates for Direct and Overlapping Governments <sup>1</sup>

Charles County, Maryland

Table 6

Last Ten Fiscal Years  
(Per \$100 of Assessed Value)

Fiscal Years	General County (Including Education)	Fire and Rescue Tax	State	Town of La Plata	Town of Indian Head
2002	0.952	0.064	0.084	0.25	0.30
2003	0.952	0.064	0.084	0.25	0.32
2004	0.952	0.064	0.132	0.25	0.32
2005	0.962	0.064	0.132	0.25	0.30
2006	0.962	0.064	0.132	0.22	0.28
2007	0.962	0.064	0.112	0.24	0.29
2008	0.962	0.064	0.112	0.24	0.29
2009	0.962	0.064	0.112	0.24	0.28
2010	0.962	0.064	0.112	0.25	0.28
2011	0.962	0.064	0.112	0.24	0.27

<sup>1</sup> Information Source: Charles County Treasurer's Office

Charles County, Maryland  
Table 7Ten Leading Taxpayers  
(For period ending June 30, 2011)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes<sup>2</sup></u>
Mirant Mid-Atlantic	\$ 714,741,326	3.77%	\$ 15,202,423
Southern Maryland Electric Cooperative	78,762,060	0.42%	1,894,228
Verizon Maryland Inc.	61,331,140	0.32%	1,475,014
Dominion Cove Point LNG, LP	61,329,870	0.32%	1,474,983
Charles Mall Company LTD Partnership	149,529,500	0.79%	1,438,474
API Town Center	68,541,666	0.36%	659,371
Washington Gas Light Company	27,179,370	0.14%	653,664
Madison Waldorf, LLC	46,624,400	0.25%	448,527
Potomac Electric Power Company	17,727,090	0.09%	426,337
Charles Towne Plaza, LLC	39,245,700	0.21%	377,544
	<u>\$ 1,265,012,122</u>	<u>6.67%</u>	<u>\$ 24,050,565</u>
Total Taxable Assessed Value		<u>\$ 18,973,018,802</u> <sup>3</sup>	

Ten Leading Taxpayers  
(For period ending June 30, 2002)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes</u>
Mirant Mid-Atlantic	\$ 633,255,060	16.19%	\$ 15,261,447
Southern Maryland Electric Cooperative	84,627,650	2.16%	2,039,526
Charles Mall Company	81,476,726	2.08%	1,963,589
Verizon Maryland, Inc	70,107,090	1.79%	1,689,581
Potomac Electric Power Company	27,275,790	0.70%	657,347
AT&T Communications	16,002,160	0.41%	385,652
Washington Gas Light Company	15,537,880	0.40%	374,463
Charles Developers LTD Partnership	38,324,400	0.98%	923,618
CW Waldorf Retail LTD Partnership	33,104,333	0.85%	797,814
COMCAST Cablevision of Maryland	8,892,180	0.23%	214,302
	<u>\$ 1,008,603,269</u>	<u>25.79%</u>	<u>\$ 24,307,339</u>
Total Taxable Assessed Value		<u>\$ 3,911,091,905</u> <sup>3</sup>	

1 Information Source: Maryland State Department of Assessment and Taxation/Charles County Treasurer's Office

2 Based on County Tax (\$2.41 per \$100 assessed)

3 Total figure from Table 5

Property Tax Levies and Collections <sup>1</sup>

Charles County, Maryland

Table 8

Fiscal Year Ending June 30	Total Tax Levy Local Property <sup>2</sup>	Collected within the Fiscal Year of the Levy		Collection In Subsequent Years	Total Collections To Date		Outstanding Delinquent Tax
		Amount	Percent		Amount	Percent	
2002	92,384,314	91,762,279	99.33%	203,766	91,966,045	99.55%	418,269
2003	96,340,944	95,882,203	99.52%	271,537	96,153,740	99.81%	187,204
2004	101,775,454	87,836,161	86.30%	13,485,087	101,321,248	99.55%	454,206
2005	110,799,245	110,293,081	99.54%	190,316	110,483,397	99.71%	315,848
2006	121,997,001	121,478,580	99.58%	365,231	121,843,811	99.87%	153,190
2007	140,772,121	139,930,512	99.40%	27,226	139,957,738	99.42%	814,383
2008	165,599,544	164,805,575	99.52%	127,418	164,932,993	99.60%	666,551
2009	194,249,210	190,150,738	97.89%	91,858	190,242,596	97.94%	4,006,614
2010	206,470,878	205,523,547	99.54%	0	205,523,547	99.54%	947,331
2011	197,305,606	196,393,396	99.54%	0	196,393,396	99.54%	912,210

1 Audited financial statements of the County for the fiscal years 2002-2011.

2 Includes all Real Property, Personal Property, & Ordinary Business Taxes

Ratios of Outstanding Debt by Type

Charles County, Maryland  
 Table 9  
 Last Ten Fiscal Years

Fiscal Year Ending June 30	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Capital Lease Obligation	Notes Payable	General Obligation Bonds	Capital Lease Obligation	Notes Payable			
2002	\$ 86,018,529	\$ 1,788,069	\$ 4,701,817	\$ 27,801,312	\$ 960,615	\$ 1,280,790	\$ 122,551,132	2.93%	\$ 949.71
2003	96,087,420	3,180,625	4,323,013	32,388,119	1,142,369	1,123,807	138,245,353	3.13%	1,018.74
2004	161,393,812	2,919,121	3,927,694	31,792,003	1,279,645	15,727,829	217,040,104	4.63%	1,580.30
2005	186,133,328	2,991,341	3,492,876	37,065,192	898,739	10,174,038	240,755,514	4.81%	1,755.49
2006	217,280,520	3,798,264	3,062,982	37,024,478	988,400	18,684,069	280,838,713	5.31%	2,018.04
2007	235,896,259	4,112,261	2,614,352	48,173,744	6,838,341	13,402,972	311,037,929	5.60%	2,219.02
2008	250,841,807	5,178,942	2,146,167	53,663,193	6,219,175	13,826,797	331,876,081	5.57%	2,357.68
2009	258,422,307	5,332,288	1,657,574	55,677,693	6,554,467	13,031,157	340,675,486	5.58%	2,388.83
2010	248,379,002	4,098,080	1,147,685	66,020,998	6,330,031	12,222,126	338,197,922	not available	2,307.71
2011	260,526,767	2,459,490	615,570	63,488,233	5,620,873	11,399,375	344,110,308	not available	2,339.52

1 See Table 13 for personal income and population data. These ratios are calculated using personal income and population.

Ratios of General Bonded Debt Outstanding

Charles County, Maryland  
 Table 10  
 Last Ten Fiscal Years

Fiscal Year Ending June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property <sup>2</sup>	Per Capita <sup>1</sup>
2002	86,018,529	2,290,303	83,728,226	1.00%	648.85
2003	96,087,420	1,772,308	94,315,112	1.06%	695.02
2004	161,393,812	82,403	161,311,409	1.71%	1,174.53
2005	186,133,328	(85,579)	186,218,907	1.81%	1,357.83
2006	217,280,520	(1,285,199)	218,565,719	1.90%	1,570.56
2007	235,896,259	(2,329,831)	238,226,090	1.77%	1,699.56
2008	250,841,807	(569,350)	251,411,157	1.57%	1,786.05
2009	258,422,307	(1,409,943)	259,832,250	1.38%	1,821.95
2010	248,379,002	139,071	248,239,931	1.24%	1,693.88
2011	260,526,767	209,544	260,317,223	1.37%	1,769.83

- 1 See Table 13 for personal income and population data. This ratio is calculated using personal income and population.
- 2 See Table 5 for total taxable assessed value. This ratio is calculated using total taxable assessed value.

Direct and Overlapping Governmental Activities Debt

Charles County, Maryland

Table 11

Jurisdiction	Total Debt Outstanding	Assessed Valuation <sup>1</sup>	% of Assessed Valuation to Countywide Total	Estimated Share of Total Direct & Overlapping Debt
<u>Direct</u>				
Charles County	\$ 260,317,223	\$ 17,979,137,269	95%	\$ 248,905,460
<u>Overlapping</u>				
La Plata	2,289,683	727,990,193	4%	10,078,389
Indian Head	57,976	265,891,340	1%	3,681,033
Total Overlapping Debt	2,347,659	993,881,533	5%	13,759,422
Countywide Total	\$ 262,664,882	\$ 18,973,018,802	100%	\$ 262,664,882

1 Countywide Total matches that of Table 5

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Charles County Government. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Legal Debt Margin Information

Charles County, Maryland

Table 12

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Debt Applicable to the Limit</u>	<u>Legal Debt Margin</u>	<u>Total Debt Applicable to the Limit as a % of Debt Margin</u>
2002	\$ 673,146,151	\$ 111,529,538	\$ 561,616,613	19.86%
2003	709,156,861	126,703,231	582,453,630	21.75%
2004	756,060,241	193,103,412	562,956,829	34.30%
2005	825,206,912	223,284,099	601,922,813	37.10%
2006	920,157,555	255,590,197	664,567,358	38.46%
2007	1,077,651,632	286,399,834	791,251,798	36.20%
2008	1,282,941,750	305,074,350	977,867,400	31.20%
2009	1,501,360,829	315,509,943	1,185,850,886	26.61%
2010	1,601,828,078	314,260,929	1,287,567,149	24.41%
2011	1,517,841,504	323,805,456	1,194,036,048	27.12%

Legal Debt Margin Calculation for Fiscal Year 2011

1 Net Assessed Value - Real Property	\$ 18,973,018,802
2 Debt limit = <u>8.00%</u> of Net Assessed Value	1,517,841,504
3 Debt Applicable to Debt Limit	323,805,456
3 Less: deductions allowed by law: Debt service fund balance	(209,544)
Total Amount of debt applicable Debt Limit	<u>323,595,912</u>
Legal Debt Margin	<u>\$ 1,194,245,592</u>

1 Table 5

2 Percentage based on County limit

3 Table 10

## Demographic and Economic Statistics

Charles County, Maryland

Table 13

Last Ten Fiscal Years

Fiscal Year	Population <sup>1</sup>	Personal Income	Per Capita Personal Income <sup>3</sup>	Median Age	School <sup>4</sup> Enrollment	Unemployment Rate <sup>2</sup>
2002	129,040	\$ 4,175,811	\$ 32,573	34	24,001	2.90%
2003	135,702	4,411,010	33,409	35	23,459	3.00%
2004	137,341	4,682,905	35,417	35	24,426	3.40%
2005	137,144	5,006,062	29,549	35	24,981	3.30%
2006	139,164	5,290,968	33,849	35	25,339	3.10%
2007	140,169	5,558,659	33,572	35	25,797	3.20%
2008	140,764	5,955,286	42,103	37	25,843	3.70%
2009	142,612	6,101,304	42,899	35	25,861	5.90%
2010	146,551	Not available	Not available	35	25,897	6.00%
2011	147,086	Not available	Not available	36	25,955	6.10%

1 U.S. Census Bureau, 2002 - 2009 and 2011 population figures are estimated

2 Bureau of Labor Statistics

3 Bureau of Economic Analysis

4 Charles Co. Board of Education, Student Services

Principal Employers

Charles County, Maryland  
Table 14

Fiscal Year 2011		
Employer	Number of Employees <sup>1</sup>	Percentage of Total County Employment
Naval Department of Defense at Indian Head	3,500	4.87%
Charles County Board of Education	3,151	4.39%
Charles County Government	1,438	2.00%
College of Southern Maryland	1,164	1.62%
Civista Medical Center	800	1.11%
Wal-Mart	672	0.94%
Facchina Construction National Headquarters	650	0.90%
Target	467	0.65%
Reliable Contracting	410	0.57%
Southern Maryland Electric Cooperative	363	0.51%
Genesis Health Care	320	0.45%
Lowe's	306	0.43%
Southern Maryland Oil/Wills Group	290	0.40%
Charles County Nursing Home	267	0.37%
Macy's	250	0.35%
Safeway	210	0.29%
Food Lion	207	0.29%
Chaney Enterprises Headquarters	202	0.28%
Total	14,667	
Total County Employment <sup>2</sup>	71,846	

Fiscal Year 2002		
Employer	Number of Employees <sup>1</sup>	Percentage of Total County Employment
Indian Head Naval Surface Warfare Center	2,900	4.50%
Charles County Board of Education	2,300	3.57%
Charles County Government	1,000	1.55%
College of Southern Maryland	700	1.09%
Southern Maryland Oil	700	1.09%
Civista Medical Center	650	1.01%
Southern Maryland Electric Cooperative	440	0.68%
Facchina Construction	400	0.62%
Wal-Mart	380	0.59%
American Community Properties Trust	350	0.54%
Chaney Enterprises	350	0.54%
The Hecht Company	350	0.54%
Sears	260	0.40%
Noslot Cleaning Services	250	0.39%
JC Penney	250	0.39%
Automated Graphics Systems	250	0.39%
Total	11,530	
Total County Employment <sup>2</sup>	64,498	

<sup>1</sup> Charles County Economic Development Department as of December 2010 and 2002.

<sup>2</sup> "State of Maryland, Civilian Labor Force, Employment and Unemployment by Place of Residence, December 2010 and 2002." Maryland Department of Labor, Licensing and Regulation.

Full-time Equivalent County Employees by Function

Charles County, Maryland

Table 15

Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	*Actual 2012
<u>County Commissioner's</u>	5	5	5	5	5	5	5	5	5	5	5
<u>Governmental Departments</u>											
Animal Control Services	20	20	20	20	22	23	22	22	22	20	20
Community Services	105	102	107	119	131	137	136	130	126	111	110
County Commissioner's Office Staff	12	13	15	16	16	18	25	27	30	26	30
County Attorney's Office	8	8	8	9	10	10	10	10	10	9	9
Economic Development	2	2	2	2	9	8	8	8	7	0	0
Emergency Services	36	42	47	59	83	109	112	114	113	113	113
Fiscal and Administrative Services	63	68	67	64	69	70	71	73	73	63	63
Human Resources	9	9	9	8	9	8	8	9	8	7	7
Planning & Growth Mgmt	64	70	72	73	75	80	90	94	86	73	73
Public Works	336	361	370	372	392	396	395	379	342	344	344
Subtotal County Departments	653	694	715	741	816	859	877	867	818	766	769
<u>Other Agencies</u>											
Circuit Court	26	23	21	22	22	23	23	23	23	22	23
Detention Center	124	125	125	130	160	160	160	160	160	151	156
Sheriff's Office	358	388	389	408	439	457	465	473	472	463	462
Soil Conservation	4	4	4	5	5	5	6	6	6	5	5
State's Attorney Office	32	32	32	32	31	31	31	31	31	30	31
TOTAL	1202	1270	1291	1343	1479	1540	1566	1564	1515	1442	1451

Footnote: This table presents the County's budgeted and funded full-time, part-time I, and part-time II positions converted to full-time equivalents.

Operating Indicators by Function

Charles County, Maryland

Table 16

Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>2</sup>
<b>Public Safety</b>										
1 Sheriff's Calls for Service	129,906	133,594	144,486	149,073	158,278	174,306	187,000	207,842	215,667	not available
1* Emergency Response Team Responses	331	363	423	493	614	585	629	1,078	1,423	1,565
1* Bookings	9,783	10,563	10,385	10,793	11,520	12,535	12,669	12,088	11,814	12,995
1* Drug Screening	1,796	1,902	1,496	1,154	1,064	1,117	1,072	1,404	1,360	1,496
Red Light Camera Citations Issued	2,871	3,837	4,498	4,329	8,982	18,334	18,727	13,773	13,385	12,693
Animal Control Calls for Service	8,278	7,001	8,986	10,458	9,592	9,219	11,390	3,293	5,898	6,034
Animal Shelter Population	12,386	12,134	13,564	13,114	13,453	10,704	10,729	11,150	10,300	12,523
Alarm System Registrations	7,479	9,014	9,991	10,944	12,136	13,359	14,351	15,434	16,762	17,924
False Alarm Calls	7,280	6,815	7,578	7,080	7,678	7,778	8,133	7,842	8,251	8,215
EMS Responses	3,770	5,201	5,857	6,288	9,473	12,192	12,314	12,480	11,032	11,008
911 Calls Received	66,478	68,410	66,579	171,470	66,601	68,384	67,383	67,965	69,768	69,724
<b>Community Services</b>										
Public Transit Routes	28	28	33	14	14	14	14	13	13	14
Service Miles	973,000	983,000	1,140,460	1,246,807	1,178,330	853,753	1,019,086	1,037,999	999,941	1,016,330
Senior Program Participation	3,834	3,719	4,293	5,151	9,077	8,785	12,255	9,639	7,270	6,000
<b>Public Facilities</b>										
Square Footage Maintained	828,037	854,836	869,611	888,904	920,686	924,335	936,575	941,235	1,001,235	1,001,235
Preventative Maintenance Performed	278	306	336	345	363	356	392	430	480	450
Athletic Leagues Maintained	49	50	53	55	55	56	57	59	68	70
Scheduled Games	5,895	6,100	6,200	6,400	6,900	7,433	7,523	7,680	7,721	7,800
Vehicle Maintenance Work Orders	3,255	5,949	6,275	6,712	7,432	5,948	5,899	5,743	5,667	5,700
Lane Miles Maintained	1,720	1,760	1,780	2,417	2,456	2,555	2,610	2,642	2,730	2,760
<b>Water and Sewer</b>										
Billing Invoices per year	101,775	100,502	102,674	106,567	109,089	111,938	117,497	115,540	118,329	120,893
New Accounts Set Up	974	819	587	541	587	791	506	419	474	514
2 Meters Replaced	2,280	1,738	897	818	665	521	614	531	490	1,274
Meters Read	98,841	100,502	102,674	106,567	109,089	111,938	117,497	115,540	118,329	120,893
Holding Tank Program Gallons Pumped	931,000	1,145,800	1,081,300	1,004,600	830,500	837,500	516,350	509,850	482,340	398,100
Water Gallons Pumped per Day	5,933,068	6,327,384	5,985,650	6,143,951	6,580,995	6,526,757	6,564,700	6,134,087	5,640,450	6,566,722
<b>County Park Operations</b>										
Rounds of Golf	34,159	27,531	29,396	30,058	30,150	30,255	30,200	30,059	30,490	30,500
Average Round ( per hour )	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
<b>Solid Waste Management</b>										
1 Recycled Tons	37,200	37,200	53,342	44,635	61,984	56,243	48,654	58,451	51,537	68,682
1 Recycle Curbside Collection Tons	3,369	3,404	2,760	2,772	2,882	2,708	2,885	2,900	3,100	3,150
Landfill Tons	60,378	65,202	69,536	76,253	84,119	59,319	57,404	54,420	57,876	81,200

1 Based on Calendar Year

1\* Beginning FY08 figures based on Fiscal Year not Calendar Year

2 Projected

Capital Asset Statistics by Function

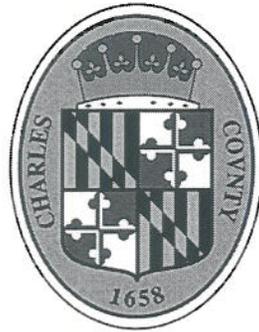
Charles County, Maryland

Table 17

Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Government</b>										
Buildings	24	24	23	23	23	23	25	25	23	24
Vehicles	208	221	235	269	278	282	295	302	293	267
<b>Public Safety</b>										
Sheriff Stations	5	5	5	6	6	6	7	7	7	6
Detention Centers	2	2	2	2	2	2	2	2	2	2
Sheriff Patrol Vehicles	243	257	287	310	321	361	413	422	425	462
Other Sheriff Vehicles	10	10	10	18	19	13	15	16	17	18
K-9 Dogs	9	9	9	10	10	11	14	14	15	11
Mobile Communications Center	-	-	-	1	1	1	1	1	1	1
Emergency Operations Vehicles	6	6	6	7	10	11	16	16	17	18
Hazmat Vehicles	-	-	-	2	4	5	7	5	5	5
Animal Control Vehicles	7	7	6	9	10	9	10	9	8	8
<b>Community Services</b>										
Transportation Service Vehicles	11	12	14	14	15	36	38	36	33	36
Senior / Community Centers	4	4	4	4	4	4	4	4	4	4
Community Centers	9	9	9	9	9	9	9	9	9	9
Pools	4	4	4	4	5	5	5	5	5	5
<b>Public Facilities</b>										
Buildings	8	8	8	8	8	8	8	8	8	8
Roadways (miles)	1,720	1,760	1,780	1,819	2,456	2,555	2,610	2,642	2,650	2,660
Heavy Equipment	17	17	18	18	18	20	26	31	32	27
<b>Water and Sewer</b>										
Buildings	17	17	18	18	18	18	18	17	18	16
Wastewater Treatment Plants	6	6	6	6	6	7	7	7	7	7
Pump Stations	57	57	57	57	57	56	50	57	57	57
Wells	79	79	79	81	81	81	62	67	67	65
Heavy Equipment	14	14	14	15	15	15	17	16	17	14
Vehicles	76	85	114	97	89	93	81	92	87	76
Meters	97,262	95,758	98,043	101,639	104,157	107,321	113,354	111,397	113,858	116,883
<b>County Park Operations</b>										
Parks	18	19	19	19	19	26	27	29	29	29
Park Acreage	2,519	2,519	2,519	2,519	2,519	2,536	3,228	3,336	3,349	3,349
Golf Course	1	1	1	1	1	1	1	1	1	1
Skate Park	-	1	1	1	1	1	1	1	1	1
Concession Buildings	2	2	2	3	3	6	8	8	8	8
Vehicles	1	1	1	1	3	3	3	3	3	3
<b>Recreation Programs</b>										
Recreation/ Sports Centers	1	1	1	1	2	2	2	2	2	2
<b>Solid Waste Management</b>										
Buildings	6	6	6	6	6	6	6	6	6	6
Recycling Stations with Buildings	2	2	2	3	3	3	3	3	3	3
Heavy Equipment	24	25	27	27	27	29	28	27	26	21
Vehicles	30	33	33	36	53	34	39	38	34	26

# Charles County Commissioners



*Equal Opportunity County • Say No To Drugs*

[www.charlescounty.org](http://www.charlescounty.org)

**PREPARED BY:**

**Department of Fiscal & Administrative Services**

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**CHARLES COUNTY MARYLAND**

**Where Eagles Fly™**

**Mission Statement:** The mission of the Charles County Government is to provide our citizens the highest quality of service possible in a timely, efficient, and courteous manner. To achieve this goal, our government must be operated in an open and accessible atmosphere, be based on comprehensive long- and short-term planning, and have an appropriate managerial organization tempered by fiscal responsibility.

**Vision Statement:** Charles County is a place where: private initiative is rewarded and businesses grow and prosper, while the preservation of our heritage is paramount; government services have reached the highest level of excellence; the quality of life is felt by its citizens to be the best in the region; and its government is recognized as a leader in support of these expectations.