THE COUNTY COMMISSIONERS OF CHARLES COUNTY
Charles County, Maryland

FINANCIAL STATEMENTS
June 30, 2011

Charles County, Maryland
Table of Contents

	Page
Report of Independent Certified Public Accountants	1 - 2
Management's Discussion and Analysis	3 - 16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18 - 19
Fund Financial Statements:	
Governmental Fund Financial Statements	
Balance Sheet	20
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	23
Proprietary Fund Financial Statements	
Statement of Net Assets	24
Statement of Revenues, Expenses, and Changes in Net Assets	25
Statement of Cash Flows	26 - 27
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
Component Units Financial Statements	
Combining Statement of Net Assets	30
Combining Statement of Activities	32 - 33
Notes to the Financial Statements Index	34 - 35
Notes to the Financial Statements	36 - 95
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget to Actual - General Fund	98
Other Supplementary Information	
Other Governmental Funds	
Combining Balance Sheet	101-104
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	105-108
Other Proprietary Funds	
Combining Statement of Net Assets	109
Combining Statement of Revenues, Expenses and Changes in Net Assets	110
Combining Statement of Cash Flows	111-112

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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.

Member of HLB International

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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Gunderson 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 17), and the accompanying notes to those financial statements (beginning on page 36).

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.

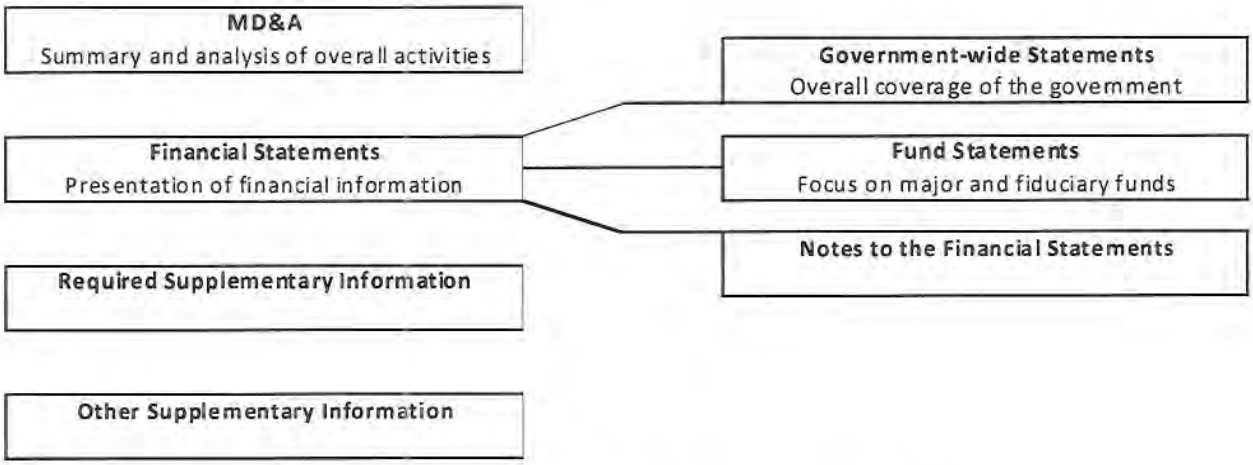
- Unassigned fund balance for the General Fund was $2 million or less than 1% of General Fund expenditures at June 30, 2011. The County's revenue policy sets a goal to establish fund balance at a minimum of 8% of operating revenues. For FY2011, $23.8 million, or 8% of fund balance is classified as Committed 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 17-19 of this report.

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like 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 24-27 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds include four fund types - pension trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any investment trust funds 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 28-29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to developing a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-95 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 98 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 101-112 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)

	Governmental Activites		Business-type Activities		Total	
	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	665,369	634,724	225,163	226,932	890,532	861,656
Non-current liabilities	322,921	303,164	95,846	98,038	418,767	401,202
Other liabilities	61,065	58,127	6,060	4,490	67,125	62,617
Total liabilities	383,986	361,291	101,906	102,528	485,892	463,819
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	(43,531)	(34,262)	14,902	22,920	(28,629)	(11,342)
Total net assets	$ 281,383	$ 273,433	$ 123,257	$ 124,404	$ 404,640	$ 397,837

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

	Governmental Activites		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
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	358,544	351,413	42,899	40,280	401,443	391,693
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	350,805	353,847	43,835	39,448	394,640	393,295
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	7,950	(1,904)	(1,147)	302	6,803	(1,602)
Net assets - beginning of year	273,433	275,337	124,404	124,102	397,837	399,439
Net assets - end of year	$ 281,383	$ 273,433	$ 123,257	$ 124,404	$ 404,640	$ 397,837

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.

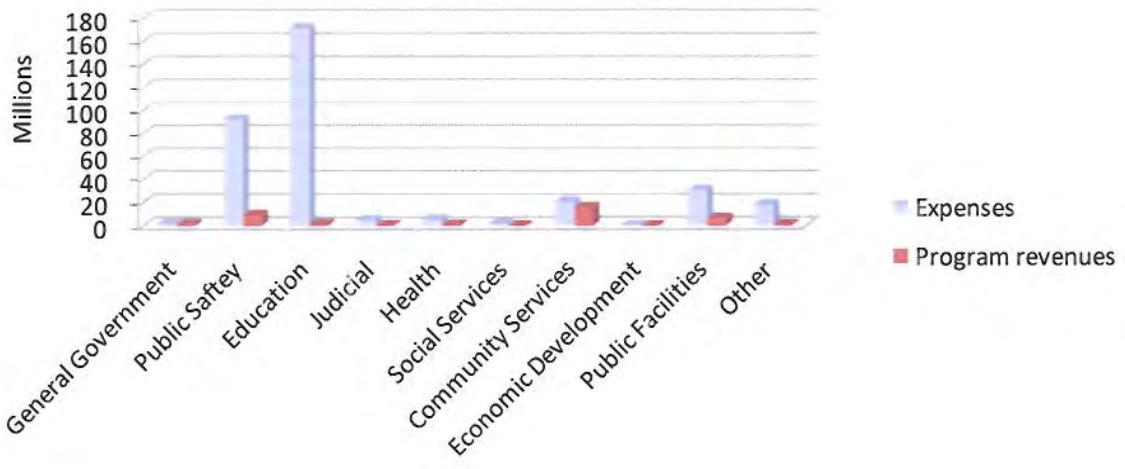
Governmental activities. To aid in the understanding of the Statement of Activities (pg 18-19), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported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

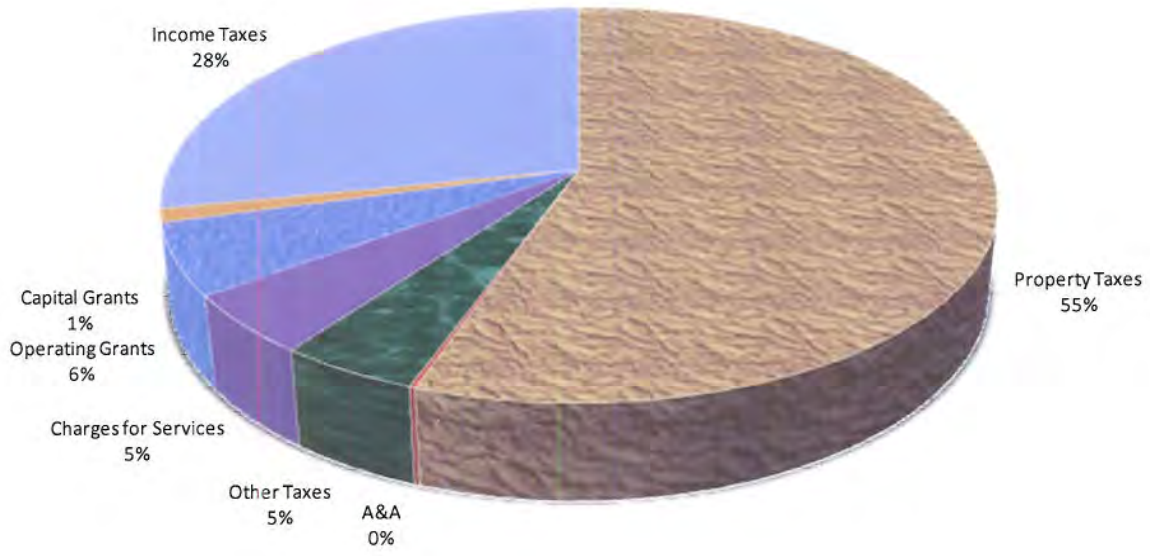
Governmental-type activities, as expected, operated at a $309.5 million loss, primarily due to Education and Public Safety. As depicted in the bar chart on page 10, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. 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 Activites (Year Ended June 30, 2011)



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

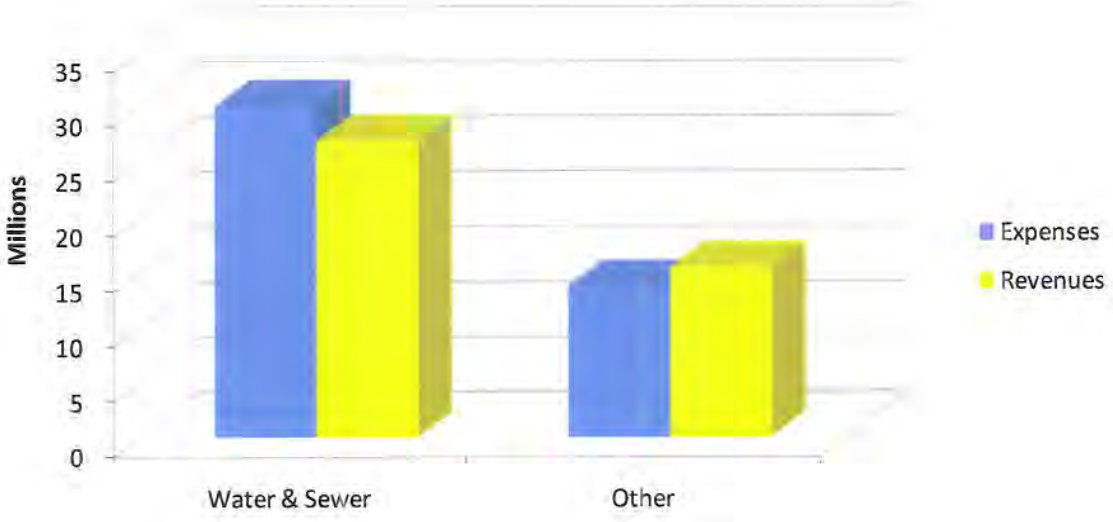


Business-type activities. The Water and Sewer Fund is considered a major fund for reporting purposes. For Fiscal Year 2011, the user fee rate structure was adjusted to a tiered method. This resulted in a rate decrease for the average residential customer who consumes less than 18,000 gallons per quarter. 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 Activites		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
Total	445,807	444,011	191,330	186,057	637,137	630,068

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)

	Governmental Activites		Business-type Activities		Total	
	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	261,143	249,527	74,887	78,243	336,030	327,770

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

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

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS:				
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	665,368,842	225,163,552	890,532,394	331,835,214
LIABILITIES:				
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	383,985,787	101,906,757	485,892,544	124,226,473
NET ASSETS:				
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	$ 281,383,056	$ 123,256,795	$ 404,639,851	$ 207,608,741

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	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
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
Total governmental activities	350,805,014	16,996,425	20,480,647	3,802,171
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
Total business-type activities	43,837,115	41,422,854	0	1,011,461
Total primary government	$ 394,642,129	$ 58,419,279	$ 20,480,647	$ 4,813,632
COMPONENT UNITS:				
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
Total component units	$ 374,404,233	$ 6,902,666	$ 89,001,439	$ 12,603,401
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
(309,525,771)	0	(309,525,771)	0
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
0	(1,402,800)	(1,402,800)	0
(309,525,771)	(1,402,800)	(310,928,571)	0
0	0	0	(261,719,998)
0	0	0	(4,176,729)
0	0	0	(265,896,727)
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
317,476,305	255,320	317,731,625	250,090,047
7,950,534	(1,147,480)	6,803,054	(15,806,680)
273,432,522	124,404,275	397,836,797	223,415,421
$ 281,383,056	$ 123,256,795	$ 404,639,851	$ 207,608,741

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
ASSETS:					
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
Total assets	$ 154,015,067	$ 44,002,143	$ 80,602,491	$ 13,731,498	$ 292,351,199
LIABILITIES AND FUND BALANCES:					
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
Total liabilities	113,630,766	5,450,011	80,392,947	5,999,300	205,473,024
Fund balances:	$	$	$	$	$
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
Total fund balances (deficit)	40,384,301	38,552,132	209,544	7,732,198	86,878,175
Total liabilities & fund balances	$ 154,015,067	$ 44,002,143	$ 80,602,491	$ 13,731,498	$ 292,351,199

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	$	281,383,056

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
Revenues:					
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
Total revenues	298,392,949	5,086,412	13,444,690	36,144,033	353,068,084
Expenditures:					
Current:					
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
Debt service:					
Principal	0	0	11,543,633	0	11,543,633
Interest	7,501,344	0	3,984,556	0	11,485,900
Total expenditures	296,174,991	23,971,729	15,528,189	37,831,156	373,506,065
Excess (deficiency) of revenues over (under) expenditures	2,217,957	(18,885,317)	(2,083,499)	(1,687,123)	(20,437,982)
Other financing sources (uses):					
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)
Total other financing sources (uses)	(3,018,829)	37,834,020	2,153,972	2,846,569	39,815,732
Net change in fund balance	(800,872)	18,948,703	70,473	1,159,446	19,377,750
Fund balance (deficit) - beginning of year	41,185,173	19,603,429	139,071	6,572,752	67,500,425
Fund balance (deficit) - end of year	$ 40,384,301	$ 38,552,132	$ 209,544	$ 7,732,198	$ 86,878,175

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 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)
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			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
ASSETS:				
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	15,120,523	16,696,113	5,632,550	37,449,186
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	168,415,534	10,776,270	12,242,119	191,433,923
Total assets	183,536,057	27,472,383	17,874,669	228,883,109
LIABILITIES:				
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	10,413,988	125,277	5,430,943	15,970,208
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	72,250,236	6,465,329	10,940,541	89,656,106
Total liabilities	82,664,224	6,590,606	16,371,484	105,626,314
NET ASSETS:				
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	$ 100,871,833	$ 20,881,777	$ 1,503,185	$ 123,256,795

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			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
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	26,358,925	5,457,293	9,996,233	41,812,451
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	27,595,576	3,510,457	10,203,177	41,309,210
Operating income (loss)	(1,236,651)	1,946,836	(206,944)	503,241
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)	(1,496,137)	21,613	34,841	(1,439,683)
Income before transfers	(2,732,788)	1,968,449	(172,103)	(936,442)
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	(2,732,788)	1,368,649	216,659	(1,147,480)
Net assets - beginning of year	103,604,621	19,513,128	1,286,526	124,404,275
Net assets - end of year	$ 100,871,833	$ 20,881,777	$ 1,503,185	$ 123,256,795

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	4,388,210	2,984,188	(766,651)	6,605,747
Cash flows from investing activities:				
Interest received	36,953	26,529	13,279	76,761
Net cash provided by investing activities	36,953	26,529	13,279	76,761
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	13,255,314	(2,959,610)	(375,246)	9,920,458
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	(17,680,477)	(51,107)	313,418	(17,418,166)
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	$ 200	$ 2,000	$ 927,549	$ 929,749

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	$ 4,388,210	$ 2,984,188	$ (766,651)	$ 6,605,747

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
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 4,556,463
Interest receivable	128,991
Total current assets	4,685,454
Investments at fair value:	
Bond mutual funds	62,701,683
Equity securities	187,628,691
Total investments	250,330,374
Total assets	255,015,828
LIABILITIES:	
Accrued expenses	(46,054)
NET ASSETS:	
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.

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
ASSETS:			
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	330,879,445	955,769	331,835,214
LIABILITIES:			
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	122,576,918	1,649,555	124,226,473
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	$ 208,302,527	$ (693,786)	$ 207,608,741

See accompanying notes.

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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	Program Revenues: Operating Grants and Contributions	Program Revenues: 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	$ 374,404,233	$ 6,902,666	$ 89,001,439	$ 12,603,401

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

INDEX

		Page
NOTE 1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	36
	A. Reporting Entity	36
	B. Basic Financial Statements	37
	Government-wide Statements	38
	Fund Financial Statements	39
	C. Basis of Accounting and Measurement Focus	41
	Basis of Accounting	41
	Measurement Focus	42
	D. Financial Statement Amounts	42
NOTE 2	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	49
	A. Budgets and Budgetary Accounting	49
	B. Deficit Fund Equity	49
NOTE 3	DETAILED NOTES ON ALL FUNDS	50
	A. Cash Deposits and Investments	50
	B. Receivables	53
	C. Property Taxes Receivable	54
	D. Notes Receivable	54
	E. Capital Assets	56
	F. Interfund Receivables, Payables, and Transfers	61
	G. Leases	62
	H. Long-Term Debt	64
	I. Restricted Assets	69
	J. Fund Balance Analysis	70
NOTE 4	RISK MANAGEMENT	71
NOTE 5	COMMITMENTS AND CONTINGENCIES	72
	A. Contingencies Under Grant Provisions	72
	B. Litigation	72

INDEX
(continued)

		Page
NOTE 6	PENSION & TRUST PLANS	73
	A. Sheriff's Office Retirement Plan	76
	B. County Employees Retirement Plan	84
	C. Length of Service Award Program (LOSAP) for Volunteer Firemen and Rescue Squadmen	91
NOTE 7	OTHER EMPLOYMENT BENEFITS	92
	A. Deferred Compensation Plan	92
	B. Other Post-Employment Benefits	92
NOTE 8	CLOSURE AND POST-CLOSURE CARE COSTS	95
	A. Pisgah Landfill	95
	B. Charles County Landfill	95

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 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

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,

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:

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

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. "Measureable" 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

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.

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 recoded 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.

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.

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	
Building s 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.

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

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.

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.

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.

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 by fully collateralized and that the collateral by 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

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	$ 78,562,354	$ 254,886,837	$ 1,033,572	$ 334,482,763

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	33,854,985
Total cash and investments	$ 45,074,506

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	309,871
Total cash and investments	$ 387,387

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP maintains an AAAm credit quality rating from Standard and Poor's.

The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of 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.

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:

Receivables:	General	Capital Projects	Debt Service	Water and Sewer Fund	Solid Waste Fund	Non-major Funds	Total
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	$ 76,834,071	$ 1,696,167	$ 35,869,169	$ 7,051,523	$ 509,245	$ 4,708,674	$ 126,668,849

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	$ 4,266,818	$ 107,664,546	$ 111,931,364

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:

Loan & Year	Total Borrowed	Term & Rate	Principal Balance 6/30/2011
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	$ 36,000,000		$ 26,783,812
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	$ 61,248,200		$ 44,733,322

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	12,160,411	35,063,900	9,834,000	773,910	57,832,220
Less: Interest	1,652,094	8,280,087	3,051,988	114,728	13,098,897
Total future minimum note payments receivable	$ 10,508,317	$ 26,783,813	$ 6,782,012	$ 659,182	$ 44,733,323

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	187,360,873	30,310,006	52,952,805	164,718,074
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	500,357,876	43,228,070	703,629	542,882,317
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	(243,708,132)	(18,788,766)	(703,629)	(261,793,269)
Total capital assets, depreciated net	256,649,744	24,439,304	0	281,089,048
Governmental activities, capital assets, net	$ 444,010,617	$ 54,749,310	$ 52,952,805	$ 445,807,122

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
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	42,792,390	14,079,752	10,401,272	46,470,870
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	271,403,158	9,464,709	84,942	280,782,925
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	(128,138,676)	(7,869,960)	(84,942)	(135,923,694)
Total capital assets, depreciated net	143,264,482	1,594,749	-	144,859,231
Business-type, capital assets, net	$ 186,056,872	$ 15,674,501	$ 10,401,272	$ 191,330,101

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	$	18,788,766
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	$	7,869,960

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:

Division / Project	Spent-to-date	Remaining Commitment
Transportation		
Road and bridge expansions	$ 66,056,980	$ 46,250,705
Other transportation projects	70,874	318,966
General government		
Buidings 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	$ 135,559,353	$144,183,491

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

Discretely Presented Component Units

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

	Beginning Balance	Increases	Decreases	Ending Balance
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	25,909,250	12,431,276	(7,409,371)	30,931,155
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	448,763,208	9,966,589	(1,070,827)	457,658,970
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	(207,426,288)	(13,270,895)	989,737	(219,707,446)
Total capital assets, depreciated net	241,336,920	(3,304,306)	(81,090)	237,951,524
Board capital assets, net	$ 267,246,170	$ 9,126,970	$ (7,490,461)	$ 268,882,679

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

	Beginning Balance	Increases	Decreases	Ending Balance
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	1,614,004	253,433	(337,812)	1,529,625
Less: accumulated depreciation	(1,058,449)	(282,269)	(330,043)	(1,010,675)
Library capital assets, depreciated, net	$ 555,555	$ (28,836)	$ (7,769)	$ 518,950

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)
Total	$ (23,065,527)	$ 23,065,527

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:

	Transfers In					
Transfers Out	General Fund	Capital Projects Fund	Debt Service Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Total
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	-	-	-	-	-	-
Total Transfers In:	$ 1,259,700	$ 1,262,820	$ 2,153,972	$ 3,196,381	$ 388,762	$ 8,261,635

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.

- 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	14,445,849	4,865,377
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	(11,733,705)	(3,910,615)
Total capital assets, net	$ 2,712,144	$ 954,762

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	2,578,158	6,884,757	9,462,915
Interest	(118,668)	(1,263,884)	(1,382,552)
Present value of minimum lease payments	$ 2,459,490	$ 5,620,873	$ 8,080,363

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:

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

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			260,526,767	63,488,233
Loan Description and Year				
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			615,570	11,399,375
Total bonds and loans outstanding			$ 261,142,337	$ 74,887,608

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.

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
Governmental activities:					
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	(1,210,704)	(485,207)	127,288	(1,568,623)	-
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	13,476,204	22,397	(9,733)	13,488,868	1,113,640
Governmental activities noncurrent liabilities	303,164,142	65,346,569	(45,589,155)	322,921,556	27,581,130
Business-type activities:					
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	(387,047)	(24,515)	38,496	(373,066)	-
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	1,689,398	35,984	(22,041)	1,703,341	211,603
Business-type activities noncurrent liabilities	98,038,440	4,966,592	(7,159,039)	95,845,994	7,270,477
Total primary government noncurrent liabilities	$ 401,202,582	$ 70,313,161	$ (52,748,194)	$ 418,767,549	$ 34,851,607
Component units:					
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 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:

	Governmental Activities		Business-type Activities		
Year ending June 30	Principal	Interest	Principal	Interest	Total
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
	$ 263,600,840	$ 71,380,400	$ 80,508,481	$ 19,466,341	$ 434,956,062

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.

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	1,386,939	
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	659,181	
Total notes receivable		$ 44,733,322
Total Governmental Activities		$ 46,205,436
Business-type Activities		
Cash and cash equivalents		
Landfill Bonds		$ 103,823
TOTAL PRIMARY GOVERNMENT		$ 46,309,259

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
Nonspendable					
Inventory	$ 1,537,974	$ -	$ -	$ -	$ 1,537,974
Prepay Items	267,191		-	-	267,191
	1,805,165	0	0	0	1,805,165
Restricted					
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
	699,770	20,588,415	209,544	77,534	21,575,263
Committed					
Policy Target 8%	23,871,436	-	-	-	23,871,436
Bond Premium	3,151,160				3,151,160
	27,022,596	0	0	0	27,022,596
Assigned					
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
	8,806,694	17,963,717	0	7,688,790	34,459,201
Unassigned					
Other unassigned	2,050,076	-	-	-	2,050,076
Housing			-	(34,126)	(34,126)
	$ 2,050,076	$ 0	$ 0	$ (34,126)	$ 2,015,950
	$ 40,384,301	$ 38,552,132	$ 209,544	$ 7,732,198	$ 86,878,175

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:

Fiscal Year	Beginning of Year	Claims and Changes in Estimates	End of Year
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

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.

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
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

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

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

	County's Pension	Sheriff's Pension	OPEB Trust Funds	LOSAP Funds	Total
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	7,636,208	9,056,736	250,000	778,900	17,721,844
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	19,411,815	22,562,790	517	1,623,271	43,598,393
Less investment expenses	(652,254)	(639,406)	0	0	(1,291,660)
Net investment earnings	18,759,561	21,923,384	517	1,623,271	42,306,733
Total additions	26,395,769	30,980,120	250,517	2,402,171	60,028,577
DEDUCTIONS:					
Benefits paid to members	3,455,813	5,515,828	0	594,089	9,565,730
Administrative costs	11,767	39,709	79	46,305	97,360
Total deductions	3,467,580	5,555,537	79	640,394	9,663,590
Changes in net assets	22,928,189	25,424,583	250,438	1,761,777	50,364,987
Net assets - beginning of year	89,278,243	105,510,554	667,759	9,148,231	204,604,787
Net assets - end of year	$ 112,206,432	$ 130,935,137	$ 918,197	$ 10,910,008	254,969,774

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:

	Sworn Officers	Correctional Officers	Communications Employees
Active plan members	284	143	41
Retirees and beneficiaries receiving benefits	90	10	5
Disabled, receiving benefits	14	-	-
Vested termination	2	-	-
	390	153	46

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

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.

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:

Years early	Sworn (post 7/1/86)	Communications & Corrections
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

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)

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:

Sheriff's hired prior to 7/1/1986

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

Sheriff's hired after to 7/1/1986

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

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

Disability – Sample rates are 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 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

Years of Service	% Retiring
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

Years of Service	% Retiring
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

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

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

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.

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 in 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

Fiscal Year Ending	Annual Required Contribution	Percentage of ARC Contribution	Net Pension Obligation
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

SCHEDULE OF FUNDING PROGRESS
SHERIFF'S OFFICE RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Deputy Sheriffs						
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%
Corrections Officers						
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%
Communications Employees						
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%
Total						
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 changeto five year Smoothing Method.*

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
	1,123

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

Contributions and Reserves – The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Active non-public safety plan members are required to contribute 4% of their base earnings to the Plan and no contributions are required after 31 years of credited service. Public safety plan members are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted only once annually, on July 1. The County normally makes employer

contributions annually as actuarially determined. For the year ended June 30, 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 60th 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.

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.

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

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

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

For public safety participants:
Eligibility (A): Active participant, married one full year prior to death. If no spouse available, benefit payable to dependent child.

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

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

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

Eligibility (C): Death while receiving disability benefits.

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

Annual Pension Cost and Net Pension Obligation – The annual pension cost for the year ended June 30, 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.

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:

Age	%
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:

Age	%
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,

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

Fiscal Year Ending	Annual Required Contribution	Percentage of ARC Contribution	Net Pension Obligation
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

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.

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 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

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:

Years of Service	% Paid by County
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		(1,356,000)
Annual OPEB cost (expense)		13,269,000
Pay-go contribution made		(1,538,423)
Trust contribution made		(250,000)
Increase in net OPEB obligation		11,480,577
Net OPEB obligation - beginning of year		35,277,146
Net OPEB obligation - end of year	$	46,757,723

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.

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		
Revenues:				
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	297,670,100	297,923,530	298,392,949	469,419
Expenditures:				
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
Debt service				
Interest	7,234,500	7,234,500	7,501,344	(266,844)
Total expenditures	297,579,410	299,185,990	296,174,991	3,010,999
Excess (deficiency) of revenues over (under) expenditures	90,690	(1,262,460)	2,217,958	3,480,418
Other financing sources (uses):				
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)	(6,179,500)	(7,233,840)	(3,018,830)	4,215,010
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	$ 35,096,363	$ 32,688,873	$ 40,384,301	$ 7,695,428

See independent auditor's report.

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OTHER SUPPLEMENTARY INFORMATION

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

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants
ASSETS:					
Cash and cash equivalents	$ 0	$ 0	$ 0	$ 0	$ 0
Other receivables	25,598	229,736	1,284,477	211,415	0
Due (to) from other funds	251,279	0	392,463	0	156,808
Other assets	0	0	0	0	0
Restricted assets	0	0	0	0	0
Total assets	$ 276,877	$ 229,736	$ 1,676,940	$ 211,415	$ 156,808
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	$ 31,540	$ 15,576	$ 936,131	$ 4,610	$ 0
Accrued expenditures	0	0	0	0	0
Deferred revenue	240,587	31,228	1,520	16,659	0
Due to other funds	0	182,932	0	190,146	0
Other liabilities	0	0	0	0	0
Total liabilities	272,127	229,736	937,651	211,415	0
Fund balance:					
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	4,750	0	739,289	0	156,808
Unassigned fund balance	0	0	0	0	0
Total fund balance	4,750	0	739,289	0	156,808
Total liabilities and fund balance	$ 276,877	$ 229,736	$ 1,676,940	$ 211,415	$ 156,808

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

	Housing Assistance	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
ASSETS:						
Cash and cash equivalents	$ 3,197,422	$ 0	$ 0	$ 0	$ 0	$ 0
Other receivables	54,387	0	3,086	43,814	8,853	0
Due (to) from other funds	117,734	0	412,356	0	55,091	337,744
Other assets	0	0	0	0	0	0
Restricted assets	0	0	0	0	0	0
Total assets	$ 3,369,543	$ 0	$ 415,442	$ 43,814	$ 63,944	$ 337,744
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts payable	$ 71,706	$ 24,317	$ 560	$ 0	$ 5,354	$ 337
Accrued expenditures	0	0	0	0	0	0
Deferred revenue	0	0	0	4,451	4,800	0
Due to other funds	0	9,809	0	39,363	0	0
Other liabilities	0	0	0	0	1,844	0
Total liabilities	71,706	34,126	560	43,814	11,998	337
Fund balance:						
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	3,297,837	0	414,882	0	51,946	337,407
Unassigned fund balance	0	(34,126)	0	0	0	0
Total fund balance	3,297,837	(34,126)	414,882	0	51,946	337,407
Total liabilities and fund balance	$ 3,369,543	$ 0	$ 415,442	$ 43,814	$ 63,944	$ 337,744

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

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
ASSETS:						
Cash and cash equivalents	$ 0	$ 0	$ 100	$ 0	$ 0	$ 0
Other receivables	0	0	4,320	11,759	92,849	34,871
Due (to) from other funds	1,019,309	2,629,395	37,306	0	69,125	0
Other assets	0	0	0	0	0	0
Restricted assets	0	0	0	0	0	0
Total assets	$ 1,019,309	$ 2,629,395	$ 41,726	$ 11,759	$ 161,974	$ 34,871
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts payable	$ 0	$ 5,430	$ 4,777	$ 401	$ 46,764	$ 11,264
Accrued expenditures	0	0	0	0	0	0
Deferred revenue	1,019,309	0	0	0	110,582	6,109
Due to other funds	0	0	0	11,358	0	17,498
Other liabilities	0	2,546,431	0	0	0	0
Total liabilities	1,019,309	2,551,861	4,777	11,759	157,346	34,871
Fund balance:						
Nonspendable fund balance	0	0	0	0	0	0
Restricted fund balance	0	77,534	0	0	0	0
Committed fund balance	0	0	0	0	0	0
Assigned fund balance	0	0	36,949	0	4,628	0
Unassigned fund balance	0	0	0	0	0	0
Total fund balance	0	77,534	36,949	0	4,628	0
Total liabilities and fund balance	$ 1,019,309	$ 2,629,395	$ 41,726	$ 11,759	$ 161,974	$ 34,871

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

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

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
REVENUES:					
Taxes - local property	$ 0	$ 0	$ 0	$ 0	$ 0
Charge for services	0	0	853,051	0	0
Intergovernmental	138,073	814,610	3,911,177	965,708	69,965
Interest income	0	3	0	0	0
Other income	0	7,521	184,729	635	0
Total revenues	138,073	822,134	4,948,957	966,343	69,965
EXPENDITURES:					
Education	0	0	0	0	0
Public safety	0	0	0	1,365,787	0
Community services	0	0	7,366,852	0	69,965
Judicial	0	1,103,617	0	0	0
Planning & growth mgmt.	142,765		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	0
Total expenditures	142,765	1,103,617	7,366,852	1,365,787	69,965
Excess (deficiency) of revenues over (under) expenditures	(4,692)	(281,483)	(2,417,895)	(399,444)	0
Other financing sources:					
Issuance of debt	0	0	0	0	0
Transfers in	4,750	281,483	2,243,480	399,444	0
Transfers out	0	0	0	0	0
	4,750	281,483	2,243,480	399,444	0
Net change in fund balance	58	0	(174,415)	0	0
Fund balance - beginning of year	4,692	0	913,704	0	156,808
Fund balance - end of year	$ 4,750	$ 0	$ 739,289	$ 0	$ 156,808

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

	Housing Assistance	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
REVENUES:						
Taxes - local property	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Charge for services	1,125,267	0	283,593	0	77,971	97,459
Intergovernmental	8,989,766	131,326	0	315,396	0	0
Interest income	492	0	0	11	0	130
Other income	26,493	0	0	0	26,697	0
Total revenues	10,142,018	131,326	283,593	315,407	104,668	97,589
EXPENDITURES:						
Education	0	0	0	0	0	0
Public safety	0	0	243,398	0	128,974	85,212
Community services	9,529,416	618,527	0	315,407	0	0
Judicial	0	0	0	0	0	0
Planning & growth mgmt.	0	0	0	0	0	0
Health	0	0	0	0	0	0
Economic development	0	0	0	0	0	0
Social services	0	0	0	0	0	0
Legislative	0	0	0	0	0	4,545
Total expenditures	9,529,416	618,527	243,398	315,407	128,974	89,757
Excess (deficiency) of revenues over (under) expenditures	612,602	(487,201)	40,195	0	(24,306)	7,832
Other financing sources:						
Issuance of debt	0	0	0	0	0	0
Transfers in	0	0	0	0	0	0
Transfers out	0	0	0	0	0	(8,042)
	0	0	0	0	0	(8,042)
Net change in fund balance	612,602	(487,201)	40,195	0	(24,306)	(210)
Fund balance - beginning of year	2,685,235	453,075	374,687	0	76,252	337,617
Fund balance - end of year	$ 3,297,837	$ (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
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
REVENUES:						
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
Total revenues	30,000	12,432,409	55,670	86,816	437,337	407,509
EXPENDITURES:						
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
Total expenditures	99,822	12,439,039	73,105	133,359	432,709	407,509
Excess (deficiency) of revenues over (under) expenditures	(69,822)	(6,630)	(17,435)	(46,543)	4,628	0
Other financing sources:						
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
	69,822	0	3,000	46,543	0	0
Net change in fund balance	0	(6,630)	(14,435)	0	4,628	0
Fund balance - beginning of year	0	84,164	51,384	0	0	0
Fund balance - end of year	$ 0	$ 77,534	$ 36,949	$ 0	$ 4,628	$ 0

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

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
REVENUES:					
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
Total revenues	96,312	1,283,916	2,381,799	912,192	36,144,033
EXPENDITURES:					
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
Total expenditures	115,213	1,191,941	954,613	1,009,381	37,831,156
Excess (deficiency) of revenues over (under) expenditures	(18,901)	91,975	1,427,186	(97,189)	(1,687,123)
Other financing sources:					
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
Net change in fund balance	21,099	91,975	1,096,086	0	1,159,446
Fund balance - beginning of year	62,816	149,902	1,222,416	0	6,572,752
Fund balance - end of year	$ 83,915	$ 241,877	$ 2,318,502	$ 0	$ 7,732,198

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
ASSETS:					
Current assets:					
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
Total current assets	829,430	966,304	3,718,283	118,533	5,632,550
Noncurrent assets:					
Net capital assets	101,450	8,533,561	3,607,108	0	12,242,119
Restricted assets	0	0	0	0	0
Total noncurrent assets	101,450	8,533,561	3,607,108	0	12,242,119
Total assets	930,880	9,499,865	7,325,391	118,533	17,874,669
LIABILITIES:					
Current liabilities:					
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
Total current liabilities	152,704	4,758,008	520,231	0	5,430,943
Noncurrent liabilities:					
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
Total noncurrent liabilities	691,010	6,192,258	4,057,273	0	10,940,541
Total liabilities	843,714	10,950,266	4,577,504	0	16,371,484
NET ASSETS:					
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)
Total net assets	$ 87,166	$ (1,450,401)	$ 2,747,887	$ 118,533	$ 1,503,185

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
Operating revenues:					
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	2,554,054	3,426,362	3,863,445	152,372	9,996,233
Operating expenses:					
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	3,099,997	3,686,581	3,311,233	105,366	10,203,177
Operating income (loss)	(545,943)	(260,219)	552,212	47,006	(206,944)
Nonoperating revenues (expenses)					
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)	(4,580)	120,917	(81,496)	0	34,841
Income (loss) before transfers	(550,523)	(139,302)	470,716	47,006	(172,103)
Transfers in	0	388,762	0	0	388,762
Transfers out	0	0	0	0	0
Change in net assets	(550,523)	249,460	470,716	47,006	216,659
Net assets - beginning of year	637,689	(1,699,861)	2,277,171	71,527	1,286,526
Net assets - end of year	$ 87,166	$ (1,450,401)	$ 2,747,887	$ 118,533	$ 1,503,185

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
Cash flows from operating activities:					
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	(377,166)	97,438	(533,929)	47,006	(766,651)
Cash flows from investing activities:					
Interest received	0	2,799	10,480	0	13,279
Net cash provided by investing activities	0	2,799	10,480	0	13,279
Cash flows from noncapital financing activities:					
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	430,557	(445,231)	(341,937)	(18,635)	(375,246)
Cash flows from capital and related financing activities:					
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	(53,391)	(498,577)	865,386	0	313,418
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	$ 0	$ 834,916	$ 0	$ 92,633	$ 927,549

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	$ (377,166)	$ 97,438	$ (533,929)	$ 47,006	$ (766,651)

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