CHARLES COUNTY, MARYLAND

Financial Statements and Supplemental Schedules Together with Report of Independent Public Accountants

For the Year Ended June 30, 2012

Charles County, Maryland
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Charles County, Maryland, or the Board of Library Trustees for Charles County, Maryland. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in 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 and the report of the other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustment described in Note 10 that was applied to restate the statement of net assets as of June 30, 2011. In our opinion, such adjustment is appropriate and has been properly applied.

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Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance budget to actual – general fund, and required supplemental schedules of funding progress and schedules of employer contributions for the Pension Trust Funds and Other Post Employment Benefits (OPEB) Trust, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SB & Company, LLC

Hunt Valley, Maryland
October 29, 2012

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, 2012. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 17), and the accompanying notes to those financial statements (beginning on page 34).

Financial Highlights

- The government-wide assets of Charles County exceeded liabilities at the close of the current fiscal year by $443.4 million (*net assets*).

- The County's change in net assets was a slight increase of $94,255 prior to restatement.

- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balances of $143.3 million, an increase of $11.6 million from the prior year as restated on page 22. Approximately 32% of this total amount is classified as Non-spendable fund balance, or $47 million. The majority of the total is classified as Restricted, Committed or Assigned fund balance, or $95.4 million. The remaining portion of fund balance available for spending at the government's discretion is Unassigned fund balance of $836,477.

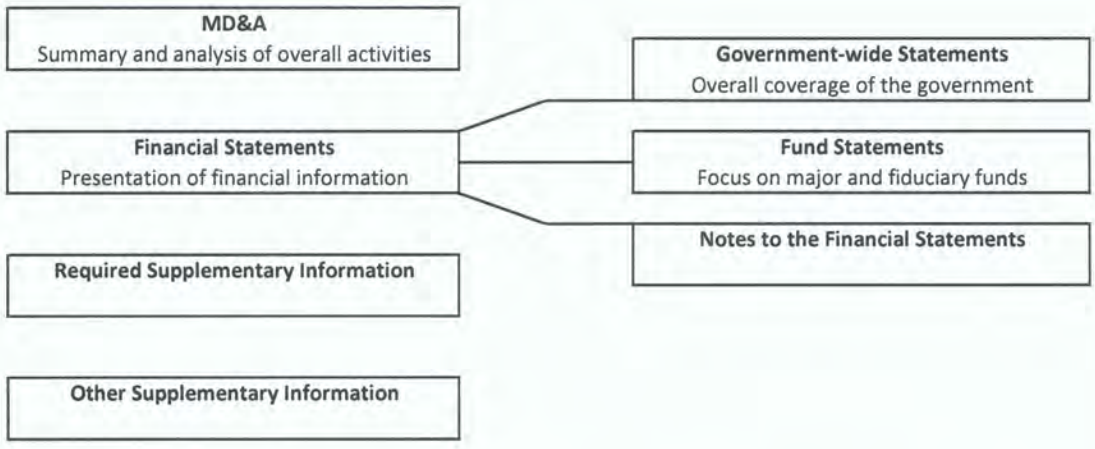
- Unassigned fund balance for the General Fund was $3.9 million or less than 1% of General Fund expenditures at June 30, 2012. The County's revenue policy sets a goal to establish fund balance at a minimum of 8% of operating revenues. For FY2012, $24.6 million is classified as Committed Fund Balance-Policy Target of the total $31.5 million noted on page 20.

- 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 $1 million to fund capital projects, another $4 million to fund debt service associated with new schools, and $2.6 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 24-26 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 27-28 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 34-94 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 pages 96-99 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 101-113 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 $443.4 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, $407.6 million (91%), 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 (16%) represents resources that are subject to external restrictions on how they may be used.

Net Assets
June 30, 2012 and 2011
(amounts are presented in thousands)

	Governmental Activites		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 217,897	$ 219,562	$ 47,945	$ 33,833	$ 265,842	$ 253,395
Capital assets, net of depreciation	459,940	445,807	193,982	191,330	653,922	637,137
Total assets	677,837	665,369	241,927	225,163	919,764	890,532
Non-current liabilities	332,793	322,921	109,620	95,846	442,413	418,767
Other liabilities	27,573	61,065	6,335	6,060	33,908	67,125
Total liabilities	360,366	383,986	115,955	101,906	476,321	485,892
Net assets:						
Invested in capital assets, net of related debt	302,757	299,008	104,853	108,355	407,610	407,363
Restricted net assets	74,707	25,906	-	-	74,707	25,906
Unrestricted net assets	(59,993)	(43,531)	21,119	14,902	(38,874)	(28,629)
Total net assets	$ 317,471	$ 281,383	$ 125,972	$ 123,257	$ 443,443	$ 404,640

Changes in Net Assets
Years ended June 30, 2012 and 2011
(amounts are presented in thousands)

	Governmental Activites		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	$ 14,077	$ 16,996	$ 43,293	$ 41,423	$ 57,370	$ 58,419
Operating grants	20,112	20,481	-	-	20,112	20,481
Capital grants	3,899	3,802	817	1,011	4,716	4,813
General revenues:						
Property taxes	196,368	193,940	-	-	196,368	193,940
Other taxes	113,758	116,051	-	-	113,758	116,051
Other	14,611	7,274	1,183	465	15,794	7,739
Total revenues	362,825	358,544	45,293	42,899	408,118	401,443
Program expenses:						
General government	24,083	13,249	-	-	24,083	13,249
Public safety	102,882	92,757	-	-	102,882	92,757
Education	163,377	171,972	-	-	163,377	171,972
Judicial	4,533	5,524	-	-	4,533	5,524
Health	4,514	5,581	-	-	4,514	5,581
Social services	1,970	1,888	-	-	1,970	1,888
Community services	22,425	21,023	-	-	22,425	21,023
Economic development	1,283	619	-	-	1,283	619
Public facilities	22,261	31,111	-	-	22,261	31,111
Water and sewer	-	-	27,143	30,073	27,143	30,073
Solid Waste	-	-	4,679	3,515	4,679	3,515
Other	18,333	7,081	10,541	10,247	28,874	17,328
Total expenses	365,661	350,805	42,363	43,835	408,024	394,640
Excess(deficit) before transfers	(2,836)	7,739	2,930	(936)	94	6,803
Net transfers	215	211	(215)	(211)	-	-
Change in net assets	(2,621)	7,950	2,715	(1,147)	94	6,803
Net assets - beginning of year	320,092	273,433	123,257	124,404	443,349	397,837
Adjustment to restate beginning	-	38,709	-	-	-	38,709
Net assets - end of year	$ 317,471	$ 320,092	$ 125,972	$ 123,257	$ 443,443	$ 443,349

Overall, the financial position of Charles County increased slightly by 1% prior to restatement compared to FY2011. As shown on the table on page 8, total revenues increased from $401 million in FY2011 to $408.1 million in FY2012. Property taxes increased by $2.4 million, while other taxes decreased by $2.3 million. Program expenses increased from $395 million in FY2011 to $415 million in FY2012.

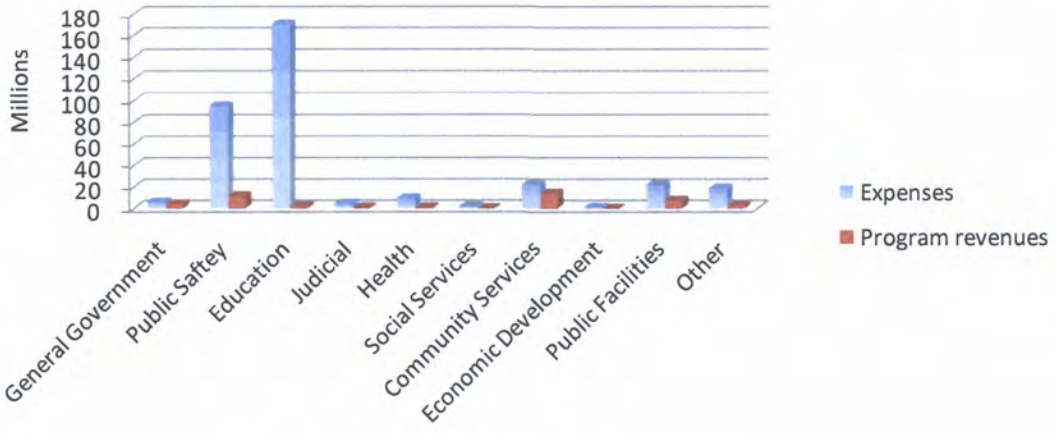
Governmental activities. To aid in the understanding of the Statement of Activities (pg 18-19), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported 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 $94,255 was experienced prior to restatement when all funds are combined, as indicated on page 8. Total expenditures of $408 million were partially offset by program related service fees, grants, and other contributions of nearly $82.2 million. The remaining $327.5 million in expenditures were funded through non-program revenue sources, primarily property and income taxes.

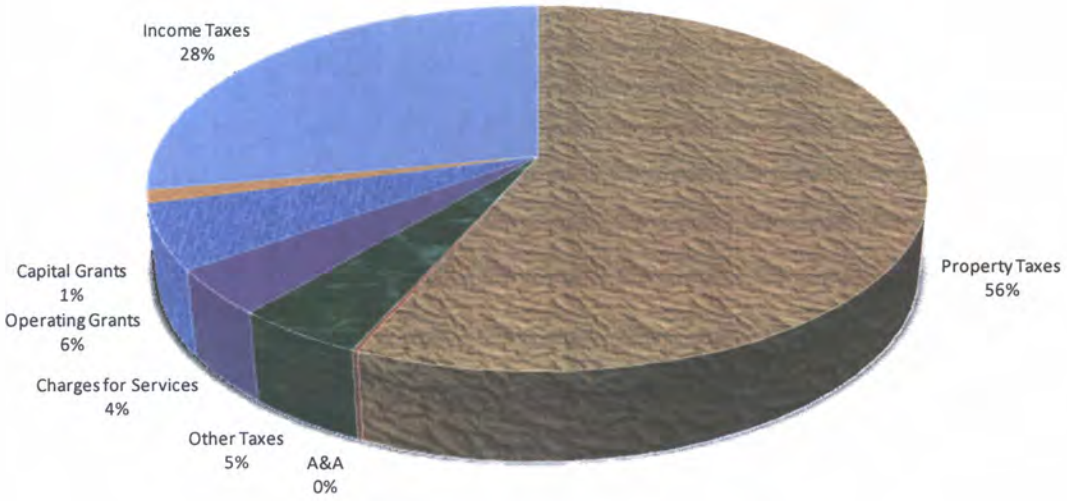
Governmental-type activities, as expected, operated at a $327.5 million loss, primarily due to Education and Public Safety. As depicted in the bar chart on page 10, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately $252.3 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 $42.4 million of the total $408 million expended, or approximately 10% of the total, and finished the fiscal year with an operating gain of $2.7 million.

Expenses and Program Revenues - Governmental Activites (Year Ended June 30, 2012)



General Governmental Revenues by Source - Governmental Activities
(Year Ended June 30, 2012)

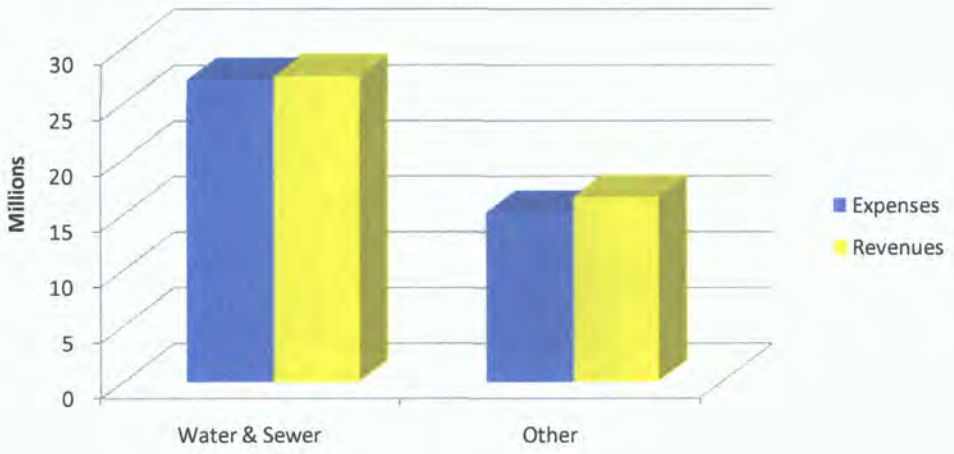


Business-type activities. The Water and Sewer Fund is considered a major fund for reporting purposes. In Fiscal Year 2011, the user fee rate structure was adjusted to a tiered method. For Fiscal Year 2012, the rates increased slightly for each tier. The residential rate for water is $2.67 for the first 18,000 gallons, an increase of five cents. The residential rate for water is $5.34 from 18,001 to 24,000 gallons, an increase of ten cents. The residential rate for water is $8.01 for 24,000 gallons and above, an increase of fourteen cents. The residential sewer rate is $5.83, an increase of thirteen cents, and is capped at 24,000 gallons. The commercial/multi-family rate for water is $3.45, up eight cents, and sewer is $5.83 per 1,000 gallons, an increase of thirteen cents.

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 FY2011. 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 $75 assessed on each improved property in the County. This was increased by $1 compared to FY2011. 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 $143.3 million, an increase of $11.6 million in comparison with the prior year as restated. The general fund increased by $5.1 million and the capital projects fund increased $11.1 million for the fiscal year. The debt service and special revenue funds decreased $3.3 million and $1.3 million respectively. The County's governmental fund balances at June 30, 2012 includes General Fund reserves of $1.8 million for inventory and Capital Project reserves of $49.6 million with the balance of funds as indicated on page 69. The governmental fund balances of the County that are committed or assigned and the largest components include (1) $2.7 million for health insurance, (2) $3.5 million for infrastructure, and (3) $24.6 million as the policy target for bond rating. The un-assigned fund balance for the County at year end was $836,477. This amount can be used for non-recurring items, emergencies or to offset potential State budget cuts in FY13 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 $6.2 million, and the committed fund balance, including the policy target of 8% of the operating revenues, was $31.5 million. The assigned fund balance for specific purposes was $3.9 million, and the un-assigned fund balance was $3.9 million for a total fund balance of $45.5 million.

The Capital Project Fund experienced an increase of $11.1 million during the current fiscal year. The increase in fund balance was directly related to receiving $18.8 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 decreased by $3.3 million prior to restatement during the current fiscal year as a result of a delinquent payment on a contractual agreement that was expected to be received in Fiscal Year 2012, but rather was delayed to be received prior to the end of Fiscal Year 2013.

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 $3.4 million. The unrestricted net assets for the County's Solid Waste Fund was $17.8 million. Unrestricted net assets of all proprietary funds were $21.1 million. There was a total increase in net assets for all proprietary funds in the amount of $2.7 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 FY2012 General Fund Operating Budget was adopted at $303 million. Budget amendments approved during the year equaled $6.4 million increasing the budget to an amended total of nearly $310 million. The Budget provided funds to the local Board of Education sufficient to meet the State mandated "Maintenance-of-Effort". Appropriations included nearly $3 million to fund unexpected multiple storms including a hurricane and a tropical storm.

The FY2012 Operating Budget was adopted and maintained at a level that was flat to the FY2011 Budget. Revenues and other resources continued to be limited due to the economy and housing market. The bright spot in the budget was the better than expected results of income tax receipts which exceeded budget by $8 million. Although a Fund Balance appropriation of $5.1 million was approved to balance the budget, favorable budget savings and revenue surpluses eliminated nearly all of the need for the use of Fund Balance. As a result, instead of a Fund Balance decrease of $5.1 million, an increase of approximately $5.1 million was experienced.

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, 2012, amounts to $653.9 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, 2012 and 2011
(amounts are presented in thousands)

	Governmental Activites		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land (not depreciated)	$ 62,733	$ 58,360	$ 2,174	$ 2,174	$ 64,907	$ 60,534
Construction in progress (not depreciated)	84,477	106,358	46,396	44,297	130,873	150,655
Land improvements	8,479	7,450	8,874	9,272	17,353	16,722
Infrastructure	187,174	156,478	98,132	95,816	285,306	252,294
Buildings and improvements	91,403	91,071	9,401	9,881	100,804	100,952
Machinery and equipment	21,378	21,331	28,510	29,325	49,888	50,656
Vehicles	4,296	4,759	495	565	4,791	5,324
Total	$ 459,940	$ 445,807	$ 193,982	$ 191,330	$ 653,922	$ 637,137

Additional information on the County's capital assets can be found in Note 3 on pages 55-57 of this report.

Long-term debt. At the end of the current fiscal year, the County had notes and bonds outstanding of $338 million, which are backed by the full faith and credit of the County.

Outstanding Debt
General Obligation Bonds and Notes Payable
June 30, 2012 and 2011
(amounts are presented in thousands)

	Governmental Activites		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	$ 254,043	$ 260,527	$ 72,962	$ 63,488	$ 327,005	$ 324,015
Notes payable	60	616	10,701	11,399	10,761	12,015
Total	$ 254,103	$ 261,143	$ 83,663	$ 74,887	$ 337,766	$ 336,030

The County's total debt during the current fiscal year increased by $1.7 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 $55.2 million of general obligation bonds, of which $4 million was Taxable Bonds. The bond issue included $30 million in new money to finance various capital projects and nearly $21.2 million in bonds to refund existing debt.

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 lower but healthy reserves, narrow yet stable and wealthy economy, a healthy debt profile, and a decline in assessable base. Charles County maintains a "Aa1" rating from Moody's Investors Service.

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County has also enacted public local laws authorizing the issuance of general obligation bonds. The County currently has $85,391,100 of general obligation bond authority.

State statutes limit the amount of general obligation debt a governmental entity may issue for water, sewer, and solid waste infrastructure to ten percent of its total assessed valuation. This debt is typically backed first by revenue bonds from the various enterprise funds and secondly by the full faith and credit of the County. The current debt limitation for Charles County is $1.8 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 63-67 of this report.

Economic Factors and Next Year's Budgets and Rates

- The FY2013 General Fund Budget was adopted at $325,073,900, representing a 6% increase compared to FY2012.

- In FY2013, the County's largest revenue source, Property Tax, was budgeted at $194 million, representing an increase of 2% compared to the FY2012 Adjusted Budget. The second largest revenue source, Income Tax, was adopted at $98 million, an 11% increase compared to the FY2012 Adjusted Budget. Other revenues combined are budgeted $1 million more than the FY2012 budget. A Fund Balance appropriation of $5 million was also approved to balance the budget representing $4 million more than FY2012.

- The County experienced a decline in property tax assessments due to a general decline in the real estate market. In an effort to offset decreasing assessments and maintain essential services such as public safety and education, the tax rate was increase by five cents representing a 5% increase in the property tax rate.

- Income tax revenue was budgeted 11% more than FY2012 due to better than expected results from FY2012. The local tax rate remained the same.

- Expense budgets increased in total by 5% compared to the FY2012 Budget. The County exceeded the State mandated funding requirement for the public school education system known as the "Maintenance of Effort", by providing salary increases for school personnel. New State legislation also required an increase in public school funding in order to pay for the teachers' pension in the amount of $3.9 million. The second largest increase in expenditures is $4.4 million for the Sheriff's Office. The additional funding provides for pay increases that were frozen for the past three years, to keep pace with State payroll salary scale changes, and to adequately fund the annual pension contribution.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2013.

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.charlescountymd.gov

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS:				
Cash and cash equivalents	$ 14,073,198	$ 1,175,858	$ 15,249,056	$ 49,615,586
Short-term investments	90,414,785	-	90,414,785	-
Other receivables	49,180,865	23,594,146	72,775,011	8,775,683
Notes receivable	-	202,633	202,633	-
Excise tax receivable	35,590,320	-	35,590,320	-
Taxes receivable	2,762,740	-	2,762,740	-
Internal balances	(22,219,902)	22,219,902	-	-
Inventory	1,775,484	526,918	2,302,402	825,515
Other current assets	492,932	121,379	614,311	8,865,645
Restricted assets	45,826,546	103,932	45,930,478	-
Capital assets, net of accumulated depreciation:				
Land	62,732,829	2,174,186	64,907,015	16,849,701
Construction in progress	84,476,901	46,395,411	130,872,312	14,261,931
Land improvements	8,478,530	8,873,816	17,352,346	2,572,351
Infrastructure	187,174,205	98,132,083	285,306,288	-
Buildings and improvements	91,402,624	9,401,292	100,803,916	224,576,283
Machinery and equipment	21,378,417	28,510,071	49,888,488	8,128,469
Vehicles	4,296,200	495,072	4,791,272	-
Total assets	677,836,674	241,926,698	919,763,372	334,471,164
LIABILITIES:				
Accounts payable	6,698,503	2,695,155	9,393,658	9,576,974
Accrued expenses	5,436,830	1,240,874	6,677,704	23,587,891
Unearned revenue	4,168,753	336,823	4,505,576	4,524,739
Other liabilities	11,265,584	2,061,578	13,327,162	98,397
Noncurrent liabilities:				
Due within one year	26,607,684	7,742,866	34,350,550	1,989,594
Due in more than one year	306,188,000	101,877,051	408,065,051	111,213,459
Total liabilities	360,365,354	115,954,346	476,319,700	150,991,054
NET ASSETS:				
Invested in capital assets, net of related debt	302,756,883	104,852,725	407,609,608	266,388,735
Restricted for:				
Capital projects	26,591,676	-	26,591,676	-
Debt Service	41,644,683	-	41,644,683	-
Cable Franchise	3,224,631	-	3,224,631	-
Public housing	1,542,534	-	1,542,534	-
Public safety	1,329,252	-	1,329,252	-
Mental Health	285,552	-	285,552	-
Transportation	43,175	-	43,175	-
Judicial	34,373	-	34,373	-
Aging Services	11,978	-	11,978	-
Unrestricted	(59,993,417)	21,119,627	(38,873,790)	(82,908,625)
Total net assets	$ 317,471,320	$ 125,972,352	$ 443,443,672	$ 183,480,110

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

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	$ 1,204,649	$ -	$ -	$ -
Judicial	4,533,124	69,879	926,429	-
Law	1,083,290	-	-	-
General government	24,082,988	1,657,043	1,497,484	-
Elections	882,927	-	-	-
Public safety	102,882,389	4,665,257	3,441,391	2,353,414
Planning and growth management	4,586,880	2,063,713	479,184	616,857
Health	4,514,298	129,025	1,086,926	-
Social services	1,970,383	-	-	-
Community services	22,425,245	2,322,769	11,774,685	10,404
Public facilities	22,261,400	569,207	-	901,455
Economic development	1,283,074	-	43,829	17,814
Education	163,377,207	2,600,740	861,712	-
Conservation of natural resources	585,556	-	-	-
Interest expense on long term debt	9,987,993	-	-	-
Total governmental activities	365,661,403	14,077,633	20,111,640	3,899,944
Business-type activities:				
Water and sewer	27,143,056	26,766,118	748,692	-
Inspection and review	3,166,989	2,728,062	-	-
Recreation	3,710,602	3,450,168	68,548	-
Solid waste	4,678,951	6,255,357	-	-
Environmental services	3,521,933	3,942,562	-	-
Vending machines	141,609	150,481	-	-
Total business-type activities	42,363,140	43,292,748	817,240	-
Total primary government	$ 408,024,543	$ 57,370,381	$ 20,928,880	$ 3,899,944
COMPONENT UNITS:				
Board of Education of Charles County, Maryland	$ 389,919,995	$ 6,689,171	$ 97,215,748	$ 6,867,582
Board of Library Trustees for Charles County	5,236,137	148,548	25,064	800,000
Total component units	$ 395,156,132	$ 6,837,719	$ 97,240,812	$ 7,667,582

General revenues:
Taxes:
Local property taxes
Local taxes - Excise
Local taxes - Admissions & Amusement
Local taxes - Recordation
Local taxes - Hotel/Motel
Local taxes - Heavy Equipment
Income taxes
State shared revenue - Unrestricted
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
Adjustment to restate beginning balances
Net assets - beginning of year, as restated

Net assets - end of year

See accompanying notes.

Net (Expenses)Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (1,204,649)	$ -	$ (1,204,649)	$ -
(3,536,816)	-	(3,536,816)	-
(1,083,290)	-	(1,083,290)	-
(20,928,461)	-	(20,928,461)	-
(882,927)	-	(882,927)	-
(92,422,327)	-	(92,422,327)	-
(1,427,126)	-	(1,427,126)	-
(3,298,347)	-	(3,298,347)	-
(1,970,383)	-	(1,970,383)	-
(8,317,387)	-	(8,317,387)	-
(20,790,738)	-	(20,790,738)	-
(1,221,431)	-	(1,221,431)	-
(159,914,755)	-	(159,914,755)	-
(585,556)	-	(585,556)	-
(9,987,993)	-	(9,987,993)	-
(327,572,186)	-	(327,572,186)	-
-	371,754	371,754	-
-	(438,927)	(438,927)	-
-	(191,886)	(191,886)	-
-	1,576,406	1,576,406	-
-	420,629	420,629	-
-	8,872	8,872	-
-	1,746,848	1,746,848	-
(327,572,186)	1,746,848	(325,825,338)	-
-	-	-	(279,147,494)
-	-	-	(4,262,525)
-	-	-	(283,410,019)
196,368,356	-	196,368,356	-
5,783,998	-	5,783,998	-
717,119	-	717,119	-
8,462,994	-	8,462,994	-
1,066,852	-	1,066,852	-
74,354	-	74,354	-
97,179,582	-	97,179,582	-
473,872	-	473,872	-
-	-	-	258,964,286
11,269,786	1,119,570	12,389,356	286,181
3,339,228	63,882	3,403,110	30,921
214,743	(214,743)	-	-
324,950,884	968,709	325,919,593	259,281,388
(2,621,302)	2,715,557	94,255	(24,128,631)
281,383,056	123,256,795	404,639,851	207,608,741
38,709,566	-	38,709,566	-
320,092,622	123,256,795	443,349,417	207,608,741
$ 317,471,320	$ 125,972,352	$ 443,443,672	$ 183,480,110

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	$ 13,803,284	$ -	$ -	$ 269,914	$ 14,073,198
Investments	89,414,785	-	-	1,000,000	90,414,785
Other receivables	45,718,923	1,546,722	6,271	1,908,949	49,180,865
Excise tax receivable	-	-	35,590,320	-	35,590,320
Taxes receivable	2,762,740	-	-	-	2,762,740
Due from other funds	-	54,051,318	-	8,306,161	62,357,479
Inventory	1,775,484	-	-	-	1,775,484
Other assets	492,932	-	-	-	492,932
Restricted assets	1,059,315	-	44,767,231	-	45,826,546
Total assets	$ 155,027,463	$ 55,598,040	$ 80,363,822	$ 11,485,024	$ 302,474,349
LIABILITIES AND FUND BALANCES:					
Accounts payable	$ 3,241,379	$ 2,608,431	$ -	$ 848,693	$ 6,698,503
Accrued expenditures	1,640,018	-	-	-	1,640,018
Deferred revenue	15,418,923	3,337,458	35,584,694	696,532	55,037,607
Due to other funds	80,561,138	-	3,134,445	881,798	84,577,381
Other liabilities	7,599,763	20,000	-	2,586,506	10,206,269
Payable from restricted assets	1,059,315	-	-	-	1,059,315
Total liabilities	109,520,536	5,965,889	38,719,139	5,013,529	159,219,093
Fund balances:					
Nonspendable fund balance	$ 2,257,418	$ -	$ 44,767,231	$ -	$ 47,024,649
Restricted fund balance	3,896,913	32,353,125	-	1,246,450	37,496,488
Committed fund balance	31,526,041	-	-	-	31,526,041
Assigned fund balance	3,867,530	17,279,026	-	5,225,045	26,371,601
Unassigned fund balance	3,959,025	-	(3,122,548)	-	836,477
Total fund balances	45,506,927	49,632,151	41,644,683	6,471,495	143,255,256
Total liabilities & fund balances	$ 155,027,463	$ 55,598,040	$ 80,363,822	$ 11,485,024	$ 302,474,349

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total Governmental Fund Balance	$	143,255,256
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		459,939,706
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		(265,546,885)
Loans and notes payable		(60,261)
Capital leases payable		(2,255,985)
Health insurance claims		(822,812)
Net pension obligation		(360,466)
Accrued interest		(3,799,812)
Net OPEB obligation		(49,371,755)
Unearned revenue		50,868,854
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds		(14,374,520)
Net assets of Governmental Activities	$	317,471,320

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, 2012

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes - local property	$ 183,892,784	$ -	$ -	$ 12,377,507	$ 196,270,291
Taxes - income	97,179,582	-	-	-	97,179,582
Taxes - Excise	-	-	5,783,998	-	5,783,998
Taxes - Admissions and Amusement	717,119	-	-	-	717,119
Taxes - Recordation	8,462,994	-	-	-	8,462,994
Taxes - Hotel/Motel	1,066,852	-	-	-	1,066,852
Taxes - Heavy Equipment	74,354	-	-	-	74,354
Taxes - state shared	473,872	-	-	-	473,872
Charges for services	6,762,876	1,713,273	-	5,601,484	14,077,633
Intergovernmental	3,056,565	4,761,656	-	16,193,363	24,011,584
Interest income	149,152	-	3,183,069	7,007	3,339,228
Other income	7,435,504	-	3,546,573	287,709	11,269,786
Total revenues	309,271,654	6,474,929	12,513,640	34,467,070	362,727,293
Expenditures:					
Current:					
Education	156,938,747	3,964,330	-	994,611	161,897,688
Public safety	75,718,639	2,419,828	-	14,501,776	92,640,243
Other general government	17,024,330	-	-	-	17,024,330
Public facilities	15,550,813	12,042,658	-	-	27,593,471
Financial administration	7,938,619	-	-	-	7,938,619
Community services	3,329,545	-	-	17,992,843	21,322,388
Judicial	3,088,309	86,926	-	1,304,426	4,479,661
Planning and growth management	2,344,887	1,193,174	-	1,041,867	4,579,928
Health	3,140,788	97,044	-	1,115,167	4,352,999
Economic development	1,169,460	-	-	113,614	1,283,074
Social services	1,047,202	-	-	923,181	1,970,383
Legislative	1,365,756	-	-	7,100	1,372,856
Law	1,083,290	-	-	-	1,083,290
Conservation of natural resources	585,556	-	-	-	585,556
Elections	882,927	-	-	-	882,927
Debt service:					
Principal	-	-	16,488,429	-	16,488,429
Interest	6,458,502	-	3,772,975	-	10,231,477
Total expenditures	297,667,370	19,803,960	20,261,404	37,994,585	375,727,319
Excess (deficiency) of revenues over (under) expenditures	11,604,284	(13,329,031)	(7,747,764)	(3,527,515)	(13,000,027)
Other financing sources (uses):					
Issuance of debt	1,129,500	18,800,000	-	-	19,929,500
Premium on issuance of debt	9,169,214	-	-	-	9,169,214
Bond Proceeds from debt refunding	32,841,880	-	4,415,672	-	37,257,552
Defeased Bonds	(40,051,360)	-	-	-	(40,051,360)
Transfers in	1,456,608	5,609,050	-	3,129,523	10,195,181
Transfers out	(9,117,727)	-	-	(862,711)	(9,980,438)
Total other financing sources (uses)	(4,571,885)	24,409,050	4,415,672	2,266,812	26,519,650
Extraordinary loss from natural disasters, net of income	(1,909,773)	-	-	-	(1,909,773)
Net change in fund balance	5,122,626	11,080,019	(3,332,092)	(1,260,703)	11,609,850
Fund balance - beginning of year	40,384,301	38,552,132	209,544	7,732,198	86,878,175
Adjustment to restate beginning balances	-	-	44,767,231	-	44,767,231
Fund balance - beginning of year, as restated	40,384,301	38,552,132	44,976,775 *	7,732,198	131,645,406
Fund balance - end of year	$ 45,506,927	$ 49,632,151	$ 41,644,683	$ 6,471,495	$ 143,255,256

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, 2012

Net change in fund balance - Governmental Funds	$	11,609,850
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.		14,132,583
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.		(7,150,189)
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.		(9,816,477)
Governmental funds report revenues based on the availability of of the funds. However, in the government-wide statements revenues are recorded based on collectibility.		387,630
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		(914,685)
Compensated absences		(885,652)
Self-Insurance Claims - IBNR		(233,653)
Net pension obligation		23,334
Accrued interest		243,484
Net OPEB current year expense		(10,017,527)
Change in Net Assets of Governmental Activities	$	(2,621,302)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 200	$ 2,000	$ 1,173,658	$ 1,175,858
Other receivables	22,090,908	647,345	855,893	23,594,146
Notes receivable	202,633	-	-	202,633
Due from other funds	3,634,998	18,346,474	4,304,080	26,285,552
Inventory	476,523	-	50,395	526,918
Other current assets	1,624	3,200	116,555	121,379
Total current assets	26,406,886	18,999,019	6,500,581	51,906,486
Noncurrent assets:				
Net capital assets	171,158,168	10,637,557	12,186,207	193,981,932
Restricted assets	-	103,932	-	103,932
Total noncurrent assets	171,158,168	10,741,489	12,186,207	194,085,864
Total assets	197,565,054	29,740,508	18,686,788	245,992,350
LIABILITIES:				
Current liabilities:				
Accounts payable	2,301,207	60,263	333,685	2,695,155
Accrued expenses	1,054,134	28,487	158,253	1,240,874
Due to other funds	-	-	4,065,650	4,065,650
Unearned revenue	683	-	336,140	336,823
Current portion of long-term debt	6,809,527	50,637	882,702	7,742,866
Total current liabilities	10,165,551	139,387	5,776,430	16,081,368
Noncurrent liabilities:				
Other liabilities	1,957,646	103,932	-	2,061,578
Bonds payable	57,637,779	-	9,184,171	66,821,950
Net deferred bond issue premiums	4,385,938	(2,930)	308,197	4,691,205
Long-term debt	10,988,469	6,706,586	275,433	17,970,488
Net pension obligation	95,238	14,814	26,766	136,818
Net OPEB obligation	5,657,278	886,352	1,308,768	7,852,398
Capital lease obligation	4,323,844	15,054	65,294	4,404,192
Total noncurrent liabilities	85,046,192	7,723,808	11,168,629	103,938,629
Total liabilities	95,211,743	7,863,195	16,945,059	120,019,997
NET ASSETS:				
Invested in capital assets, net of related debt	98,933,356	4,077,223	1,842,146	104,852,725
Unrestricted	3,419,956	17,800,090	(100,419)	21,119,627
Total net assets	$ 102,353,312	$ 21,877,313	$ 1,741,727	$ 125,972,352

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, 2012

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Operating revenues:				
Charges for services	$ 26,766,118	$ 6,255,357	$ 10,271,273	$ 43,292,748
Other income	1,072,326	3,035	44,209	1,119,570
Total operating revenues	27,838,444	6,258,392	10,315,482	44,412,318
Operating expenses:				
Personnel services	11,010,715	2,148,301	4,945,656	18,104,672
Utilities	2,642,896	36,827	369,270	3,048,993
Repairs and maintenance	1,124,427	153,232	272,995	1,550,654
Insurance costs	181,107	6,615	44,601	232,323
Indirect costs	384,000	184,000	57,712	625,712
Supplies	1,761,474	234,077	664,341	2,659,892
Contract services	588,606	110,860	3,001,322	3,700,788
Other operating costs	370,048	1,160,797	414,084	1,944,929
Depreciation	6,887,290	641,560	612,714	8,141,564
Total operating expenses	24,950,563	4,676,269	10,382,695	40,009,527
Operating income (loss)	2,887,881	1,582,123	(67,213)	4,402,791
Nonoperating revenues (expenses):				
Interest income	37,399	15,895	10,588	63,882
Intergovernmental	748,692	-	68,548	817,240
Interest expense	(2,192,493)	(2,682)	(158,438)	(2,353,613)
Gain on disposal of capital assets	-	-	-	-
Total nonoperating revenues (losses)	(1,406,402)	13,213	(79,302)	(1,472,491)
Income (loss) before transfers	1,481,479	1,595,336	(146,515)	2,930,300
Transfers in	-	-	404,107	404,107
Transfers out	-	(599,800)	(19,050)	(618,850)
Change in net assets	1,481,479	995,536	238,542	2,715,557
Net assets - beginning of year	100,871,833	20,881,777	1,503,185	123,256,795
Net assets - end of year	$ 102,353,312	$ 21,877,313	$ 1,741,727	$ 125,972,352

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	$ 12,595,798	$ 6,120,292	$ 11,076,460	$ 29,792,550
Cash paid to suppliers	(6,531,629)	(1,474,634)	(4,705,728)	(12,711,991)
Cash paid to employees	(11,050,365)	(2,143,377)	(4,927,127)	(18,120,869)
Net cash from operating activities	(4,986,196)	2,502,281	1,443,605	(1,040,310)
Cash flows from investing activities:				
Interest received	37,399	15,895	10,588	63,882
Net cash from investing activities	37,399	15,895	10,588	63,882
Cash flows from noncapital financing activities:				
Intergovernmental	748,692	-	68,548	817,240
Transfers in (out)	-	(599,800)	385,057	(214,743)
Receipts from interfund loans	3,966,496	(1,251,370)	(1,103,371)	1,611,755
Repayments of interfund loans	-	-	242,654	242,654
Net cash from noncapital financing activities	4,715,188	(1,851,170)	(407,112)	2,456,906
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	23,063,875	-	751,370	23,815,245
Proceeds from new loan	-	-	-	-
Principal payments on bonds payable	(13,578,595)	-	(810,830)	(14,389,425)
Principal payments on capital lease obligations	(468,104)	(28,299)	(95,626)	(592,029)
Principal payments on loans	(698,151)	-	-	(698,151)
Interest paid	(2,192,493)	(2,682)	(158,438)	(2,353,613)
Proceeds from disposal of assets	-	-	-	-
Cash paid for capital expenses	(5,892,923)	(636,025)	(487,448)	(7,016,396)
Net cash from capital and related financing activities	233,609	(667,006)	(800,972)	(1,234,369)
Net increase in cash and cash equivalents	-	-	246,109	246,109
Cash and cash equivalents - beginning of year	200	2,000	927,549	929,749
Cash and cash equivalents - end of year	$ 200	$ 2,000	$ 1,173,658	$ 1,175,858

	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 (loss)	$ 2,887,881	$ 1,582,123	$ (67,213)	$ 4,402,791
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	6,887,290	641,560	612,713	8,141,563
Increase (decrease) in compensation-related liabilities included in long-term debt	(33,559)	6,640	(9,832)	(36,751)
Increase in landfill closure liabilities included in long-term debt	-	219,854	-	219,854
(Increase) decrease in other receivables	(15,294,455)	(138,100)	736,781	(14,695,774)
(Increase) decrease in notes receivable	52,437	-	-	52,437
(Increase) decrease in inventories	(8,321)	-	7,280	(1,041)
(Increase) decrease in other current assets	(1,624)	(3,200)	(59,519)	(64,343)
(Increase) decrease in restricted assets	(945,253)	(109)	-	(945,362)
(Increase) decrease in deferred bond issue costs	(2,756,122)	-	-	(2,756,122)
Increase (decrease) in accounts payable	(650,001)	9,627	(111,203)	(751,577)
Increase (decrease) in accrued expenses	(13,495)	4,924	30,367	21,796
Increase (decrease) in other liabilities	3,708,779	109	-	3,708,888
Increase (decrease) in Net Pension Obligation	(320)	438	(572)	(454)
Increase (decrease) in Net OPEB Obligation	1,181,195	178,415	280,606	1,640,216
Increase (decrease) in deferred revenue	(628)	-	24,197	23,569
Net cash from by operating activities	$ (4,986,196)	$ 2,502,281	$ 1,443,605	$ (1,040,310)

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	*Solid* Waste Fund	Other Proprietary Funds	Total
Borrowing under capital lease	352,200	-	50,000	402,200

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Pension and OPEB Trust Funds
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 5,121,282
Interest receivable	298,031
Total current assets	5,419,313
Investments at fair value:	
Bond mutual funds	74,295,098
Equity securities	190,513,252
Total investments	264,808,350
Total assets	270,227,663
LIABILITIES:	
Accrued expenses	41,398
NET ASSETS:	
Held in trust for pension benefits and OPEB benefits	$ 270,186,265

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2012

	Pension and OPEB Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	$ 14,467,929
Employee contributions	4,304,395
Total contributions	18,772,324
Investment earnings:	
Interest	11,943,848
Net change in fair value of investments	(3,839,312)
Total investment earnings	8,104,536
Less investment expenses	(1,301,874)
Net investment earnings	6,802,662
Total additions	25,574,986
DEDUCTIONS:	
Benefits paid to members	10,306,537
Administrative costs	51,958
Total deductions	10,358,495
Changes in net assets	15,216,491
Net assets - beginning of year	254,969,774
Net assets - end of year	$ 270,186,265

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2012

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
ASSETS:			
Cash and cash equivalents	$ 49,558,609	$ 56,977	$ 49,615,586
Short-term investments	-	-	-
Accounts receivable	8,445,364	330,319	8,775,683
Inventory	825,515	-	825,515
Other assets	8,756,418	109,227	8,865,645
Capital assets			
Land	16,849,701	-	16,849,701
Construction in progress	14,261,931	-	14,261,931
Land improvements	2,572,351	-	2,572,351
Buildings	224,576,283	-	224,576,283
Machinery and equipment	6,823,771	1,304,698	8,128,469
Total assets	332,669,943	1,801,221	334,471,164
LIABILITIES:			
Accounts payable	9,282,394	294,580	9,576,974
Accrued expenses	23,515,958	71,933	23,587,891
Unearned revenue	4,524,739	-	4,524,739
Other liabilities	98,397	-	98,397
Non-current liabilities:			
Due within one year	1,989,594	-	1,989,594
Due in more than one year	109,343,014	1,870,445	111,213,459
Total liabilities	148,754,096	2,236,958	150,991,054
Invested in capital assets, net of related debt	265,084,037	1,304,698	266,388,735
Unrestricted assets	(81,168,190)	(1,740,435)	(82,908,625)
Total net assets	$ 183,915,847	$ (435,737)	$ 183,480,110

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED JUNE 30, 2012

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	$ 389,919,995	$ 6,689,171	$ 97,215,748	$ 6,867,582
Board of Library Trustees for Charles County	5,236,137	148,548	25,064	800,000
Total component units	$ 395,156,132	$ 6,837,719	$ 97,240,812	$ 7,667,582

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
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
$ (279,147,494)	$ -	$ (279,147,494)
-	(4,262,525)	(4,262,525)
(279,147,494)	(4,262,525)	(283,410,019)
254,464,635	4,499,651	258,964,286
-	-	-
30,334	587	30,921
265,845	20,336	286,181
254,760,814	4,520,574	259,281,388
(24,386,680)	258,049	(24,128,631)
208,302,527	(693,786)	207,608,741
$ 183,915,847	$ (435,737)	$ 183,480,110

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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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, and
- 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 $145,620,700 in operating funds and $3,756,247 in capital funding to the Board of Education during fiscal year 2012.

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 2012.

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, 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 if purchased or constructed by the County and at an estimated historical cost if donated or contributed. 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 restricted when there are limitations imposed on their use either though enabling legislation adopted by the County or through external parties such as creditors, grantors, contributors, or laws and regulations of other governments.

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 is imposed by County formal action. Only the County may modify or rescind the commitment.

d. Assigned Fund Balance – this classification reports amounts that are limited by their intent for use by the County's intent to be used for specific purposes, but are not restricted nor committed.

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.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the order of Committed, Assigned, and Unassigned.

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*, effective for periods beginning after December 15, 2011, improves financial reporting by addressing issues related to service concession agreements (SCA's), which are a type of public-private or public-partnership. The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* effective for periods beginning after December 15, 2011, incorporates into the GASB's authoritative literature certain

accounting and financial reporting guidance from these two sources so long as they do not conflict with or contradict any GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, provides financial reporting guidance to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reports as assets and liabilities as outflows or resources (expenses or expenditures) or inflows of resources (revenues). The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, which is an amendment of GASB Statement No. 25, is effective for periods beginning after June 15, 2013. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, is effective for periods beginning after June 15, 2014, however earlier application is encouraged. Both of these statements are a result of a comprehensive review of the existing standards and aim to improve the accounting and financial reporting of State and local governments for pensions. The County intends to implement the new requirements for the Fiscal Year 2014 financial statements.

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, 2012.

B. Deficit Fund Equity

The Recreation Fund had a deficit fund balance of $1,198,326 as of June 30, 2012. 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 four years of managing the facility, significant improvements have been achieved in operations, including a gain for the past fiscal year. However, the cumulative effect of the 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 Inspection and Review Fund ended with a deficit fund balance of $351,761 as of June 30, 2012. Some revenue fees collected in one fiscal year are often related to expenses incurred in the following fiscal year(s). In addition, the continued recording of the growing annual OPEB liability share for the Inspection Fund as a whole will continue to reflect a deficit fund balance into the short term future.

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 $16,398,589 and the bank balances were $17,863,060. Of the bank balance, $7,728,221 was covered by Federal depository insurance and $10,134,839 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 were $13,715.

At year-end, the carrying amount of the Board of Education's deposits was $17,781,134 and the bank balances were $22,223,353. 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 $24,462 and the bank balances was $44,860. The bank balance was covered by Federal depository insurance. The amount of cash on hand was $1,230.

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	$ 6,555	$ -	$ 7,160	$ 13,715
Deposit Accounts	14,066,643		1,168,698	15,235,341
U.S. government securities				
Agencies	22,982,682	-	-	22,982,682
Repurchase agreements (sweep)	5,000,000	-	-	5,000,000
Money Market	826,620	5,121,282	-	5,947,902
Certificates of deposit	19,000,000	-	-	19,000,000
Maryland local government pool	42,605,483	-	-	42,605,483
Bond mutual funds	-	74,295,098	-	74,295,098
Equity securities	-	190,513,252	-	190,513,252
Restricted assets	1,059,315	-	103,932	1,163,248
Total cash and investments	$ 105,547,298	$ 269,929,632	$ 1,279,790	$ 376,756,721

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

Cash on hand and deposits	$ 6,858,493
Repurchase agreements	8,500,007
Maryland local government investment pool	34,200,109
Total cash and investments	$ 49,558,609

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

Cash on hand and deposits	$ 25,692
Maryland local government investment pool	31,285
Total cash and investments	$ 56,977

The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The State Treasurer of Maryland exercises administrative oversight responsibility over the MLGIP. 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. A single financial institution, PNC Institutional Investments, 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. As of June 30, 2012, 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	$ 120,012	$ -	$ -	$ 8,187	$ -	$ -	$ 128,199
Taxes	23,368,975	-	35,590,320	-	-	-	58,959,295
Accounts	24,992,176	1,546,722	-	22,100,203	647,345	2,717,337	52,003,783
Special assessments	-	-	6,271	185,151	-	-	191,422
Intergovernmental	500	-	-	-	-	47,506	48,006
Total receivables	$ 48,481,663	$ 1,546,722	$ 35,596,591	$ 22,293,541	$ 647,345	$ 2,764,842	$ 111,330,704

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)	$ -	$ 3,032,439	$ 3,032,439
Deferred property taxes receivable (Debt Service)	-	35,578,423	35,578,423
Deferred income tax reserve	-	12,251,721	12,251,721
Agricultural preservation taxes	471,852	-	471,852
Special assessments not yet due (Debt Service)		6,271	6,271
School construction impact fees	3,337,458	-	3,337,458
Grant draw-downs prior to meeting all eligibility requirements	249,163	-	249,163
Other unearned revenue	110,280	-	110,280
Total unearned revenue for governmental funds	$ 4,168,753	$ 50,868,854	$ 55,037,607

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 was increased during the year ended June 30, 2012 from $0.962 to $1.0025 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 6/30/2012
Hospital 2004	$ 15,000,000	15 years, 3.04831%	$ 9,568,353
St. Charles Companies 2004	$ 8,000,000	15 years, 4%-5%	$ 4,190,000
St. Charles Companies 2005	6,000,000	15 years, 5%-5.125%	3,472,500
St. Charles Companies 2006	10,000,000	15 years, 5.125%-8%	6,590,000
St. Charles Companies 2007	3,000,000	15 years, 5.25%-5.75%	2,211,250
St. Charles Companies 2008	3,000,000	15 years, 4.90%-5.25%	2,330,812
St. Charles Companies 2009	2,000,000	15 years, 4%-5.375%	1,643,333
St. Charles Companies 2011	4,000,000	15 years, 2%-4.5%	4,000,000
St. Charles Companies 2012	4,000,000	15 years, 2%-3.25%	4,000,000
Subtotal: ACPT	$ 40,000,000		$ 28,437,895
So. MD Baseball LLC 2008	9,248,200	15 years, 4.90%-5.25%	$ 6,165,465
CSM 2005	1,000,000	15 years, 3.67%	$ 595,518
Total Notes Receivable	$ 65,248,200		$ 44,767,231

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, 2012 are as follows:

	Civista	St. Charles Companies	So. MD Baseball	CSM	Total
2013	$ 1,247,234	$ 2,794,428	$ 894,000	$ 86,791	$ 5,022,453
2014	1,247,234	3,734,964	894,000	86,791	5,962,989
2015	1,247,234	3,652,687	894,000	86,791	5,880,712
2016	1,112,981	3,623,190	894,000	86,791	5,716,962
2017	1,247,234	3,668,058	894,000	86,790	5,896,082
2018-2022	4,677,008	13,806,570	4,470,000	253,163	23,206,741
2023-2027	-	3,889,876	-	-	3,889,876
Subtotal	10,778,925	35,169,773	8,940,000	687,118	55,575,816
Less: Interest	1,210,572	6,731,878	2,774,535	91,600	10,808,585
Total future minimum note payments receivable	$ 9,568,353	$ 28,437,895	$ 6,165,465	$ 595,518	$ 44,767,231

E. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 58,360,178	$ 4,454,651	$ 82,000	$ 62,732,829
Construction in progress	106,357,896	41,664,644	63,545,638	84,476,901
Total capital assets, not depreciated	164,718,074	46,119,294	63,627,638	147,209,730
Capital assets, depreciated:				
Land Improvements	10,093,116	1,504,931	-	11,598,047
Infrastructure	321,204,819	45,118,108	2,671,168	363,651,759
Buildings and Improvements	149,647,251	4,573,239	-	154,220,490
Machinery and Equipment	40,510,685	2,627,220	289,536	42,848,370
Vehicles	21,426,446	1,574,214	624,903	22,375,757
Total capital assets, depreciated	542,882,318	55,397,712	3,585,607	594,694,423
Less: accumulated depreciation for:				
Land Improvements	(2,643,711)	(475,806)	-	(3,119,517)
Infrastructure	(164,726,219)	(11,751,335)	-	(176,477,554)
Buildings and Improvements	(58,576,030)	(4,241,837)	-	(62,817,866)
Machinery and Equipment	(19,179,653)	(2,579,130)	(288,830)	(21,469,953)
Vehicles	(16,667,657)	(2,013,871)	(601,971)	(18,079,557)
Total accumulated depreciation	(261,793,269)	(21,061,979)	(890,801)	(281,964,447)
Total capital assets, depreciated net	281,089,049	34,335,733	2,694,805	312,729,976
Governmental activities, capital assets, net	$ 445,807,123	$ 80,455,027	$ 66,322,444	$ 459,939,706

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 2,174,186	$ -	$ -	$ 2,174,186
Construction in progress	44,296,685	10,614,289	8,515,562	46,395,412
Total capital assets, not depreciated	46,470,871	10,614,289	8,515,562	48,569,598
Capital assets, depreciated:				
Land Improvements	14,786,658		-	14,786,658
Infrastructure	208,519,655	7,707,479		216,227,134
Buildings and Improvements	14,155,422		-	14,155,422
Machinery and Equipment	38,566,347	769,772	103,622	39,232,497
Vehicles	4,754,842	222,594	351,572	4,625,864
Total capital assets, depreciated	280,782,924	8,699,845	455,194	289,027,575
Less: accumulated depreciation for:				
Land Improvements	(5,514,798)	(398,044)	-	(5,912,842)
Infrastructure	(112,704,403)	(5,390,648)	-	(118,095,051)
Buildings and Improvements	(4,274,025)	(480,107)	-	(4,754,132)
Machinery and Equipment	(9,240,871)	(1,585,176)	(103,622)	(10,722,425)
Vehicles	(4,189,597)	(287,589)	(346,394)	(4,130,792)
Total accumulated depreciation	(135,923,694)	(8,141,564)	(450,016)	(143,615,241)
Total capital assets, depreciated net	144,859,230	558,281	5,178	145,412,333
Business-type, capital assets, net	$ 191,330,101	$ 11,172,570	$ 8,520,740	$ 193,981,931

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

Governmental Activities:		
General Government	$	2,723
Public Safety		3,650,626
Legislative		121,359
Judicial		53,463
Financial Administration		121,180
Health		161,299
Community Services		1,116,445
Public Facilities		15,787,208
Education		47,674
Total depreciation expense- Governmental Activities	$	21,061,979
Business-Type Activities:		
Water and Sewer	$	6,887,290
Solid Waste		641,560
Environmental Services		198,806
Recreation Programs		367,140
Inspection and Reviews		46,769
Total depreciation expense-Business-type Activities	$	8,141,564

Construction Commitments

The County has active construction projects as of June 30, 2012. 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	$ 29,191,419	$ 14,144,476
Other transportation projects	1,040,588	3,254,952
General government		
Buidings and improvements	27,070,511	5,366,919
Other general government projects	5,908,825	6,884,915
Water and sewer		
Expansions and improvements	40,146,620	71,106,559
Parks		
Expansions and improvements	5,506,898	7,719,752
Environmental service		
Various environmental service projects	1,598,978	8,958,962
Total	$ 110,463,839	$ 117,436,535

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, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 16,849,701	$ -	$ -	$ 16,849,701
Construction in progress	14,081,454	6,707,098	(6,526,621)	14,261,931
Total capital assets, not depreciated	30,931,155	6,707,098	(6,526,621)	31,111,632
Capital assets, depreciated:				
Buildings	421,141,033	7,337,321	-	428,478,354
Land Improvements	8,757,217	528,855	(15,142)	9,270,930
Furniture and Equipment	27,760,720	1,575,991	(1,726,665)	27,610,046
Total capital assets, depreciated	457,658,970	9,442,167	(1,741,807)	465,359,330
Less: accumulated depreciation for:				
Buildings	(192,692,587)	(11,209,484)	-	(203,902,071)
Land Improvements	(6,320,994)	(392,727)	15,142	(6,698,579)
Furniture and Equipment	(20,693,865)	(1,788,561)	1,696,151	(20,786,275)
Total accumulated depreciation	(219,707,446)	(13,390,772)	1,711,293	(231,386,925)
Total capital assets, depreciated net	237,951,524	(3,948,605)	(30,514)	233,972,405
Board capital assets, net	$ 268,882,679	$ 2,758,493	$ (6,557,135)	$ 265,084,037

Capital asset activity for the Library for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciated:				
Furniture and Equipment	$ 617,550	$ 478,308	$ (17,176)	$ 1,078,682
Library books and AV material	912,075	572,820	(255,647)	1,229,248
Total capital assets, depreciated	1,529,625	1,051,128	(272,823)	2,307,930
Less: accumulated depreciation	(1,010,675)	(265,380)	(272,823)	(1,003,232)
Library capital assets, depreciated, net	$ 518,950	$ 785,748	$ -	$ 1,304,698

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, 2012, is as follows:

Due (to) from other funds:

	Governmental Activities	Business-type Activities
General Fund	$ (80,561,134)	$ -
Capital Projects Fund	54,051,318	-
Debt Service Fund	(3,134,445)	-
Water and Sewer Fund	-	3,634,998
Solid Waste Fund	-	18,346,474
Other Non-major Funds	7,424,359	238,430
Total	$ (22,219,902)	$ 22,219,902

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	Non-major Governmental Funds	Non-major Enterprise Funds	Total
General Fund	$ -	$ 5,590,000	$ 3,123,620	$ 404,107	$ 9,117,727
Capital Projects Fund	-	-	-	-	-
Non-major Governmental Funds	856,808	-	5,903	-	862,711
Solid Waste Fund	599,800	19,050	-	-	618,850
Non-major Enterprise Funds	-	-	-	-	-
Total Transfers In:	$ 1,456,608	$ 5,609,050	$ 3,129,523	$ 404,107	$ 10,599,288

G. Leases

Capital Leases

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

- 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.

- Fiscal Year 2012 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service fund – semiannual payments of $160,212 over five years ending July 2016, including interest at a rate of 1.65%, equipment capitalized at $1,531,700.

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	9,372,939	2,083,894
Vehicles	5,219,671	2,690,287
Total capital assets	14,683,516	4,774,181
Less accumulated depreciation:		
Building and Improvements	(49,565)	-
Machinery and equipment	(8,036,568)	(1,721,307)
Vehicles	(4,653,647)	(2,241,683)
Total accumulated depreciation	(12,739,780)	(3,962,990)
Total capital assets, net	$ 1,943,737	$ 811,191

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2012, were as follows:

	Governmental Activities	Business-type Activities	Total
2013	$ 1,237,863	$ 868,036	$ 2,105,899
2014	492,365	688,762	1,181,127
2015	253,497	588,684	842,181
2016	236,286	598,312	834,598
2017	118,143	571,669	689,812
2018-2022	-	2,829,485	2,829,485
2023-2027	-	-	-
Subtotal	2,338,154	6,144,948	8,483,102
Interest	(82,169)	(1,066,104)	(1,148,273)
Present value of minimum lease payments	$ 2,255,985	$ 5,078,844	$ 7,334,829

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. During the year ended June 30, 2012, general obligation bonds totaling $55,240,000 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 6/30/12	Business-type Activities Balance 6/30/12
Consolidated Public Improvement Bonds of 2003	$ 22,090,000	15 yrs, 2% - 4%	1,645,700	1,264,300
Consolidated Public Improvement Bonds of 2003	$ 6,910,000	10 yrs, 2% - 4%	785,000	-
Consolidated Public Improvement and Refunding Bonds of 2004	$ 41,270,000	15 yrs, 2% - 4%	8,770,117	945,450
Consolidated Public Improvement and Refunding Bonds of 2004	$ 31,500,000	10 yrs, 2% - 4%	3,594,433	-
Consolidated Public Improvement Bonds (Taxable) of 2004	$ 8,000,000	15 yrs, 4% - 5%	1,100,000	-
Consolidated Public Improvement and Refunding Bonds of 2005	$ 52,550,000	15 yrs, 3% - 4.5%	3,333,269	2,606,731
Consolidated Public Improvement and Refunding Bonds of 2005	$ 10,160,000	10 yrs, 3% - 4.5%	3,545,000	-
Consolidated Public Improvement Bonds (Taxable) of 2005	$ 6,000,000	15 yrs, 5% - 5.125%	1,220,000	-
Consolidated Public Improvement Bonds of 2006	$ 26,880,000	15 yrs, 4% - 5%	5,835,937	914,063
Consolidated Public Improvement Bonds of 2006	$ 16,120,000	10 yrs, 4% - 5%	7,135,000	-
Consolidated Public Improvement Bonds (Taxable) of 2006	$ 10,000,000	15 yrs, 5.125% - 8%	2,665,000	-
Consolidated Public Improvement Bonds of 2007	$ 33,700,000	15 yrs, 3.5% - 4%	12,748,264	10,631,736
Consolidated Public Improvement Bonds of 2007	$ 16,300,000	10 yrs,3.5% - 4%	8,895,000	-
Consolidated Public Improvement Bonds (Taxable) of 2007	$ 3,000,000	15 yrs, 5.75% - 5.51%	975,000	-
Consolidated Public Improvement Bonds of 2008	$ 25,400,000	15 yrs, 3% - 5%	12,397,618	7,407,382

Consolidated Public Improvement Bonds of 2008	$ 1,600,000	10 yrs, 3% - 5%	1,020,000	-
Consolidated Public Improvement Bonds (Taxable) of 2008	$ 20,000,000	15 yrs, 5% - 5.25%	15,820,000	-
Consolidated Public Improvement Bonds of 2009	$ 49,640,000	20 yrs, 2% - 4.25%	31,417,768	7,912,232
Consolidated Public Improvement Bonds of 2009	$ 900,000	10 yrs, 2% - 4.25%	645,000	-
Consolidated Public Improvement Bonds (Taxable) of 2009	$ 2,000,000	15 yrs, 4% - 5.375%	1,680,000	-
Consolidated Public Improvement and Refunding Bonds of 2010	$ 22,730,000	10 yrs, 2% - 5%	12,112,907	7,582,093
Consolidated Public Improvement and Refunding Bonds of 2010	$ 2,000,000	10 yrs, 2% - 5%	-	1,635,000
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	-
Refunding Bonds of Nov 2011	$ 24,505,000	8 yrs, 4% - 5%	17,255,932	7,249,068
Consolidated Public Improvement and Refunding Bonds of 2012	$ 40,740,000	15 yrs, 2% - 5%	34,626,250	6,113,750
Consolidated Public Improvement and Refunding Bonds of 2012	$ 3,000,000	10 yrs, 2% - 5%	-	3,000,000
Consolidated Public Improvement and Refunding Bonds of 2012	$ 7,500,000	20 yrs, 2% - 5%	-	7,500,000
Consolidated Public Improvement Bonds (Taxable) of 2012	$ 4,000,000	15 yrs, 2% - 3.25%	4,000,000	-
Total bonds outstanding			254,043,374	72,961,626
Loan Description and Year				
FHA Loan 1973	$ 250,000	40 yrs, 3.649%	60,261	-
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	$ 14,767,900	20 yrs, 1.200%	-	10,701,223
Total loans outstanding			60,261	10,701,223
Total bonds and loans outstanding			$ 254,103,635	$ 83,662,849

Advanced Refunding and Defeased Debt

On November 22, 2011, the County committed to an issue for $24,505,000 in general obligation bonds to defease $24,825,000 in outstanding road debt maturities of the County's Consolidated Public Improvement Bonds of 2003, 2004 & 2005. In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. As a result of this refunding, the County achieved a net present value savings of $1,128,144.

On June 19, 2012, the County committed to issue $55,240,000 in general obligation bonds, $4,000,000 were Taxable Bonds, $30,000,000 were new money tax exempt bonds, and $21,240,000 was issued to defease old bonds. The new money portion of $30,000,000 was used to finance certain capital projects in the County.

Of the $55,240,000 of general obligation bonds that were issued, $21,240,000 was used to defease $22,305,000 in outstanding debt maturities of the County's Consolidated Public Improvement Taxable Bonds of 2004, 2005, 2006 & 2007, and the Tax Exempt Bonds of 2006. 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 placed 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, 2012, the amount of defeased debt outstanding but removed from the financial statements amounted to $22,305,000. As a result of this refunding, the County achieved a net present value savings of $1,123,219.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 260,526,767	$ 55,882,182	$ (62,365,575)	$ 254,043,374	$ 24,238,954
Plus deferred amounts for bond premiums	10,104,955	9,709,214	(1,386,628)	18,427,541	-
Less deferred loss on refunding	(2,442,513)	(2,194,214)	301,964	(4,334,763)	-
Less deferred bond issue costs	(1,568,623)	(364,811)	169,979	(1,763,455)	-
Total bonds payable	266,620,586	63,032,371	(63,280,260)	266,372,697	24,238,954
Notes payable	615,570	-	(555,309)	60,261	8,441
Capital leases	2,458,503	1,129,500	(1,332,018)	2,255,985	1,187,962
Net Pension obligation	383,800	-	(23,334)	360,466	-
Net OPEB obligation	39,354,229	10,017,526	-	49,371,755	-
Compensated absences	13,488,868	885,652	-	14,374,520	1,172,327
Governmental activities noncurrent liabilities	322,921,556	75,065,049	(65,190,921)	332,795,684	26,607,684
Business-type activities:					
General obligation bonds	63,488,233	23,862,818	(14,389,425)	72,961,626	6,139,035
Plus deferred amounts for bond premiums	2,519,577	3,632,159	(368,402)	5,783,334	-
Less deferred loss on refunding	(279,044)	-	68,422	(210,622)	-
Less deferred bond issue costs	(373,066)	(551,733)	43,293	(881,506)	-
Total bonds payable	65,355,700	26,943,244	(14,646,112)	77,652,832	6,139,035
Notes payable	11,399,375	-	(698,152)	10,701,223	706,529
Capital leases	5,620,873	363,464	(905,493)	5,078,844	675,293
Landfill closure costs	5,417,251	1,101,605	-	6,518,856	-
Net Pension obligation	137,272	-	(454)	136,818	-
Net OPEB obligation	6,212,182	1,640,216	-	7,852,398	-
Compensated absences	1,703,341	-	(24,394)	1,678,947	222,009
Business-type activities noncurrent liabilities	95,845,993	30,048,529	(16,274,605)	109,619,918	7,742,866
Total primary government noncurrent liabilities	$ 418,767,549	$ 105,113,578	$ (81,465,526)	$ 442,415,601	$ 34,350,550
Component units:					
Board of Education	$ 81,523,663	$ 29,808,945	$ -	$ 111,332,608	$ 1,989,594
Library	$ 169,094	$ 13,543	$ -	$ 182,637	$ 182,637

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, 2012, including interest of $90,089,264 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
2013	$ 25,435,357	$ 9,932,063	$ 7,520,857	$ 3,082,015	$ 45,970,292
2014	26,871,367	9,571,068	7,616,772	3,106,947	47,166,154
2015	22,872,467	8,442,622	7,601,634	2,805,394	41,722,117
2016	21,869,002	7,615,276	7,521,794	2,513,534	39,519,606
2017	20,495,821	6,503,736	7,465,535	2,202,556	36,667,648
2018-2022	86,741,913	19,978,334	33,691,856	6,632,521	147,044,624
2023-2027	46,124,210	5,133,642	13,912,728	1,902,956	67,073,536
2028-2032	5,949,483	295,517	3,410,517	371,083	10,026,600
	$ 256,359,620	$ 67,472,258	$ 88,741,693	$ 22,617,006	$ 435,190,577

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, 2012 is $788,286.

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	$ 35,835	
County Attorney escrow	10,028	
SAO Restitution account	3,145	
Lease deposits	10,034	
Construction Escrow	1,000,273	
Total cash and cash equivalents		$ 1,059,315
Notes Receivable		
Civista	$ 9,568,353	
St. Charles Companies	28,437,896	
So. MD Baseball LLC	6,165,465	
College of Southern MD	595,517	
Total notes receivable		44,767,231
Total Governmental Activities		45,826,546
Business-type Activities		
Cash and cash equivalents		
Landfill Bonds		103,932
TOTAL PRIMARY GOVERNMENT		$ 45,930,478

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	$ 1,775,484	$ -	$ -	$ -	$ 1,775,484
Prepay Items	481,934	-	-	-	481,934
Long Term Note Receivable	-	-	44,767,231	-	44,767,231
	2,257,418	-	44,767,231	-	47,024,649
Restricted					
Capital Outlay	717,426	32,353,125		-	33,070,551
Economic Development	502,688	-	-	-	502,688
Debt Service	-	-	-	904,103	904,103
Fire and Rescue	-	-	-	342,347	342,347
Animal Control	51,106	-	-	-	51,106
Bond Premium	2,625,693	-	-	-	2,625,693
	3,896,913	32,353,125	-	1,246,450	37,496,488
Committed					
Policy Target 8%	24,638,379	-	-	-	24,638,379
Housing	275,286	-	-	-	275,286
Public Safety	718,468	-	-	-	718,468
CIP/Pay-go	2,371,000	-	-	-	2,371,000
Infrastructure	3,522,908	-	-	-	3,522,908
	31,526,041	-	-	-	31,526,041
Assigned					
Aging Grants	-	-	-	6,900	6,900
Judicial Grants	-	-	-	34,373	34,373
Capital Outlay	-	17,279,026	-	-	17,279,026
Transportation	-	-	-	43,174	43,174
Public Safety	-	-	-	577,177	577,177
Housing	189,192	-	-	638,431	827,623
Aging Services	-	-	-	5,079	5,079
Animal Control	-	-	-	48,368	48,368
Drug Enforcement	-	-	-	361,360	361,360
Mental Health	-	-	-	285,552	285,552
Cable Franchise	-	-	-	3,224,631	3,224,631
Health Ins Rate Stabilization	2,795,425	-	-	-	2,795,425
CIP & Operations	882,913	-	-	-	882,913
	3,867,530	17,279,026	-	5,225,045	26,371,601
Unassigned					
Other unassigned	3,959,025	-	(3,122,548)	-	836,477
Total fund balances (deficit)	$ 45,506,927	$ 49,632,151	$ 41,644,683	$ 6,471,495	$ 143,255,256

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, 2012, a liability of $1,180,000 ($822,812 in governmental funds and $357,188 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
2012	$ 900	280	$ 1,180

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, 2012, 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. A large power plant operating in the County previously appealed the State of Maryland's real and personal property assessments. The 2008 personal property tax case came to closure in 2012 and the state did not reduce the value of the personal property. However, there are remaining appeals that are pending. The real property assessment is pending at various levels of appeal for 2009, 2011, and 2012. There is no appeal for 2010. 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 note disclosures for the County's Fiduciary Funds, including the OPEB trust funds that are explained in detail under Note 7 starting on page 90. Charles County allocates the net other postemployment benefit obligation based on active and retiree counts for personnel services based on the respective allocation to the general fund or proprietary fund. Charles County is liquidating the net pension obligation for the County pension plan with the allocation between the general fund and those proprietary funds with charges for personnel services.

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, 2011, the date of the last actuarial valuation:

	Sworn Officers	Correctional Officers	Communications Employees
Active plan members	287	140	39
Retirees and beneficiaries receiving benefits	93	10	6
Disabled, receiving benefits	15	-	-
Vested termination	5	-	-
	400	150	45

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 totaled $5,146,528 as of June 30, 2012, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2012 totaled $1,152,486.

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, 2012, net assets were invested in fixed income mutual funds (38%) and Equity mutual funds (62%).

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:

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, 2012 was equal to the amount of the Annual Required Contribution of $7,390,446. There was no net pension obligation at June 30, 2012. The Annual Required Contribution for the current year was determined as part of the July 1, 2011 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	0.28%
45	0.98%

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

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

Turnover – Sample rates for those with 0-10 years of service are 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 is included in the actuarial value of assets.

The July 2011 valuation determines the cost for fiscal year 2013.

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, 2011. 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%	-
6/30/2005	4,150,000	100%	-
6/30/2006	4,451,597	100%	-
6/30/2007	5,263,564	100%	-
6/30/2008	4,955,872	100%	-
6/30/2009	5,861,072	100%	-
6/30/2010	6,964,201	100%	-
6/30/2011	6,817,196	100%	-
6/30/2012	7,390,446	100%	-

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	99,525,770	19,160,817	80.7%	15,923,523	120.3%
7/1/06	80,364,953	100,619,352	20,254,399	79.9%	15,923,523	127.2%
7/1/07**	90,764,831	108,715,685	17,950,854	83.5%	16,900,338	106.2%
7/1/07	90,764,831	111,427,411	20,662,580	81.5%	16,900,338	122.3%
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%
7/1/11	114,289,962	149,856,138	35,566,176	76.3%	19,353,984	183.8%
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%
7/1/11	18,593,033	24,902,764	6,309,731	74.7%	8,110,710	77.8%
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%
7/1/11	5,254,696	6,508,011	1,253,315	80.7%	1,949,646	64.3%
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%
7/1/11	138,137,691	181,266,913	43,129,222	76.2%	29,414,340	146.6%

*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, 2011, the last date of the last actuarial valuation:

Active plan members	761
Terminated, entitled to but not yet receiving benefits	132
Retirees and beneficiaries receiving benefits	234
	1,127

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, 2012, the County

fully funded the ARC of $6,078,783 to the Plan as recommended in the actuarial report as of July 1, 2011. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

Investment Concentrations – At June 30, 2012, the County's Plan's net assets were invested in the following types of investments:

Guaranteed Deposit	22%
Fixed Income - Domestic	19%
Large Cap Stock	28%
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, 2012 was slightly less than the Annual Required Contribution made of $6,078,783, as shown in the historical chart that follows. As a result, the net pension obligation at June 30, 2012 was decreased to a balance of $497,284. The Annual Required Contribution for the current year was determined as part of the July 1, 2011 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 – 2.75% compounded annually.

Inflation – 2.5%

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	$ 6,078,783
Interest on NPO	40,383
Annual Required Contribution Adjustment	(64,171)
Annual Pension Cost	6,054,995
Contribution made	(6,078,783)
Change in NPO	(23,788)
NPO Beginning of Year	521,072
NPO End of Year (6/30/12)	$ 497,284

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
6/30/2012	6,078,783	100.0%	$ 497,284

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 **	132,661,815	15,125,858	88.6%	40,461,488	37.4%
6/30/12	126,255,246 **	144,311,657 ***	18,056,411 ***	87.5% ***	n/a	n/a

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. 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, 2012 totaled $748,700 from the 2011/12 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, 2012, M&T held the fair value of net assets for the plan benefits in the amount of $287,657.

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, 2012, BB&T held the fair value of these assets in the amount of $10,790,525.

NOTE 7. OTHER EMPLOYMENT BENEFITS

A. Deferred Compensation Plan

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

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

	Nationwide	Hartford	Metlife	Total
Participants	179	236	466	881
Plan Assets	$ 10,825,243	$ 8,052,657	$ 2,129,147	$ 21,007,048
Annual Employee Contribution	$ 801,998	$ 782,781	$ 151,314	$ 1,736,093

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%

Public Safety employees receive 66.67% subsidy regardless of service.

For the year ended June 30, 2012, there were 290 former employees and family members with medical coverage, 345 with dental, and 321 with vision. For the fiscal year ended June 30, 2012, the County incurred and recorded $1,656,500 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	$	14,093,000
Interest on OPEB obligation		1,963,000
Annual required contribution adjustment		(1,840,000)
Annual OPEB cost (expense)		14,216,000
Pay-go contribution made		(1,656,500)
Trust contribution made		(250,000)
Increase in net OPEB obligation		12,309,500
Net OPEB obligation - beginning of year		46,757,723
Net OPEB obligation - end of year	$	59,067,223

The Library's pro-rata share of the Net OPEB obligation at the end of the current fiscal year is $1,687,808.

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	$ -	$ 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%	69,875,828	204.8%
7/1/12	1,166,815	155,629,000 *	154,462,185	0.7%	n/a	n/a

** estimated*

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, 2012 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	14.06%	46,757,723
June 30, 2012	14,216,000	13.76%	59,067,223

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, 2012 was 26 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, 2012 were $70,185.

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, 2012, approximately 59% 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 $6,518,856 reported as landfill closure and post-closure care liability at June 30, 2012, 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 $1,101,605.

NOTE 9. EXTRAORDINARY ITEMS

In Fiscal Year 2012, the County was impacted by multiple disaster events that each earned Presidential Disaster Declaration. The first declaration of the fiscal year began with Hurricane Irene on August 26. Irene caused massive power outages, road closures, and county-wide debris. Response costs for the County totaled approximately $687,000. The majority of the response costs were due to debris clean-up county-wide. SMECO, the local power, reported the highest amount of power outages in their history during Irene.

Directly following Hurricane Irene, Tropical Storm Lee impacted the County beginning on September 5th causing multiple building damages, flooding, washed out roads, and power outages. The response costs for Lee were greater than Irene mostly due to severe damages to County infrastructure. The response and repair costs totaled $1,436,767.

Claims have been filed with the Maryland Emergency Management Agency (MEMA) and the Federal Emergency Management Agency (FEMA) for 75% reimbursement of response costs.

On June 29th, Charles County received another declaration for the Derecho storm event. Once again, the County was impacted by massive power outages. This storm event was the third highest amount of outages in SMECO's history behind Hurricane Irene, and Tropical Storm Isabel in 2003. Response costs for the Derecho totaled approximately $223,988, the majority of which was incurred in the first month of Fiscal Year 2013 and as such, will be reflected in those financial statements as well.

NOTE 10. PRIOR YEAR RESTATEMENT

The County has restated the accompanying government-wide statements as of June 30, 2012, to reflect the correct deferred revenue and accrued interest expense.

Net assets previously reported	$	404,639,851
Restatement		38,709,566
Net assets as of June 30, 2011	$	443,349,417

The County has restated the accompanying statements as of June 30, 2012, to reflect the correction to a previously reported deferred revenue within the Debt Service fund to non-spendable fund balance.

Fund Balance previously reported	$	209,544
Restatement		44,767,231
Fund Balance as of June 30, 2011	$	44,976,775

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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, 2012

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes - local property	$ 186,153,400	$ 190,213,000	$ 183,892,784	$ (6,320,216)
Taxes - income	85,695,000	89,266,200	97,179,582	7,913,382
Taxes - other local	11,951,000	11,939,600	10,321,319	(1,618,281)
Taxes - state shared	413,000	480,000	473,872	(6,128)
Charges for services	7,315,200	7,311,900	6,762,876	(549,024)
Intergovernmental	1,387,400	3,302,130	3,056,565	(245,565)
Interest income	1,500,000	500,000	149,152	(350,848)
Other income	3,255,100	3,367,520	7,435,504	4,067,984
Total revenues	297,670,100	306,380,350	309,271,654	2,891,304
Expenditures:				
Education	156,658,000	156,969,600	156,938,747	30,853
Public safety	73,164,430	77,237,250	75,718,639	1,518,611
General government (including contingencies)	18,398,200	17,651,260	17,024,330	626,930
Public facilities	16,142,400	17,053,840	15,550,813	1,503,027
Financial administration	8,049,480	8,294,850	7,938,619	356,231
Judicial	3,023,270	3,156,560	3,088,309	68,251
Planning and growth management	2,340,000	2,382,450	2,344,887	37,563
Community services	3,661,950	3,783,120	3,329,545	453,575
Health services	3,110,300	3,142,300	3,140,788	1,512
Economic development	584,800	1,377,150	1,169,460	207,690
Social services	1,037,900	1,167,960	1,047,202	120,758
Legislative	1,417,500	1,481,870	1,365,756	116,114
Law	865,900	920,000	1,083,290	(163,290)
Conservation of natural resources	603,680	609,600	585,556	24,044
Elections	1,287,100	961,000	882,927	78,073
Debt service				
Interest	7,234,500	6,556,300	6,458,502	97,798
Total expenditures	297,579,410	302,745,110	297,667,370	5,077,740
Excess (deficiency) of revenues over (under) expenditures	90,690	3,635,240	11,604,284	7,969,044
Other financing sources (uses):				
Proceeds from capital lease agreement	-	1,129,500	1,129,500	-
Premium on debt proceeds	-	-	9,169,214	9,169,214
Bond Proceeds from debt refunding	-	-	32,841,880	32,841,880
Defeased Bonds	-	-	(40,051,360)	(40,051,360)
Transfers in	1,259,700	1,456,600	1,456,608	8
Transfers out	(7,439,200)	(9,223,060)	(9,117,727)	105,333
Total other financing sources (uses)	(6,179,500)	(6,636,960)	(4,571,885)	2,065,075
Extraordinary loss from natural disasters, net of income	-	(2,092,300)	(1,909,773)	182,527
Net change in fund balance	(6,088,810)	(5,094,020)	5,122,626	10,216,646
Fund balance - beginning of year	40,384,301	40,384,301	40,384,301	-
Fund balance - end of year	$ 34,295,491	$ 35,290,281	$ 45,506,927	$ 10,216,646

See independent auditor's report.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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						
7/1/08	$ 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%
7/1/11	114,289,962	149,856,138	35,566,176	76.3%	19,353,984	183.8%
Corrections Officers						
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%
7/1/11	18,593,033	24,902,764	6,309,731	74.7%	8,110,710	77.8%
Communications Employees						
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%
7/1/11	5,254,696	6,508,011	1,253,315	80.7%	1,949,646	64.3%
Total						
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%
7/1/11	138,137,691	181,266,913	43,129,222	76.2%	29,414,340	146.6%

Note ****Before changeto five year Smoothing Method.*

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SHERIFF'S OFFICE RETIREMENT PLAN

Fiscal Year Ending	Annual Required Contribution	Percentage of ARC Contribution	Net Pension Obligation
6/30/2008	$ 4,955,872	100%	$ -
6/30/2009	5,861,072	100%	-
6/30/2010	6,964,201	100%	-
6/30/2011	6,817,196	100%	-
6/30/2012	7,390,446	100%	-

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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)
6/30/08	$ 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 **	132,661,815	15,125,858	88.6%	40,461,488	37.4%
6/30/12	126,255,246 **	144,311,657 ***	18,056,411 ***	87.5% ***	n/a	n/a

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*

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Annual Required Contribution	Percentage of ARC Contribution	Net Pension Obligation
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
6/30/2012	6,078,783	100.0%	497,284

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

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	$ -	$ 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%	69,875,828	204.8%
7/1/12	1,166,815	155,629,000 *	154,462,185	0.7%	n/a	n/a

** estimated*

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

OTHER POST EMPLOYMENT BENEFITS

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	14.06%	46,757,723
June 30, 2012	14,216,000	13.76%	58,911,961

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OTHER SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2012

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants	Housing Assistance
ASSETS:						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ 269,814
Investments	-	-	-	-	-	1,000,000
Other receivables	4,000	250,622	714,701	213,514	-	79,697
Due (to) from other funds	27,515	-	-	-	-	101,952
Other assets	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-
Total assets	$ 31,515	$ 250,622	$ 714,701	$ 213,514	$ -	$ 1,451,463
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts payable	$ 13,460	$ 14,509	$ 454,641	$ 12,349	$ -	$ 82,187
Accrued expenditures	-	-	-	-	-	-
Deferred revenue	18,055	11,384	15,920	4,349	-	-
Due to other funds	-	224,729	200,966	196,816	-	-
Other liabilities	-	-	-	-	-	-
Total liabilities	31,515	250,622	671,527	213,514	-	82,187
Fund balance:						
Nonspendable fund balance	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	-	904,103
Committed fund balance	-	-	-	-	-	-
Assigned fund balance	-	-	43,174	-	-	465,173
Unassigned fund balance	-	-	-	-	-	-
Total fund balance	-	-	43,174	-	-	1,369,276
Total liabilities and fund balance	$ 31,515	$ 250,622	$ 714,701	$ 213,514	$ -	$ 1,451,463

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET (continued)
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2012

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
ASSETS:					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Investments	-	-	-	-	-
Other receivables	-	911	109,502	9,596	-
Due (to) from other funds	173,363	456,273	-	49,710	379,910
Other assets	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	$ 173,363	$ 457,184	$ 109,502	$ 59,306	$ 379,910
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	$ 105	$ 15	$ 18,860	$ 3,301	$ 18,550
Accrued expenditures	-	-	-	-	-
Deferred revenue	-	-	39,350	5,653	-
Due to other funds	-	-	51,292	-	-
Other liabilities	-	-	-	1,984	-
Total liabilities	105	15	109,502	10,938	18,550
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	-	-	-
Committed fund balance	-	-	-	-	-
Assigned fund balance	173,258	457,169	-	48,368	361,360
Unassigned fund balance	-	-	-	-	-
Total fund balance	173,258	457,169	-	48,368	361,360
Total liabilities and fund balance	$ 173,363	$ 457,184	$ 109,502	$ 59,306	$ 379,910

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET (continued)
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2012

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund
ASSETS:					
Cash and cash equivalents	$ -	$ -	$ 100	$ -	$ -
Investments	-	-	-	-	-
Other receivables	-	-	1,676	40,506	87,180
Due (to) from other funds	471,852	2,964,358	35,843	-	55,662
Other assets	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	$ 471,852	$ 2,964,358	$ 37,619	$ 40,506	$ 142,842
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	$ -	$ 37,490	$ 3,246	$ 86	$ 30,657
Accrued expenditures	-	-	-	-	-
Deferred revenue	471,852	-	-	-	105,285
Due to other funds	-	-	-	40,420	-
Other liabilities	-	2,584,521	-	-	-
Total liabilities	471,852	2,622,011	3,246	40,506	135,942
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	342,347	-	-	-
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	34,373	-	6,900
Unassigned fund balance	-	-	-	-	-
Total fund balance	-	342,347	34,373	-	6,900
Total liabilities and fund balance	$ 471,852	$ 2,964,358	$ 37,619	$ 40,506	$ 142,842

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET (continued)
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2012

	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
ASSETS:						
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ 269,914
Investments	-	-	-	-	-	1,000,000
Other receivables	47,062	160	161,989	-	187,832	1,908,948
Due (to) from other funds	-	122,364	209,653	3,257,706	-	8,306,161
Other assets	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-
Total assets	$ 47,062	$ 122,524	$ 371,642	$ 3,257,706	$ 187,832	$ 11,485,023
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts payable	$ 13,340	$ 2,515	$ 83,247	$ 33,075	$ 27,060	$ 848,693
Accrued expenditures	-	-	-	-	-	-
Deferred revenue	3,463	-	2,843	-	18,378	696,532
Due to other funds	25,181	-	-	-	142,394	881,798
Other liabilities	-	-	-	-	-	2,586,505
Total liabilities	41,984	2,515	86,090	33,075	187,832	5,013,528
Fund balance:						
Nonspendable fund balance	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	-	1,246,450
Committed fund balance	-	-	-	-	-	-
Assigned fund balance	5,078	120,009	285,552	3,224,631	-	5,225,045
Unassigned fund balance	-	-	-	-	-	-
Total fund balance	5,078	120,009	285,552	3,224,631	-	6,471,495
Total liabilities and fund balance	$ 47,062	$ 122,524	$ 371,642	$ 3,257,706	$ 187,832	$ 11,485,023

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants	Housing Assistance
REVENUES:						
Taxes - local property	$ -	$ -	$ -	$ -	$ -	$ -
Charge for services	-	-	894,210	-	-	1,428,559
Intergovernmental	428,188	926,429	2,479,652	833,888	90,000	7,878,912
Interest income	-	1	-	-	-	103
Other income	-	590	205,381	858	-	10,447
Total revenues	428,188	927,020	3,579,243	834,746	90,000	9,318,021
EXPENDITURES:						
Education	-	-	-	-	-	-
Public safety	-	-	-	1,249,319	-	-
Community services	-	-	6,418,058	-	90,000	11,246,582
Judicial	-	1,230,891	-	-	-	-
Planning & growth mgmt.	432,938	-	-	-	-	-
Health	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Legislative	-	-	-	-	-	-
Total expenditures	432,938	1,230,891	6,418,058	1,249,319	90,000	11,246,582
Excess (deficiency) of revenues over (under) expenditures	(4,750)	(303,871)	(2,838,815)	(414,573)	-	(1,928,561)
Other financing sources:						
Transfers in	-	303,871	2,142,700	414,573	-	-
Transfers out	-	-	-	-	(156,808)	-
	-	303,871	2,142,700	414,573	(156,808)	-
Net change in fund balance	(4,750)	-	(696,115)	-	(156,808)	(1,928,561)
Fund balance - beginning of year	4,750	-	739,289	-	156,808	3,297,837
Fund balance - end of year	$ -	$ -	$ 43,174	$ -	$ -	$ 1,369,276

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (continued)
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
REVENUES:					
Taxes - local property	$ -	$ -	$ -	$ -	$ -
Charge for services	-	243,558	-	80,815	205,720
Intergovernmental	272,798	-	172,766	-	-
Interest income	-	-	23	-	56
Other income	-	-	-	16,008	1,755
Total revenues	272,798	243,558	172,789	96,823	207,531
EXPENDITURES:					
Education	-	-	-	-	-
Public safety	-	201,271	-	100,401	170,575
Community services	65,414	-	172,789	-	-
Judicial	-	-	-	-	-
Planning & growth mgmt.	-	-	-	-	-
Health	-	-	-	-	-
Economic development	-	-	-	-	-
Social services	-	-	-	-	-
Legislative	-	-	-	-	7,100
Total expenditures	65,414	201,271	172,789	100,401	177,675
Excess (deficiency) of revenues over (under) expenditures	207,384	42,287	-	(3,578)	29,856
Other financing sources:					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(5,903)
	-	-	-	-	(5,903)
Net change in fund balance	207,384	42,287	-	(3,578)	23,953
Fund balance - beginning of year	(34,126)	414,882	-	51,946	337,407
Fund balance - end of year	$ 173,258	$ 457,169	$ -	$ 48,368	$ 361,360

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (continued)
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
REVENUES:						
Taxes - local property	$ 547,809	$ 11,829,698	$ -	$ -	$ -	$ -
Charge for services	-	-	69,879	-	-	-
Intergovernmental	-	244,352	-	43,829	487,117	393,440
Interest income	-	6,784	-	-	-	-
Other income	-	-	1,080	523	49,974	-
Total revenues	547,809	12,080,834	70,959	44,352	537,091	393,440
EXPENDITURES:						
Education	-	-	-	-	-	-
Public safety	-	11,816,021	-	-	-	-
Community services	-	-	-	-	-	-
Judicial	-	-	73,535	-	-	-
Planning & growth mgmt.	608,929	-	-	-	-	-
Health	-	-	-	-	-	-
Economic development	-	-	-	113,614	-	-
Social services	-	-	-	-	534,819	388,362
Legislative	-	-	-	-	-	-
Total expenditures	608,929	11,816,021	73,535	113,614	534,819	388,362
Excess (deficiency) of revenues over (under) expenditures	(61,120)	264,813	(2,576)	(69,262)	2,272	5,078
Other financing sources:						
Transfers in	61,120	-	-	69,262	-	-
Transfers out	-	-	-	-	-	-
	61,120	-	-	69,262	-	-
Net change in fund balance	-	264,813	(2,576)	-	2,272	5,078
Fund balance - beginning of year	-	77,534	36,949	-	4,628	-
Fund balance - end of year	$ -	$ 342,347	$ 34,373	$ -	$ 6,900	$ 5,078

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (continued)
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
REVENUES:					
Taxes - local property	$ -	$ -	$ -	$ -	$ 12,377,507
Charge for services	6,127	71,876	2,600,740	-	5,601,484
Intergovernmental	80,000	1,086,926	-	775,066	16,193,363
Interest income	-	40	-	-	7,007
Other income	19	-	-	1,074	287,709
Total revenues	86,146	1,158,842	2,600,740	776,140	34,467,070
EXPENDITURES:					
Education	-	-	994,611	-	994,611
Public safety	90,052	-	-	874,137	14,501,776
Community services	-	-	-	-	17,992,843
Judicial	-	-	-	-	1,304,426
Planning & growth mgmt.	-	-	-	-	1,041,867
Health	-	1,115,167	-	-	1,115,167
Economic development	-	-	-	-	113,614
Social services	-	-	-	-	923,181
Legislative	-	-	-	-	7,100
Total expenditures	90,052	1,115,167	994,611	874,137	37,994,585
Excess (deficiency) of revenues over (under) expenditures	(3,906)	43,675	1,606,129	(97,997)	(3,527,515)
Other financing sources:					
Transfers in	40,000	-	-	97,997	3,129,523
Transfers out	-	-	(700,000)	-	(862,711)
	40,000	-	(700,000)	97,997	2,266,812
Net change in fund balance	36,094	43,675	906,129	-	(1,260,703)
Fund balance - beginning of year	83,915	241,877	2,318,502	-	7,732,198
Fund balance - end of year	$ 120,009	$ 285,552	$ 3,224,631	$ -	$ 6,471,495

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF NET ASSETS
OTHER PROPRIETARY FUNDS
JUNE 30, 2012

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ -	$ 1,085,573	$ -	$ 88,085	$ 1,173,658
Other receivables	-	6,160	849,733	-	855,893
Due (to) from other funds	530,809	157,514	3,576,437	39,320	4,304,080
Inventory	-	50,395	-	-	50,395
Other current assets	-	114,110	2,445	-	116,555
Total current assets	530,809	1,413,752	4,428,615	127,405	6,500,581
Noncurrent assets:					
Net capital assets	54,681	8,166,423	3,965,103	-	12,186,207
Restricted assets	-	-	-	-	-
Total noncurrent assets	54,681	8,166,423	3,965,103	-	12,186,207
Total assets	585,490	9,580,175	8,393,718	127,405	18,686,788
LIABILITIES:					
Current liabilities:					
Accounts payable	72,060	68,437	193,188	-	333,685
Accrued expenses	12,474	62,506	83,272	-	158,252
Due to other funds	-	4,065,650	-	-	4,065,650
Unearned revenue	2,619	333,521	-	-	336,140
Current portion of long-term debt	66,640	569,842	246,221	-	882,703
Total current liabilities	153,793	5,099,956	522,681	-	5,776,430
Noncurrent liabilities:					
Bonds payable	-	5,194,423	3,989,748	-	9,184,171
Net bond issue premiums	-	103,615	204,582	-	308,197
Long-term debt	106,992	74,828	93,613	-	275,433
Net pension obligation	14,015	5,503	7,248	-	26,766
Net OPEB obligation	643,616	298,334	366,818	-	1,308,768
Capital lease obligation	18,834	1,842	44,618	-	65,294
Total noncurrent liabilities	783,457	5,678,545	4,706,627	-	11,168,629
Total liabilities	937,250	10,778,501	5,229,308	-	16,945,059
NET ASSETS:					
Invested in capital assets, net of related debt	(8,437)	2,305,147	(454,564)	-	1,842,146
Unrestricted	(343,324)	(3,503,473)	3,618,973	127,405	(100,419)
Total net assets	$ (351,761)	$ (1,198,326)	$ 3,164,409	$ 127,405	$ 1,741,727

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Operating revenues:					
Charge for services	$ 2,728,062	$ 3,450,168	$ 3,942,562	$ 150,481	$ 10,271,273
Other income	-	39,209	5,000	-	44,209
Total operating revenue	2,728,062	3,489,377	3,947,562	150,481	10,315,482
Operating expenses:					
Personnel services	1,805,269	1,916,224	1,224,163	-	4,945,656
Utilities	4,414	345,982	18,874	-	369,270
Repairs and maintenance	2,930	153,617	116,448	-	272,995
Insurance costs	2,921	32,017	9,663	-	44,601
Indirect costs	57,712	-	-	-	57,712
Supplies	18,110	376,864	269,367	-	664,341
Contract services	1,221,109	383,302	1,396,911	-	3,001,322
Other operating costs	4,826	111,124	156,525	141,609	414,084
Depreciation	46,769	367,140	198,805	-	612,714
Total operating expenses	3,164,060	3,686,270	3,390,756	141,609	10,382,695
Operating income (loss)	(435,998)	(196,893)	556,806	8,872	(67,213)
Nonoperating revenues (expenses)					
Interest income	-	645	9,943	-	10,588
Intergovernmental	-	68,548	-	-	68,548
Interest expense	(2,929)	(24,332)	(131,177)	-	(158,438)
Total nonoperating revenue (expenses)	(2,929)	44,861	(121,234)	-	(79,302)
Income (loss) before transfers	(438,927)	(152,032)	435,572	8,872	(146,515)
Transfers in	-	404,107	-	-	404,107
Transfers out	-	-	(19,050)	-	(19,050)
Change in net assets	(438,927)	252,075	416,522	8,872	238,542
Net assets - beginning of year	87,166	(1,450,401)	2,747,887	118,533	1,503,185
Net assets - end of year	$ (351,761)	$ (1,198,326)	$ 3,164,409	$ 127,405	$ 1,741,727

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Cash flows from operating activities:					
Cash received from customers	$ 2,766,807	$ 3,547,137	$ 4,612,035	$ 150,481	$ 11,076,460
Cash paid to suppliers	(1,155,072)	(1,450,904)	(1,958,143)	(141,609)	(4,705,728)
Cash paid to employees	(1,804,186)	(1,922,529)	(1,200,412)	-	(4,927,127)
Net cash provided by (used in) operating activities	(192,451)	173,704	1,453,480	8,872	1,443,605
Cash flows from investing activities:					
Interest received	-	645	9,943	-	10,588
Net cash provided by investing activities	-	645	9,943	-	10,588
Cash flows from noncapital financing activities:					
Intergovernmental	-	68,548	-	-	68,548
Transfers in (out)	-	404,107	(19,050)	-	385,057
Receipts from interfund loans	238,833	-	(1,328,784)	(13,420)	(1,103,371)
Repayment of interfund loans	-	242,654	-	-	242,654
Net cash provided by (used in) noncapital financing activities	238,833	715,309	(1,347,834)	(13,420)	(407,112)
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds	-	-	751,370	-	751,370
Principal payments on bonds payable	-	(597,612)	(213,218)	-	(810,830)
Principal payments on capital lease obligations	(43,453)	(8,890)	(43,283)	-	(95,626)
Interest paid	(2,929)	(24,332)	(131,177)	-	(158,438)
Cash (paid) received for capital expenses	-	(8,167)	(479,281)	-	(487,448)
Net cash used in capital and related financing activities	(46,382)	(639,001)	(115,589)	-	(800,972)
Net increase (decrease) in cash and cash equivalents	-	250,657	-	(4,548)	246,109
Cash and cash equivalents - beginning of year	-	834,916	-	92,633	927,549
Cash and cash equivalents - end of year	$ -	$ 1,085,573	$ -	$ 88,085	$ 1,173,658

	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)	$ (435,998)	$ (196,893)	$ 556,806	$ 8,872	$ (67,213)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	46,769	367,139	198,805	-	612,713
Increase (decrease) in compensation-related liabilities included in long-term debt	(3,449)	(5,407)	(976)	-	(9,832)
(Increase) decrease in other receivables	59,788	12,520	664,473	-	736,781
(Increase) decrease in inventories	-	7,280	-	-	7,280
(Increase) decrease in other current assets	-	(59,519)	-	-	(59,519)
Increase (decrease) in accounts payable	14,767	(54,648)	(71,322)	-	(111,203)
Increase (decrease) in accrued expenses	6,538	(898)	24,727	-	30,367
Increase (decrease) in Net Pension Obligation	(373)	(351)	152	-	(572)
Increase (decrease) in Net OPEB Obligation	140,550	59,241	80,815	-	280,606
Increase (decrease) in deferred revenue	(21,043)	45,240	-	-	24,197
Net cash provided by operating activities	$ (192,451)	$ 173,704	$ 1,453,480	$ 8,872	$ 1,443,605

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Borrowing under capital lease	$ -	$ -	$ 50,000	$ -	$ 50,000

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	County's Pension	Sheriff's Pension	OPEB Trust Funds	LOSAP Funds	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 3,142,298	$ 524,512	$ 1,166,815	$ 287,657	$ 5,121,282
Interest receivable	-	298,031	-	-	298,031
Total current assets	3,142,298	822,543	1,166,815	287,657	5,419,313
Investments at fair value:					
Bond mutual funds	22,194,296	52,100,802	-	-	74,295,098
Equity securities	92,782,215	86,940,673	-	10,790,364	190,513,252
Total investments	114,976,511	139,041,475	-	10,790,364	264,808,350
Total assets	118,118,809	139,864,018	1,166,815	11,078,021	270,227,663
LIABILITIES:					
Accrued expenses	(41,398)	-	-	-	(41,398)
NET ASSETS:					
Held in trust for pension benefits	$ 118,077,411	$ 139,864,018	$ 1,166,815	$ 11,078,021	$ 270,186,265

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2012

	County's Pension	Sheriff's Pension	OPEB Trust Funds	LOSAP Funds	Total
ADDITIONS:					
Contributions:					
Employer contributions	$ 6,078,783	$ 7,390,446	$ 250,000	$ 748,700	14,467,929
Employee contributions	1,902,571	2,401,824	-	-	4,304,395
Total contributions	7,981,354	9,792,270	250,000	748,700	18,772,324
Investment earnings:					
Interest, Dividends, Gains	6,111,072	5,718,658	700	113,418	11,943,848
Net change in fair value of investments	(3,882,494)	40,412	-	2,770	(3,839,312)
Total investment earnings	2,228,578	5,759,070	700	116,188	8,104,536
Less investment expenses	(663,475)	(638,399)	-	-	(1,301,874)
Net investment earnings	1,565,103	5,120,671	700	116,188	6,802,662
Total additions	9,546,457	14,912,941	250,700	864,888	25,574,986
DEDUCTIONS:					
Benefits paid to members	3,665,405	5,972,138	-	668,994	10,306,537
Administrative costs	10,073	11,922	2,082	27,881	51,958
Total deductions	3,675,478	5,984,060	2,082	696,875	10,358,495
Changes in net assets	5,870,979	8,928,881	248,618	168,013	15,216,491
Net assets - beginning of year	112,206,432	130,935,137	918,197	10,910,008	254,969,774
Net assets - end of year	$ 118,077,411	$ 139,864,018	$ 1,166,815	$ 11,078,021	270,186,265