
BASIC FINANCIAL STATEMENTS

This sub-section contains the Basic Financial Statements and the Notes to the Financial Statements.

PRINCE GEORGE'S COUNTY, MARYLAND
Statement of Net Assets
June 30, 2002

Exhibit A-1

	Primary Government			Component Units			Total
	Governmental Activities	Business-type Activities	Total	Board of Education of Prince George's County	Other Component Units	Total Component Units	
ASSETS							
Cash and investments	\$ 163,477,993	46,057,775	209,535,768	25,938,409	22,550,689	48,489,098	258,024,866
Cash with fiscal agents	45,000	571,559	616,559	-	-	-	616,559
Receivables (net of allowances for uncollectibles):							
Taxes	7,313,229	661,388	7,974,617	-	-	-	7,974,617
Accounts	28,448,070	4,798,637	33,246,707	12,032,651	8,694,326	20,726,977	53,973,684
Notes	5,090,247	-	5,090,247	-	-	-	5,090,247
Special assessments	3,149,633	-	3,149,633	-	-	-	3,149,633
Accrued interest receivable	1,762,333	70,710	1,833,043	-	2,834	2,834	1,835,877
Internal Balance	6,016	(6,016)	-	-	-	-	-
Due from component units	10,546,318	-	10,546,318	-	-	-	10,546,318
Due from primary government	-	-	-	-	2,515,241	2,515,241	2,515,241
Due from other governmental units	143,051,147	2,929,431	145,980,578	76,393,915	7,611,328	84,005,243	229,985,821
Inventories	2,023,540	-	2,023,540	3,422,666	87,628	3,510,294	5,533,834
Prepaid costs and deposits	1,454,125	865	1,454,990	10,946,351	367,113	11,313,464	12,768,454
Restricted assets:							
Cash and investments	69,545,811	54,476,602	124,022,413	-	5,870,494	5,870,494	129,892,907
Deposit - LGIT	4,458,126	-	4,458,126	-	-	-	4,458,126
Land	-	-	-	-	1,591,386	1,591,386	1,591,386
Capital assets (net of accumulated depreciation)							
Land	64,152,683	11,559,680	75,712,363	19,369,912	23,241,283	42,611,195	118,323,558
Infrastructure	1,190,766,584	-	1,190,766,584	-	-	-	1,190,766,584
Buildings and improvements	175,497,427	3,201,587	178,699,014	391,366,233	100,079,613	491,445,846	670,144,860
Equipment	30,919,956	7,317,838	38,237,794	54,027,626	14,666,999	68,694,625	106,932,419
Landfill property in service	-	22,941,339	22,941,339	-	-	-	22,941,339
Stormwater property in service	-	67,773,786	67,773,786	-	-	-	67,773,786
Construction in progress	104,777,853	82,593,707	187,371,560	127,665,772	-	127,665,772	315,037,332
Total Capital Assets	1,566,114,503	195,387,937	1,761,502,440	592,429,543	137,987,895	730,417,438	2,353,931,983
Deferred landfill closure costs	-	22,762,583	22,762,583	-	-	-	22,762,583
Deferred debt issue costs, net	52,859	2,575,230	2,628,089	-	1,021,046	1,021,046	3,649,135
Other assets	50,000	-	50,000	-	-	-	50,000
Total assets	2,006,588,950	330,286,701	2,336,875,651	721,163,535	188,299,980	909,463,515	3,246,339,166
LIABILITIES							
Accounts payable	27,668,580	2,069,698	29,738,278	52,597,736	9,297,315	61,895,051	91,633,329
Retainages payable	2,682,841	1,167,131	3,849,972	10,511,261	-	10,511,261	14,361,233
Accrued liabilities	21,180,647	1,266,291	22,446,938	61,603,425	942,308	62,545,733	84,992,671
Deferred revenue	53,468,368	34,303	53,502,671	8,848,594	1,897,121	10,745,715	64,248,386
Matured bonds and interest payable	45,000	496,838	541,838	-	3,746,720	3,746,720	4,288,558
Deposits	35,940,490	477,536	36,418,026	-	824,366	824,366	37,242,392
Due to primary government	-	-	-	8,336,010	2,210,308	10,546,318	10,546,318
Due to component units	2,515,241	-	2,515,241	-	-	-	2,515,241
Noncurrent liabilities:							
Due within one year	81,514,655	13,887,204	95,401,859	16,936,030	4,840,903	21,776,933	117,178,792
Due in more than one year	726,878,443	164,635,868	891,514,311	65,811,895	45,452,439	111,264,334	1,002,778,645
Total liabilities	951,894,265	184,034,869	1,135,929,134	224,644,951	69,211,480	293,856,431	1,429,785,565
NET ASSETS							
Invested in capital assets, net of related debt	1,215,115,843	79,363,316	1,294,479,159	550,602,090	90,641,358	641,243,448	1,684,584,209
Restricted for:							
Capital projects	107,817	-	107,817	1,650,468	-	1,650,468	1,758,285
Contingency Reserve	47,981,169	-	47,981,169	-	-	-	47,981,169
Debt Service	25,648,662	6,732,188	32,380,850	-	-	-	32,380,850
Landfill	-	2,793,713	2,793,713	-	-	-	2,793,713
Other	6,452,031	9,690,568	16,142,599	284,941	5,683,425	5,968,366	22,110,965
Unrestricted	(240,610,837)	47,672,047	(192,938,790)	(56,018,915)	22,763,717	(33,255,198)	24,944,410
Total Net Assets	\$ 1,054,694,685	146,251,832	1,200,946,517	496,518,584	119,088,500	615,607,084	1,816,553,601

See accompanying notes to financial statements.

PRINCE GEORGE'S COUNTY, MARYLAND
 Statement of Activities
 For the year ended June 30, 2002

Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Board of Education	Other Component Units
Primary government:									
Governmental activities:									
General government	\$ 152,298,127	23,202,168	34,544,045	-	(94,551,914)	-	(94,551,914)	-	-
Public safety	319,171,598	32,776,405	23,589,187	1,125,347	(261,680,659)	-	(261,680,659)	-	-
Public works	58,997,980	41,815,071	202,942	2,146,695	(14,833,272)	-	(14,833,272)	-	-
Health	51,902,711	12,230,469	30,238,103	-	(9,434,139)	-	(9,434,139)	-	-
Public welfare	30,478,658	717,333	27,672,769	-	(2,088,556)	-	(2,088,556)	-	-
Education:									
Board of Education	520,690,491	-	-	-	(520,690,491)	-	(520,690,491)	-	-
Community College	13,128,109	-	-	-	(13,128,109)	-	(13,128,109)	-	-
Memorial Library	14,677,932	-	-	-	(14,677,932)	-	(14,677,932)	-	-
Interest on long-term debt	38,827,544	-	-	-	(38,827,544)	-	(38,827,544)	-	-
Total governmental activities	1,200,173,150	110,741,446	116,247,046	3,272,042	(969,912,616)	-	(969,912,616)	-	-
Business-type activities:									
Solid Waste	75,391,389	76,124,333	-	-	-	732,944	732,944	-	-
Stormwater	20,391,800	2,036,618	-	1,013,625	-	(17,341,557)	(17,341,557)	-	-
Total business-type activities	95,783,189	78,160,951	-	1,013,625	-	(16,608,613)	(16,608,613)	-	-
Total primary government	\$ 1,295,956,339	188,902,397	116,247,046	4,285,667	(969,912,616)	(16,608,613)	(986,521,229)	-	-
Component units:									
Board of Education	\$ 1,114,252,363	42,571,435	147,849,961	-	-	-	(923,830,967)	-	-
Other Component Units	143,597,607	109,002,075	42,506,086	2,267,822	-	-	-	-	10,178,376
Total component units	\$ 1,257,849,970	151,573,510	190,356,047	2,267,822	-	-	(923,830,967)	-	10,178,376
General Revenues:									
Taxes:									
Property taxes					429,317,929	22,335,600	451,653,529	-	-
Income taxes					317,178,013	-	317,178,013	-	-
Transfer and recordation taxes					80,060,215	-	80,060,215	-	-
Energy taxes					42,919,700	-	42,919,700	-	-
Other Taxes					18,290,851	-	18,290,851	-	-
Highway user revenue					24,561,005	-	24,561,005	-	-
Earnings on investments					15,628,460	973,062	16,601,522	1,156,073	501,743
Grants and contributions					9,834,288	-	9,834,288	989,895,129	-
Miscellaneous revenue					991,658	-	991,658	-	-
Total general revenues					938,782,119	23,308,662	962,090,781	991,051,202	501,743
Change in net assets					(31,130,497)	6,700,049	(24,430,448)	67,220,235	10,680,119
Net assets - beginning of year					1,085,825,182	139,551,783	1,225,376,965	429,298,349	108,408,381
Net assets - end of year					1,054,694,685	146,251,832	1,200,946,517	496,518,584	119,088,500

See accompanying notes to financial statements.

PRINCE GEORGE'S COUNTY, MARYLAND
Balance Sheet
Governmental Funds
June 30, 2002

<u>Assets</u>	<u>General</u>	<u>Federal and State Aided Programs</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 118,054,814	1,323,406	938,754	6,044,614	126,361,588
Cash with fiscal agents	-	-	-	45,000	45,000
Receivables (net of allowances for uncollectibles):					
Taxes	7,249,016	-	-	64,213	7,313,229
Accounts	23,584,635	1,000	-	-	23,585,635
Notes	1,214,229	3,213,118	-	662,900	5,090,247
Special assessments	3,149,633	-	-	-	3,149,633
Accrued interest receivable	1,475,612	-	-	-	1,475,612
Due from other funds	15,975,151	-	-	-	15,975,151
Due from component units	2,205,555	-	-	-	2,205,555
Due from other governmental units	85,290,893	46,243,652	11,465,437	51,165	143,051,147
Inventories	1,448,670	-	-	-	1,448,670
Restricted assets:					
Cash and investments	6,432,565	1,069,066	47,412,143	-	54,913,774
Other assets	50,000	-	-	-	50,000
Total assets	<u>\$ 266,130,773</u>	<u>51,850,242</u>	<u>59,816,334</u>	<u>6,867,892</u>	<u>384,665,241</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Compensated absences and termination benefits payable	\$ 357,029	-	-	-	357,029
Accounts payable	12,869,442	3,272,179	6,178,895	16,248	22,336,764
Retainages	-	-	2,682,841	-	2,682,841
Accrued costs	11,766,829	956,003	-	-	12,722,832
Deferred revenue	52,061,231	37,348,243	3,227,804	727,113	93,364,391
Matured bonds and interest payable	-	-	-	45,000	45,000
Deposits	19,982,687	64,100	15,731,006	10,000	35,787,793
Due to other funds	-	9,140,651	2,100,000	17,500	11,258,151
Due to component units	2,515,241	-	-	-	2,515,241
Total liabilities	<u>99,552,459</u>	<u>50,781,176</u>	<u>29,920,546</u>	<u>815,861</u>	<u>181,070,042</u>
Fund balances:					
Reserved	60,994,436	1,069,066	63,211,631	-	125,275,133
Unreserved:					
Designated, reported in:					
General fund	75,413,734	-	-	-	75,413,734
Special revenue fund	-	-	-	1,615,315	1,615,315
Undesignated, reported in:					
General fund	30,170,144	-	-	-	30,170,144
Special revenue fund	-	-	-	4,436,716	4,436,716
Capital projects fund	-	-	(33,315,843)	-	(33,315,843)
Total fund balances	<u>166,578,314</u>	<u>1,069,066</u>	<u>29,895,788</u>	<u>6,052,031</u>	<u>203,595,199</u>
Total liabilities and fund balances	<u>\$ 266,130,773</u>	<u>51,850,242</u>	<u>59,816,334</u>	<u>6,867,892</u>	<u>384,665,241</u>

See accompanying notes to financial statements.

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2002

Total fund balances for governmental funds (Exhibit A-3) \$ 203,595,199

Amounts reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 63,152,683	
Infrastructure, net of \$648,674,073 accumulated depreciation	1,190,766,584	
Buildings and improvements, net of \$51,182,711 accumulated depreciation	173,807,561	
Equipment, net of \$78,637,542 accumulated depreciation	29,293,945	
Construction in progress	104,777,853	
Total capital assets		1,561,798,626

The assets and liabilities of the Internal Service Funds (funds used by management to charge the cost of fleet maintenance, information technology, and self-insurance) are included in the governmental activities in the statement of net assets. Internal service fund net assets are:

4,105,323

County revenue that is collected after year-end, and unavailable soon enough to pay for the current period's expenditures is reported as deferred revenue in the funds.

40,344,646

Long-term liabilities for governmental fund activity are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. Balances at June 30, 2002 are:

Unmatured accrued interest (8,254,285)

Long-term liabilities:

Bonded debt	(588,730,962)	
Deferred bond refunding costs	4,275,053	
Unamortized discount (premium)	(8,334,187)	
Pension obligations	(11,946,100)	
Compensated absences and termination benefits payable	(75,418,393)	
Notes payable	(64,489,201)	
Arbitrage rebate	(2,251,034)	
Total long-term liabilities		(746,894,824)

Total net assets of governmental activities \$ 1,054,694,685

See accompanying notes to financial statements.

PRINCE GEORGE'S COUNTY, MARYLAND
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2002

	<u>General</u>	<u>Federal and State Aided Programs</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue:					
Taxes	\$ 920,209,482	-	-	910,593	921,120,075
Licenses and permits	16,369,191	-	-	242,395	16,611,586
Fines and forfeitures	1,455,680	-	31,944	1,392,304	2,879,928
Use of money and property	14,404,510	503,896	-	502,889	15,411,295
Charges for services	22,187,502	2,330,995	8,096,349	1,321,151	33,935,997
Sale of property	-	-	-	683,565	683,565
Intergovernmental	34,626,914	84,713,088	2,146,695	7,465,400	128,952,097
Miscellaneous	1,017,513	377,390	2,196,597	-	3,591,500
Total revenue	<u>1,010,270,792</u>	<u>87,925,369</u>	<u>12,471,585</u>	<u>12,518,297</u>	<u>1,123,186,043</u>
Expenditures:					
Current:					
General government	125,594,896	16,689,142	-	2,580,479	144,864,517
Public safety	293,347,244	10,560,836	-	551,331	304,459,411
Public works	9,089,199	3,785,463	-	-	12,874,662
Health	19,652,828	32,003,779	-	-	51,656,607
Public welfare	1,549,351	28,696,377	-	294,370	30,540,098
Capital projects	-	-	58,682,210	-	58,682,210
Education:					
Board of Education	467,788,100	-	52,902,391	-	520,690,491
Community College	12,416,300	-	711,809	-	13,128,109
Memorial Library	13,310,000	-	1,367,932	-	14,677,932
Debt service:					
Principal retirement	-	-	-	40,504,999	40,504,999
Interest	-	-	-	30,182,353	30,182,353
Total expenditures	<u>942,747,918</u>	<u>91,735,597</u>	<u>113,664,342</u>	<u>74,113,532</u>	<u>1,222,261,389</u>
Excess of revenue over (under) expenditures	<u>67,522,874</u>	<u>(3,810,228)</u>	<u>(101,192,757)</u>	<u>(61,595,235)</u>	<u>(99,075,346)</u>
Other financing sources (uses):					
Bond proceeds	-	-	74,765,000	-	74,765,000
Bond premium	-	-	-	3,413,002	3,413,002
Transfers in - other funds	-	2,543,706	-	57,426,144	59,969,850
Bond proceeds - refunding	-	-	-	70,880,000	70,880,000
Bond premium - refunding	-	-	-	5,046,885	5,046,885
Payment to bond refunding escrow agent	-	-	-	(75,271,303)	(75,271,303)
Transfers out - other funds	(65,469,850)	-	-	-	(65,469,850)
Total other financing sources (uses)	<u>(65,469,850)</u>	<u>2,543,706</u>	<u>74,765,000</u>	<u>61,494,728</u>	<u>73,333,584</u>
Net change in fund balances	2,053,024	(1,266,522)	(26,427,757)	(100,507)	(25,741,762)
Fund balances, beginning of year, as restated (see note 2)	164,525,290	2,335,588	56,323,545	6,152,538	229,336,961
Fund balances, end of year	<u>\$ 166,578,314</u>	<u>1,069,066</u>	<u>29,895,788</u>	<u>6,052,031</u>	<u>203,595,199</u>

See accompanying notes to financial statements.

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2002

Amounts reported for governmental activities in the statement of activities is different because:

Net change in fund balances - total governmental funds		\$ (25,741,762)
Capital Outlay, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Assets.		43,977,014
Depreciation expense on governmental capital assets is included as an expense in the statement of activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		(44,280,906)
Donated capital assets are reported as revenue on the statement of activities, however they do not provide current financial resources to the funds.		35,764,052
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds. This represents changes in deferred revenue at the government-wide level.		(8,439,248)
In the statement of activities the loss on disposal of equipment is reported, whereas in the governmental funds, disposal of capital assets are not recorded. Thus the change in net assets differs from the change in fund balance.		(1,357,364)
Internal Service Funds are used by management to charge the cost of fleet maintenance, information technology, and self insurance. The net revenue is reported with governmental activities.		5,046,902
Long-term debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of activities, however, issuing debt decreases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Debt Issued:		
Bond proceeds	\$ (145,645,000)	
Bond Premium	(8,459,887)	
Payment to escrow agent	75,271,303	
Principal payments	53,965,643	
Net adjustment		(24,867,941)
Certain expenses (i.e. arbitrage, compensated absences) 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.		(11,231,244)
Change in net assets of governmental activities.		\$ (31,130,497)

PRINCE GEORGE'S COUNTY, MARYLAND
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2002

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
Revenue:				
Taxes	\$ 907,153,100	907,153,100	920,209,482	13,056,382
Licenses and permits	18,319,200	18,319,200	16,369,191	(1,950,009)
Fines and forfeitures	2,416,800	2,416,800	1,455,680	(961,120)
Use of money and property	22,000,000	22,000,000	16,695,531	(5,304,469)
Charges for services	18,199,100	18,199,100	22,187,502	3,988,402
Intergovernmental	34,781,700	34,781,700	34,626,914	(154,786)
Miscellaneous	750,000	750,000	1,017,513	267,513
Total revenue	<u>1,003,619,900</u>	<u>1,003,619,900</u>	<u>1,012,561,813</u>	<u>8,941,913</u>
Expenditures:				
General government:				
County Executive	4,302,400	4,052,400	3,958,735	93,665
Legislative Branch	6,798,700	6,798,700	6,686,646	112,054
Human Relations Commission	765,500	678,700	678,165	535
Circuit Court	10,664,700	10,664,700	9,934,333	730,367
Orphan's Court	256,500	268,100	264,891	3,209
State's Attorney's Office	10,208,962	10,325,462	10,178,922	146,540
Personnel Board	192,600	192,600	174,887	17,713
Office of Finance	3,039,500	3,214,500	3,134,587	79,913
Citizen Complaint Oversight Panel	200,600	218,800	175,068	43,732
Office of Business and Regulatory Affairs	1,248,100	1,223,100	1,219,107	3,993
People's Zoning Council	-	-	(399)	399
Office of Management and Budget	1,572,100	1,572,100	1,533,573	38,527
Board of License Commissioners	979,700	879,700	831,980	47,720
Office of Law	3,031,500	2,959,500	2,716,698	242,802
Office of Personnel	3,152,100	3,528,600	3,464,659	63,941
Board of Elections	1,223,300	1,602,900	1,459,562	143,338
Office of Central Services	11,584,600	11,187,100	10,940,082	247,018
Department of Family Services	1,806,217	1,821,217	1,726,716	94,501
Department of Housing and Community Development	1,567,400	1,594,300	1,503,866	90,434
Non-departmental	68,305,500	58,087,100	57,693,112	393,988
Total general government	<u>130,899,979</u>	<u>120,869,579</u>	<u>118,275,190</u>	<u>2,594,389</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
 Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual, continued
 General Fund
 For the year ended June 30, 2002

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
Public safety				
Department of Environmental Resources	8,885,500	8,781,100	8,461,637	319,463
Police Department	136,199,636	137,138,736	136,793,257	345,479
Fire Department	75,322,600	78,538,700	78,173,009	365,691
Sheriff's Department	17,010,500	18,711,200	18,049,111	662,089
Department of Corrections	39,227,178	40,586,078	40,462,099	123,979
Office of Information Technology	10,137,500	11,970,300	11,812,777	157,523
Total Public Safety	<u>286,782,914</u>	<u>295,726,114</u>	<u>293,751,890</u>	<u>1,974,224</u>
Public works	11,495,100	11,357,200	11,300,561	56,639
Health	19,609,722	19,437,122	19,149,010	288,112
Public welfare	1,540,779	1,540,779	1,377,423	163,356
Payments to Component Units	493,514,400	493,514,400	493,514,400	-
Total expenditures	<u>943,842,894</u>	<u>942,445,194</u>	<u>937,368,474</u>	<u>5,076,720</u>
Excess of revenue over expenditures	<u>59,777,006</u>	<u>61,174,706</u>	<u>75,193,339</u>	<u>14,018,633</u>
Other financing sources (uses):				
Prior year encumbrances cancelled	-	-	2,063,914	2,063,914
Transfers in - other funds	1,000,000	1,000,000	-	(1,000,000)
Transfers out - other funds	(70,777,006)	(65,520,406)	(65,469,850)	50,556
Appropriated fund balance	10,000,000	10,000,000	-	(10,000,000)
Total other financing sources (uses)	<u>(59,777,006)</u>	<u>(54,520,406)</u>	<u>(63,405,936)</u>	<u>(8,885,530)</u>
Excess of revenue and other financing sources over expenditures and other uses (budget basis)	<u>\$ -</u>	<u>6,654,300</u>	11,787,403	<u>5,133,103</u>
Adjustments:				
Prior year encumbrances cancelled			(2,063,914)	
Current year encumbrances outstanding			8,416,384	
Expenditure of prior year encumbrances			(4,871,487)	
Adjustment (see note 2)			(5,939,588)	
Capital financing expenditures			<u>(5,275,774)</u>	
Excess of revenue and other financing sources over expenditures and other uses (GAAP basis)			2,053,024	
Fund balances, beginning of year, as restated (see note 2)			<u>164,525,290</u>	
Fund balances, end of year			<u>\$ 166,578,314</u>	

See accompanying notes to financial statements.

PRINCE GEORGE'S COUNTY, MARYLAND
 Statement of Net Assets
 Proprietary Funds
 June 30, 2002

Assets	Business-type Activities - Enterprise Funds			Governmental
	Solid Waste Fund	Stormwater Management Fund	Total	Activities- Internal Service Funds
Current assets:				
Cash and investments	\$ 38,842,322	7,215,453	46,057,775	37,116,405
Cash with fiscal agents	140,100	431,459	571,559	-
Taxes receivable	-	683,722	683,722	-
Less allowance for uncollectibles	-	(22,334)	(22,334)	-
Accounts receivable	4,995,374	-	4,995,374	151,831
Less allowance for uncollectibles	(196,737)	-	(196,737)	(6,396)
Accrued interest receivable	-	70,710	70,710	286,721
Due from other component units	-	-	-	8,340,763
Due from other governmental units	1,380,794	1,548,637	2,929,431	-
Inventories	-	-	-	574,870
Prepaid costs and deposits	865	-	865	1,454,125
Total current assets	<u>45,162,718</u>	<u>9,927,647</u>	<u>55,090,365</u>	<u>47,918,319</u>
Restricted assets:				
Cash and investments:				
Self-insurance	-	-	-	14,632,037
Revenue bond operation and maintenance	7,250,000	-	7,250,000	-
Sandy Hill Trust	1,890,485	-	1,890,485	-
Debt service	6,732,188	-	6,732,188	-
Landfill closure	34,047,624	-	34,047,624	-
Deposit - LGIT	-	-	-	4,458,126
Unspent bond proceeds	-	4,556,305	4,556,305	-
Total restricted assets	<u>49,920,297</u>	<u>4,556,305</u>	<u>54,476,602</u>	<u>19,090,163</u>
Noncurrent assets:				
Capital assets:				
Land	3,128,240	8,431,440	11,559,680	1,000,000
Buildings and improvements	3,747,432	242,525	3,989,957	2,640,889
Accumulated depreciation	(1,599,081)	(122,880)	(1,721,961)	(1,015,890)
Improvements other than buildings	3,203,990	-	3,203,990	328,014
Accumulated depreciation	(2,270,399)	-	(2,270,399)	(263,147)
Equipment	19,294,956	1,201,412	20,496,368	4,527,768
Accumulated depreciation	(12,094,595)	(1,083,935)	(13,178,530)	(2,901,757)
Landfill property in service	80,285,862	-	80,285,862	-
Accumulated depreciation	(57,344,523)	-	(57,344,523)	-
Stormwater property in service	-	90,948,151	90,948,151	-
Accumulated depreciation	-	(23,174,365)	(23,174,365)	-
Construction in progress	45,713,994	36,879,713	82,593,707	-
Total capital assets	<u>82,065,876</u>	<u>113,322,061</u>	<u>195,387,937</u>	<u>4,315,877</u>
Deferred landfill closure costs	22,762,583	-	22,762,583	-
Deferred debt issue costs - net	1,226,517	1,348,713	2,575,230	52,859
Total noncurrent assets	<u>106,054,976</u>	<u>114,670,774</u>	<u>220,725,750</u>	<u>4,368,736</u>
Total assets	<u>\$ 201,137,991</u>	<u>129,154,726</u>	<u>330,292,717</u>	<u>71,377,218</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
 Statement of Net Assets, Continued
 Proprietary Funds
 June 30, 2002

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
<u>Liabilities</u>	Solid Waste <u>Fund</u>	Stormwater Management <u>Fund</u>	<u>Total</u>	Activities- Internal Service <u>Funds</u>
Current liabilities:				
Payable from unrestricted assets:				
Current portion of bonded debt	\$ 5,358,209	1,900,000	7,258,209	-
Current portion of compensated absences and termination benefits payable	713,842	1,241,982	1,955,824	500,381
Current portion of notes payable	215,841	2,281,988	2,497,829	636,757
Current portion of postclosure liability	2,175,342	-	2,175,342	-
Accounts payable	1,689,746	379,952	2,069,698	3,080,782
Retainages	-	113,606	113,606	-
Accrued liabilities	922,861	343,430	1,266,291	203,530
Deferred revenue	34,303	-	34,303	448,623
Matured bonds and interest payable	12,000	484,838	496,838	-
Deposits	127,625	349,911	477,536	152,697
Total payable from unrestricted assets	<u>11,249,769</u>	<u>7,095,707</u>	<u>18,345,476</u>	<u>5,022,770</u>
Payable from restricted assets:				
Retainages	1,053,525	-	1,053,525	-
Total payable from restricted assets	<u>1,053,525</u>	<u>-</u>	<u>1,053,525</u>	<u>-</u>
Total current liabilities	<u>12,303,294</u>	<u>7,095,707</u>	<u>19,399,001</u>	<u>5,022,770</u>
Long-term liabilities:				
Bonded debt, less current portion	72,869,736	34,545,000	107,414,736	-
Deferred bond refunding costs	(1,753,228)	-	(1,753,228)	-
Unamortized bond premium (discount)	(350,019)	911,056	561,037	(20,210)
Compensated absences and termination benefits payable, less current portion	261,469	493,153	754,622	459,593
Notes payable, less current portion	278,365	6,758,848	7,037,213	6,892,404
Estimated liability on pending claims, less current portion	-	-	-	54,923,354
Estimated liability for landfill closure costs, less current portion	50,621,488	-	50,621,488	-
Total long-term liabilities	<u>121,927,811</u>	<u>42,708,057</u>	<u>164,635,868</u>	<u>62,255,141</u>
Total liabilities	<u>134,231,105</u>	<u>49,803,764</u>	<u>184,034,869</u>	<u>67,277,911</u>
Net Assets				
Invested in capital assets, net of related debt	6,266,866	73,096,450	79,363,316	1,533,422
Restricted for capital improvements and future maintenance	7,250,000	-	7,250,000	-
Restricted for Sandy Hill Trust	1,890,485	-	1,890,485	-
Restricted for debt service	6,732,188	-	6,732,188	-
Restricted for landfill closure costs	2,793,713	-	2,793,713	-
Restricted for Chesapeake Bay and tree preservation activities	-	550,083	550,083	-
Unrestricted	41,973,634	5,704,429	47,678,063	2,565,885
Total net assets	<u>\$ 66,906,886</u>	<u>79,350,962</u>	<u>146,257,848</u>	<u>4,099,307</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(6,016)	
Net assets of business-type activities			<u>146,251,832</u>	
See accompanying notes to financial statements.				

PRINCE GEORGE'S COUNTY, MARYLAND
 Statement of Revenue, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 For the year ended June 30, 2002

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	Solid	Stormwater		Activities-
	Waste	Management		Internal
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	Service
				<u>Funds</u>
Operating revenue:				
Premium Contributions	\$ -	-	-	78,718,122
Licenses and permits	-	2,022,118	2,022,118	-
Sales	160,940	-	160,940	13,021,965
Charges for services	75,963,393	14,500	75,977,893	8,390,909
Use of money and property - rentals	-	-	-	293,896
Miscellaneous	-	-	-	981,835
Total operating revenue	<u>76,124,333</u>	<u>2,036,618</u>	<u>78,160,951</u>	<u>101,406,727</u>
Operating expenses:				
Salaries	5,814,569	8,798,110	14,612,679	4,254,508
Project charges - salaries	5,767,466	1,459,726	7,227,192	-
Fringe benefits	2,447,681	2,275,682	4,723,363	890,797
Project charges - recoveries	(205,534)	(1,436,328)	(1,641,862)	-
Contractual services	29,171,404	-	29,171,404	10,858,193
Materials	-	-	-	1,943,274
Rent	-	-	-	376,952
General and administrative	11,684,288	4,600,103	16,284,391	6,812,761
Depreciation and amortization	13,137,383	2,330,171	15,467,554	307,595
Insurance claims and premiums	-	-	-	76,146,251
Landfill postclosure expense	3,839,680	-	3,839,680	-
Other	-	-	-	2,894,048
Total operating expenses	<u>71,656,937</u>	<u>18,027,464</u>	<u>89,684,401</u>	<u>104,484,379</u>
Operating income (loss)	<u>4,467,396</u>	<u>(15,990,846)</u>	<u>(11,523,450)</u>	<u>(3,077,652)</u>
Nonoperating revenue (expenses):				
Taxes	-	22,335,600	22,335,600	-
Interest income	579,741	393,321	973,062	2,092,942
Interest expense	(3,536,365)	(2,201,517)	(5,737,882)	(511,227)
Debt issuance costs	(307,361)	(67,379)	(374,740)	(5,379)
Loss on sale of capital assets	(16,366)	(2,605)	(18,971)	(6,614)
Total nonoperating revenue (expenses)	<u>(3,280,351)</u>	<u>20,457,420</u>	<u>17,177,069</u>	<u>1,569,722</u>
Income (loss) before contributions and transfers	1,187,045	4,466,574	5,653,619	(1,507,930)
Transfers in - other funds	-	-	-	5,500,000
Capital contributions	-	1,013,625	1,013,625	1,087,637
Change in net assets	<u>1,187,045</u>	<u>5,480,199</u>	<u>6,667,244</u>	<u>5,079,707</u>
Net assets - beginning of year	<u>65,719,841</u>	<u>73,870,763</u>		<u>(980,400)</u>
Net assets - end of year	\$ <u>66,906,886</u>	<u>79,350,962</u>		<u>4,099,307</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			32,805	
Change in net assets of business-type activities			<u>\$ 6,700,049</u>	

See accompanying notes to financial statements.

PRINCE GEORGE'S COUNTY, MARYLAND
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2002

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	Solid Waste Fund	Stormwater Management Fund	Total	Activities- Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 74,598,745	2,036,618	76,635,363	95,988,313
Cash payments to suppliers for goods and services	(40,546,068)	(5,014,396)	(45,560,464)	(24,655,498)
Cash payments to employees for services	(13,855,469)	(11,081,523)	(24,936,992)	(4,880,392)
Premium and claim payments	-	-	-	(68,713,033)
Other cash receipts	-	-	-	650,015
Net cash and cash equivalents provided (used) by operating activities	<u>20,197,208</u>	<u>(14,059,301)</u>	<u>6,137,907</u>	<u>(1,610,595)</u>
Cash flows from noncapital financing activities:				
Tax collections	-	22,326,733	22,326,733	-
Grants, contributions, refunds and other cash receipts	-	-	-	5,899,628
Repayment of notes payable	-	-	-	(399,628)
Interest payments	-	-	-	(331,229)
Net cash and cash equivalents provided by noncapital financing activities	<u>-</u>	<u>22,326,733</u>	<u>22,326,733</u>	<u>5,168,771</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of property, plant and equipment	(8,640,289)	(4,201,331)	(12,841,620)	(400,843)
Capital grants	-	963,202	963,202	-
Proceeds of bonded debt	2,018,003	17,039,969	19,057,972	-
Payment to refund bond escrow agent	-	(9,515,739)	(9,515,739)	-
Payment of bond issue costs	(2,634)	(78,485)	(81,119)	-
Principal payments on bonded debt	(5,114,645)	(1,530,000)	(6,644,645)	-
Principal payments on notes payable	(773,052)	(2,493,615)	(3,266,667)	(218,764)
Interest payments	(4,200,915)	(2,147,227)	(6,348,142)	(181,348)
Net cash and cash equivalents used in capital and related financing activities	<u>(16,713,532)</u>	<u>(1,963,226)</u>	<u>(18,676,758)</u>	<u>(800,955)</u>
Cash flows from investing activities:				
Interest on investments	579,741	388,641	968,382	2,269,620
Net cash and cash equivalents provided by investing activities	<u>579,741</u>	<u>388,641</u>	<u>968,382</u>	<u>2,269,620</u>
Net increase in cash and cash equivalents	4,063,417	6,692,847	10,756,264	5,026,841
Cash and cash equivalents, beginning of year	<u>84,839,302</u>	<u>5,510,370</u>	<u>90,349,672</u>	<u>46,721,601</u>
Cash and cash equivalents, end of year	<u>\$ 88,902,719</u>	<u>12,203,217</u>	<u>101,105,936</u>	<u>51,748,442</u>
Classified as:				
Current assets	\$ 38,982,422	7,646,912	46,629,334	37,116,405
Restricted assets	49,920,297	4,556,305	54,476,602	14,632,037
	<u>\$ 88,902,719</u>	<u>12,203,217</u>	<u>101,105,936</u>	<u>51,748,442</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Statement of Cash Flows, Continued
Proprietary Funds
For the year ended June 30, 2002

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	Solid Waste Fund	Stormwater Management Fund	Total	Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 4,467,396	(15,990,846)	(11,523,450)	(3,077,652)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	13,137,383	2,330,171	15,467,554	307,595
Provision for doubtful receivables	24,620	-	24,620	-
Changes in assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	(1,212,680)	-	(1,212,680)	124,602
Inventories	-	-	-	115,857
Due from other governmental units	(337,527)	-	(337,527)	-
Prepaid costs	-	-	-	(171,947)
Deferred landfill closure costs	4,966,467	-	4,966,467	-
Increase (decrease) in :				
Compensated absences and termination benefits payable	10,689	(1,998)	8,691	227,352
Accounts payable	917,657	(388,783)	528,874	(1,682,105)
Retainages	(431,844)	(25,510)	(457,354)	-
Accrued costs	(41,976)	17,665	(24,311)	37,928
Deferred revenue	-	-	-	49,739
Deposits	(136,615)	-	(136,615)	-
Due from component units	-	-	-	(4,742,741)
Estimated liability for landfill closure costs	(1,166,362)	-	(1,166,362)	-
Estimated liability on pending claims	-	-	-	7,200,777
Total adjustments	<u>15,729,812</u>	<u>1,931,545</u>	<u>17,661,357</u>	<u>1,467,057</u>
Net cash and cash equivalents provided (used) by operating activities	<u>\$ 20,197,208</u>	<u>(14,059,301)</u>	<u>6,137,907</u>	<u>(1,610,595)</u>
Non-cash investing, capital and related financing activities:				
Decrease in accrued interest receivable	\$ -	-	-	176,678
Donated capital assets	-	-	-	1,087,637
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,264,315</u>
See accompanying notes to financial statements.				

PRINCE GEORGE'S COUNTY, MARYLAND
Statement of Net Assets
Fiduciary Funds
June 30, 2002

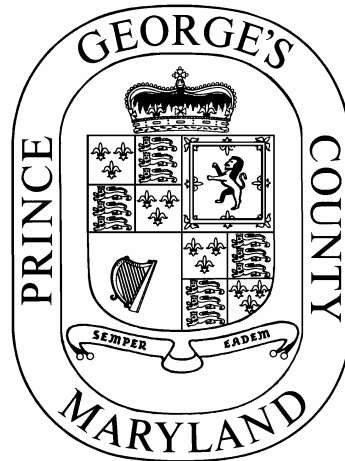
	Primary Government		
	Pension Trust Funds	Agency Funds	Total
Assets:			
Cash and investments	\$ 629,218,123	475,195	629,693,318
Collateral for loaned securities	96,609,418	-	96,609,418
Investments - equity in pooled separate accounts	179,459,259	-	179,459,259
Receivables:			
Taxes	-	4,582,631	4,582,631
Accounts	-	6,120,317	6,120,317
Accrued interest receivable	3,751,875	-	3,751,875
Prepaid costs and deposits	31,012	-	31,012
	<u>909,069,687</u>	<u>11,178,143</u>	<u>920,247,830</u>
Total assets			
Liabilities:			
Collateral for loaned securities payable	96,609,418	-	96,609,418
Accounts payable	303,900	37,861	341,761
Accrued costs	633,894	-	633,894
Due to other funds	17,000	4,700,000	4,717,000
Due to other governmental units	-	6,434,075	6,434,075
Funds held in trust	-	6,207	6,207
	<u>97,564,212</u>	<u>11,178,143</u>	<u>108,742,355</u>
Total liabilities			
Net assets:			
Net assets held in trust for pension benefits	\$ <u>811,505,475</u>	<u>-</u>	<u>811,505,475</u>

See accompanying notes to financial statements.

PRINCE GEORGE'S COUNTY, MARYLAND
 Statement of Changes in Net Assets
 Fiduciary Funds
 For the year ended June 30, 2002

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 25,694,951
Employee	10,877,675
Total contributions	<u>36,572,626</u>
Investment income :	
Net depreciation in fair value of assets	(55,884,972)
Interest and dividends	25,139,523
Total investment income	<u>(30,745,449)</u>
Less investment expense	4,575,252
Net investment income	<u>(35,320,701)</u>
Total additions	<u>1,251,925</u>
Deductions:	
Benefits	62,014,211
Refunds of contributions	2,154,035
General and administrative expenses	1,347,027
Total deductions	<u>65,515,273</u>
Net decrease	(64,263,348)
Net assets held in trust for pension benefits, beginning of year	<u>875,768,823</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 811,505,475</u>

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

The notes are an
integral part of the
financial statements.

PRINCE GEORGE'S COUNTY

Notes to Financial Statements

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PRINCE GEORGE'S COUNTY

Notes to Financial Statements

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PRINCE GEORGE'S COUNTY

Notes to Financial Statements

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PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements
June 30, 2002

(1) Summary of Significant Accounting Policies

The accounting policies of Prince George's County, Maryland conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

(a) Reporting Entity

Prince George's County, Maryland (the County) is a body corporate and politic founded in 1696 as a political subdivision of the State of Maryland, which performs all local government functions within its jurisdiction. The County operates under a "home rule" Charter adopted in November 1970. Under the Charter, the County is governed by an elected County Executive and nine-member County Council.

As required by GAAP, the accompanying financial statements include the various departments and agencies of the Primary Government and the County's component units, entities for which the County is considered to be financially accountable because of the significance of their operational or financial relationship with the County.

The government-wide financial statements include a separate column for the Board of Education of Prince George's County, Maryland and a separate column combining all other discretely presented component units. Each component unit is legally separate from the Primary Government and has a June 30 fiscal year end. There are no blended component units, i.e., legally separate component units whose financial information is combined with the operations of the Primary Government, included in this financial report. The County's eight discretely presented component units follow:

- (i) The Board of Education of Prince George's County, Maryland (Board of Education or the Board) The Board operates all public schools (grades K through 12) within the County. The Board is fiscally dependent because the County: approves its budget, is legally obligated to fund the Board's operations, and the County issues and is obligated to pay debt for the Board. A complete financial report is available through the Board's administrative offices located at: Sasscer Administration Building, 14201 School Lane, Upper Marlboro, Maryland 20772.
- (ii) The Housing Authority of Prince George's County (Housing Authority) The Housing Authority was created to develop safe, sanitary, and decent housing for County citizens. The governing body and management personnel are appointed by the County Executive. The County also approves the budget of the Housing Authority. Requests for copies of financial statements should be addressed to the administrative offices of the Housing Authority, which are located at Inglewood Center III, 9400 Peppercorn Place, Suite 200, Landover, Maryland 20785.
- (iii) The Industrial Development Authority of Prince George's County (IDA) The IDA is a public building authority providing physical facilities to local governments located in the State of Maryland. The County appoints a majority of the governing body and is able to impose its will through approval of the IDA's budget and substantial involvement in IDA operations. Requests for copies of financial statements should be addressed to the administrative offices of the Industrial Development Authority, which are located at 14741 Governor Oden Bowie Drive, Suite 3151, Upper Marlboro, Maryland 20772.
- (iv) The Prince George's County Memorial Library System (Memorial Library or Library) The Memorial Library operates the County's public library system. The County is legally obligated to provide financial support to the Library. The County approves its budget, holds title to its assets, and can unilaterally abolish the Library. Requests for the Library's financial statements should be made to the administrative offices located at: 6532 Adelphi Road, Hyattsville, Maryland 20785.
- (v) The Prince George's Community College (Community College or College) operates a higher education institution within the County. The County is legally obligated to provide financial support to the College. In addition, fiscal dependency criterion apply because of the County's substantial budgetary approval authority. Individuals interested in obtaining detailed financial statements for the College should contact its administrative offices: 301 Largo Road, Landover, Maryland 20772.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

- (vi) The Prince George's Community Television, Inc. (PGCT) PGCT operates local government public access channel programming for cable television operations. The County appoints a majority of the governing body and imposes its will over PGCT operations. PGCT is fiscally dependent on the County i.e., substantive approval authority over the budget, sets fees, and prohibits debt issuances. A full set of financial statements is available from PGCT's administrative offices located at: 9475 Lottsford Road, Suite 125, Landover, Maryland 20785.
- (vii) The Redevelopment Authority of Prince George's County (Redevelopment Authority) The Redevelopment Authority was created to provide residential, commercial, or industrial development or redevelopment within County boundaries. The County appoints a majority of the governing body and is able to impose its will through approval of the Redevelopment Authority 's budget and substantial involvement in Redevelopment Authority operations. Requests for copies of financial statements should be addressed to the administrative offices of the Redevelopment Authority, which are located at 9201 Basil Court, Suite 155, Largo, Maryland 20774.
- (viii) The Revenue Authority of Prince George's County (Revenue Authority) The Revenue Authority was created to develop projects within the boundary lines of the County devoted wholly or partially for public uses and to stimulate employment and economic growth. The Revenue Authority is also responsible for the acquisition, construction, and operation of parking and related facilities for motorized and non-motorized vehicles within the County. The County appoints a majority of the governing body and is able to impose its will through approval of the Revenue Authority 's budget and substantial involvement in Revenue Authority operations. Additionally, the County must approve and is responsible for all bonded debt issuances. The Parking Authority of Prince George's County, a separate component unit until December 31, 2001 merged into the Revenue Authority on January 1, 2002. Requests for financial statements should be directed to the Revenue Authority's administrative offices: 1300 Mercantile Lane, Suite 108, Landover, Maryland 20785.

As discussed in Note 16, the Washington Suburban Sanitary Commission, Washington Suburban Transit Commission, Washington Metropolitan Area Transit Authority, and Maryland-National Capital Park and Planning Commission are not part of the reporting entity, but rather are considered joint ventures for financial reporting purposes.

(b) Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities report non-fiduciary financial activity of the County and its component units. The majority of inter-fund activity is eliminated from the statements. Governmental activities, which are mainly supported by tax revenue, are reported separately from business-type activities, which rely on fee charges to external parties. Additionally the primary government is reported separately from its component units.

The statement of activities compares direct expenses and program revenue for distinct business-type activities and for each of the County's governmental functions. Direct expenses are those that are specifically related to a program or function. Program revenue includes (1) fees and charges for services generated by a programs and (2) grants and contributions restricted to a particular program. All taxes and other items not included as program revenues are reported as general revenues.

Fund Financial Statements: Fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The focus is on major governmental and enterprise funds, which are reported, in separate columns in the fund financial statements. The remaining governmental funds are combined and reported as non-major funds.

The County reports the following major governmental funds:

General Fund - The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Federal and State Aided Programs - This Special Revenue Fund accounts for direct financial assistance received by the County through categorical grants from Federal and State agencies.

Capital Projects Fund - The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

The County reports the following major proprietary funds:

Solid Waste – This fund accounts for the disposition of refuse, garbage, rubbish, or any other matter to ensure the public health of the inhabitants of the County. The fund also covers programs and activities associated with solid waste management, environmental protection, and recycling and clean-up of the environment.

Stormwater Management Fund – This fund accounts for the servicing of County stormwater management facilities including floodplain maintenance, stormdrain maintenance, and a variety of rehabilitation, repair and maintenance contracts for open channels, ditches, and flood channels.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

The County also reports the following additional funds:

Internal Service Funds - Internal Service Funds are proprietary funds that account for vehicle maintenance, information technology, and risk management services to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

Pension Trust Funds - Trust Funds are fiduciary funds out of which retirement annuities and/or benefit payments are paid and designated to public employees.

Agency Funds – These fiduciary funds account for money held on behalf of other governmental entities for taxes collected by the County.

(c) Bases of Accounting

Government-wide, Proprietary and Pension Trust Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The County applies all applicable FASB pronouncements issued on or prior to November 30, 1989 in accounting and reporting for its government-wide and proprietary fund statements - unless these pronouncements conflict with GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the business-type funds and the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Stormwater Management Fund and Solid Waste Fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are used to account for the County's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers most revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded when payments are due.

Property taxes, interest, charges for services, and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting.

The County reports deferred revenue in its financial statements. Deferred revenues arise in governmental funds when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the County receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(d) Budgetary Data

The Prince George's County Charter requires that certain transactions be accounted for on a basis other than GAAP. Actual results of operations are presented in the Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual General Fund - in accordance with legislative requirements, in order to provide a meaningful comparison of actual results with budget estimates. Under the budgetary basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only a reservation of fund balance (GAAP basis). This treatment of encumbrances represents one of two material differences between the GAAP and budget basis. The other significant difference relates to the presentation of purchase agreement financing transactions. These transactions represent equipment or real estate lease purchase contracts where an escrow account is maintained under a three-party agreement between the County, the leasing company, and the fiscal escrow agent, who controls the receipt of the financing proceeds and disbursements for equipment and real estate purchases. Under the GAAP basis, both the purchases and periodic principal and interest on the financing must be recorded; however, under the budgetary basis, only the principal and interest payments are recorded.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to January 15, the Component Units submit to the County Executive a proposed budget for the fiscal year commencing the following July 1.

Prior to April 1, the County Executive submits to the County Council a proposed operating budget for the County, which includes the needs of the Component Units for the upcoming year. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the County Council to obtain taxpayer comments.

Prior to June 1, the budget is legally enacted through passage of an ordinance.

The appropriated budget is prepared by fund and by object within an agency. The County Executive is authorized to transfer budgeted amounts within an agency within any fund; however, the County Council must approve any revisions that alter the total expenditures of any agency or fund. No agency of the Primary Government shall during any fiscal year expend, or contract to expend, in excess of the amounts appropriated in the budget for such fiscal year. The level of budgetary control (level at which expenditures/expenses are monitored) is maintained at three major object classifications: compensation, other current expenditures/expenses (which include debt service payments, expenditure recoveries, and operating transfers out), and capital outlay. The legal level of control is exercised at the agency level in the General Fund. No County liability shall be incurred or contracted by any department, agency, or employee and no bill or invoice shall be approved or paid, unless the Council has authorized by budget adoption or a specific appropriation to cover payment out of public funds. Any person willfully violating this provision shall be deemed to be responsible for the contract, debt, or expenditure. The agency head allowing such action shall be subject to such disciplinary action as the Council shall determine.

Subsequent to passage of the budget ordinance, County Council may approve supplemental appropriations. During fiscal year 2002, such supplemental appropriations amounted to \$6.7 million decrease to the Primary Government's General Fund (major fund).

All unencumbered appropriations in the General Fund lapse at the end of the fiscal year.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

The following funds of the Primary Government have legally adopted annual budgets. The budget for the General Fund is located included in Exhibit A-5 (Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual):

- General Fund
- Nonmajor governmental funds:
 - Property Management Services Fund
 - Collington Center Fund
 - Domestic Violence Fund
 - Drug Enforcement and Education Fund

Although budgets are not legally adopted for all Special Revenue Funds of the County, budgetary control is exercised. The Federal and State Aided Programs Fund's expenditures are limited to the amount awarded for the associated grant programs.

Expenditures in the Debt Service Fund are limited by authorized transfer amounts from other funds. Capital Projects Funds are appropriated at the project level. Annual operating budgets are not prepared for the Debt Service or Capital Projects Funds.

(e) Cash and Cash Equivalents

For Statement of Cash Flows purposes, the Primary Government defines cash equivalents to include the following: all highly liquid, unrestricted investments with a maturity of three months or less when purchased; all cash and investment pools which are used essentially as demand accounts; all cash with fiscal agents; and all restricted cash and investments that have been determined to be cash equivalents.

(f) Investments

Investments of the Primary Government (other than those held by the Pension Trust Funds) are stated at cost or amortized cost, unless the remaining maturity at time of purchase is one year or more, in which case they would be recorded at fair value. In the Pension Trust Funds, investments are stated at quoted market value or fair value as determined by the trustee/investment manager in the absence of readily ascertainable market values. In accordance with pension investment policies, the Pension Trust Funds invest in "forward-based contracts," "structured notes," and "asset-backed securities" as reported in the investment disclosures (see note 4 - Cash and Investments).

(g) Special Assessments Receivable

Special assessments are levied upon completion of the related projects and are payable either (a) when billed, or (b) over a multi-year period from the date of the initial billing, at the option of the benefited property owner. Special assessments receivable under the deferred payment plan amounted to \$3,149,633 at June 30, 2002.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(h) Allowance for Uncollectible Receivables

The County calculates its allowance for uncollectible receivables using historical collection data and, in certain cases, specific account analysis. The total allowance amounts are summarized below:

Primary Government:	
General Fund	\$ 6,965,891
Federal and State Aided Fund	5,628,138
Solid Waste Fund	196,737
Stormwater Management Fund	22,334
Internal Service Funds	6,396
	\$ 12,819,496

As part of the County's Community Development Block Grant and Rental Rehabilitation federal financial assistance programs, the County grants loans to residents and developers to restore and repair low-income housing units. At June 30, 2002, there were approximately \$7.8 million of outstanding loans receivable under these programs. Approximately \$3.2 million of these loans are offset by equivalent deferred revenue in the Federal and State Aided Programs Special Revenue Fund. The remaining \$4.6 million is recorded as an allowance for uncollectible notes receivable (included in the table above), because collections are highly uncertain. In many cases, the County has agreed to forgive loan repayment if the resident/developer complies with certain requirements which may include residing in the property for a certain number of years.

(i) Inventories

Inventories, consisting of expendable items held for consumption, are stated at the lower of cost (first-in, first-out method) or market or at average cost, which approximates the first-in, first-out method of costing. The cost of such items is recognized as an expense or expenditure when used in operations.

Commodities donated by the U.S. Department of Agriculture are reflected in the accompanying Statement of Activities to the extent that they have been consumed. The value of such items not yet consumed (\$308,972 at June 30, 2002) has been included in inventory and deferred revenue by the Board of Education.

(j) Prepaid Costs and Deposits

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid expenses.

(k) Restricted Assets

Proceeds from debt and funds set aside for payment of revenue bonds and other general obligation debt are classified as restricted assets since their use is limited by applicable debt agreements. In addition, the County's capitalization contribution to the Local Government Insurance Trust is classified as a restricted asset.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(l) Capital Assets

Capital assets which include land, buildings, equipment, and infrastructure assets (e.g. road networks, bridges, stormwater property, and similar items) are recorded at cost and recorded as governmental or business-type activities in the government-wide financial statements. Contributed capital assets are recorded at estimated fair market value at the time received. Assets recorded under capital lease agreements are recorded at the lower of fair value or the net present value of minimum lease payments on the date of the lease inception. Interest is capitalized on assets acquired or constructed with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of borrowing until installation or completion of the project with interest earned on invested proceeds over the same period. During the current period, net interest costs of \$789,907 (net of \$84,251) of interest income) were capitalized.

The costs of normal maintenance and repairs that do not materially extend the assets useful life have not been capitalized.

Depreciation has been recorded over the following estimated useful lives using the straight-line method:

Land improvements	10 - 20 years
Buildings and plant improvements	3 - 50 years
Stormwater property in service	50 years
Equipment and machinery	3 - 20 years
Bridges	50 years
Road Networks	60 years

The Primary Government's landfill facility at Brown Station Road is currently being expanded by the construction of ten new treatment areas referred to as "cells." Five cells are currently operational. The total estimated cost of the operational cells was transferred from construction-in-progress to landfill property in service based on the total acreage of the operational cells as a percentage of the total landfill acreage multiplied by total estimated costs of the entire facility. Depreciation is computed by dividing the number of tons of refuse dumped by total estimated landfill capacity, which is then multiplied by the estimated total landfill cost.

(m) Self-Insurance Funds

Included in the estimated liability for pending claims are estimates of incurred but not reported claims and incremental claims adjustment expenses for all lines of coverage.

(n) Arbitrage Rebate Liability

The liability for rebated arbitrage earnings is included with accounts payable government-wide financial reporting purposes in the amounts of \$2,536,371 and \$82,067 in the governmental and business-type activity columns, respectively. This liability represents the excess investment earnings on unspent bond proceeds over the bond yield, in accordance with the Internal Revenue Code of 1986 as amended.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(o) Long-term Obligations

(i) Long-term Debt

In the government-wide financial statements and the proprietary fund financial statements long term obligations are reports as liabilities in the applicable, governmental activities, business-type activities, or proprietary fund type statement of net assets. For long-term obligations, only that portion expected to be financed from current available financial resources is reported as a fund liability of a Governmental Fund. Long-term liabilities to be financed from proprietary fund operations are accounted for in those funds.

(ii) Bond Premiums/Discounts and Issuance Costs

Bond premiums and discounts, as well as and issuance costs, for government-wide financial statements and the proprietary funds in the fund financial statements are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums or discounts are reported as a net addition or reduction of the face amount of bonds payable. Issuance costs are recorded as deferred charges.

In the governmental fund financial statements bond premiums and discounts are recognized in the current period. Issuance costs, whether or not withheld from actual debt proceeds, is reported as debt service expenditures.

(iii) Bond Covenants

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The County is substantially in compliance with all such significant limitations and restrictions.

(p) Reserved and Designated Fund Balances

In the governmental fund financial statements portions of the County's fund balances are reserved for specific future uses. Such reservations evidence third party claims that have not materialized as liabilities at the balance sheet date, or assets that - because of their non-monetary nature or lack of liquidity, e.g., inventories - represent financial resources not available for current appropriation or expenditure. Designations represent tentative plans for future use of financial resources.

(q) Revenue, Expenditures, and Expenses

(i) Property Tax Revenue Recognition

Prince George's County's real property taxes are due and payable on the first day of July each year, the levy date and the date on which an enforceable lien attaches to the property. Levies are based on assessments as certified to the County by the State of Maryland Department of Assessments and Taxation. Such taxes are overdue and in arrears on the first day of October, at which time interest and penalties are charged at the rate of 20% per annum on all unpaid accounts. Personal property and real property taxes levied for a fraction of a year are due when billed and are overdue within 30 days of billing. General property taxes receivable, prior to considering the allowance for uncollectibles of \$6,665,937 at June 30, 2002, amounted to \$13,914,953.

Property on which taxes remain in a delinquent status as of the second Monday in May is placed for tax sale.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

At the November 1978 General Election, the voters of the County adopted an amendment to the Charter limiting future collection of real property taxes to the amount collected in fiscal year 1979. The amendment, which became effective in December 1978, added Section 817B to the Charter. It is generally referred to in the County as "TRIM" (TRIM is an acronym for Tax Reform Initiative by Marylanders).

An amendment to TRIM was approved by the voters of the County at the November 1984 General Election, authorizing the Council to levy taxes beginning in 1986 on a maximum rate basis as an alternative to the maximum amount basis. The maximum rate authorized was two dollars and forty cents (\$2.40) for each one hundred dollars (\$100) of assessed value.

Beginning in fiscal year 1992, the Court of Appeals upheld the authority of Prince George's County to increase the tax rate to pay principal and interest on bonds outstanding prior to the effective date of "TRIM". Prior to fiscal year 2002, real property in the County was assessed at 40% of the phased-in market value. Pursuant to a change in State law, real property in fiscal year 2002 was assessed at 100% of the phased-in market value. For fiscal year 2002, the tax rate was set at ninety-six and two-tenth cents (\$0.962) and two dollars forty and four tenth cents (\$2.404) for each one hundred dollars (\$100) of assessed value for real and personal property, respectively.

(ii) Landfill Operations - Primary Government

Revenue Recognition

The revenue of the County's landfill operations reported in the Solid Waste Enterprise Fund is based upon service rates authorized by the County Council. These rates are intended to produce revenue approximately equal to costs similar to certain types of regulated enterprises. Therefore, the Solid Waste Enterprise Fund follows accounting guidance for regulated enterprises.

Closure and Post-closure Care Costs

The October 9, 1991 U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria," establishes certain closure and thirty (30) year postclosure care requirements affecting municipal solid waste landfills. In accordance with Statement No. 18 of the Governmental Accounting Standards Board, "Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs," the County accrues for closure and post-closure costs related to its landfill operations. Consistent with accounting policies for regulated enterprises, the recognition of closure and post-closure care costs otherwise chargeable to expense has been deferred because it has been determined that future estimated revenue in an amount at least equal to the deferred cost will result from inclusion of those amounts in allowable costs for rate-making purposes and that future revenue will be sufficient to permit recovery of the previously incurred cost as well as to provide for expected levels of similar future costs. The deferred landfill closure costs are recognized to the extent that designated revenues are collected. In fiscal year 2002, \$8.50 per ton of solid waste dumped was designated for closure and postclosure costs.

(r) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates. However, management does not believe that actual results will be materially different from those estimates.

(s) Total Column Government-wide Statement of Net Assets

The total column for the reporting entity reports the portion of the unrestricted net asset deficit related to component unit debt (\$251,138,398) of the primary government's governmental activities as invested in capital assets, net of related debt. Consequently, unrestricted net assets and net assets invested in capital assets, net of related debt, of the reporting entity are not equal to a simple combination of those net assets components of the primary government and its component units.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(2) Accounting Policy and Other Changes

The following accounting and reporting principles were implemented in fiscal year 2002:

GASB Statement 34 – New Reporting Model

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Statement 34 establishes a new reporting model that requires government-wide financial statements and management's discussion and analysis. Additionally governments are required to include infrastructure assets in their government-wide statements.

GASB Interpretation No. 6 – Recognition and Measurement of Certain Liabilities

In March 2000, the GASB issued Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures. The primary impact for the County was in the General Fund where the fiscal year 2001 fund balance was restated by \$5.9 million.

General Fund balance , June 30,2001, as previously stated	\$	158,585,702
Decrease in compensated absences liability		3,648,567
Decrease in arbitrage rebate liability		2,291,021
General Fund balance , June 30,2001, restated	\$	164,525,290

GASB Statement 37 – Amendment to Statement No. 34

In June 2001, the GASB issued Statement 37, "Basic Financial Statements-and-Management's Discussion and Analysis-for State and Local Governments: Omnibus." Statement 37 clarifies or modifies certain provisions in Statement 34 that may have otherwise had unintended consequences in some situations.

GASB Statement 38 – Note Disclosures

In June 2001, the GASB issued Statement 38, "Certain Financial Statement Disclosures". Statement 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. The County revised certain footnote disclosures to comply with this statement.

(3) Compliance and Accountability

(a) Net Assets Deficit - Primary Government - Internal Service Fund - Life and Health Benefits

The Primary Government's Life and Health Internal Service Fund's net assets deficit at June 30, 2002 is \$800,387. The County increased premium contributions in fiscal year 2002 and reduced the prior year deficit by \$1.9 million; we will increase premiums again in fiscal year 2003 to eliminate the June 30, 2002 deficit.

(b) Net Assets Deficit - Primary Government - Internal Service Fund – Workers' Compensation

The Primary Government's Workers' Compensation Internal Service Fund's net assets deficit at June 30, 2002 is \$2,785,615. The County will increase premium contributions and reduce certain administrative costs in fiscal year 2003 to eliminate this deficit.

(c) Investment Policy Violations – Component Units

At June 30, 2002, the Board of Education and the Redevelopment Authority had uninsured and uncollateralized deposits with financial institutions of \$95,127 and \$126,407, respectively. Action will be taken to ensure this violation of State law does not recur.

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(d) Overexpenditures – Board of Education

At June 30, 2002, the Board of Education expenditures exceeded the approved budget by \$29.2 million. The Board has identified the issues that created this deficit and will work closely with the primary government to ensure this violation does not occur in the future.

(4) Cash and Investments

The Primary Government maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "Cash and investments" (restricted and unrestricted). Investment income is allocated to all funds based on the percentage of the fund's cash and investments at month-end to the total pool, with the exception of income on bond proceeds, which is allocated to the General Fund pursuant to certain legal provisions. The Component Units maintain separate bank accounts covered by Federal depository insurance or collateral held by the banks in the entity's name. In addition, investments are separately held by several funds. Statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instruments; interest bearing accounts; certificates of deposit; repurchase agreements; bankers' acceptances, money market accounts, and the State's investment pool. Statutes require that deposits, interest bearing accounts, certificates of deposit, and repurchase agreements be fully collateralized. The Primary Government's cash with fiscal agent is uninsured and uncollateralized.

The Primary Government, the Board of Education, the Revenue Authority, and the Memorial Library participate in the Maryland Local Government Investment Pool (MLGIP). The MLGIP is an external investment pool that is not subject to regulation by the SEC. However, the pool is governed by Article 95 Section 22G of the Annotated Code of Maryland and under control of the State Treasurer, subject to oversight by the MGLIP Advisory Committee. All securities in the MLGIP are valued daily on an amortized cost basis, which approximates market value.

The Pension Plans of the Primary Government have separate investment policies that are set by each Plan's Board of Trustees to assure overall diversification of investments. Custody of Plan assets are maintained at financial institutions selected by the Board, but the responsibility for selection of specific investments is delegated to appointed Investment Managers. The Plans' asset mix consists primarily of three categories: equity, fixed-income, and real estate.

Included in the pooled separate accounts of the Pension Trust funds are investments in the following "forward-based contracts," which includes foreign currency futures and forward exchange contracts, interest rate futures and swaps, and equity futures contracts. Foreign currency futures and forward exchange contracts are used to reduce the risk that changes in foreign currency exchange rates will have an adverse impact on the market value of foreign currency loans and investments owned by the pension plans. Interest rate futures and swaps are used by the pension funds to adjust the duration of fixed income portfolios. In addition, one pension fund investment manager invests in interest rate swaps, including basis swaps, to synthetically create money market instruments with higher returns than available with traditional money market instruments. Equity futures contracts are utilized by the pension funds to derive a total return similar to owning a group of stocks at a lower cost. The plans bear risk in excess of the amounts recorded in the financial statements due to market, credit, and liquidity risk of "forward-based contracts." Market risk is the risk of loss due to changes in interest rates, foreign currency rates, or stock prices. Market risk is managed by closely monitoring the potential impact of changes in market conditions on the "forward-based contracts." The plans are exposed to credit risk on forward contracts and swaps. Credit risk is limited by a thorough credit analysis of the counterparties involved in the transactions. Futures contracts generally have low credit risk since the contract's performance is guaranteed by a regulated exchange. The pension funds are exposed to liquidity risks on all contracts, especially on futures contracts since changes in market values are settled in cash daily. Investment managers are required to maintain a portion of their portfolio in highly liquid investments to sufficiently cover reasonable liquidity requirements. "Forward-based contracts", based upon notional value, represent less than 1% of the Pension Trust funds' investments as of June 30, 2002.

The Board of Trustees for the Police and Fire Service Pension Plans (Plans) authorizes the lending of securities to broker-dealers for collateral that will be returned for the same securities in the future. The collateral securities, letters of credit and cash are initially pledged at 102% of the market value of the securities lent and revalued daily to ensure that the collateral does not fall below 102%. The plans are indemnified of credit risk as it relates to counterparty loan activity. The collateral securities and letters of credit can not be sold or pledged unless the borrower defaults. As a result, such amounts have not been reported as assets and liabilities in the statement of net assets of the Pension Trust Funds. Cash collateral is invested in the Plans custodian's short-term investment pool, which at year-end has a weighted average to maturity of 59 days. The relationship between the maturities of the investment pool and the Plans loans is affected by the maturities of the securities loans made by other entities that use the pool, which the Plans cannot determine. Securities lent for cash collateral are unclassified in the following schedule. Securities lent for securities or letters of credit collateral and classified according to the category of custodial risk for the collateral. The collateral held and the fair value of securities on loan as of June 30, 2002 totaled \$97,669,656 and \$94,919,610, respectively.

The County's investments at June 30, 2002 are categorized in the table on the next page to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which securities or collateral are held by the County or the County's agent in an account in the County's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 reflects investments held by the counterparty, or by its trust department or agent, but not in the County's name.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

At year end, the Primary Government's cash and investment balances were as follows:

	Category			Reported Amount	Fair Value and/or Bank Balance
	1	2	3		
U.S. Government and agency securities:					
Not on securities loan	\$ 249,289,594	-	-	249,289,594	250,903,227
On securities loan for securities collateral	594,560	-	-	594,560	594,560
Repurchase agreements	42,550,954	-	-	42,550,954	36,959,066
International securities	75,442,785	-	-	75,442,785	75,442,785
Asset backed securities	3,116,842	-	-	3,116,842	3,116,842
Municipal bonds	10,204,429	-	-	10,204,429	10,204,429
Corporate bonds	61,670,029	-	-	61,670,029	61,670,029
Preferred stock	274,244	-	-	274,244	274,244
Common stock:					
Not on securities loan	316,133,878	-	-	316,133,878	316,133,878
On securities loan for securities collateral	379,476	-	-	379,476	379,476
	<u>\$ 759,656,791</u>	<u>-</u>	<u>-</u>	<u>759,656,791</u>	<u>755,678,536</u>
Pooled separate accounts - Pension Trust Funds				179,459,259	179,459,259
Money market/mutual funds - open-end				60,493,027	60,493,027
Maryland Local Government Investment Pool				76,153,996	76,153,996
Investments held by broker-dealers under securities loans with cash collateral:					
U.S. Government and agency securities				39,435,319	39,435,319
Corporate bonds				9,205,182	9,205,182
Common stock				45,305,073	45,305,073
Securities lending short-term collateral investment pool				96,609,418	96,609,418
Total investments				<u>1,266,318,065</u>	<u>1,262,339,810</u>
Cash on hand				14,371	14,371
Cash in insured bank accounts in County's name:					
Insured (FDIC)				100,000	100,000
Securities held by pledging financial Institutions' trust department in County's name				(26,552,701)	1,387,830
Cash held by financial institutions' trust departments (uninsured and unregistered accounts):					
With fiscal agent				57,000	57,000
Total cash				<u>(26,381,330)</u>	<u>1,559,201</u>
Total reported amount of cash and investments				<u>\$ 1,239,936,735</u>	<u>1,262,339,810</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

At year end, the Component Units' cash and investment balances were as follows:

	Category			Reported <u>Amount</u>	Fair Value and/or <u>Bank Balance</u>
	1	2	3		
Repurchase Agreement	\$ 4,459,400	-	-	4,459,400	4,459,400
Corporate Bonds	140,082			140,082	140,082
Common stock	-	1,027	-	1,027	1,260
	\$ 4,599,482	1,027	-	4,600,509	4,600,742
Maryland Local Government Investment Pool				40,521,580	40,521,580
Mutual funds - open-end				3,086,199	3,086,199
Total investments				48,208,288	48,208,521
Certificates of deposit in Component Units' name:					
Insured (FDIC) or held by Component Unit				100,000	100,000
Securities held by pledging financial institutions' trust department in					
Component Units' name				100,000	100,000
Cash on hand				8,622	8,622
Cash in insured bank accounts in Component Units' name:					
Insured (FDIC)				556,514	1,417,244
Insured (SIPC) - pension cash with investment manager				183,913	183,913
Securities held by pledging financial institutions' trust department in					
Component Units' name				4,974,324	12,734,371
Cash held by financial institutions' trust departments					
(uninsured and unregistered accounts):					
With fiscal agent				6,397	6,397
Cash held in Component Units' name:					
Uninsured and unregistered bank accounts				221,534	221,534
Total cash				6,151,304	14,772,081
Total reported amount of cash and investments				\$ 54,359,592	

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(5) Interfund Receivables, Payables, and Transfers

Interfund balances for Primary Government as of June 30, 2002, are as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal and State Aided Programs	\$ 9,140,651
	Capital Projects	2,100,000
	Nonmajor Governmental Funds	17,500
	Fiduciary	4,717,000
		<u>\$ 15,975,151</u>

Due from/to other entities:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit - Industrial Development Authority	Primary Government - General Fund	\$ 2,047,683
Component Unit - Redevelopment Authority	Primary Government - General Fund	450,700
Component Unit - Revenue Authority	Primary Government - General Fund	16,858
		<u>\$ 2,515,241</u>
Primary Government - General Fund	Component Unit - Housing Authority	\$ 1,755,555
Primary Government - General Fund	Component Unit - Community Television	450,000
Primary Government - Internal Service	Component Unit - Memorial Library	4,753
Primary Government - Internal Service	Component Unit - Board of Education	8,336,010
		<u>\$ 10,546,318</u>

The balance due to the General Fund from other funds is the result of temporary borrowing to cover cash deficits.

Interfund transfers for Primary Government as of June 30, 2002, are as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Federal and State Aided Programs	\$ 2,543,706
	Nonmajor Governmental Funds	57,426,144
	Internal Service Funds	5,500,000
		<u>\$ 65,469,850</u>

The transfers from the General Fund to other funds represent payments to support grant programs, debt service, and to support the Computer Services Fund.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(6) Due From Other Governmental Units

The State owes the Primary Government \$64,899,103 for its share of income tax collections. The other Primary Government amounts are primarily grant-related receivables. A summary of amounts due from other governmental units at June 30, 2002 is listed below:

	State of <u>Maryland</u>	Federal <u>Government</u>	Other <u>Sources</u>	<u>Total</u>
Primary Government	\$ 109,716,075	28,900,078	7,364,425	145,980,578
Component Units:				
Board of Education	27,041,862	15,120,448	34,231,605	76,393,915
Other Component Units	6,582,421	-	1,028,907	7,611,328
Total	<u>33,624,283</u>	<u>15,120,448</u>	<u>35,260,512</u>	<u>84,005,243</u>
Total Reporting Entity	<u>\$ 143,340,358</u>	<u>44,020,526</u>	<u>42,624,937</u>	<u>229,985,821</u>

(7) Capital Assets

(a) Governmental Activities

As discussed in note 2, effective July 1, 2001, the County reports all capital assets, net of accumulated depreciation, in the government-wide statement of net assets. As a result, amounts previously reported as general fixed assets at June 30, 2001 have been increased by approximately \$1.1 billion. The majority of this increase relates to the inclusion of infrastructure.

Changes in capital asset activity during fiscal year 2002 were as follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	Disposals and <u>Completed Construction</u>	Balance <u>June 30, 2002</u>
Primary Government:				
Capital assets, not being depreciated:				
Land	\$ 62,245,384	1,942,536	35,237	64,152,683
Construction in progress	76,208,357	31,884,952	3,315,456	104,777,853
Total capital assets, not being depreciated:	<u>138,453,741</u>	<u>33,827,488</u>	<u>3,350,693</u>	<u>168,930,536</u>
Capital assets, being depreciated:				
Buildings and improvements	228,467,204	362,530	870,558	227,959,176
Equipment	102,991,512	13,395,285	3,927,542	112,459,255
Infrastructure	1,802,480,959	36,959,698	-	1,839,440,657
Total capital assets, being depreciated:	<u>2,133,939,675</u>	<u>50,717,513</u>	<u>4,798,100</u>	<u>2,179,859,088</u>
Less accumulated depreciation for:				
Buildings and improvements	48,089,687	4,912,197	540,135	52,461,749
Equipment	75,521,484	8,947,038	2,929,223	81,539,299
Infrastructure	617,944,805	30,729,268	-	648,674,073
Total accumulated depreciation	<u>741,555,976</u>	<u>44,588,503</u>	<u>3,469,358</u>	<u>782,675,121</u>
Total capital assets being depreciated, net	<u>1,392,383,699</u>	<u>6,129,010</u>	<u>1,328,742</u>	<u>1,397,183,967</u>
Governmental activities capital assets	<u>\$ 1,530,837,440</u>	<u>39,956,498</u>	<u>4,679,435</u>	<u>1,566,114,503</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Depreciation expense was charged to functions/programs of governmental activities as follows:

Governmental Activities:	
General government	\$ 2,982,947
Public safety	7,952,888
Public works and transportation, including depreciation of general infrastructure assets	33,110,447
Health	214,095
Public Welfare	20,531
Capital assets being held by internal service funds are charged to the various functions based on their usage of the assets	307,595
Total depreciation expense - governmental activities	<u>\$ 44,588,503</u>

Construction of capital assets in progress for the Primary Government at June 30, 2002, exclusive of Proprietary Fund assets and improvements not capitalized, is as follows:

	<u>Project No.</u>	Expended through <u>June 30, 2002</u>	Encumbered at <u>June 30, 2002</u>
Prince George's Courthouse	300173	\$ 237,768	1,418,078
Detention Center Expansion – Phase I	561273	15,216,014	97,813
Contee Road	665701	7,160,544	3,336
Amendale Virginia Manor Road	666151	8,019,780	2,170,639
Ardwick Ardmore II	666331	5,853,405	836
Cheverly Renovations	700023	10,162,746	100,770
Library Projects	Various	5,542,814	99,351
Public Safety Projects	Various	8,243,349	4,343,438
Other Road and Bridge Projects	Various	43,091,547	17,432,316
Other miscellaneous projects	Various	1,249,886	1,682,238
Total Primary Government		<u>\$ 104,777,853</u>	<u>27,348,815</u>

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(b) Business-type Activities

Changes in capital asset activity during fiscal year 2002 were as follows:

	Balance <u>July 1, 2001</u>	Additions	Disposals and <u>Completed Construction</u>	Balance <u>June 30, 2002</u>
Capital assets, not being depreciated:				
Land	\$ 11,559,680	-	-	11,559,680
Construction in progress	<u>73,717,304</u>	<u>12,703,921</u>	<u>3,827,518</u>	<u>82,593,707</u>
Total capital assets, not being depreciated:	<u>85,276,984</u>	<u>12,703,921</u>	<u>3,827,518</u>	<u>94,153,387</u>
Capital assets, being depreciated:				
Buildings and improvements	7,193,947	-	-	7,193,947
Equipment and vehicles	20,005,367	877,241	386,240	20,496,368
Landfill property in service	77,508,721	2,777,141	-	80,285,862
Stormwater property in service	<u>89,937,351</u>	<u>1,010,800</u>	<u>-</u>	<u>90,948,151</u>
Total capital assets, being depreciated:	<u>194,645,386</u>	<u>4,665,182</u>	<u>386,240</u>	<u>198,924,328</u>
Less accumulated depreciation for:				
Buildings and improvements	3,662,241	330,119	-	3,992,360
Equipment and vehicles	11,928,675	1,622,820	372,965	13,178,530
Landfill property in service	46,085,889	11,258,634	-	57,344,523
Stormwater property in service	<u>20,918,383</u>	<u>2,255,982</u>	<u>-</u>	<u>23,174,365</u>
Total accumulated depreciation	<u>82,595,188</u>	<u>15,467,555</u>	<u>372,965</u>	<u>97,689,778</u>
Total capital assets being, depreciated, net	<u>112,050,198</u>	<u>(10,802,373)</u>	<u>13,275</u>	<u>101,234,550</u>
Business-type activities capital assets	<u>\$ 197,327,182</u>	<u>1,901,548</u>	<u>3,840,793</u>	<u>195,387,937</u>

Depreciation expense was charged to functions / programs of the business-type activities as follows:

Solid Waste	\$ 13,137,384
Stormwater	<u>2,330,171</u>
Total depreciation expense - business-type activities	<u>\$ 15,467,555</u>

As of June 30, 2002, construction requisitions outstanding for proprietary funds of the Primary Government totaled \$15,382,373.

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Changes in capital activity for the Stormwater Management Fund were as follows:

	Balance July 1, 2001	Additions	Disposals and Completed Construction	Balance June 30, 2002
Capital assets, not being depreciated:				
Land	\$ 8,431,440	-	-	8,431,440
Construction in progress	33,694,874	4,195,639	1,010,800	36,879,713
Total capital assets, not being depreciated:	<u>42,126,314</u>	<u>4,195,639</u>	<u>1,010,800</u>	<u>45,311,153</u>
Capital assets, being depreciated:				
Buildings and improvements	242,525	-	-	242,525
Equipment and vehicles	1,247,811	-	46,399	1,201,412
Stormwater property in service	89,937,351	1,010,800	-	90,948,151
Total capital assets, being depreciated:	<u>91,427,687</u>	<u>1,010,800</u>	<u>46,399</u>	<u>92,392,088</u>
Less accumulated depreciation for:				
Buildings and improvements	113,179	9,701	-	122,880
Equipment and vehicles	1,068,935	64,488	49,488	1,083,935
Stormwater property in service	20,918,383	2,255,982	-	23,174,365
Total accumulated depreciation	<u>22,100,497</u>	<u>2,330,171</u>	<u>49,488</u>	<u>24,381,180</u>
Total capital assets being, depreciated, net	<u>69,327,190</u>	<u>(1,319,371)</u>	<u>(3,089)</u>	<u>68,010,908</u>
Stormwater management capital assets	<u>\$ 111,453,504</u>	<u>2,876,268</u>	<u>1,007,711</u>	<u>113,322,061</u>

Changes in capital activity for the Solid Waste Fund were as follows:

	Balance July 1, 2001	Additions	Disposals and Completed Construction	Balance June 30, 2002
Capital assets, not being depreciated:				
Land	\$ 3,128,240	-	-	3,128,240
Construction in progress	40,022,430	8,508,282	2,816,718	45,713,994
Total capital assets, not being depreciated:	<u>43,150,670</u>	<u>8,508,282</u>	<u>2,816,718</u>	<u>48,842,234</u>
Capital assets, being depreciated:				
Buildings and improvements	6,951,422	-	-	6,951,422
Equipment and vehicles	18,757,556	877,241	339,841	19,294,956
Landfill property in service	77,508,721	2,777,141	-	80,285,862
Total capital assets, being depreciated:	<u>103,217,699</u>	<u>3,654,382</u>	<u>339,841</u>	<u>106,532,240</u>
Less accumulated depreciation for:				
Buildings and improvements	3,549,062	320,418	-	3,869,480
Equipment and vehicles	10,859,740	1,558,332	323,477	12,094,595
Landfill property in service	46,085,889	11,258,634	-	57,344,523
Total accumulated depreciation	<u>60,494,691</u>	<u>13,137,384</u>	<u>323,477</u>	<u>73,308,598</u>
Total capital assets being, depreciated, net	<u>42,723,008</u>	<u>(9,483,002)</u>	<u>16,364</u>	<u>33,223,642</u>
Solid Waste capital assets	<u>\$ 85,873,678</u>	<u>(974,720)</u>	<u>2,833,082</u>	<u>82,065,876</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Construction in progress in the proprietary funds consists of the following:

Primary Government:

o Solid Waste Enterprise Fund		
- Public Safety Training Facility (500653)	\$	522,655
- Brown Station Landfill Expansion (541113)		13,273,231
- Brown Station Landfill Buffer Zone (541123)		5,428,783
- Equipment Storage Facility (547715)		94,446
- Refuse and Recycling Drop -Off Facilities (548815)		356,081
- Abandoned Vehicle Lot Expansion (548835)		2,439,047
- Sandy Hill Landfill Expansion (548846)		7,014,876
- Solid Waste Recycling Facilities (548915)		16,580,304
- Commercial Manufacturer/Waste Transfer Station (548925)		4,571
		<u>45,713,994</u>
o Stormwater Management Enterprise Fund		
- Stormdrain Relief Program (540425)		12,850,758
- Water Quality Control Facility (540465)		3,526,673
- Anacostia Retrofit (540855)		6,549,747
- 44th Avenue University Park (540915)		235,130
- Bond Default Fund (540925)		670,459
- Oxon Run Flood Control Structure (541265)		135,755
- Major Reconstruction – DPWT (541435)		2,989,098
- Municipal Storm Drain Program (541455)		544,817
- COE Anacostia Restoration (541685)		877,578
- Water Quality Plan Implementation (541805)		3,456,074
- Bladensburg Environmental Revitalization (541835)		2,449,790
- Other miscellaneous projects		2,593,834
		<u>36,879,713</u>
Total Primary Government	\$	<u>82,593,707</u>

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(c) Component Unit Activity

Changes in Board of Education capital asset activity during fiscal year 2002 were as follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals and Completed Construction</u>	Balance <u>June 30, 2002</u>
Capital assets, not being depreciated:				
Land	\$ 19,369,912	-	-	19,369,912
Construction in progress	43,882,592	83,783,180	-	127,665,772
Total capital assets, not being depreciated:	<u>63,252,504</u>	<u>83,783,180</u>	<u>-</u>	<u>147,035,684</u>
Capital assets, being depreciated:				
Buildings and improvements	645,799,073	23,176,886	-	668,975,959
Equipment and vehicles	88,041,265	13,950,739	2,811,884	99,180,120
Total capital assets, being depreciated:	<u>733,840,338</u>	<u>37,127,625</u>	<u>2,811,884</u>	<u>768,156,079</u>
Less accumulated depreciation for:				
Buildings and improvements	263,984,567	13,625,159	-	277,609,726
Equipment and vehicles	41,026,285	6,874,091	2,747,882	45,152,494
Total accumulated depreciation	<u>305,010,852</u>	<u>20,499,250</u>	<u>2,747,882</u>	<u>322,762,220</u>
Total capital assets being, depreciated, net	<u>428,829,486</u>	<u>16,628,375</u>	<u>64,002</u>	<u>445,393,859</u>
Component units capital assets	<u>\$ 492,081,990</u>	<u>100,411,555</u>	<u>64,002</u>	<u>592,429,543</u>

Changes in other component unit capital asset activity during fiscal year 2002 were as follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals and Completed Construction</u>	Balance <u>June 30, 2002</u>
Capital assets, not being depreciated:				
Land	\$ 14,685,830	8,555,453	-	23,241,283
Total capital assets, not being depreciated:	<u>14,685,830</u>	<u>8,555,453</u>	<u>-</u>	<u>23,241,283</u>
Capital assets, being depreciated:				
Buildings and improvements	141,363,278	2,415,078	-	143,778,356
Equipment and vehicles	44,640,804	6,156,778	9,170,787	41,626,795
Total capital assets, being depreciated:	<u>186,004,082</u>	<u>8,571,856</u>	<u>9,170,787</u>	<u>185,405,151</u>
Less accumulated depreciation for:				
Buildings and improvements	40,968,841	2,729,902	-	43,698,743
Equipment and vehicles	23,866,148	5,515,416	2,421,768	26,959,796
Total accumulated depreciation	<u>64,834,989</u>	<u>8,245,318</u>	<u>2,421,768</u>	<u>70,658,539</u>
Total capital assets being, depreciated, net	<u>121,169,093</u>	<u>326,538</u>	<u>6,749,019</u>	<u>114,746,612</u>
Component units capital assets	<u>\$ 135,854,923</u>	<u>8,881,991</u>	<u>6,749,019</u>	<u>137,987,895</u>

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(8) Risk Management

Details of estimated liabilities on pending claims, by fund, at June 30, 2002 are as follows:

	Risk Management <u>Pools</u>	Other <u>Self-Insurance</u>	<u>Total</u>
Primary Government:			
Internal Service Funds:			
Unemployment Compensation	\$ -	65,019	65,019
Property Loss	1,726,157	-	1,726,157
Automobile Liability	1,726,863	-	1,726,863
Worker's Compensation	31,487,831	-	31,487,831
General Liability	13,026,218	-	13,026,218
Life and Health Benefits	-	6,891,266	6,891,266
Total Primary Government	<u>\$ 47,967,069</u>	<u>6,956,285</u>	<u>54,923,354</u>

The Primary Government, together with the Board of Education, the Board of Trustees for Prince George's Community College, and the Board of Trustees of Prince George's County Memorial Library are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains various pooled risk management Internal Service Funds, (comprised of the above mentioned members) to account for and finance its uninsured losses. Under this program, Prince George's County, et al., is an approved self-insurer by the State of Maryland, and as such, is subject to provide coverage according to State mandatory limits of \$500,000 per injury. Property coverage is self-insured for \$100,000 per incident with excess insurance above this level provided by the Local Government Insurance Trust which includes replacement values of both structures and contents. Liability coverage is self-insured to the limits of the State Tort Claims Act (\$200,000 per person not to exceed \$500,000 per incident) for all participants with exception of the Board of Education, which retains immunity at \$100,000 per incident. Excess liability coverage is provided by the Local Government Insurance Trust at the \$1,000,000 through \$5,000,000 level for the Community College and the Library. Settled claims to date have not exceeded the coverage levels as stated. Insurance coverage at June 30, 2002 is consistent with the prior year.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Participants of the risk management pools normally make contributions based upon prior experience with evaluations conducted biennially by an actuary. In fiscal year 2002, the Primary Government made contributions amounting to \$15,277,867. Prior and current year claims are fully reserved and are discounted at a rate of 5 percent, based on the pool's investment yield rate and current economic conditions.

The total claims liability of \$47,967,069 reported for the risk management pools at June 30, 2002 is based upon the requirements of GAAP, which requires that a liability for claims be recognized if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated, including claims incurred but not reported. [The reserve estimates are supported by an independent actuarial review made as of June 30, 2002.] The fund does not utilize annuity contracts from commercial insurers; therefore, during this reporting period all known liabilities have been disclosed. Changes in the funds claims liability amount in fiscal years 2001 and 2002 were as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
Fiscal year 2001	\$38,402,186	22,313,191	(18,716,269)	41,999,108
Fiscal year 2002	\$41,999,108	28,877,735	(22,909,774)	47,967,069

The following is a reconciliation of the fiscal year 2002 claims expenses:

	<u>Total Claim Payments</u>	<u>Liability on Pending Claims Adjustment</u>	<u>Total Claim Expenses</u>
Property Loss Fund	\$ 2,201,475	(1,504,238)	697,237
Auto Liability Fund	1,210,161	(718,082)	492,079
Worker's Compensation Fund	16,024,369	6,636,076	22,660,445
General Liability Fund	<u>3,473,769</u>	<u>1,554,205</u>	<u>5,027,974</u>
	<u>\$ 22,909,774</u>	<u>5,967,961</u>	<u>28,877,735</u>

The Primary Government maintains separate Internal Service Funds for unemployment compensation and life and health benefits. An independent actuary is not involved in evaluating contribution levels and estimated claims for the Unemployment Compensation or Life and Health Benefits Internal Service Funds. Changes in these funds claims liability amount in fiscal years 2001 and 2002 were as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
Fiscal year 2001	\$4,831,387	28,252,610	(27,360,528)	5,723,469
Fiscal year 2002	\$5,723,469	34,543,334	(33,310,518)	6,956,285

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(9) Pension Plans

(a) Primary Government

Employees of the Primary Government participate in the following pension plans:

The majority of employees participate in the statewide local government retirement system pension plan listed below. It is a cost-sharing, multiple-employer, defined benefit pension plan administered by the State Retirement and Pension System of Maryland (SRPS) [formerly Maryland State Retirement and Pension Systems (MSRPS)], in accordance with Article 73B of the annotated Code of Maryland.

? Employees Retirement and Pension System of Maryland

Public safety employees of the Primary Government may participate in the following single-employer, defined benefit pension plans:

? Police Pension Plan

? Fire Service Pension Plan

? Deputy Sheriff's Comprehensive Pension Plan

? Correctional Officers' Comprehensive Pension Plan

Qualified employees can also supplement the State Retirement and Pension System plan with one of the following single-employer, defined benefit "Supplemental Plans":

? Deputy Sheriff's Supplemental Pension Plan

? Correctional Officers' Association Supplemental Pension Plan

? AFSCME Local 241 (Crossing Guards) Supplemental Pension Plan

? AFSCME Local 1691, 2462, and 2735 Supplemental Pension Plan

? General Schedule Employees Supplemental Pension Plan

? Fire Civilian Supplemental Pension Plan

? Police Civilian Supplemental Pension Plan

(i) Plans Administered by the State Retirement and Pension System of Maryland (SRPS) - [Multiple-employer, Cost-sharing, Defined Benefit Pension Plans]

Qualified full-time and permanent part-time general service employees and officers of the Primary Government participate in the statewide Retirement System or Pension System plans administered by the SRPS. Effective June 1, 1984, employees who were members of a Retirement System on December 31, 1979, could elect to join a Pension System or remain in a Retirement System. All employees hired on or after January 1, 1980, are required to join the Pension System. All SRPS plans have provisions for early retirement, death, and disability benefits.

Article 73B of the Annotated Code of Maryland assigns the authority to establish and amend benefit and contribution provisions to SRPS' Board of Trustees. SRPS issues a publicly available financial report that includes financial statements and required supplementary information on the Plans. Requests for copies of annual financial reports should be addressed to SRPS' administrative offices located at 301 West Preston Street, Fourth Floor, Baltimore, Maryland 21201, or can be made by telephoning (410) 767-4030 or 1-800-492-5909.

Participants of the Pension System plan contribute 5% of earnings above the Social Security wage base and may retire with full benefits after 30 years of service regardless of age or at age 62 or older with specified years of service. Retirement benefits are based on the participant's highest average annual compensation during any 3 consecutive years of credited service.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Participants of the Retirement System plan contribute 7% of annual compensation and upon retirement are entitled to unlimited cost-of-living adjustments, or contribute 5% of annual compensation and upon retiring are limited to 5% cost-of living increases annually. Retirement System participants may retire with full benefits after attaining age 60, or after completing 30 years of service, regardless of age. Annual retirement benefits are equal to 1/55 of the average of the participant's three highest years of annual compensation, multiplied by the number of years of credited service.

As referenced below, the Primary Government made the actuarially required contributions for the indicated fiscal years.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Actuarial contribution requirement	\$ 4,624,842	5,802,414	6,650,198

(ii) Police, Fire Service, Deputy Sheriff's, Correctional Officers', and Supplemental Pension Plans [Single-Employer, Defined Benefit Pension Plans.]

Plan Descriptions

The Primary Government has adopted the Police Pension Plan, Fire Service Pension Plan, Deputy Sheriff's Comprehensive Pension Plan, Correctional Officers' Comprehensive Pension Plan, Deputy Sheriff's Supplemental Pension Plan, Correctional Officers' Association Supplemental Pension Plan, AFSCME Local 241 (Crossing Guards) Supplemental Pension Plan, AFSCME Locals 1691, 2462, and 2735 Supplemental Pension Plan, General Schedule Employees Supplemental Pension Plan, Fire Civilian Supplemental Pension Plan, and Police Civilian Supplemental Pension Plan. The Plans provide retirement and disability benefits for all full-time employees. Administrative, investment, and member benefit service responsibilities are provided by a separate Board of Trustees for each Plan. Such Trustees have the authority to amend benefit provisions and contribution requirements. Currently, each Plan has the same Retirement Administrator, who is an employee of the Primary Government.

Normal retirement is at age 55 or after 20 years of service for police officers, firefighters, and paramedics; 25 years of service for deputy sheriffs and correctional officers under the Comprehensive Plans. For AFSCME Local 241 (Crossing Guards), AFSCME Locals 1691, 2462, and 2735, general schedule employees, and deputy sheriff's under the supplemental plan, normal retirement age is earliest of age 62 with 5 years of service, age 55 with 15 years of service, any age with 30 years of service, or 25 years of service for deputy sheriff's. For correctional officers under the supplemental plan, normal retirement is the earliest of age 60 or 25 years of County service. Retirement benefits are calculated as a percentage of average compensation, with such percentage determined by length of credited service up to a maximum of 85% for 30 years of service for police officers, firefighters and paramedics, and 61% for 30 years of service for deputy sheriff's and correctional officers under the Comprehensive Plans. For general schedule employees, the maximum retirement benefit is 20% for 25 years of service, 15% for 25 years of service for AFSCME Locals 1691, 2462, and 2735, and police and fire civilian employees, 10% for 25 years of service for AFSCME Local 241 (crossing guards), and 25% for 30 years of service for deputy sheriff's and correctional officers under the Supplemental Plans.

The Plans are classified by the Primary Government as Pension Trust Funds and separate financial statements are prepared using the accrual method of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed and expenses, benefits, and refunds when corresponding liabilities are incurred, regardless of when payment is made. Investments of the pension funds, represented by equity in pooled pension trust funds and cash and investments are carried at market value (or at a fair value when a quoted market value is not available) as reported by the investment managers. Complete separate financial statements may be obtained at the following address: Prince George's County Office of Personnel, 1400 McCormick Drive, Room 110, Largo, Maryland 20774

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Investments (other than U.S. Government and U.S. Government guaranteed obligations) that represent five percent or more of the Plans' net assets are as follows:

		Deutsche Bank
		<u>Money Market Fund</u>
Comprehensive Plans:		
Correctional Officers'	\$	3,763,396
Deputy Sheriff's		2,656,332
Supplemental Plans:		
Deputy Sheriff's		546,306
Correctional Officers'		285,391
Crossing Guards		72,132
AFSCME		1,575,923
General Schedule		6,038,688
Fire Civilian		291,664
Police Civilian		450,372

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Funding Policy

Contributions to the Police and Fire Service Pension Plans, Deputy Sheriff's Comprehensive Pension Plan, Correctional Officers' Comprehensive Pension Plan, Correctional Officers' Supplemental Pension Plan, and Deputy Sheriff's Supplemental Plan for 2002 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of January 1, 2000, and for the Supplemental Pension Plans (other than the Deputy Sheriff's and Corrections Supplemental Plans) an actuarial valuation was performed as of January 1, 2001. The Primary Government's fiscal year 2002 total payroll is \$ 312,338,745. Employee contribution rates are determined by collective-bargaining agreements or by the Board of Trustees for each Plan. Participant contributions are included in the plan assets and are 100% vested with the employee. Upon termination of employment a participant may elect to receive a refund of contribution; if there has been at least five years of credited service, the participant may instead elect a retirement annuity upon attaining retirement age. Participants begin vesting in employer contributions after 5 years of credited service.

The contribution rates as a percentage of covered payrolls during fiscal year 2002 are as follows:

	<u>July 1, 2001 to June 30, 2002</u>		Covered <u>Payroll</u>
	<u>Employee Rates</u>	<u>Employer Rates</u>	
Comprehensive Plans:			
Police	5.50 %	16.84 %	\$ 70,044,830
Fire Service	4.00	23.33	34,831,596
Deputy Sheriff's	8.00	12.81	6,094,433
Correctional Officers'	6.88	15.50	14,676,343
Supplemental Plans:			
Deputy Sheriff's	5.20	1.20	1,802,881
Correctional Officers'	3.12	3.55	1,857,038
Crossing Guards	1.98	1.98	1,284,501
AFSCME	2.23	2.40	18,584,668
General Schedule	3.69	4.06	68,489,023
Fire Civilian	3.58	3.58	3,500,758
Police Civilian	3.14	3.14	7,628,630

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Actuarially Determined Contribution Requirements

The significant assumptions used to compute the actuarially determined contribution requirements are as follows:

	Actuarial Valuation <u>Date</u>	Actuarial Cost <u>Method</u>	Amortization <u>Method</u>	Remaining Amortization <u>Period</u>	Asset Valuation <u>Method</u>	Actuarial assumptions			
						Investment Rate of <u>Return</u>	Projected Salary <u>Increases</u>	<u>Inflation</u>	<u>Cost of living increases</u>
Comprehensive Plans:									
Police	01/01/00	Entry age	Level dollar amortization, closed	40 years	market value	8%	5%	5%	investment returns in excess of 8% (not to exceed \$125 per month)
Fire Service	01/01/00	Entry age	Level dollar amortization, closed	40 years	market value	8%	5%	5%	investment returns in excess of 8% (not to exceed \$125 per month)
Deputy Sheriff's	01/01/00	Entry age	Level dollar amortization, closed	26 years	market value	8%	5%	5%	investment returns in excess of 8% (not to exceed \$125 per month)
Correctional Officers'	01/01/00	Entry age	Level dollar amortization, closed	26 years	market value	8%	5%	5%	investment returns in excess of 8% (not to exceed \$125 per month)
Supplemental Plans:									
Deputy Sheriff's	01/01/00	Entry age	Level dollar amortization, closed	17 years	market value	8%	5%	5%	none
Correctional Officers'	01/01/00	Entry age	Level dollar amortization, closed	23 years	market value	8%	5%	5%	none
Crossing Guards	01/01/01	Entry age	Level dollar amortization, closed	20 years	market value	8%	5%	5%	none
AFSCME	01/01/01	Entry age	Level dollar amortization, closed	20 years	market value	8%	5%	5%	none
General Schedule	01/01/01	Entry age	Level dollar amortization, closed	20 years	market value	8%	5%	5%	none
Fire Civilian	01/01/01	Entry age	Level dollar amortization, closed	20 years	market value	8%	5%	5%	none
Police Civilian	01/01/01	Entry age	Level dollar amortization, closed	22 years	market value	8%	5%	5%	none

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Annual Pension Costs

Annual pension costs (APC) are the actuarially required employer contribution to the pension plans. The net pension obligation (NPO) represents the difference between the APC and the actual employer contributions. The APC for the Police and Fire Service Pension Plans was \$23.1 million for fiscal year 2002. Based on recommendations from the County's actuary, the actual employer contribution for fiscal year 2002 was \$19.0 million. The resulting NPO of \$4.1 million is included in the government-wide financial statements. This increase for fiscal year 2002 included with the \$7.9 million NPO from fiscal year 2001 results in a total NPO at the end of the year of \$11.9 million. Three-year trend information for Comprehensive Pension Plans is presented below (in thousands):

	Year Ended	NPO beginning	Annual Pension Cost (APC)				NPO End	Percentage of		
			<u>June 30</u>	<u>of year</u>	<u>ARC</u>	<u>Interest</u>			<u>Adjustment</u>	<u>Total</u>
Comprehensive Pension Plans:										
Police	2002	\$ 7,203	14,679	303	(318)	14,664	(11,253)	10,614	77%	
	2001	3,792	13,484	303	(318)	13,469	(10,058)	7,203	76	
	2000	3,792	13,648	-	-	13,648	(13,648)	3,792	78	
Fire Service	2002	666	8,392	-	-	8,392	(7,726)	1,332	92	
	2001	-	8,128	-	-	8,128	(7,462)	666	92	
	2000	-	7,385	-	-	7,385	-	-	100	
Deputy Sheriff's	2002	-	747	-	-	747	-	-	100	
	2001	-	741	-	-	741	-	-	100	
	2000	-	706	-	-	706	-	-	100	
Correctional Officers'	2002	-	2,230	-	-	2,230	-	-	100	
	2001	-	2,074	-	-	2,074	-	-	100	
	2000	-	1,262	-	-	1,262	-	-	100	

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

Annual Pension Costs (continued)

Three-year trend information for Supplemental Pension Plans is presented below (in thousands):

	Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
Supplemental Pension Plans:				
Deputy Sheriff's	2002	\$ 22	100 %	-
	2001	24	100	-
	2000	53	100	-
Correctional Officers'	2002	66	100	-
	2001	69	100	-
	2000	33	100	-
Crossing Guards	2002	25	100	-
	2001	25	100	-
	2000	25	100	-
AFSCME	2002	454	100	-
	2001	499	100	-
	2000	452	100	-
General Schedule	2002	2,801	100	-
	2001	2,955	100	-
	2000	2,611	100	-
Fire Civilian	2002	129	100	-
	2001	150	100	-
	2000	136	100	-
Police Civilian	2002	242	100	-
	2001	237	100	-
	2000	215	100	-

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(b) Component Units

Generally, all employees of the Board of Education, the Housing Authority, the Community College, the Memorial Library, and certain employees of the PGCT participate in one of the statewide Employee's Retirement and Pension Systems or Teacher's Retirement and Pension Systems. Information covering the Housing Authority and PGCT is included with the Primary Government because those individuals are also employees of the Primary Government. Separate financial statements prepared for the Board of Education, Memorial Library, and Community College, are available to the general public [see note 1(a)], and reflect detailed information relevant to their participation in SRPS. Review of these financial statements indicates the Component Units individually met the actuarially determined contribution requirements for fiscal years 2002, 2001, and 2000.

The State of Maryland is required to contribute certain amounts to the Teacher's Retirement and Pension Systems on behalf of the Board of Education, Community College, and Memorial Library. Such contributions made by the State on behalf of these Component Units during fiscal year 2002 amounted to \$52,136,110, \$1,576,622, and \$896,350, respectively.

In addition to the statewide plans mentioned above, the Community College also offers to its employees four single-employer, defined contribution pension plans. The State of Maryland made "on behalf" employer contributions totaling \$508,269 to these plans during fiscal year 2002. The Parking Authority established a single-employer, defined contribution pension plan for its employees, on July 1, 1987. Detailed information concerning these plans may also be obtained from the separately issued financial reports of these Component Units.

(c) Postemployment Benefits Other Than Pensions

In addition to providing pension plan benefits, the County also extends certain health care and life insurance benefits to retired persons. The legal authority for providing these benefits is established by the County Council; Executive Orders 42-1980 and 43A-1980, "Continuation of Life and Health Benefits at Retirement," and certain collective bargaining agreements form the legal basis for providing such benefits to retirees of the Primary Government. The County's cost, which in fiscal year 2002 totaled approximately \$10.4 million for 2,619 retirees, is recognized as an expense concurrent with payment of premiums and claims. Post-retirement insurance benefits are accounted for in the Primary Government's Life and Health Benefits (self-insurance) Internal Service Fund. Retirees have no vested rights to these benefits, which are subject to modification during the budgetary process or by collective bargaining agreement. A description of the types of benefits and eligibility requirements is summarized below:

Medical Insurance

- All State Retirement and Pension System of Maryland and Police and Fire Service Pension Plan retirees who are enrolled in a qualified plan at the time of retirement may continue this benefit.

Life Insurance

- Reduced coverage is available to all State Retirement and Pension System of Maryland and Police and Fire Service Pension Plan retirees.

Vision Care and Prescription Drug Insurance

- The County pays premium costs of this benefit for Police and Fire Service Pension Plan retirees. State Retirement and Pension System of Maryland retirees pay 100% of the monthly cost for vision care and 75% for prescription insurance. The County pays the remaining 25% of prescription coverage.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(d) Other Benefits - LOSAP

In 1974, the County created the Length of Service Awards Program (LOSAP). LOSAP provides 386 annuities to former volunteer members of the County's fire companies or rescue squads who met certain age and service criteria. Benefits totaling \$1,277,262 in fiscal year 2002 also include survivor annuities and lump-sum death benefits and are reported in the Primary Government's General Fund, on a "pay-as-you-go" basis. The most recent actuarial review was performed as of July 1, 1997. If the County were to implement an advance funding program, the estimated contribution beginning with fiscal year 1998 would be approximately \$1.5 million. The unfunded liability of approximately \$18 million as of July 1, 1997, was projected to be funded over 30 years.

(10) Deferred Compensation Plans

The County offers its employees various Deferred Compensation Plans, which have been created in accordance with Internal Revenue Code Section 457. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All assets and income deferred by County plan participants are held in trust for the exclusive benefit of the participants and their beneficiaries and are not reflected in the accompanying financial statements.

(11) Deferred Revenue

Deferred revenue reported in the General and other Governmental Funds represents tax billings and other receivables not available at June 30, 2002 for funding of current operations. Deferred revenue in the Federal and State Aided Programs Fund represents the unexpended portion of funds received for various grants and unrealized revenue relating to notes receivable arising from the sale of property. The Capital Projects Fund's deferred revenue represents receivables not available for funding of current operations. The Enterprise Funds' deferred revenue represents billings or receipts for future services collected in advance. Deferred revenue in the Internal Service funds is a combination of premiums paid in advance for life and health benefits, and accumulated premium contributions of component units in excess of related risk management expenses.

(12) Bonded Debt

(a) Outstanding Long-term Liabilities

The following is a summary of all outstanding long-term liabilities as of June 30, 2002. Details for bonded debt and other long-term liabilities are located in notes 12 and 13, respectively.

	Governmental activities		Business-type activities		Total		Total
	Amounts Due Within One Year	Amounts Due in more than one year	Amounts Due Within One Year	Amounts Due in more than one year	Amounts Due Within One Year	Amounts Due in more than one year	
Bonds payable							
General obligation bonds	\$ 39,505,000	547,648,759	3,510,000	67,030,000	43,015,000	614,678,759	657,693,759
State participation bonds	765,178	812,025	22,762	24,156	787,940	836,181	1,624,121
Revenue bonds			3,725,447	40,360,580	3,725,447	40,360,580	44,086,027
Bond premium	-	8,313,977	-	561,037	-	8,875,014	8,875,014
Less deferred amounts	-	(4,275,053)	-	(1,753,228)	-	(6,028,281)	(6,028,281)
Total bonds payable	<u>40,270,178</u>	<u>552,499,708</u>	<u>7,258,209</u>	<u>106,222,545</u>	<u>47,528,387</u>	<u>658,722,253</u>	<u>706,250,640</u>
Notes payable	10,241,273	61,777,089	2,497,829	7,037,213	12,739,102	68,814,302	81,553,404
Claims and judgements	-	54,923,354	-	-	-	54,923,354	54,923,354
Compensated absences	31,003,204	45,732,192	1,955,824	754,622	32,959,028	46,486,814	79,445,842
Pension obligations	-	11,946,100	-	-	-	11,946,100	11,946,100
Landfill closure / postclosure	-	-	2,175,342	50,621,488	2,175,342	50,621,488	52,796,830
Other long-term liabilities	41,244,477	174,378,735	6,628,995	58,413,323	47,873,472	232,792,058	280,665,530
Total long-term liabilities	<u>\$ 81,514,655</u>	<u>726,878,443</u>	<u>13,887,204</u>	<u>164,635,868</u>	<u>95,401,859</u>	<u>891,514,311</u>	<u>986,916,170</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(b) Bonded Debt Transactions

The following is a summary of bonded debt transactions of the County for the fiscal year ended June 30, 2002:

	Primary Government				Component Units	Total
	Governmental Activities	Business-type Activities				
		Solid Waste	Stormwater Management	Total		
Bonded debt at July 1, 2001	\$ 555,355,961	81,412,591	30,895,000	667,663,552	52,630,825	720,294,377
Debt issued	145,645,000	1,930,000	16,090,000	163,665,000	-	163,665,000
Debt retired	(40,504,999)	(5,114,645)	(1,530,000)	(47,149,644)	(4,750,000)	(51,899,644)
Debt defeased	<u>(71,765,000)</u>	<u>-</u>	<u>(9,010,000)</u>	<u>(80,775,000)</u>	<u>-</u>	<u>(80,775,000)</u>
Bonded debt (including current portion)						
As of June 30, 2002	588,730,962	78,227,946	36,445,000	703,403,908	47,880,825	751,284,733
Less current portion	<u>(40,270,178)</u>	<u>(5,358,209)</u>	<u>(1,900,000)</u>	<u>(47,528,387)</u>	<u>(3,230,633)</u>	<u>(50,759,020)</u>
Bonded debt as of June 30, 2002	<u>\$ 548,460,784</u>	<u>72,869,737</u>	<u>34,545,000</u>	<u>655,875,521</u>	<u>44,650,192</u>	<u>700,525,713</u>

(c) Debt Service Requirements

The annual requirements to amortize all bonded debt outstanding as of June 30, 2002.

	Primary Government							Component Units		Total
	Governmental Activities		Business-type Activities							
			Solid Waste		Stormwater Management					
Year ended June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Total	Principal	Interest	
2003	\$ 40,270,178	29,458,968	5,358,209	3,815,547	1,900,000	1,646,188	82,449,090	3,230,633	3,923,900	89,603,623
2004	43,647,025	27,521,506	5,618,543	3,554,034	1,970,000	1,539,406	83,850,514	3,259,152	3,884,417	90,994,083
2005	45,125,000	25,274,115	5,878,641	3,266,788	2,075,000	1,445,613	83,065,157	3,325,157	3,823,848	90,214,162
2006	44,042,180	25,919,641	6,193,219	2,961,463	2,175,000	1,346,844	82,638,347	2,108,105	3,756,340	88,502,792
2007	47,605,000	20,732,381	6,518,132	2,642,528	2,290,000	1,242,088	81,030,129	2,112,868	3,750,272	86,893,269
2008 - 2012	217,481,579	80,847,098	31,771,925	8,062,883	13,310,000	4,440,148	355,913,633	7,649,910	18,576,718	382,140,261
2013 - 2017	118,770,000	22,305,803	15,059,277	1,839,625	8,140,000	2,011,354	168,126,059	17,715,000	5,170,120	191,011,179
2018 - 2022	<u>31,790,000</u>	<u>2,976,588</u>	<u>1,830,000</u>	<u>156,663</u>	<u>4,585,000</u>	<u>540,063</u>	<u>41,878,314</u>	<u>8,480,000</u>	<u>673,575</u>	<u>51,031,889</u>
	<u>\$ 588,730,962</u>	<u>235,036,100</u>	<u>78,227,946</u>	<u>26,299,531</u>	<u>36,445,000</u>	<u>14,211,704</u>	<u>978,951,243</u>	<u>47,880,825</u>	<u>43,559,190</u>	<u>1,070,391,258</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(d) Bonded Debt Details

Details of the County's long-term bonded debt at June 30, 2002 are as follows:

<u>Primary Government:</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Governmental Activities:				
General obligation bonds:				
1977 and 1991-2002 consolidated public improvement	3.50 - 7.05%	2022	\$ 839,513,759	535,968,759
1992 self-insurance liability funding	5.00 - 6.05%	2012	18,500,000	11,680,000
Total general obligation bonds			<u>858,013,759</u>	<u>547,648,759</u>
State participation bonds:				
1993 state roads commission highway construction bonds	2.80 - 4.90%	2005	28,240,799	810,580
1993 state roads commission highway construction bonds, special assessment debt with governmental commitment	2.80 - 4.90%	2005	<u>50,341</u>	<u>1,445</u>
Total state participation bonds			<u>28,291,140</u>	<u>812,025</u>
Total governmental activities long-term bonded debt			<u>\$ 886,304,899</u>	<u>548,460,784</u>

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Business-type Activities:				
1993, 1997, 1999, 2000, 2000B, 2001, and 2002 stormwater management - general obligation	2.50 - 6.50%	2022	54,045,000	34,545,000
1995, 1996, 1998, 2000A, and 2001 solid waste management system - general obligation	2.50 - 6.25%	2022	47,725,000	32,485,000
1993 - 1994, 2000 solid waste management system - revenue bonds	2.50 - 6.50%	2015	71,812,386	40,360,581
1993 state roads commission highway construction bonds - refunding issue - solid waste management system	2.80 - 4.90%	2005	<u>841,586</u>	<u>24,156</u>
Total business-type activities bonded debt			<u>174,423,972</u>	<u>107,414,737</u>
Total primary government long-term bonded debt			<u>1,060,728,871</u>	<u>655,875,521</u>
Component units:				
Revenue bonds:				
Parking Authority -				
1992 revenue bonds	5.90 - 6.45%	2005	10,825,000	2,330,000
Industrial Development Authority -				
1989 building construction	6.80 - 6.95%	2012	8,460,825	7,320,192
1993 lease revenue	4.50 - 5.60%	2019	52,360,000	27,960,000
1994A lease revenue	5.00 - 6.00%	2009	9,985,000	5,905,000
1999 refunding lease revenue	4.50%	2008	<u>1,870,000</u>	<u>1,135,000</u>
Total component units revenue bonds			<u>83,500,825</u>	<u>44,650,192</u>
Total long-term bonded debt			<u>\$ 1,144,229,696</u>	<u>700,525,713</u>

(e) Bonded Debt Additions

On December 19, 2001, the Primary Government issued \$83,820,000 of General Obligation Consolidated Public Improvement Bonds, Series 2001 dated December 1, 2001 maturing on December 1 of the years 2002 through 2022 to provide funds for planning, construction, reconstruction, extension, enlargement, demolition, improvement or acquisition of certain capital projects. Of the total \$83,820,000 bonds issued, \$9,055,000 (\$7,125,000 for the Stormwater Management and \$1,930,000 Solid Waste Fund for) is reported as business-type activities and the remainder as governmental activities.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(f) Bond Authorizations

The County Charter requires that any borrowing to finance capital projects must be authorized by an enabling act of the General Assembly of Maryland or by an enabling act of the County Council. The County Council is required by the Charter to submit to voter referendum any act enabling the County to borrow money to finance capital projects, except for school construction bonds. In addition, the County Council is required by the Charter to adopt a bond authorization act before bonds may be issued. The amount of bonds enabled and authorized but not yet issued at June 30, 2002 is summarized as follows:

	<u>Enabled Amount</u>	<u>Authorized and Unissued amount</u>
Enabled by authority of the State of Maryland:		
Schools	\$ 11,530,000	-
Washington Suburban Transit Commission	<u>15,746,000</u>	<u>-</u>
	<u>27,276,000</u>	<u>-</u>
Enabled by authority of Prince George's County:		
Parks and recreation	4,109,000	-
Health and solid waste	22,652,000	21,791,000
Roads, parking and mass transit	51,757,000	92,534,000
Hospitals	24,975,000	-
Public buildings	30,262,000	26,197,000
Public Safety	<u>62,308,000</u>	<u>9,689,000</u>
	<u>196,063,000</u>	<u>150,211,000</u>
	<u>\$ 223,339,000</u>	<u>150,211,000</u>

The legal debt limit and margin at June 30, 2002 were \$2,824,478,712 and \$2,235,096,257, respectively. The County was in compliance with all significant bond covenants at June 30, 2002.

(g) Special Assessment Debt with Governmental Commitment

The Primary Government participates in the State of Maryland Highway Construction Bond issues to finance street, sidewalk, and curb and gutter improvements requested by property owners. These bonds are a general obligation of the Primary Government and are paid by the General Fund. At June 30, 2002, the outstanding principal balance of \$2,806 is supported by special assessment levies against abutting properties over a 10-year period. The Primary Government takes possession of all properties offered at public auction which remain unsold, and applies proceeds from subsequent resale to the delinquent assessments, therefore no reserve or sinking fund is established.

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(h) Advance Refunding

On June 4, 2002, the Primary Government issued \$79,845,000 of General Obligation Consolidated Public Improvement Bonds, 2002 Refunding Series, dated May 15, 2002 (a) to currently refund \$51,265,000 of certain callable maturities of the County's (i) General Obligation Consolidated Public Improvement Bonds – 1991 Refunding Series, dated June 15, 1991, (ii) General Obligation Consolidated Public Improvement Bonds, Series 1992, dated January 15, 1992, (iii) General Obligation Consolidated Public Improvement Bonds – 1992A Refunding Series, dated November 15, 1992 and (b) to advance refund \$29,510,000 of certain callable maturities of the County's (i) General Obligation Consolidated Public Improvement Bonds, Series 1993, dated January 15, 1993 and (ii) General Obligation Stormwater Management Bonds, Series 1993, dated February 1, 1993. Of the \$29,510,000 advance refunded Bonds, \$9,010,000 are the Bonds of the Stormwater Enterprise Fund. The remaining \$71,765,000 Refunded Bonds relate to governmental activities. The net Refunding Bond proceeds of \$84,795,394 were escrowed with Wells Fargo Bank Minnesota, NA for purchase of Escrow Securities to provide, together with interest earnings and cash on hand to pay the principal, interest and early redemption premium on all Refunded Bonds referenced above. The refunding was designed to restructure debt to effect reduction in overall debt service of \$641,449 and to net economic present value debt service savings of \$3,307,074.76. At June 30, 2002 \$80,775,000 of the outstanding Refunded Bonds, that mature in the years 2003 through 2013, are considered defeased.

(i) Prior Period Defeasance of Debt

In prior periods, the County defeased or participated in the defeasance of certain long-term bonded debt. The proceeds of new bonds were placed in an irrevocable trust to provide for future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the County's financial statements. A general description of the defeased debt and the amounts outstanding at June 30, 2002 follows:

On August 3, 2000, the Primary Government issued \$1,790,000 of Solid Waste Management System Taxable Revenue Refunding Bonds, Series 2000, dated August 3, 2000 to advance refund \$1,720,000 of certain selected callable maturities of the County's Solid Waste Revenue Bonds, Series 1993. The net proceeds of \$1,767,963 were escrowed for the purchase of United States Treasury Securities to provide, together with interest earnings, sufficient funds to pay the principal, interest, and call premium due on June 15, 2003. The refunding was designed to restructure debt to effect a reduction in the cost of overall debt service by \$322,650 and to net an economic saving of \$240,990. At June 30, 2002, \$1,720,000 of the refunded bonds outstanding that mature in the years 2006 through 2007 are considered defeased.

On August 3, 2000, the Primary Government issued \$6,365,000 of Water Quality Refunding Bonds, Series 2000A, dated August 3, 2000 to advance refund \$5,930,000 of certain selected callable maturities of the County's (i) Consolidated Public Improvement Bonds, Series 1995, dated May 1, 1995, and (ii) Consolidated Public Improvement Bonds, Series 1996, dated May 15, 1996. The net proceeds of \$6,298,616 were escrowed for the purchase of Escrow Securities to provide, together with interest earnings, sufficient funds to pay the principal, interest, and early redemption premium on the series 1995 and series 1996 refunded bonds. The refunding was designed to restructure debt to effect a reduction in the cost of overall debt service by \$1,606,094 and to net an economic saving of \$1,113,809. At June 30, 2002, \$5,930,000 of the refunded bonds outstanding that mature in the years 2013 through 2016 are considered defeased.

On August 3, 2000, the Primary Government issued \$8,370,000 of Water Quality Refunding Bonds, Series 2000B, dated August 3, 2000 to advance refund 7,770,000 of certain selected callable maturities of the County's (i) General Obligation Stormwater Management Bonds, Series 1993, dated February 1, 1993, and (ii) Unlimited Tax General Obligation Stormwater Management Bonds, Series 1997, dated June 15, 1997. The net proceeds of \$8,283,664 were escrowed for the purchase of Escrow Securities to provide, together with interest earnings, sufficient funds to pay the principal, interest, and early redemption premium on the series 1993 and series 1997 refunded bonds. The refunding was designed to restructure debt to effect a reduction in the cost of overall debt service by \$1,800,273 and to net an economic saving of \$1,275,619. At June 30, 2002, \$7,770,000 of the refunded bonds outstanding that mature in the years 2010 through 2017 are considered defeased.

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(j) Conduit Debt Obligations

The County encourages private industry to locate and remain in the County by, among other things, the issuance of tax exempt Economic Development Revenue Bonds, which bear the County's name and benefit the private enterprise. The funds provided from the sale of such debt are used for the public interest, such as for hospital construction or expansion of private businesses to increase employment and the County's tax base. These bonds do not constitute indebtedness or a charge against the general credit or taxing power of the County. The bond indentures explicitly state the absence of any legal obligation by the County to repay the indebtedness. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2002, there were one hundred and seventy-one series of Economic Development Revenue Bonds outstanding. The aggregate principal amount, for the three series issued after July 1, 1995 that remain outstanding, is \$12.1 million. The aggregate principal amount payable on June 30, 2002 for the one hundred and sixty-eight issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled approximately \$1.1 billion.

(13) Other Long-term and Short-term Debt

The following represents the changes in other long-term liabilities for governmental activities:

	Balance			Balance
	<u>June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2002</u>
Pension obligations	\$ 7,868,900	4,077,200	-	11,946,100
Compensated absences and termination benefits payable	72,668,252	9,903,678	5,836,534	76,735,396
Claims and judgements	47,722,577	63,421,069	56,220,292	54,923,354
Notes payable:				
Purchase agreements and certificates of participation	66,440,947	-	12,974,584	53,466,363
MILA loans	2,289,924	-	61,228	2,228,696
Maryland Department of Transportation loans:				
FedEx Field (formerly JKC Stadium) loan	7,063,606	-	649,645	6,413,961
Parking garage loan	2,236,621	-	159,979	2,076,642
HUD Section 108 notes				
Eastover	4,930,000	-	190,000	4,740,000
Commercial Building Loan Fund	2,000,000	-	-	2,000,000
Maryland CDA Infrastructure Financing	1,136,300	-	43,600	1,092,700
Total notes payable	<u>86,097,398</u>	<u>-</u>	<u>14,079,036</u>	<u>72,018,362</u>
	<u>\$ 214,357,127</u>	<u>77,401,947</u>	<u>76,135,862</u>	<u>215,623,212</u>

The following represents the changes in other long-term liabilities for business-type activities:

	Balance			Balance
	<u>June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2002</u>
Compensated absences and termination benefits payable	2,701,755	1,964,515	1,955,824	2,710,446
Landfill closure / postclosure costs	53,963,192	-	1,166,362	52,796,830
Notes payable:				
Purchase agreements and certificates of participation	1,776,709	-	931,667	845,042
WSSC Loans	11,025,000	-	2,335,000	8,690,000
Total notes payable	<u>12,801,709</u>	<u>-</u>	<u>3,266,667</u>	<u>9,535,042</u>
	<u>\$ 69,466,656</u>	<u>1,964,515</u>	<u>6,388,853</u>	<u>65,042,318</u>

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

a) Capital Leases

The assets acquired through capital leases as of June 30, 2002 are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 1,214,415
Less: Accumulated depreciation	<u>1,214,415</u>
Total	<u><u>\$ -</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2002 (in thousands) are as follows:

<u>Year ended June 30,</u>	<u>Governmental Activities</u>
2003	\$ 134
2004	65
2005	27
2006	7
2007	<u>3</u>
Total minimum lease payments	236
Less interest	<u>27</u>
Net present value of minimum lease payments	209
Less current portion	<u>133</u>
Total long-term portion	<u><u>\$ 76</u></u>

b) Pension Obligations

The liability for pension obligations represents the difference between the actuarially required and the actual employer pension contribution. The balance as of June 30, 2002 is \$11,946,100 (see note 9 – Pension Plans).

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

c) Compensated Absences and Termination Benefits

County employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation in full, and for sick leave in varying amounts based on years of service. Participants in the plans administered by the State Retirement and Pension System of Maryland may apply accrued sick leave as service credits toward retirement.

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. For these purposes, the County defines "expendable available financial resources" (or the current portion) as actual payments made within sixty days after year-end. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts.

Vested or accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. Current amounts in the proprietary funds reflect amounts expected to be paid within one year.

In accordance with Governmental Accounting Standards Board Statement 16, the liability calculations include an accrual at the current rate for ancillary salary-related payments (i.e., the employer's share of Social Security and Medicare taxes) associated with its ultimate liquidation.

The following is a summary of compensated absences and termination benefits payable at June 30, 2002 (in thousands):

	Primary Government						
	Governmental Activities	Business-type Activities			Total	Component Units	Total
		Solid Waste	Stormwater Management				
Primary Government	\$ 76,735	975	1,735	79,445	-	79,445	
Component Units:							
Board of Education	-	-	-	-	46,083	46,083	
Housing Authority	-	-	-	-	705	705	
Memorial Library	-	-	-	-	2,158	2,158	
Community College	-	-	-	-	1,029	1,029	
Community Television	-	-	-	-	25	25	
	76,735	975	1,735	79,445	50,000	129,445	
Less current portion	31,003	714	1,242	32,959	799	33,758	
Total long-term portion	\$ 45,732	261	493	46,486	49,201	95,687	

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

d) Notes Payable

(i) Purchase Agreement and Certificates of Participation Notes Payable

The County has entered into certain financing/purchasing agreements for the purpose of acquiring real estate, equipment, textbooks, vehicles, and school buses. Under these agreements, the financing amounts are deposited with a fiscal escrow agent who will pay the vendors as the County takes delivery of the assets. The County will make periodic loan repayments directly to the lender over a specified period of time.

The interest rates on all financing/purchasing agreements in force range from 3.5% to 6.5%. The liability for the debt is carried as a note payable in various funds as listed below. Following is a schedule by year of future principal and interest payments as of June 30, 2002 (in thousands):

Year ending <u>June 30.</u>	<u>Primary Government</u>									
	<u>Governmental Activities</u>			<u>Business-type Activities</u>						
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Solid Waste</u>		<u>Stormwater Management</u>				
				<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>
2003	\$ 9,067	3,460	216	16	82	15	12,856	16,936	1,283	31,075
2004	9,337	3,187	224	7	86	11	12,852	8,547	715	22,114
2005	6,619	2,946	26	2	89	8	9,690	5,951	325	15,966
2006	6,836	2,732	28	1	94	3	9,694	3,624	56	13,374
2007	2,520	2,554	-	-	-	-	5,074	1,606	56	6,736
2008 - 2012	12,046	11,834	-	-	-	-	23,880	-	-	23,880
2013 - 2016	7,041	8,471	-	-	-	-	15,512	-	-	15,512
Total note payments	<u>\$ 53,466</u>	<u>35,184</u>	<u>494</u>	<u>26</u>	<u>351</u>	<u>37</u>	<u>89,558</u>	<u>36,664</u>	<u>2,435</u>	<u>128,657</u>

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(ii) Notes Payable - Local Government Insurance Trust

The Primary Government is indebted to the Local Government Insurance Trust (LGIT) for \$4,458,126 of general obligation certificates of participation issued for Prince George's County. These notes are carried in the General Liability Internal Service Fund, have various interest rates, from 6.7% to 7.125%, and mature through the year 2010. Following is a schedule of future remaining principal and interest payments as of June 30, 2002 (in thousands):

	Internal Service Funds		
Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 428	302	730
2004	459	271	730
2005	493	237	730
2006	531	200	731
2007	570	161	731
2008 - 2010	1,977	218	2,195
Total minimum payments	4,458	1,389	5,847
Less current portion	428	302	730
Total long-term portion	\$ 4,030	1,087	5,117

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(iii) Notes Payable - WSSC

In conjunction with the transfer of certain storm water drainage property and other assets from WSSC, the County is responsible for related debt service payments to the year 2010. The interest rates range from .01% to 8.5%. Debt service reimbursements to WSSC in fiscal year 2002 approximating \$2.9 million are reported in the Primary Government's Stormwater Management Enterprise Fund. Following is a schedule of future principal and interest payments as of June 30, 2002 (in thousands):

Year ending <u>June 30,</u>	Stormwater Management		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 2,200	438	2,638
2004	1,950	323	2,273
2005	1,295	234	1,529
2006	590	171	761
2007	600	138	738
2008 - 2010	2,055	203	2,258
	\$ 8,690	1,507	10,197

(iv) Notes Payable - Housing Authority

The Housing Authority of Prince George's County has notes payable outstanding at June 30, 2002 in the amount of \$448,828 for various public housing projects. Interest accrues at 13.94%, with future principal maturities at June 30, 2002 as follows (in thousands):

Year ending <u>June 30,</u>	Residential Development Corporation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 24	61	85
2004	28	58	86
2005	32	53	85
2006	36	49	85
2007	42	43	85
2008 - 2012	287	103	390
	\$ 449	367	816

(Continued)

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(v) Other General Long-Term Debt Notes Payable

The Primary Government is obligated for promissory notes in the amount of \$2,286,696, payable to the Maryland Industrial Land Act (MILA) of the State of Maryland with interest rates of 5.1% and 6.9%.

In fiscal year 1997, the County, the State of Maryland, The Maryland-National Capital Park and Planning Commission, JKC Stadium Inc., Jack Kent Cooke Inc., and Pro-Football Inc. entered into an agreement relating to the acquisition of property, the construction and operation of an NFL Stadium on that property, and the construction of related infrastructure. During 1999, WFI Stadium Inc. purchased FedEx Field from JKC Stadium Inc. Pursuant to this agreement, on September 12, 1996, the Primary Government entered into a loan agreement with the Maryland Department of Transportation in the amount of \$12,500,000 for the purpose of paying the costs and expenses to be incurred by the County in connection with the construction of "off-site" infrastructure. The loan is repaid at \$1,000,000 per year (including interest at the rate of 4.96%) commencing in fiscal year 1998. The outstanding liability is \$6,413,961 at June 30, 2002.

The Primary Government entered into a loan agreement with the Maryland Department of Transportation for \$3,346,200 for the design and construction of a parking garage, of which \$2,076,642 is outstanding at June 30, 2002. The loan is repayable to the State in 20 annual installments with an interest rate of 7.25% and matures July 1, 2010. The County is reimbursed for the principal and interest under a lease agreement with the Washington Metropolitan Area Transit Authority.

The Primary Government borrowed \$6,000,000 under the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program. These proceeds are being paid to a Public/Private Partnership developer to revitalize the Eastover shopping center. The first principal payment of \$600,000 was paid on August 1, 1996 from a separate Economic Development Initiative grant. The developer is responsible for servicing the outstanding balance of \$5,400,000, which matures serially beginning August 1, 1996 through August 1, 2015, at interest rates ranging from 6.24% to 7.66%. At June 30, 2002, \$4,740,000 remains outstanding.

The Primary Government entered into an agreement with HUD to administer a \$10,000,000 Section 108 Commercial Building Loan Fund. The first project financed under the loan fund is a \$2,000,000 loan paid to a private partnership for land acquisition. The first principal payment of \$165,000 is due on August 1, 2002. The developer is responsible for servicing the \$2,000,000 loan balance that matures August 1, 2011, at interest rates ranging from 3.66% to 5.8%.

On March 10, 1999, the Primary Government issued for the benefit of the Community Development Administration ("CDA"), a division of the Maryland Department of Housing and Community Development, a general obligation bond designated as "Prince George's County, Maryland Infrastructure Bond, 1999 Series A" in the amount of \$1,217,800 secured by the full faith and credit of the County. Secured by the pledges of seven participating local governments, including the Primary Government, the CDA issued on March 10, 1999 Infrastructure Financing Bonds (MBIA Insured) 1999 Series A in the aggregate principal amount of \$6,985,000. The Primary Government used the \$1,217,800 proceeds of the CDA Bonds to provide funds to refinance certain outstanding loans in the amount of \$864,059 and to purchase a fire truck for Accokeek volunteer Fire Department, Inc. ("AVFD") and to pay the costs of issuance of bonds. Because the County issued the obligation to obtain a loan for the benefit of AVFD, the latter executed a promissory note on March 11, 1999 promising to pay to the Primary Government the principal sum of \$1,217,800, plus interest on unpaid principal amount. The debt service payment made by AVFD to the Primary Government equals the Primary Government's debt service payments to the CDA. The debt of \$1,217,800 is repayable to the State in 20 annual installments with an interest rate ranging from 4.125% to 5.0%. At June 30, 2002, \$1,092,700 remains outstanding.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(14) Reserved and Designated Fund Balances

A schedule of reserved and designated fund balances at June 30, 2002 follows:

<u>Reservation of Fund Balances</u>	Primary Government	
Reserved for encumbrances:		
These reserves represent the portion of purchase orders and contracts awarded for which the goods or services had not yet been received at year-end.	\$ 11,564,597	General Fund
	38,232,035	Capital Projects Fund
Reserved for school construction and debt service		
These reserves represent the unused portion of school surcharge revenue.	24,979,596	Capital Projects Fund
Reserved for inventories:		
These amounts represent the portion of fund balances that is not available for expenditures because the asset is in the form of commodities and the County anticipates utilizing them in the normal course of future operations.	1,448,670	General Fund
Reserved for contingencies:	47,981,169	General Fund
This amount represents the three percent charter-mandated reserve.		
Reserved for future debt service payment	669,066	Federal & State Aided Programs
Reserved for special projects	400,000	Federal & State Aided Programs
Total reserved fund balances	\$ 125,275,133	

Unreserved - Designated Fund Balances

Designations of fund balances are established to identify tentative plans for or restrictions on the future use of financial resources.

A schedule of unreserved fund balance designations is as follows:

Designated for subsequent years' expenditures	\$ 21,000,000	General Fund
Designated for subsequent years' expenditures	1,615,315	Nonmajor Governmental Funds
Designated for equipment purchases	4,284,246	General Fund
Designated for real estate purchases	2,148,319	General Fund
Designated for operating stability	47,981,169	General Fund
Total designated fund balances	\$ 77,029,049	

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(15) Summary Disclosure of Significant Contingencies

(a) Litigation

The County is involved in numerous lawsuits with potential liability ranging up to \$8.2 million. It is reasonably possible that some of these cases will be settled against the County, resulting in varying degrees of monetary damages. In the opinion of legal counsel and management, these cases will be settled for amounts not materially in excess of insurance coverage limits and those amounts provided in the accompanying financial statements.

(b) Contingent Liabilities

(i) Questioned Costs

The County participates in a number of Federally-assisted grant programs. These programs are currently under examination in accordance with Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." The final results of this examination have not yet been determined. The amount of expenditures which may be disallowed by the granting agencies cannot be specifically determined at this time. The County expects any disallowed costs to be immaterial, as has been the case in previous program audits.

(ii) Brown Station Road Landfill

The Primary Government owns and operates the Brown Station Road Landfill, which is accounted for in the Solid Waste Enterprise Fund. Phase I of the landfill closed in September 1993 after 25 years of operation. Phase II of the landfill began operations May 13, 1992 and approximately 48.7% of total estimated capacity has been utilized as of June 30, 2002. It is expected to operate through the year 2009.

To close both Phase I and Phase II of the landfill, State and Federal laws and regulations require the County to place a final cover on both landfill phases. (The closure and post-closure plan for both phases is pending final State approval.) These laws also require the County to perform certain maintenance and monitoring functions at the landfill site. In accordance with statutory requirements, the Primary Government estimates closure costs only for Phase I, of approximately \$21.8 million (\$14 million of which has been liquidated), and closure and 30-year post-closure costs for Phase II of \$42.4 million. Estimated costs are "as if incurred" in fiscal year 2002 and may change due to inflation, technological enhancements, and revisions to State and Federal requirements - as well as any additional measures that may be undertaken to safeguard the quality of life for residents. (These estimates are updated annually.)

At June 30, 2002, the Primary Government has recorded an accumulated total liability for closure and post-closure costs of \$28.4 million for Phases I and II based on the percentage of capacity of Phases I and II utilized to date multiplied by the total capacity of Phases I and II. Employing accounting rules for regulated enterprises, \$12.4 million of these costs have been deferred (\$10.9 and \$1.5 million for Phases I and II, respectively) and will be recognized as future landfill revenues earmarked for closure and post-closure are earned. As of June 30, 2002, the Primary Government's Solid Waste Enterprise Fund shows restricted assets of \$34,047,624 for landfill closure costs. The fiscal year 2002 financial statements reflect post-closure expenses of approximately \$3.8 million, based on the above criteria.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(iii) Sandy Hill Landfill Lease - Primary Government

On July 1, 1992, the Primary Government entered into a three-part agreement with the Maryland-National Capital Park and Planning Commission (M-NCPPC), a joint venture, to operate the Sandy Hill Landfill. The operations of this refuse disposal facility have been contracted to Waste Management, Inc., an independent contractor since May 1977. Part one of the agreement represents an "Assignment" to the Primary Government of the rights and responsibilities of M-NCPPC to operate the Landfill. These include (1) M-NCPPC's rights under Maryland State Refuse Disposal Permit Number 89-16-14-10A to operate the site sometimes referred to as the "Existing Landfill"; (2) M-NCPPC's right to a 21% share of all operating fees collected by Waste Management, Inc.; (3) M-NCPPC's has no ownership rights to the expansion adjacent to the "Existing Landfill"; (4) the transfer by M-NCPPC of approximately \$1.8 million to be held in a Trust Fund for the closure and post-closure costs associated with the "Existing Landfill"; (5) M-NCPPC's rights to the services performed by Waste Management, Inc., to continue the operation of the "Existing Landfill" and also develop and to maintain the "Existing Landfill" through closure and one year of post-closure. Part two represents a lease which transfers to the Primary Government all of M-NCPPC's rights and responsibilities for the current and post-closure operations of the "Existing Landfill" which closed in June 2000; (6) In May 1997, the Primary Government was granted a permit by the Maryland Department of the Environment to vertically expand the operation. The Primary Government is required to pay M-NCPPC the sum of \$7.4 million through June 30, 2010 for these lease rights. The County made an initial payment of \$1.8 million in FY 1993. Additional payments have been neither appropriated nor paid consistent with the fiscal funding clause in the agreement. The third part of the agreement requires M-NCPPC to transfer to the Primary Government all its rights as Trustee to administer the Trust Fund.

As with the Brown Station Road Landfill, State and Federal laws and regulations require a final landfill cover and 30-years of post-closure activities. The contractor, Waste Management, Inc., is legally responsible for closure and one year of post-closure costs for the Sandy Hill Landfill. The Primary Government is legally responsible for the remaining 29 years of post-closure costs for the Sandy Hill Landfill. An application is pending with the State to expand operations at the adjoining site that contemplates operations through 2018. The County is considering construction of a transfer station in lieu of this expansion.

The Primary Government has recorded an estimated liability for 29 years of post-closure costs of \$24.4 million, because this landfill is substantially full, of which \$10.4 million has been deferred as of June 30, 2002, and will be recognized as revenues earmarked for post-closure activities are earned over the life of the landfill expansion. Estimated costs for post-closure activities, are "as if incurred," and will be updated annually for changes in technology, applicable regulations, and inflation.

(c) Operating Leases

Lease agreements typically provide for automatic termination on July 1 of any year in which the County Council fails to appropriate funds to meet rental payments. Under the terms of these agreements, the Primary Government's approximate future minimum annual rental payments for facilities are as follows (in thousands):

Year ending <u>June 30,</u>	Primary <u>Government</u>
2003	\$ 9,063
2004	8,273
2005	7,145
2006	6,643
2007	5,202
2008-2012	20,579
2012-2017	24,004
2018-2022	<u>24,186</u>
	<u>\$ 105,095</u>

During 2002, rent expense under these lease agreements amounted to approximately \$8.2 million.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(16) Joint Ventures

The County participates in the financial activities of certain entities providing services within the County, which are deemed joint venture activities. The joint ventures described in the following paragraphs are not reflected in the accompanying financial statements because the County has no equity interest in their operations.

(a) Washington Suburban Transit Commission

The Washington Suburban Transit Commission (WSTC) is a State of Maryland bi-county agency which receives funds from Montgomery and Prince George's Counties, both of which participate in Washington Metropolitan Area Transit Authority (WMATA), to construct and maintain a cohesive and uniform transportation system. WSTC is composed of seven members; two from each county, two members appointed by the Governor of Maryland, and one ex officio representative from the Maryland Department of Transportation. WSTC acts as a coordinator for transit-related information and provides a forum for the discussion, formulation and transmittal of Federal, state and local funds paid to WMATA on behalf of the Maryland region. The annual operating costs of WSTC are shared equally by Montgomery and Prince George's counties. The Primary Government's share of these costs for fiscal year 2002 amounted to approximately \$44,225.

(b) Maryland-National Capital Park and Planning Commission (M-NCPPC)

M-NCPPC is a bi-county agency servicing Montgomery and Prince George's counties regional system of parks. It also conducts the recreation program for Prince George's County. The Commission consists of ten members - five from each County. The County can modify its share of the budget and also approves applicable fees and sets the recreational tax rate. The County must also approve any debt issuances and is obligated to honor any bonded debt deficiencies (which to date has not occurred).

At June 30, 2002, the Primary Government was contingently liable as guarantor on bonds issued by M-NCPPC in the amount of \$122,420,000.

(c) Washington Metropolitan Area Transit Authority (WMATA)

On January 9, 1970, Prince George's County government entered into an agreement with other local jurisdictions for construction of the Washington Metropolitan Area Rapid Transit System. Since then, the County has entered into several additional agreements providing for financing of both construction and operations. The County's obligation for funding the construction of the rail transit facilities is borne by the State of Maryland. WMATA is governed by a board of six directors and six alternates, who are appointed on a pro rata basis by the Northern Virginia Transportation Commission, the City Council of the District of Columbia, and the Washington Suburban Transit Commission (mentioned above).

In 2002, the State contributed \$4.9 million toward the payment of principal and interest on WMATA revenue bonds. This was provided pursuant to amended Chapter 530, Acts of Maryland General Assembly 1980, which provides for State payment of 100% of the debt service bond repayment costs.

(d) Washington Suburban Sanitary Commission

The Washington Suburban Sanitary Commission (WSSC) is a bi-county political subdivision of the State of Maryland created to provide water supply and sewage disposal facilities for Montgomery and Prince George's Counties. WSSC's governing body is composed of six members, three from each county; the budgeting authority and financing responsibility is shared equally by the participating counties.

At June 30, 2002, the Primary Government was contingently liable as guarantor on bonds issued by WSSC in the amount of \$8,690,000.

PRINCE GEORGE'S COUNTY, MARYLAND
Notes to Financial Statements

(e) Availability of Financial Statements

Complete separate financial statements may be obtained at the administrative offices of the individual joint ventures as follows:

Washington Suburban Transit Commission
8720 Georgia Avenue, Suite 904
Silver Spring, Maryland 20910

Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue
Riverdale, Maryland 20737

Washington Metropolitan Area Transit Authority
600 Fifth Street, N.W.
Washington, D.C. 20001

Washington Suburban Sanitary Commission
14501 Sweitzer Lane
Laurel, Maryland 29797

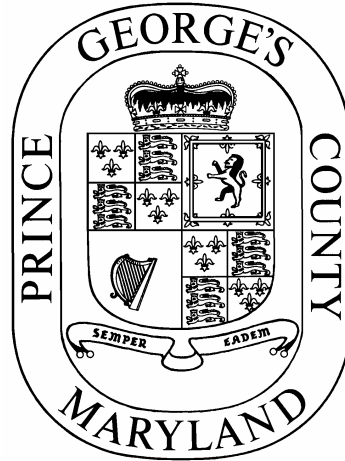
(17) Jointly Governed Organization - Metropolitan Washington Council of Governments

The Metropolitan Washington Council of Governments (COG) provides to participating local governments within the Washington, D.C. metropolitan area resources for a regional approach to local urban problems, emphasizing regional planning, community and economic development and conservation. Under COG's bylaws, contributions of participating local governments are calculated on a per capita basis. The twenty-four board members are elected by the local jurisdiction which they represent; two members are appointed by the Primary Government. The Primary Government's fiscal year 2002 contributions to COG amounted to approximately \$370,383.

(18) Subsequent Events

On September 24, 2002, the County issued \$105,325,000 of General Obligation Consolidated Public Improvement Bonds, dated September 15, 2002. The aggregate principal amount of proceeds from the sale of the bonds is expected to defray a portion of the costs of certain designated capital projects.

By referendum vote on November 5, 2002, citizens approved an increase of the minimum contingency reserve requirement from three to five percent effective July 1, 2004.



REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information – Schedule of Funding Progress

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of the plan over time indicates whether the plans are becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan. The latest actuarial valuation for the Comprehensive Pension Plans, the Deputy Sheriff's Supplemental Pension Plan, and the Correctional Officers' Supplemental Pension Plan was performed as of January 1, 2002 and for the Supplemental Pension Plans (other than Deputy Sheriff's and Corrections), the latest actuarial valuation was performed as of January 1, 2001. Information about the actuarial accrued liability for the Comprehensive Pension Plans, Deputy Sheriff's Supplemental Pension Plan, and the Correctional Officer's Supplemental Pension Plan in 2001, 1999, and 1997 is not available because the prior actuarial valuations were as of January 1, 2002, January 1, 2000, and January 1, 1998. Information about the actuarial accrued liability of the Supplemental Pension Plans (except for Deputy Sheriff's and Correctional Officers') is not available as of 2002, 2000, and 1998, because the prior actuarial valuations were as of January 1, 2001, January 1, 1999 and January 1, 1997. The significant actuarial assumptions used to compute the accrued actuarial liability are the same as those used to compute the actuarially determined contribution requirements.

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered payroll <u>((b-a)/c)</u>
Comprehensive Pension Plans:						
Police						
1/1/2002	\$ 593,995,000	\$ 717,947,900	\$ 123,952,900	82.7	% \$ 71,099,800	174.3
1/1/2000	578,669,900	631,214,800	52,544,900	91.7	64,758,100	81.1
1/1/1998	486,681,800	542,524,000	55,842,200	89.7	55,633,500	100.4
Fire Service						
1/1/2002	272,813,200	331,332,200	58,519,000	82.3	33,241,500	176.0
1/1/2000	266,087,700	299,328,100	33,240,400	88.9	29,474,800	112.8
1/1/1998	224,839,700	251,617,000	26,777,300	89.4	24,678,600	108.5
Correctional Officers'						
1/1/2002	31,646,400	50,481,500	18,835,100	62.7	14,247,800	132.2
1/1/2000	24,738,800	36,342,400	11,603,600	68.1	12,179,200	95.3
1/1/1998	13,627,700	19,029,900	5,402,200	71.6	8,326,300	64.9
Deputy Sheriff's						
1/1/2002	23,525,300	37,772,800	14,247,500	62.3	5,516,400	258.3
1/1/2000	21,007,100	27,018,200	6,011,100	77.8	5,395,400	111.4
1/1/1998	12,850,700	17,873,400	5,022,700	71.9	4,742,400	105.9

Required Supplementary Information – Schedule of Funding Progress (continued)

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered payroll <u>((b-a)/c)</u>
Supplemental Pension Plans:						
Deputy Sheriff's						
1/1/2002	\$ 5,017,330	\$ 5,937,700	920,370	84.5	% \$ 1,811,400	50.8
1/1/2000	4,795,200	5,122,500	327,300	93.6	1,979,400	16.5
1/1/1998	3,933,400	4,376,200	442,800	89.9	2,572,800	17.2
Correctional Officers'						
1/1/2002	2,501,135	2,898,600	397,465	86.4	1,810,700	22.0
1/1/2000	2,209,900	2,556,100	346,200	86.5	1,962,200	17.6
1/1/1998	2,239,300	2,628,000	388,700	85.2	3,831,500	10.1
Crossing Guards						
1/1/2001	635,300	815,000	179,700	77.9	1,150,500	15.6
1/1/1999	546,800	788,000	241,200	69.4	1,117,100	21.6
1/1/1997	310,700	708,600	397,900	43.8	1,060,200	37.5
AFSCME						
1/1/2001	12,329,200	16,472,200	4,143,000	74.8	17,538,100	23.6
1/1/1999	10,554,000	15,708,600	5,154,600	67.2	16,236,900	31.7
1/1/1997	6,133,600	12,770,400	6,636,800	48.0	14,366,200	46.2
General Schedule						
1/1/2001	45,070,000	73,312,300	28,242,300	61.5	59,096,000	47.8
1/1/1999	34,643,300	64,667,200	30,023,900	53.6	51,857,800	57.9
1/1/1997	18,713,700	50,222,500	31,508,800	37.3	50,734,200	62.1
Fire Civilian						
1/1/2001	2,127,600	3,330,000	1,202,400	63.9	2,890,400	41.6
1/1/1999	1,531,700	3,055,900	1,524,200	50.1	3,010,900	50.6
1/1/1997	775,300	1,872,300	1,097,000	41.4	2,648,000	41.4
Police Civilian						
1/1/2001	3,213,700	5,853,200	2,639,500	54.9	6,374,300	41.4
1/1/1999	2,457,000	5,025,900	2,568,900	48.9	5,304,700	48.4
1/1/1997	1,263,300	4,033,900	2,770,600	31.3	5,088,500	54.4