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**Prince George's County,  
Maryland**



**Office of Finance  
J. Michael Dougherty, Jr.  
Director of Finance**

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December 26, 2004

The Honorable County Council,  
the County Executive, and  
Citizens of Prince George's  
County, Maryland  
Upper Marlboro, Maryland 20772

Ladies and Gentlemen:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Prince George's County for the fiscal year ended June 30, 2004 required by both local ordinances - County Charter and State statutes. These ordinances and statutes stipulate that the County issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a way that presents fairly the financial position and results of operations of the governmental and business-type activities, and various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The CAFR consists of four sections: introductory, financial, statistical, and other. The introductory section, which is unaudited, includes this letter of transmittal, a list of the County's principal elected and appointed officials, an organizational chart, and the Certificate of Achievement for Excellence in Financial Reporting. The financial section includes management's discussion and analysis, basic financial statements, and the combining and individual fund financial statements and supplementary schedules, and the independent auditors' report on these financial statements and schedules. The supplementary schedules are expansions of pertinent financial information previously summarized in the basic financial statements. These schedules are more fully presented in this part to aid the reader's understanding of the composition of these items. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multiyear basis.

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The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget's Circular A-133, **Audits of States, Local Governments and Non-Profit Organizations**. Information related to this single audit, including a schedule of expenditures of Federal awards (the schedule), the independent auditors' report on compliance with requirements applicable to each major program and internal controls over compliance, and a schedule of findings and questioned costs will be included in a separately issued single audit report. The fourth section ("Other") of the CAFR contains a related independent auditors' report on the County's internal controls over financial reporting and compliance with applicable laws and regulations at the basic financial statement level.

Accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental activities require the County to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors on pages II-1 through II-15.

### **THE REPORTING ENTITY AND ITS SERVICES**

The financial reporting entity (the County) includes all the funds of the Primary Government (i.e., Prince George's County, Maryland as legally defined). It also includes Component Units for which the Primary Government is financially accountable. Discretely presented Component Units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the Primary Government and to differentiate their financial position and results of operations from those of the Primary Government. The County's eight Component Units are the following: Board of Education of Prince George's County, Housing Authority of Prince George's County, Industrial Development Authority of Prince George's County, Prince George's County Memorial Library System, Prince George's Community College, Prince George's Community Television Inc., Revenue Authority of Prince George's County and Redevelopment Authority of Prince George's County.

The Washington Suburban Sanitary Commission, the Maryland-National Capital Park and Planning Commission, the Washington Suburban Transit Commission, and the Washington Metropolitan Area Transit Authority (WMATA) are reported as joint ventures in the accompanying notes to the financial statements. The Metropolitan Washington Council of Governments (COG) is reported as a jointly governed organization rather than a joint venture. Dimensions Health Corporation, Workforce Services Corporation, Economic Development Corporation, and the Local Government Insurance Trust are deemed to be neither component units, nor joint venture activities as such, and accordingly are excluded from this report.

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The services provided by the Primary Government include police, fire and emergency services, family service programs, public works, and court and correctional services. The Primary Government also adopts and maintains building codes, regulates licenses and permits, collects taxes and revenue, maintains records, conducts elections, and collects and disposes of refuse. Services provided by the component units and partially financed by the Primary Government include: elementary, secondary, and community college education; public and private building construction; community building projects; projects devoted wholly or partially for public use that will stimulate employment or economic growth; library services; planning services; parking facilities; public and private residential housing; and public access to cable television programming. Public transit, parks and recreational facilities, and water and sewer services are provided by various joint venture entities.

### **GOVERNMENTAL STRUCTURE AND DEMOGRAPHICS**

Prince George's County, Maryland - a body corporate and politic - is a political subdivision of the State of Maryland, which operates under a "home rule" Charter which was adopted in November 1970. The powers of the County are contained in the Charter of Prince George's County, Maryland (the "Charter") and in the Constitution and laws of the State of Maryland. By Charter, the County is composed of an executive and a legislative branch. The executive branch enforces the laws and manages the business affairs of the County. It consists of a County Executive (elected by the qualified voters of the entire County) and all other officers, agents, and employees under the County Executive's supervision and authority, including the Chief Administrative Officer who is responsible for the day-to-day administration of the County. The legislative branch of the County consists of a nine-member County Council (elected by Councilmanic District) and its staff. The Charter limits the County Executive and members of the Council to two consecutive four-year terms in office.

When Prince George's County was formed, it included all of that part of Maryland lying between the Potomac and Patuxent Rivers, extending from Mattawoman and Swansons Creeks on the south to the Pennsylvania line on the north, thus encompassing the area which today is comprised of the District of Columbia, Montgomery, Frederick, Washington, Allegany, and Garrett Counties, the northwest half of Carroll County, and that part of Charles County lying north of Mattawoman Creek. Named for Prince George of Denmark, husband of Princess Anne, heir to the throne of England, our County was founded in 1696. Between 1696 and 1800, Prince George's County was reduced to its present size by acts of Maryland's General Assembly.

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Prince George's County encompasses 487 square miles that borders Washington, D.C., Montgomery, Howard and Anne Arundel Counties and is 37 miles south of the City of Baltimore. The County's centralized location and its rich diversity has attracted some 816,800 residents and 14,000 businesses to its twenty-seven unique municipalities. Having a robust transportation system allows easy accessibility to the region's national and international airports and to the Port of Baltimore.

The Prince George's County Department of Parks and Recreation (Department), under the guidance of The Maryland-National Capital Park and Planning Commission, is committed to providing quality recreation programs, facilities, and services within the County. The M-NCPPC was created by the Maryland General Assembly in 1927 to develop and operate public park systems and provide land use planning for the physical development of the great majority of Prince George's County and to operate the public recreation program. State of the art facilities and award winning programs have been the result. More than 23,000 acres of parkland in the county provide a balance between open space in its natural undeveloped state, and land developed with extensive array of recreation facilities. Residents and visitors of Prince George's County will find a wide variety of programs and activities. Whether it's a class in the newest fitness craze, innovative programs for seniors, or a relaxing jazz concert at an arts center, the Department offers a myriad of programs and activities for every age and interest. Small staff retreats, sports tournaments for hundreds of participants or large events to attract thousands, are all activities that have been hosted in park facilities within Prince George's County.

## **MAJOR INITIATIVES**

In fiscal year 2004, the State of Maryland continued to experience fiscal issues. The County's legislative team in Annapolis has been aggressively advocating for the restoration of programs that could effect the County's educational and utility systems. With their hard work and the commitment of the County's delegation, we are optimistic that a number of these programs will be restored prior to the State's adoption of its FY 2005 budget. The reductions in State aid has led to a number of proposals for spending realignment, however, building *Livable Communities* remains a priority of the County Administration.

*Livable Communities* are designed as communities that are culturally and geographically diverse, proudly progressive, united for educational excellence, committed to vibrant economic development, and dedicated to the preservation of natural and historic resources. A *Livable Community* is one that residents can be proud to call home. It is one that is attractive enough to live, work, learn, play, worship and raise families in.

As indicated below, the County continues to move forward with major investments in the multiple facets of *Livable Communities* in areas such as education, public safety, economic development and capital improvements.

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### Education

A quality educational system is the backbone of any successful society. With a proper education, our children are better equipped to achieve all their hopes and dreams. A high-quality educational system is an essential component to improving the County's economic base for attracting new businesses and expanding existing businesses, by developing a stronger, more educated workforce. As such in fiscal year 2004, the Board of Education received the lion's share of the County budget (65.4%), which translates into a budget that approaches \$1.18 billion. This level of commitment indicates how crucial the success of our public schools is to all other aspects of life in Prince George's County.

Our public school system is the largest in the State of Maryland and nineteenth largest in the country. During fiscal year 2004, the School Board operated 131 elementary schools, 29 middle schools, 21 high schools, nine special education centers, two vocational centers, one science center, one outdoor education center and one early childhood center for a total student population estimated at 134,150. There are magnet and compensatory school programs in 116 schools. In addition, two schools previously closed for renovation reopened and one former school recently used for non-education purposes houses a refurbished elementary school. The County's higher education and vocational education programs bring enrichment to senior citizens, integration to a growing population of immigrant and international students, and strengthens partnerships with community agencies, businesses, industries, and organizations.

The County is fortunate to have two entities that provide lifetime educational opportunities for our nearly 850,000 residents including: Prince George's Community College and the University of Maryland. The Community College is rapidly changing the look and quality of higher education in our community. Next year will mark the beginning of the transformation of the Largo campus with the start of a number of construction projects. The College Campus based in Largo, Maryland, provides over 50 academic programs leading to associate's degrees and certificates for college transfer or employment. It also supplies specialized courses and educational opportunities for senior citizens and the growing population of immigrant and international students. The University of Maryland provides a broad range of high quality, accessible, and affordable educational opportunities, engages in significant research and creative scholarships, and provides programs and services that respond to Maryland's and the nation's needs.

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### Public Safety

An essential element of *Livable Communities* is creating a community where the residents feel safe and free to move about the County as they live, work, and play without the fear of being a victim of crime. The County Government recognizes that in order for Prince George's County to be a first-class community we must have a first-class police force and as a community we must continue to focus on achieving a lower crime rate. Therefore, the County's second largest expenditure item is in public safety. In FY2004, Public Safety expenditures are \$232.7 million. This represents 12.9% of the entire expense budget and a 2.5% increase over FY2003. This growth allowed the Police Department to maintain its authorized sworn strength at 1,420. Funds have been allocated to continue the targeted enforcement programs, which enable the Department to direct resources where they are needed most. Initiatives are based upon crime statistics and enforcement requests from the community. Other interventions are determined by time and location such as high visibility patrols in and around shopping centers during the holiday season.

Given the proximity of Prince George's County to Washington, D.C., the County's law enforcement and emergency personnel continue to prepare to combat the threats brought by chemical, biological and other weapons of mass destruction in addition to their traditional roles of combating crime and fire. The Office of Homeland Security was established to develop and maintain comprehensive emergency management programs through planning with federal, state, local officials, and the private sector, to develop a coordinated safety and preparedness strategy to protect life, property, and the environment from the effects of natural and man-made disasters, including terrorist acts.

In March 2003, the Department hired a class of 55 Emergency Response Technicians. These recruits completed their academy training and began fieldwork in July 2003. As part of the National Defense Grant, the Department acquired nine advanced life and basic life support ambulances.

### Economic Development

The Prince George's County Government recognizes that with increased collaboration among agencies there is the greater ability to conduct activities and programs that enhance the County's economic development. With this organizational style in mind, the shift has begun to manifest itself in the establishment of "economic clusters" which bring together numerous agencies to focus on economic development projects. These "clusters" incorporate the knowledge and skill-sets of staff in nearly a dozen government agencies. This approach represents the future in economic development decision-making.

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Prince George's County is at a major crossroads as it relates to economic development. The County has a tremendous opportunity over the next few years to begin reshaping our economic base by dramatically expanding our commercial base. The County has the largest inventory of open land near Metro stations in the entire Washington, D.C. Metropolitan area. We are currently in the process of defining our economic development strategy that will dictate where we will be in the next decade. The County continues to be a jurisdiction of tremendous potential and a jurisdiction drawing great interest from the business and development communities.

In FY04, there was steady economic activity in Prince George's County, including the construction of new office, flex, industrial, and retail projects. The commercial sector has been relatively stable, in part because of contracts with the strong government, research, technology, and defense industry anchors in the region.

The County has the second largest concentration of high technology firms and employees in the State – about 900 firms and over 33,000 employees. There are nearly a dozen federal agencies, most with research-focused activities, within the High-Technology Triangle. These agencies attract technology companies as contractors for their operations. The NASA Goddard Space Flight Center, the USDA Beltsville Agricultural Research Center, the Army Research Laboratory, the Institute for Defense Analysis, and the US Census Bureau Supercomputer Center support the expansion and growth of the local technology business base.

The National Harbor Project, located on 537 acres (23.4 million square feet) of waterfront property in the Smooth Bay area of Oxon Hill, will combine 275,000 square feet of meeting and exhibit space with 150,000 square feet of retail waterfront dining and entertainment space on the Potomac River. Also planned is a 1,500-room hotel. The project is projected to create 1,725 construction jobs and 2,600 new permanent jobs for Phase I alone. \$10 million in road improvements are under construction. The opening of the project will follow the completion of the Woodrow Wilson Bridge and related transportation improvements in 2006.

The first phase of the \$82 million Boulevard at Capital Centre opened in November 2003, featuring a “main street” style boulevard. Spanning five city blocks on a 76-acre (3.3 million square feet) site, 60 acres (2.6 million square feet) of which is to be leased from the County, the “town center” development will contain up to 500,000 square feet of retail, entertainment, and hotel space.

Transportation is another key part of the County's Livable Communities Initiative. The County's goal is to provide a well-functioning transportation system across all levels of services. In FY05, the Department of Public Works and Transportation will continue to fully fund the Bus, paratransit, and other mass transit services to meet the needs of the citizens for flexible, reliable transportation service, and will continue to work very closely with WMATA on the 3.1-mile, two-station (Morgan Boulevard and Largo Town Center) \$434 million project for the Metro-rail Blue Line Extension to Largo scheduled to open in December 2004.

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### Capital Improvement

Capital expenditures are costs that the County incurs while building permanent facilities such as schools, libraries, fire stations, and roads. The Capital Budget consists of expenditures to be made in the first year of the Capital Improvement Program and provides the appropriation authority to spend the funds needed to initiate or continue work on capital projects during the budget year. By serving as a vehicle for implementing the County's long-range physical development goals and policies, the Capital Budget is the framework within which all County development activities occur, whether it be for constructing new facilities or extending the usable life of existing facilities.

Whether it is providing greater service capacity for government institutions, building schools to meet future needs, or developing a transportation infrastructure that is built for competition in the 21<sup>st</sup> Century, providing funding for capital projects is key to enhancing all aspects of community life. Since capital facilities provide benefits over a long period of time, the County normally spreads out its costs, paying for them through general obligation bonds and other forms of long-term indebtedness. This ensures that capital costs are not borne solely by today's taxpayers, but that future beneficiaries of capital projects also help to pay for them.

The County's FY2004 Capital Budget includes new project initiations for the school system and the County. Funds are included to replace a high school, and to construct additions to six high schools. At the elementary school level, the capital budget contains construction funds for eleven new elementary schools, and renovation projects at four other schools. Major County projects include the Oxon Hill Library Renovation, the Detention Center Expansion, the Duvall Wing Courthouse renovation, and the Marbury Wing Courthouse addition. Also funded are portions of over fifty road and bridge improvement projects.

With respect to roads, the County administration recognizes that it is critical that Prince George's County have a first-class transportation network if it is to be competitive regionally. The current major construction projects include: Phase III of Ammendale/Virginia Manor Roads, major resurfacing for eleven roadways and five bridge replacement projects. In addition, the Department of Public Works and Transportation will continue its participation in construction of the Woodrow Wilson Bridge replacement project.

Many services provided by the County to its citizens have been funded from federal, state, and local grants provided to the individual County agencies. While human service agencies continue to administer the majority of the grants awarded to the County, many grants can be found in other areas such as public safety and criminal justice. The following are examples of County programs that benefit County citizens:

#### Office of the Sheriff – Child Support Enforcement

This grant funds a special unit within the Office of the Sheriff that is responsible for service of process and writs of attachment to persons who are in arrears with child support payments.

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Circuit Court – Cooperative Reimbursement Grant/Masters

This Federal grant reimburses the Circuit Court for activities it undertakes in the area of child support enforcement. The Office of the Master of Domestic Relations hears and makes recommendations to the Circuit Court on cases concerning the establishment of paternity, establishment of civil support obligations, and enforcement of the collection of Court-ordered child support.

Police Department – Alcohol/Drug Highway Safety Program

This program provides funding to conduct sobriety checkpoints, assign Driving While Intoxicated (DWI) Task Force officers to each high school prom, develop and distribute DWI-related information, distribute Drug Education Guide pamphlets, enable County high school seniors to use a DWI simulator, sponsor a drug summit for County middle and high school students, purchase additional breath test devices, and enable the County to expand public education efforts towards drug-and alcohol-free driving.

Public Works and Transportation – Ridesharing program

This program promotes ridesharing in the public and private sectors by helping commuters form car and van pools, thereby reducing congestion on County highways. The Federal Highway Administration provides funding through the Urban Systems program.

Department of Social Services – Maryland Jobs Initiative

Funds from the Maryland Department of Human Resources will support costs of providing employment-related assistance to clients of various benefit programs. Job development, referrals, placements, and job-seeking skills training are some of the components of this initiative, which seeks to reduce welfare dependency through employment. This approximate level of funding has been available to organizations in Prince George’s County in past years but has been spent through State contracts with vendors.

Department of Family Services – Senior Assisted Housing

This residential living program provides shelter, meals, housekeeping, personal services, and 24-hour supervision to individuals at least 62 years of age who have temporary or periodic difficulties with the activities of daily living and require assistance in performing those personal and household functions. The funds from the Maryland Office on Aging support coordinating activities necessary to approve facilities for certification and for monitoring visits.

Health Department – Division of Maternal and Child Health

These grant programs serve the needs of at-risk populations of infants, youth, and mothers with young children through early diagnostic screening, treatment, case management, and nutrition programs.

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Prince George's County is committed to providing quality government services for our citizens while maintaining a sound financial position. The County's administration has not only maintained but also enhanced funding in priority areas (Livable Communities, Public Safety and Education) in spite of adverse economic conditions. The County has dedicated significant resources to this effort and anticipates a continuation of the high quality of services provided by its agencies.

### **FINANCIAL INFORMATION**

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and local financial assistance, the County is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the Office of Audits and Investigations.

As part of the County's Single Audit, described earlier, tests were made of the County's internal control over compliance and of its compliance with laws and regulations applicable to each of the County's major federal award programs.

The Primary Government maintains an Office of Audits and Investigations as required by Charter. The duties and responsibilities of this office include: annual financial audits of all agencies receiving or disbursing County funds; special audits of the accounts of any such agency upon request by the Council or County Executive; special audits of the accounts maintained by various County officers upon their death, resignation, removal, or expiration of term of office; and performance audits of any agency which is a recipient of funds appropriated or approved by the Council.

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In addition to periodic audit activities, the County maintains an extensive budgetary control system. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Council. Budgetary control in the General Fund is maintained at the department/agency level and at the fund level for all other funds. 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 authorized by the Council budget adoption or specific appropriation to cover payment out of public funds. Any person willfully violating this provision shall be deemed responsible for the contract, debt, or expenditure. Any Department Head allowing such actions is subject to disciplinary action by the Council.

The County Executive is authorized to transfer budget amounts of a department within any fund; however, the County Council must approve any revisions that alter the total budgeted expenditures of any department or fund. No agency of the Primary Government shall expend, or contract to expend, more than the amounts appropriated in the budget for each fiscal year. The Component Units may transfer budget appropriations within certain limits, but generally may not alter total appropriations without a budget amendment by County Council.

The County has implemented plans to expand and upgrade its system of performance measurements and many agencies have begun to develop and track improved performance measures. Other agencies will track financial and program performance on a routine basis with a special emphasis on efficiency and outcome measures. The data will be used not only for reporting purposes, but to guide daily management decisions and to focus operational policies. The County is also exploring the possibility of "benchmarking" its services - setting specific performance targets to the end of the decade and beyond, that the public can use to judge the County's achievement of certain broad strategic goals, goals that collectively constitute its citizens' vision of the County's future.

As demonstrated by the statements and schedules included in the Financial Section of this report, the County continues to meet its responsibility for sound financial management.

### **PENSION TRUST FUNDS**

The Primary Government's Pension Trust Funds include four Comprehensive Pension Plans and seven Supplemental Pension Plans. The four comprehensive plans cover the police officers, firefighters and paramedics, deputy sheriffs, and correctional officers. The Supplemental Pension Plans cover members of the following employee union groups: Deputy Sheriffs; Correctional Officers Association; AFSCME Local 241 (crossing guards); AFSCME Locals 3279, 2462 and 2735 (A Schedule); General Schedule employees; Local 1619 (Fire Civilians), and Police Civilians.

Improving market conditions in fiscal year 2004 led to investment gains of approximately \$106.3 million in the Pension Trust Funds. Employer and employee contributions to all the funds approximated \$40.0 million and \$11.9 million, respectively. The Pension Trust Funds also experienced increases in expenses of 5.4% in 2004.

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## CASH MANAGEMENT

The Primary Government's accounting system operates under a pooled treasurer's fund concept. This method reduces the efforts needed to manage cash and investments as bank accounts and investments are consolidated in the treasurer's fund instead of maintaining separate bank accounts and investments for each fund.

The Primary Government uses a computerized system to guide investment decisions to maximize interest income. This system not only accounts for and reports on the investment portfolio, but also identifies the optimal maturity and cash balances to invest. The Primary Government's approved investment policy is documented in the County's **Financial Policies and Procedures Manual**. The key investment objectives are to preserve the capital in the overall portfolio, to remain sufficiently liquid to meet disbursement requirements which might be reasonably anticipated, and to maximize the return on investments consistent with risk limitations and prudent investment policies.

State statutes authorize the component unit entities to manage their cash similar to the Primary Government. Therefore, the Primary Government and component units may invest temporarily idle cash in obligations to which the United States has pledged its full faith and credit for the payment of principal and interest, obligations issued by a federal agency according to an act of Congress, and in Maryland-based bank and thrift certificates of deposit and other accounts, municipal bonds, bankers' acceptances, repurchase agreements, money market mutual funds, commercial paper, and the Maryland Local Government Investment Pool.

For fiscal year 2004, the Primary Government earned approximately \$8.6 million of interest income on an average daily investment portfolio balance of \$496.8 million, as compared to \$9.5 million in fiscal year 2003 on an average daily investment balance of \$423.2 million.

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### **RISK MANAGEMENT**

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, have pooled their risk management activities into four self-insurance funds.

The self-insurance funds are managed by a committee composed of representatives of each entity with the Director of Finance of the Primary Government serving as a permanent chairperson. This committee meets periodically and is responsible for formulating all risk management policies and the review of claims and program evaluation. In addition, the funds use: a professional claims management firm to adjust claims; an independent insurance consulting firm to review the treatment of risks and other technical matters; an actuarial firm to evaluate the adequacy of funding levels; and contractual and in-house attorneys to administer legal requirements of the funds.

Estimated liabilities for pending claims are recorded in the self-insurance funds based on recommendations by the claims management firm for non-litigation claims, while recommendations of legal counsel provide the basis for claims involving litigation which may have possible adverse outcomes to the County and the other participants. The major types of claims covered by the self-insurance funds are indicated below:

	<u>Primary Government</u>	<u>Board of Education</u>	<u>Community College</u>	<u>Memorial Library</u>
Professional liability	X	X	X	X
Automobile liability	X	-	-	X
Property replacement	X	X	X	X
Worker's compensation	X	X	X	X

The Primary Government is also self-insured for unemployment compensation and employee health coverage.

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## INDEPENDENT AUDIT

County ordinances and state statutes require an annual audit by independent certified public accountants. The public accounting firm of KPMG LLP, in association with Bert Smith & Co., were engaged to perform this task in fiscal year 2004. Besides meeting requirements set forth in these ordinances and statutes, the audit was also designed to meet the requirements of the federal Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's **Government Auditing Standards** were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' report on compliance and internal control over financial reporting at the basic financial statement level can be found in section four of this report.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Prince George's County, Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the 24th consecutive year (fiscal years ended 1980 – 2003) that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

In addition, the County also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning July 1, 2003. Congratulations to Mr. Thomas M. Himler, Director, Office of Management and Budget - on this achievement. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

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### **ACKNOWLEDGMENTS**

Immeasurable appreciation is owed to Dr. Jacqueline F. Brown, Chief Administrative Officer, for her exceptional expertise and guidance through the challenges of fiscal year 2004. Credit must also be given to County Executive Jack B. Johnson for his resolute vision and the County Council for their continued interest and support in conducting the operations of the government in a responsible and progressive manner.

Preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Office of Finance's Accounting Division; and in particular Charles M. Curtis, Jr., Assistant Director of Accounting. We would like to express our appreciation to the Accounting Division and to all others that assisted and contributed to the preparation of this report. A list of individuals who helped ensure the success of this endeavor and deserve special recognition is provided below:

#### **Office of Finance – Accounting Division Financial Reporting Group**

Barbara Boykin  
George Bryant  
Terry Carver  
Linda Chialastri

Tracey Clayton  
Mary Hatfield  
Rita Houston  
Muriel Logan

Wanda Redman  
Dejuan Shambley  
Marilyn Van Bogelen  
Ronald Wells

Respectfully submitted,

J. Michael Dougherty, Jr., Esq.  
Director of Finance

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