



CHARLES COUNTY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015



CHARLES COUNTY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Prepared by:

Department of Fiscal and Administrative Services

Charles County, Maryland

David M. Eicholtz

Director of Fiscal & Administrative Services

William G. DeAtley

Chief of Accounting

Michael D. Mallinoff

County Administrator

www.charlescountymd.gov

Charles County, Maryland

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Charles County, Maryland

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Introductory Section



Charles County Government
OFFICE OF THE COUNTY ADMINISTRATOR

CHARLES COUNTY COMMISSIONERS

Peter F. Murphy, *President*
Ken Robinson, *Vice President*
Debra M. Davis, Esq.
Amanda M. Stewart, M.Ed.
Bobby Rucci

Michael D. Mallinoff
County Administrator

December 18, 2015

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

The Comprehensive Annual Financial Report of Charles County, Maryland for the Fiscal Year ended June 30, 2015, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that Charles County annually issue a report of its financial condition and that this report be audited by an independent firm of licensed Certified Public Accountants. Responsibility for the accuracy of the County's financial records, including all required disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of Charles County Government. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

The County's financial statements have been audited by SB & Company, LLC, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurances that the financial statements of the County for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the year ended June 30, 2015, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The report of Independent Public Accountants is presented as the first component of the financial section of this report.

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

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

Profile of the Charles County Government

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

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

The County serves a population of approximately 152,864 and provides a full range of municipal services enacted by statute or charter. These include public safety, education, sanitation, transportation, public health, social services, recreation, public improvements, planning and zoning, and administrative services. The three incorporated municipalities within the County are La Plata, Indian Head and Port Tobacco. These entities are independent of the County and, as such, are not included in this report.

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

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

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

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

Budget-to-actual comparisons are provided in this report for the General Fund for which an appropriated annual budget is adopted. This comparison is presented on page 105 as part of the required supplementary information.

Economic Condition and Outlook

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

Local Economy. Charles County lies within the Washington, DC Metropolitan Statistical Area (MSA) and is within close proximity to the Baltimore MSA, making the entire region a source of potential workforce and commerce. A population of nearly 9.8 million people resides within a 90-minute drive of the county.

Charles County has grown steadily for more than two decades as a "bedroom community" of Washington, DC. More than half of the county's residents commute to Washington, DC and other nearby urbanized areas for high-paying jobs, resulting in the county being ranked the 18th wealthiest in the nation, according to the Census Bureau's 2013 American Community Survey. Additionally, Charles County has some of the lowest commercial vacancy and rental rates within the Washington, DC MSA.

Naval Support Facility (NSF) Indian Head is one of the county's largest employers and economic drivers, with more than 3,523 civilian, military and contract employees in FY 2015. NSF had payrolls of nearly \$345 million, plus another \$593 million in contracts, of which \$240 million were local.

Other major county employers include population-serving agencies and organizations including the

Charles County Board of Education, the College of Southern Maryland, Charles County Government, University of MD Regional Medical Center, the Charles County Sheriff's Office, and Southern Maryland Electrical Cooperative (SMECO), the regional electrical utility.

Industry composition in the county is significantly impacted by these major employers, with the highest percentage in public administration (21.3%), followed by educational services and health care (18.2%). However, several small, high-tech private firms - some of which have been nationally recognized for rapid revenue growth - are changing the business landscape as the county develops. One quarter of the county's major industries include professional, scientific, management and administrative (14.6%) and retail trade (10.9%).

Firms headquartered in Charles County include Community Bank of the Chesapeake (regional bank), SMECO (regional utility provider), The Wills Group (regional fuel and energy provider), College of Southern Maryland (regional community college), Facchina Construction (national contracting firm), outsourceIT (national cloud-computing and IT firm), Zekiah Technologies (national GIS firm), and Facchina Global Solutions (multi-national security, technology & engineering services). (*Data sources: NSF Indian Head; U.S. Census Bureau 2013 ACS 3-year estimates; Dun & Bradstreet; CoStar, 2014*)

As indicated in the following table, employment in the County increased from 40,390 in 2010 to 41,210 in 2014, a gain of 820 jobs and a 2% increase in total employment. The majority of the jobs gained in this timeframe were in State and Local Government, and the Services industries.

**Five-Year Employment Statistics
Persons Employed by Industry**

	2010	2011	2012	2013	2014	% Change '10 to '14
GOVERNMENT						
Federal	2,353	2,249	2,271	2,224	2,168	-7.9%
State	400	415	626	565	571	42.8%
Local	6,591	6,600	6,708	6,749	6,826	3.6%
Subtotal	9,344	9,264	9,605	9,538	9,565	2.4%
INDUSTRY						
Services, Transportation, Communication &						
Utilities	27,109	27,363	27,074	27,144	27,452	1.3%
Construction	3,129	3,071	3,265	3,480	3,503	12.0%
Manufacturing	750	687	650	605	655	-12.7%
Other	58	36	29	32	35	-39.7%
Subtotal	31,046	31,157	31,018	31,261	31,645	1.9%
Total	40,390	40,421	40,623	40,799	41,210	2.0%

Source: Maryland Department of Labor, Licensing and Regulation.

The County's unemployment rates have remained lower than that of the nation and the state.

Average Annual Unemployment Rate

	<u>2010*</u>	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014</u>
Calvert County	6.7%	6.3%	5.9%	5.7%	5.1%
Charles County	6.8	6.5	6.3	6.2	5.5
Frederick County	6.9	6.3	5.9	5.7	5.0
Montgomery County	5.8	5.4	5.2	5.1	4.5
Prince George's County	8.0	7.5	7.2	6.8	6.0
St. Mary's County	6.5	6.2	6.1	5.8	5.2
State of Maryland	7.9	7.3	6.9	6.6	5.8
United States ¹	9.6	8.9	8.1	7.4	6.2

**Estimates are revised to the 2013 benchmark from the Current Population Survey. Published April 2014.*

¹ U.S. Department of Labor, Bureau of Labor Statistics.

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information; U.S. Bureau of Labor Statistics.

Charles County has experienced continued increase in population each year. The Census of 1990 showed the County's population at 101,154. The 2000 Census put the County's population at 121,204. The Census of 2010 puts the County's population at 146,551. The increase from 1990 to 2010 is 44.9%. The 2013 3-year Census estimates the County's population at 152,864. It is projected that population growth within the County will continue at a steady but moderate rate. By the year 2020, Charles County's population is estimated to reach over 169,000.

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

1. Review and approve five-year comprehensive plans for operating and capital budgets for all major funds. By establishing long range plans, the County measures the fiscal impact of today's decisions on tomorrow's outcomes.
2. An annual review of all programs that operate on an enterprise fund basis is prepared to ensure that the revenues for such programs continue in a self-supporting nature. By doing so, the Commissioners relieve the pressure of funding such programs on the general taxpayer. Major programs include Solid Waste, Water & Sewer, Recreation, and Developer Inspection & Review.
3. Regular reports are prepared for most major operations comparing year-to-date activity and year-end estimates with budget and prior year actual results. The review alerts the Board of County Commissioners to any financial problems that may require action, or operating surpluses that could be reinvested for program improvements.

4. When needed, the County will advance the State of Maryland's share for school construction to provide adequate classroom space, only when assurances are given by the State that the County will be reimbursed. All advanced projects have been reimbursed by the State.
5. Established a Fund Balance policy on March 9, 2010:
 - a. This policy will ensure the County maintains a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unexpected one-time expenditures.
 - b. The policy will be reviewed on an annual basis during the budget process.
 - c. The fund balance range for the General Fund shall not be less than 8% and not more than 15% of the total budgeted operating revenues of the General Fund budget.
 - d. The fund balance of the Water and Sewer Operating Budget shall not be less than 30 days and not more than 120 days of the total budgeted operating expenses of the Utilities Operating Fund.
 - e. A surplus of 15% of the General Fund shall be transferred to cover shortfalls within Special Revenue Funds. Water and Sewer surplus shall be reserved for one-time capital needs. Surplus funds can be utilized to reduce or avoid debt, applied to capital outlay purchases, or stabilize taxes, rates and fees.
 - f. A shortfall is to be rebuilt through the following mechanisms: distribution of surplus from other related funds or appropriation during the next three annual budget cycles of at least 20% of the shortfall. If this is financially unfeasible, a written plan shall be forwarded by the County Administrator to the Board of Commissioners for approval to restore the required range. This plan may require reduction of services, increased taxes, fees or rates.
6. Established a Debt policy on September 22, 2009:
 - a. Authority to Issue Debt – The County may only issue general obligation bonds under the authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County may also authorize the issuance of general obligation bonds by a public local law enacted by the County Commissioners. The County may issue economic development revenue bonds under State law which provides that such bonds shall not constitute indebtedness or charge against the general credit of taxing power of the County. The County may issue bonds necessary to finance the cost incurred to construct new capacity for public schools. The County may issue general obligation bonds to finance water systems, sewerage systems, solid waste disposal systems and solid waste acceptance systems.
 - b. Debt Issue Guidelines – Long-term borrowing will not be used to finance current operations. All debt issued will be repaid within a period not to exceed the useful life of the asset. General Fund debt service payment levels will be maintained not to exceed 8% of operating revenues. The County will seek to maintain and, if possible, improve current bond rating in order to minimize borrowing costs.
 - c. Debt Capacity – The five-year financial plan will help determine the amount of debt that can be issued while maintaining an 8% debt service ratio.

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

In Fiscal Year 2015, the County held two bond sales after not going to the market in the previous fiscal year. The second in the latter part of Fiscal Year 2015 saw the County take advantage of a favorable market to refund some prior debt issues for future savings.

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

Major Initiatives. The County's Fiscal Year 2016 budget continued to reflect long-range goals of achieving the FY2015 goals stated below to improve the overall quality of life in Charles County. The following are those objectives:

- Improve economic development to achieve a balance in commercial, industrial and residential growth as measured by the assessable tax base, per capita income and average County wages (as measured against the metropolitan area) and other appropriate benchmarks through close coordination with the Economic Development Department and other business-oriented groups through innovative business retention, expansion and location policies; promoting a favorable regulatory climate for business; and maintaining a thriving business climate and high quality of life where citizens can live, work and prosper in Charles County.
- Enhance the County's infrastructure through funding an aggressive, yet affordable, Capital Improvement Program (CIP) for those functions which are a government responsibility; increase the carrying capacity of the CIP through maintaining levies on new growth and construction projects in-house where feasible; and facilitate wholly, or partially/privately constructed and financed infrastructure, whenever advantageous.
- Improve the effectiveness and efficiency of the government through utilization of productivity enhancing technology, equipment and incentives; maintain a well-trained, highly motivated, fairly compensated, diverse workforce in a safe and orderly environment. The County values fiscal responsibility, the highest ethical standards and excellent standards in conducting County business.

- Achieve a prosperous, aesthetically pleasing County, with safe and healthy communities and a balanced economic base, where our heritage, rural character and legacy are also respected and protected through citizen involvement in the planning process, relevant land use plans and policies and conformance to smart growth principles to assure a high quality of life.
- Through a mutually cooperative and supportive relationship between the Board of Education, College of Southern Maryland, and other advanced degree opportunities and County Commissioners, provide the financial resources and public facilities, and establish benchmarks for academic achievement, within a safe, orderly and healthy environment for all students and personnel.
- Maintain a high level of public safety and health in the County, as evidenced by crime rates, response times and security measures to thwart or combat terrorism and bio-terrorism, by providing the financial resources, emergency planning and support for law enforcement, fire and EMS, and public health functions, respectively.
- The County values a Smart Growth approach to our community development needs. We recognize that it is imperative to respect and preserve natural resources. We must be ever mindful of the environment and protect its beauty.

In summary, the Fiscal Year 2016 economic outlook for the County is stable. Operating revenues should increase approximately 2%. Property Taxes are expected to increase 1% and Income Tax revenue is budgeted to increase 2%. Recordation Tax is budgeted \$3,200,000 less due to the receipt of a one-time recordation tax from a power plant in Fiscal Year 2015.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Charles County, Maryland for its comprehensive annual financial report for the year ended June 30, 2014. This is the thirteenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both accounting principle generally accepted in the United States of America and applicable legal requirements.

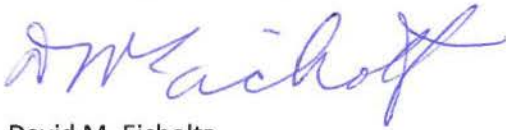
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the dedicated services of the staff of the Department of Fiscal & Administrative Services, Accounting Division. Each

member of the Department of Fiscal & Administrative Services, as well as members of other Departments who assisted and contributed information, has our sincere appreciation for their efforts.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "DM Eicholtz", with a stylized, cursive script.

David M. Eicholtz
Director of Fiscal & Administrative Services

A handwritten signature in blue ink, appearing to read "W. G. DeAtley", with a stylized, cursive script.

William G. DeAtley
Chief of Accounting

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Charles County Government
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO

**CHARLES COUNTY, MARYLAND
GOVERNMENTAL ORGANIZATION
CERTAIN ELECTED AND APPOINTED OFFICIALS
As of June 30, 2015**

CERTAIN ELECTED OFFICIALS

President, County Commissioners
County Commissioners

Peter F. Murphy
Ken N. Robinson
Debra M. Davis, Esq.
Bobby A. Rucci
Amanda M. Stewart

County Sheriff

Troy D. Berry

CERTAIN ADMINISTRATIVE OFFICIALS

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

Michael D. Mallinoff
Elizabeth D. Theobalds
David M. Eicholtz
Peter Aluotto
William D. Stephens
William A. Shreve, Sr.
Eileen B. Minnick
Paul M. Rensted
Darrell A. Brown

Independent Public Accountant

SB & Company, LLC
200 International Circle, Suite 5500
Hunt Valley, Maryland 21030

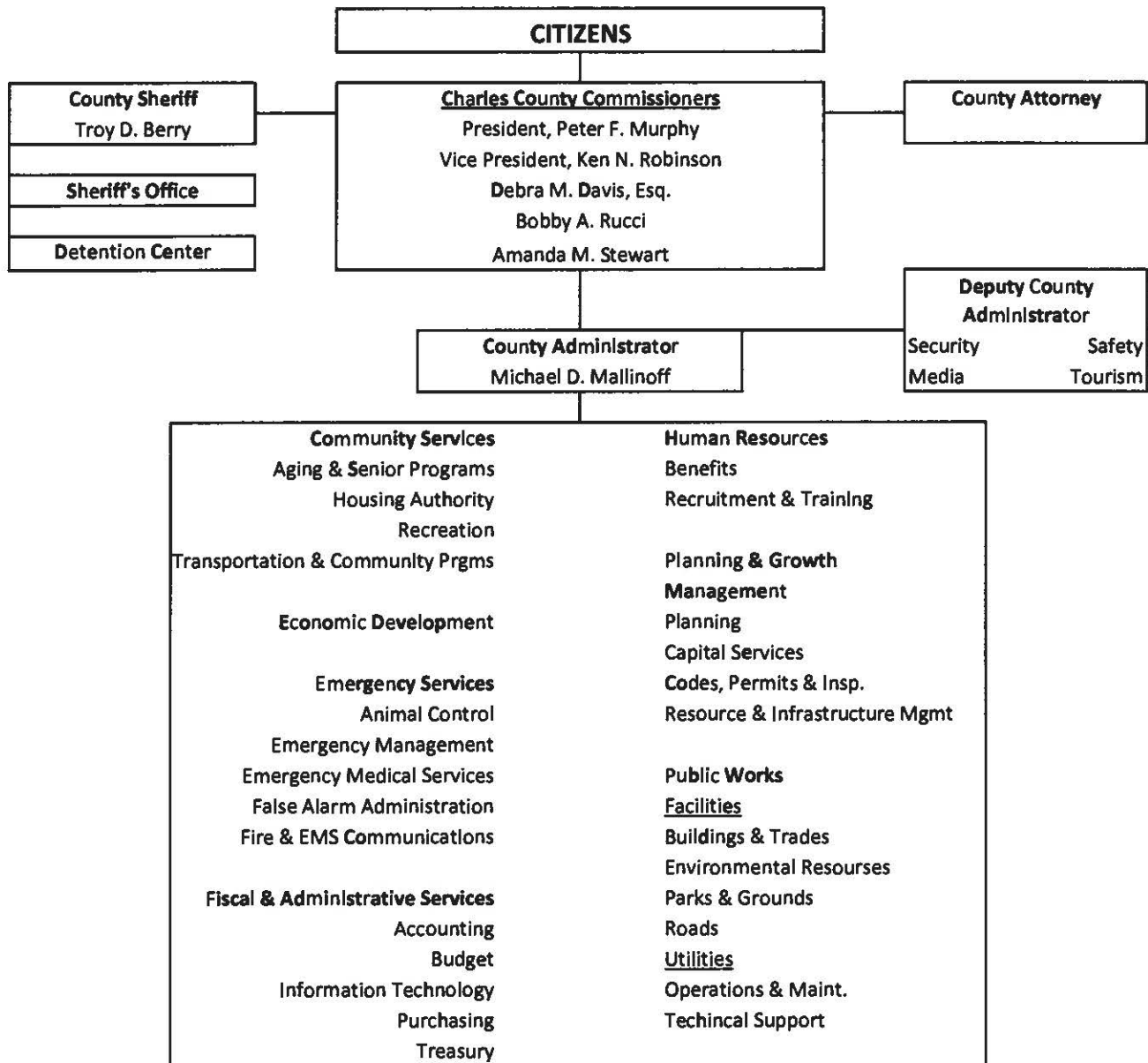
Bond Counsel

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

Financial Advisor

Davenport & Company LLC
8600 LaSalle Road, Suite 324
Towson, MD 21286

CHARLES COUNTY GOVERNMENT ORGANIZATIONAL CHART



Other agencies which receive County funding

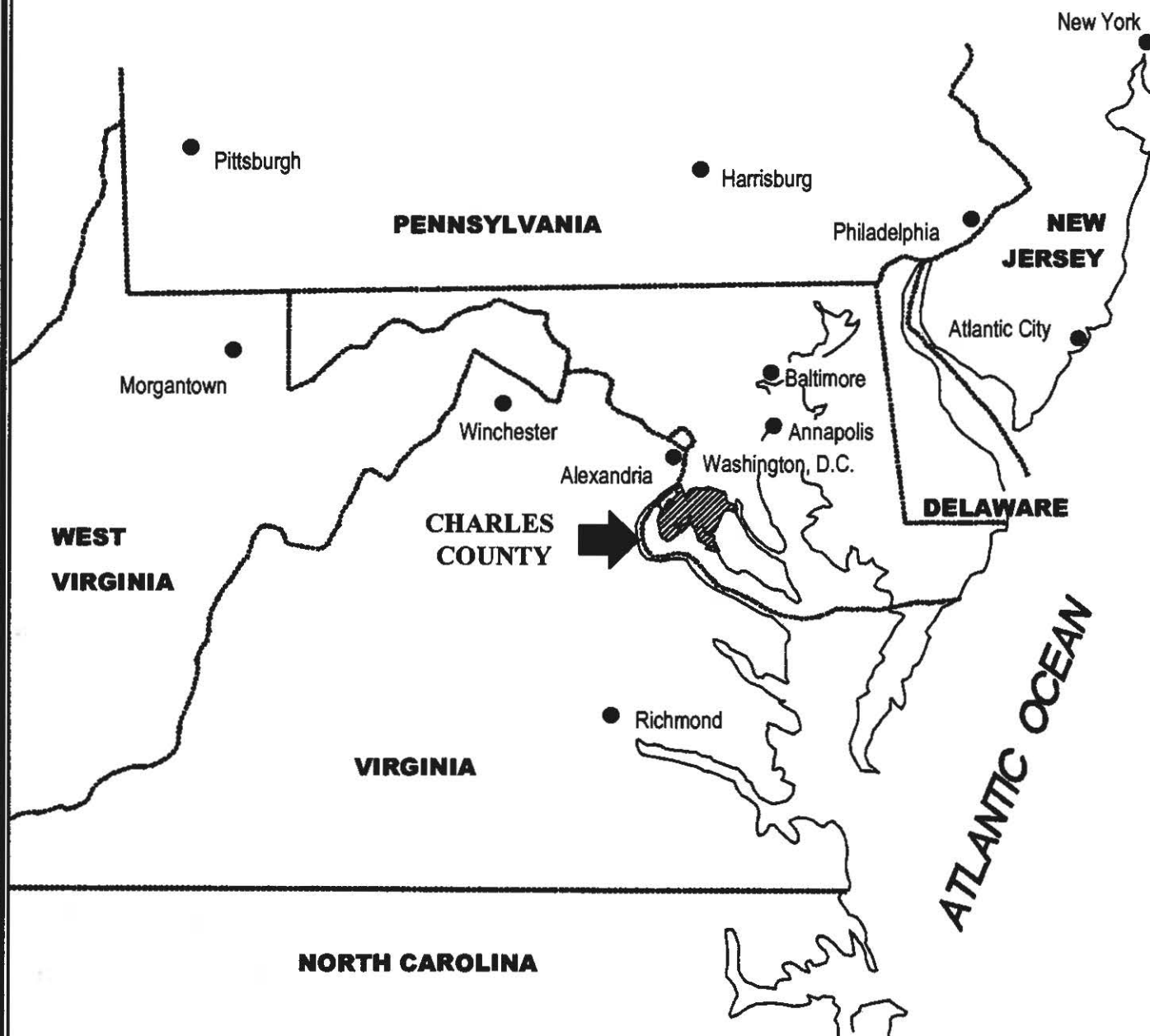
Public Schools
Community College
Libraries

Board of Fire & Rescue
Election Board
Health Department

State's Attorney
Circuit Court
Orphan's Court

Department of Social Services
University of MD extension
Soil Conservation

CHARLES COUNTY LOCATION MAP



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

Charles County Government

Our Mission

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

Our Vision

Charles County is a place where all people thrive and businesses grow and prosper; where the preservation of our heritage and environment is paramount; where government services to its citizens are provided at the highest level of excellence; and where the quality of life is the best in the nation.

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Financial Section



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The County Commissioners of Charles County
La Plata, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Charles County, Maryland (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Charles County, Maryland, or the Board of Library Trustees for Charles County, Maryland. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 9 to the financial statements, during the year ended June 30, 2015, the County adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, statistical tables and combining and individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical tables has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
December 18, 2015

SB & Company, LLC

Management's Discussion and Analysis (MD&A)

Our discussion and analysis of the financial performance of The County Commissioners of Charles County, Maryland provides an overview of the County's financial activities for the Fiscal Year ended June 30, 2015. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 21), and the accompanying notes to those financial statements (beginning on page 40).

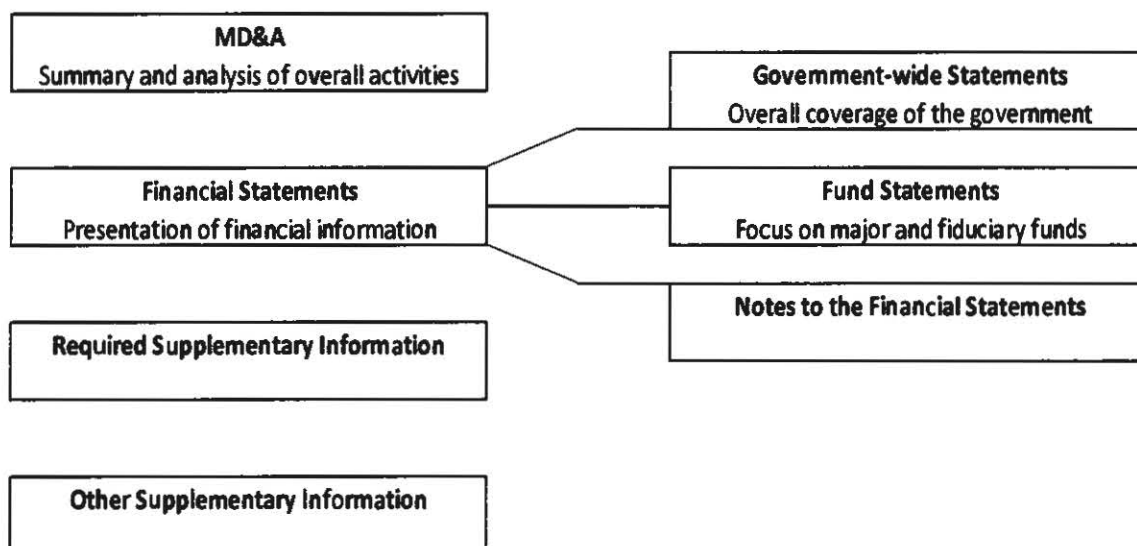
Financial Highlights

- The government-wide assets of Charles County exceeded liabilities at the close of the current fiscal year by \$390.9 million (*net position*).
- The County's change in net position was an increase of \$36.0 million.
- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balances of \$106.4 million, an increase of \$15.7 million from the prior year as stated on page 26. Approximately 36% of this total amount is classified as Non-spendable fund balance, or \$38.8 million. The majority of the total is classified as Restricted, Committed or Assigned fund balance, or \$67.6 million.
- For FY2015, the total Fund Balance for the General Fund equaled \$50.3 million, as shown on page 24. Of that total, \$38.3 million is represented as Committed Fund Balance, including the Fund Balance Policy Target of \$36.7 million. The County's Fund Balance Policy sets a goal to maintain a minimum reserve of 8% of operating revenues. Unassigned fund balance for the General Fund was \$1.0 million.
- A General Fund balance appropriation of \$3.9 million was approved during the course of the year, however favorable expense budget savings and receipt of a \$4.0 million bond premium negated the use of Fund Balance. As a result, instead of a Fund Balance decrease of \$3.9 million, an increase of approximately \$6.0 million was experienced.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the County's financial statements. Charles County's financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the financial statements themselves. The diagram below illustrates how each element of the statements can be used to enhance the overall understanding of the information presented.

Financial Statement Presentation



Government-wide financial statements (Reporting on the County as a Whole)

The government-wide financial statements are designed to provide readers with a broad overview of Charles County Government's finances in a manner similar to that of a private-sector business. The Statement of Net Position and the Statement of Activities are prepared using the accrual basis of accounting.

The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Historical trending of these increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, education, highway and street maintenance, health, parks, and recreation. The business-type activities of the County include water and sewer services, solid waste management, environmental services (recycling) programs, watershed protection and restoration, recreation programs, vending, and development services (plan review and inspection).

The government-wide financial statements include not only the operations of Charles County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Charles County, Maryland, and the Board of Library Trustees for Charles County, Maryland (component units). The financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 21-23 of this report.

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is much narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Charles County Government maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation in the governmental fund financial statements. The governmental fund financial statements can be found on pages 26-28 of this report.

Proprietary funds - Proprietary funds include internal service funds and enterprise funds. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. Charles County does not maintain any internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer services, solid waste management, environmental services programs, watershed protection and restoration, some recreational programs, vending and inspection and development services.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide

separate information for the Water and Sewer Fund and Solid Waste Fund, which are considered major funds of the County. The remaining five enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds include four fund types - pension trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any investment trust funds or private-purpose trusts. The three trust funds maintained by the County are the Sheriff's Office Retirement Plan, the County Employees Retirement Plan, and the Other Post Employment Benefit (OPEB) Trust plan. The single agency fund that the County maintains is the Volunteer Emergency Services Length of Services Awards Program (LOSAP) plan. The fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to developing a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-102 of this report.

Required supplementary information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information that is not considered a part of the financial statements. Included in this section is a budgetary comparison for the General Fund, which demonstrates compliance with the annually adopted budget. Also included are the new disclosures related to the implementation of GASB 68. This information can be found on pages 105-112 of this report.

Other supplementary information. Other supplementary information includes the Combining Balance Sheet and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance for other non-major governmental funds. Also presented here are the Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position, and the Combining Statement of Cash Flows for the other non-major proprietary funds. Lastly, the Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position are presented. These reports can be found on pages 118-145 of this report.

Government-wide Financial Analysis

As noted earlier, trend analysis of net position may serve as a useful indicator of a government's financial position. In Charles County, assets exceeded liabilities by \$390.8 million at the close of the most recent fiscal year, as shown in the summary schedule of net position on the following page.

By far the largest portion of Charles County's net position, \$478.0 million, reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (13%) represents resources that are subject to external restrictions on how they may be used.

Net Position
June 30, 2015 and 2014
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 184,686	\$ 165,362	\$ 54,291	\$ 49,377	\$ 238,977	\$ 214,739
Capital assets, net of depreciation	<u>502,276</u>	<u>460,110</u>	<u>231,279</u>	<u>207,603</u>	<u>733,555</u>	<u>667,713</u>
Total assets	<u>686,962</u>	<u>625,472</u>	<u>285,570</u>	<u>256,980</u>	<u>972,532</u>	<u>882,452</u>
Deferred Outflows of Resources	<u>23,610</u>	<u>-</u>	<u>1,357</u>	<u>-</u>	<u>24,967</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>710,572</u>	<u>625,472</u>	<u>286,927</u>	<u>256,980</u>	<u>997,499</u>	<u>882,452</u>
Non-current liabilities	441,143	334,604	119,134	110,402	560,277	445,006
Other liabilities	<u>38,023</u>	<u>33,668</u>	<u>6,955</u>	<u>7,408</u>	<u>44,978</u>	<u>41,076</u>
Total liabilities	<u>479,166</u>	<u>368,272</u>	<u>126,089</u>	<u>117,810</u>	<u>605,255</u>	<u>486,082</u>
Deferred Inflows of Resources	<u>1,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>480,530</u>	<u>368,272</u>	<u>126,089</u>	<u>117,810</u>	<u>606,619</u>	<u>486,082</u>
Net position:						
Net investment in capital assets	347,192	303,818	130,854	115,327	478,046	419,145
Restricted net position	51,199	43,744	-	-	51,199	43,744
Unrestricted net position	<u>(168,350)</u>	<u>(90,362)</u>	<u>29,983</u>	<u>23,843</u>	<u>(138,367)</u>	<u>(66,519)</u>
Total net position	<u>\$ 230,041</u>	<u>\$ 257,200</u>	<u>\$ 160,837</u>	<u>\$ 139,170</u>	<u>\$ 390,878</u>	<u>\$ 396,370</u>

Changes in Net Position
Years ended June 30, 2015 and 2014
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Program revenues:						
Charges for services	\$ 16,232	\$ 17,175	\$ 54,638	\$ 50,187	\$ 70,870	\$ 67,362
Operating grants	30,285	21,110	1,020	974	31,305	22,084
Capital grants	2,964	1,972	12,040	-	15,004	1,972
General revenues:						
Property taxes	216,073	211,635	-	-	216,073	211,635
Other taxes	147,372	121,864	-	-	147,372	121,864
Other	14,833	9,761	521	525	15,354	10,286
Total revenues	<u>427,759</u>	<u>383,517</u>	<u>68,219</u>	<u>51,686</u>	<u>495,978</u>	<u>435,203</u>
Program expenses:						
General government	17,067	18,616	-	-	17,067	18,616
Public safety	103,043	105,607	-	-	103,043	105,607
Education	181,938	200,352	-	-	181,938	200,352
Judicial	6,370	6,068	-	-	6,370	6,068
Health	3,130	5,439	-	-	3,130	5,439
Social services	2,007	1,822	-	-	2,007	1,822
Community services	21,026	22,763	-	-	21,026	22,763
Economic development	8,905	1,811	-	-	8,905	1,811
Public facilities	28,045	30,516	-	-	28,045	30,516
Water and sewer	-	-	29,908	29,372	29,908	29,372
Solid Waste	-	-	4,172	3,953	4,172	3,953
Other	19,790	21,584	13,055	12,037	32,845	33,621
Total expenses	<u>391,321</u>	<u>414,578</u>	<u>47,135</u>	<u>45,362</u>	<u>438,456</u>	<u>459,940</u>
Excess(deficit) before transfers	36,438	(31,061)	21,084	6,324	57,522	(24,737)
Net transfers	(464)	(368)	464	368	-	-
Change in net position	35,974	(31,429)	21,548	6,692	57,522	(24,737)
Net position - beginning of year	257,200	290,552	139,170	133,427	396,370	423,979
Adjustment to restate beginning balances	(63,133)	(1,923)	119	(949)	(63,014)	(2,872)
Net position - beginning of year, as restated	<u>194,067</u>	<u>288,629</u>	<u>139,289</u>	<u>132,478</u>	<u>333,356</u>	<u>421,107</u>
Net position - end of year	<u>\$ 230,041</u>	<u>\$ 257,200</u>	<u>\$ 160,837</u>	<u>\$ 139,170</u>	<u>\$ 390,878</u>	<u>\$ 396,370</u>

Overall, the financial position of Charles County decreased nearly 1.4% compared to FY2014. As shown on the table on page 8, total revenues increased from \$435.2 million in FY2014 to \$496.0 million in FY2015. Property taxes increased by \$4.4 million. The County's Other taxes increased by \$25.5 million due to the combination of an income tax reserve increase at the State, and greater than budget revenue in Excise and Recordation Taxes. Program expenses decreased from \$460 million in FY2014 to \$438.5 million in FY2015. A decrease in net position of \$5.4 million was experienced when all funds are combined, as indicated on page 8.

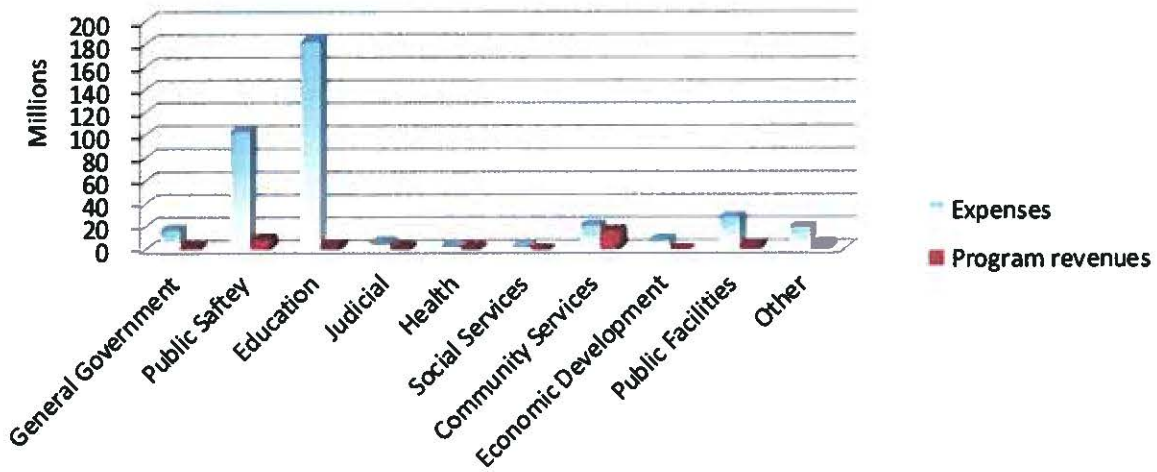
Governmental activities. To aid in the understanding of the Statement of Activities (pages 21-23), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expenses)/Revenue and Changes in Net Position. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues, or if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

A decrease in net position of \$27.2 million was experienced, as indicated on page 8. Total expenditures of \$391.3 million were partially offset by program related service fees, grants, and other contributions of nearly \$49.5 million. The remaining \$341.8 million in expenditures were primarily funded through non-program revenue sources, primarily property and income taxes.

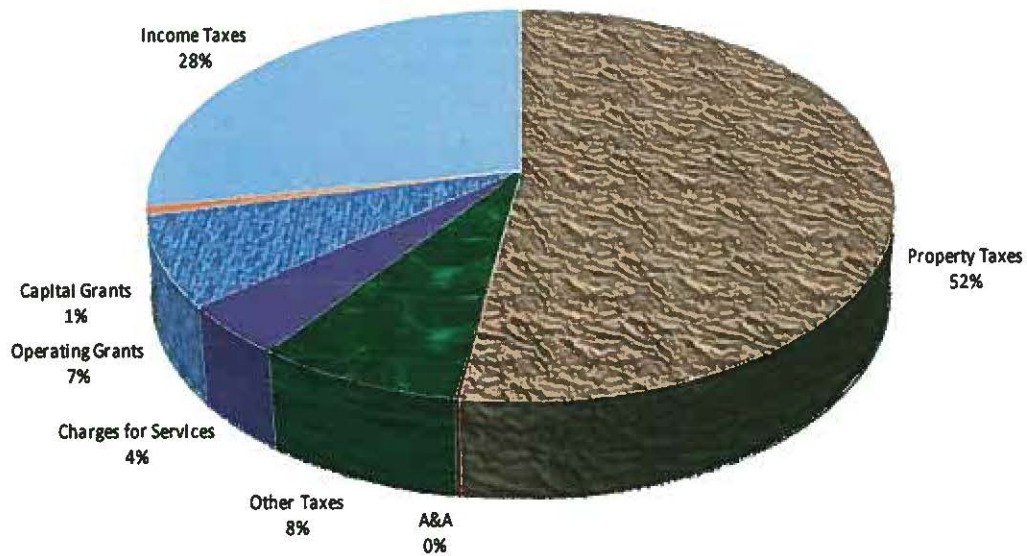
Governmental-type activities, as expected, operated at a \$341.8 million loss, primarily due to Education and Public Safety. As depicted in the bar chart below, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately \$264.2 million in non-program revenue.

The County operates many programs on a fee for service basis (business-type activities) in order to help keep the burden on the taxpayer down. Business-type activities account for \$47.1 million of the total \$438.5 million expended, or approximately 10.75% of the total, and finished the fiscal year with an operating gain of \$21.5 million.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2015)



General Governmental Revenues by Source - Governmental Activities
(Year Ended June 30, 2015)



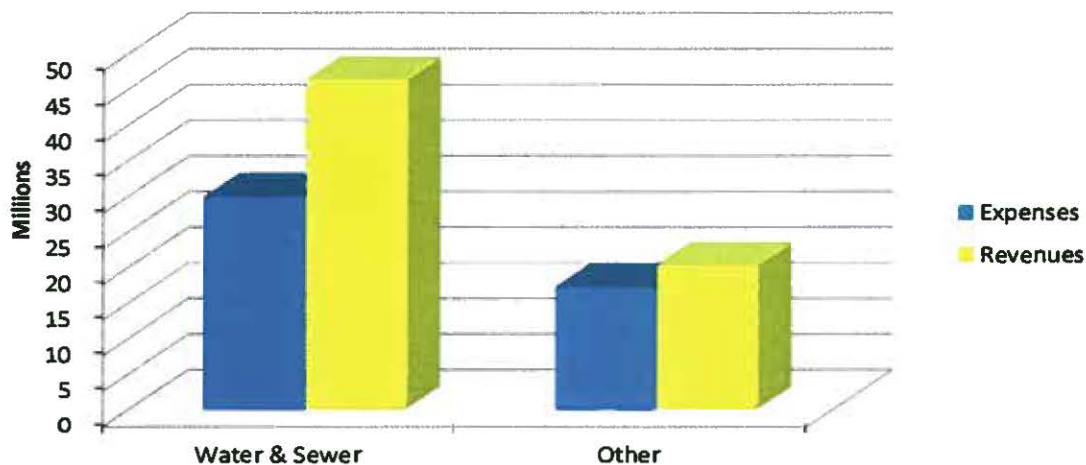
Business-type activities. The Water and Sewer Fund is considered a major fund for reporting purposes. The user fee rate structure is a tiered method. For Fiscal Year 2015, the rates increased for each tier. The residential rate for water is \$3.13 for the first 18,000 gallons, an increase of 15 cents. The residential rate for water is \$6.26 from 18,001 to 24,000 gallons, an increase of 30 cents. The residential rate for water is \$9.39 for 24,000 gallons and above, an increase of 45 cents. The residential sewer rate is \$6.89, an increase of 56 cents, and is capped at 24,000 gallons. The commercial/multi-family rate for water is \$3.96, up 18 cents, and sewer is \$6.89 per 1,000 gallons, an increase of 56 cents.

The Solid Waste Fund is considered a major fund for reporting purposes. The County owns and operates a landfill. The primary source of revenue is derived from tipping fees. The fee of \$70 per ton for commercial and residential refuse was unchanged compared to FY2014. The County has opened the fourth expansion of the existing landfill site to accommodate local county waste.

In conjunction with the landfill operation, the County also operates recycling and environmental programs. The recycling operation helps keep reusable items out of the landfill, thus extending the life, which, in turn, defrays the cost of the landfill and defers the need for additional sites. The recycling and environmental programs are funded by an annual user fee of \$78 assessed on each improved property in the County. This was increased by nine dollars compared to FY2014.

On May 2, 2012, the Governor signed into law a requirement that the ten most populated jurisdictions in Maryland establish a watershed protection and restoration program and a stormwater remediation fee by July 1, 2013 (State Law (2012 Session – HB 987) . The main purpose of the program and fee is to provide a funding source to address requirements of the County's stormwater management permit, issued by the Maryland Department of the Environment. The County was already funding part of these expenditures through a stormwater component of the Environmental Service fee, as mentioned above. The new stormwater remediation fee was set at \$43 for FY2014 and remained at this level for FY2015. The fee is charged annually to each improved property within the County. The Maryland legislature passed SB 863, the Watershed Protection and Restoration Program, that places governance to counties and municipalities to regulate their own stormwater fee starting in Fiscal Year 2016.

The Board of County Commissioners is committed to adjusting fees for services to preserve a self-supporting level. User fees are reviewed and changes are recommended on a regular basis during the County's budgeting process. There are many factors that affect user fee revenue, ranging from weather conditions to citizen participation. For example, unseasonably dry weather creates a greater demand for water, which in turn increases user fee revenue.



Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, un-assigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$106.4 million, an increase of \$15.8 million in comparison with the prior year. The general fund increased by \$6.0 million and the capital projects fund increased \$10.8 million for the fiscal year. The debt service fund increased by \$91 thousand, while the special revenue funds decreased by \$1.2 million. The County's governmental fund balances as of June 30, 2015 includes General Fund reserves of \$1.6 million for inventory and Capital Project reserves of \$13.8 million with the balance of funds as indicated on page 76. The governmental fund balances of the County that are committed or assigned and the largest components include \$3.2 million for health insurance and \$36.7 million as the policy target for bond rating.

The General Fund is the chief operating fund of the Charles County Government. At the end of the current fiscal year, non-spendable and restricted fund balance was \$7.5 million, and the committed fund balance, including the policy target, was \$38.3 million. The assigned fund balance for specific purposes was \$3.5 million, and the un-assigned fund balance was \$1 million for a total fund balance of \$50.3 million.

The Capital Project Fund experienced an increase of \$10.8 million during the current fiscal year. The County issues debt annually to fund multi-year capital projects, therefore, a fluctuation in fund balance is to be expected as bond proceeds are used.

Proprietary funds. Charles County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$10.1 million. The unrestricted net position for the County's Solid Waste Fund was \$16.6 million. Unrestricted net position of all proprietary funds was \$29.9 million. There was a total increase in net position for all proprietary funds in the amount of \$21.6 million.

General Fund Budgetary Highlights

The FY2015 General Fund Operating Budget was adopted at \$354.5 million. Budget amendments approved during the year equaled \$1.5 million, increasing the budget to an amended total of \$356.0 million. The Budget provided funds to the local Board of Education exceeding the State mandated "Maintenance-of-Effort" by \$5.4 million to operate the new St. Charles High School. State legislation passed in FY2013 required the County to pay for teachers' pension in the amount of \$5.6 million for Fiscal Year 2015; an increase of \$650 thousand compared to Fiscal Year 2014.

The FY2015 Operating Budget was adopted 4.6% greater than the FY2014 Budget. Although a Fund Balance appropriation of \$3.9 million was approved during the course of the year, favorable budget savings and receipt of a \$4.0 million bond premium negated the use of Fund Balance. As a result, instead of a Fund Balance decrease of \$3.9 million, an increase of approximately \$6.0 million was experienced.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$733.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 10% (a 9% increase for governmental activities and an 11% increase for business-type activities).

Capital Assets
(net of depreciation)
June 30, 2015 and 2014
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land (not depreciated)	\$ 77,685	\$ 70,897	\$ 2,174	\$ 2,174	\$ 79,859	\$ 73,071
Construction in progress (not depreciated)	52,862	88,858	61,123	57,323	113,985	146,181
Land improvements	9,896	8,412	7,813	8,154	17,709	16,566
Infrastructure	242,971	180,059	118,619	97,656	361,590	277,715
Buildings and improvements	90,611	85,246	7,961	8,441	98,572	93,687
Machinery and equipment	23,157	21,431	32,511	33,250	55,668	54,681
Vehicles	5,094	5,210	1,078	612	6,172	5,822
Total	<u>\$ 502,276</u>	<u>\$ 460,113</u>	<u>\$ 231,279</u>	<u>\$ 207,610</u>	<u>\$ 733,555</u>	<u>\$ 667,723</u>

Additional information on the County's capital assets can be found in Note 3 on pages 62-64 of this report.

Long-term debt. At the end of the current fiscal year, the County had notes and bonds outstanding of \$311.5 million, which are backed by the full faith and credit of the County.

Outstanding Debt
General Obligation Bonds and Notes Payable
June 30, 2015 and 2014
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 228,657	\$ 224,840	\$ 72,828	\$ 67,610	\$ 301,485	\$ 292,450
Notes payable	1,419	1,453	8,556	9,280	9,975	10,733
Total	<u>\$ 230,076</u>	<u>\$ 226,293</u>	<u>\$ 81,384</u>	<u>\$ 76,890</u>	<u>\$ 311,460</u>	<u>\$ 303,183</u>

The County's total debt during Fiscal Year 2015 increased by \$8.3 million. The issuance of bonds at favorable interest rates combined with the County's strategic long term financial policy of primarily 15-year bond terms results in a rapid pay down of debt and has provided the County with the ability to issue new debt without a large negative fiscal impact.

The County continues to maintain an "AAA" from Fitch Investors Service and Standard & Poor's Ratings Services. The County recently received news that their Moody's assigned "Aa1" rating had been upgraded in regards to the County's financial outlook to "positive" from "stable". This revised outlook increases the County's chance of receiving a rating upgrade from the agency in the next 12-18 months. According to the September 28 news release issued by Moody's, factors that could result in a rating upgrade include continued growth and diversification of the tax base and continued positive budget-to-actual operations, resulting in stable reserves.

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County has also enacted public local laws authorizing the issuance of general obligation bonds. As of the end of Fiscal Year 2015, the County currently has \$178,228,100 of general obligation bond authority.

State statutes limit the amount of general obligation debt a governmental entity may issue for water, sewer, and solid waste infrastructure to ten percent of its total assessed valuation. This debt is typically backed first by revenue bonds from the various enterprise funds and secondly by the full faith and credit of the County. The current debt limitation for Charles County is \$1.6 billion, which significantly exceeds the County's current outstanding general obligation debt related to revenue bonds. Additional information on the County's long-term debt can be found in Note 3 on pages 69-74 of this report.

Economic Factors and Next Year's Budgets and Rates

- The FY2016 General Fund Budget was adopted at \$365,682,800, representing a 3% increase compared to FY2015.
- In FY2016, the County's largest revenue source, Property Tax, was budgeted at \$205 million, representing an increase of 1.3% compared to the FY2015 Adopted Budget. The second largest revenue source, Income Tax, was adopted at \$112 million, a 1.6% increase compared to the FY2015 Adopted Budget. Recordation taxes were budgeted to decrease \$3.2 million primarily due to the one time receipt of payment from a power plant in Fiscal Year 2015. A new real property transfer tax was enacted for FY2016 and is estimated to generate \$4.7 million in revenue. A Fund Balance appropriation of \$4.0 million was also approved to balance the budget representing \$800 thousand more than FY2015.
- The County experienced a slight increase in property tax assessments and held constant the property tax rates.
- The local Income Tax rate remained the same at 3.03% of Maryland taxable income.
- Expense budgets increased in total by 3% compared to the FY2015 Budget. The largest increase in expenditures is \$4.2 million for the Board of Education. The County exceeded the State mandated funding requirement for the public school education system known as the "Maintenance of Effort" by \$3.9 million. The County continued its funding for St. Charles High School with the addition of the fourth class. For FY2016, the shift in teachers' pension from the State to the Counties went from 85% to 100%, an increase of \$950 thousand.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2016.

Requests for Information

This financial report is designed to provide a general overview of Charles County's finances for all those with an interest in the County's finances. Questions concerning any information provided in this report should be addressed to:

Director of Fiscal and Administrative Services
Charles County Government
P.O. Box 2150
La Plata, MD 20646

Please visit our website at www.charlescountymd.gov

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Basic Financial Statements

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS:				
Cash and cash equivalents	\$ 20,107,833	\$ 1,420,016	\$ 21,527,849	\$ 69,993,328
Short-term investments	94,582,823	-	94,582,823	-
Other receivables	33,006,114	7,501,809	40,507,923	7,537,843
Notes receivable	-	121,729	121,729	-
Excise tax receivable	35,868,085	-	35,868,085	-
Taxes receivable	4,067,607	-	4,067,607	-
Internal balances	(44,428,832)	44,428,832	-	-
Inventory	1,598,914	592,747	2,191,661	462,205
Other current assets	574,166	108,037	682,203	50,121
Restricted assets:				
Restricted cash and cash equivalents	2,659,322	117,271	2,776,593	-
Restricted notes receivable	36,649,518	-	36,649,518	-
Capital assets, net of accumulated depreciation:				
Land	77,684,918	2,174,186	79,859,104	16,894,675
Construction in progress	52,861,693	61,123,376	113,985,069	2,236,508
Land improvements	9,895,703	7,812,890	17,708,593	3,612,816
Infrastructure	242,971,194	118,619,298	361,590,492	-
Buildings and Improvements	90,611,071	7,960,966	98,572,037	289,588,952
Machinery and equipment	23,157,963	32,510,378	55,668,341	7,912,736
Vehicles	5,093,637	1,078,250	6,171,887	-
Total assets	<u>686,961,729</u>	<u>285,569,784</u>	<u>972,531,513</u>	<u>398,289,184</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Charges on Bond Refundings	3,246,146	1,356,800	4,602,946	-
Changes in pension plan assumptions	9,402,745	-	9,402,745	3,033,317
Differences between expected and actual experience	698,553	-	698,553	-
Difference between projected and actual earnings on pension plan investments	10,262,606	-	10,262,606	4,496,913
	<u>23,610,050</u>	<u>1,356,800</u>	<u>24,966,850</u>	<u>7,530,230</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>710,571,779</u>	<u>286,926,584</u>	<u>997,498,363</u>	<u>405,819,414</u>
LIABILITIES:				
Accounts payable	6,331,687	5,029,680	11,361,367	12,392,359
Accrued expenses	10,472,538	1,264,986	11,737,524	24,429,763
Unearned revenue	5,723,149	350,757	6,073,906	4,657,827
Other liabilities	15,496,251	310,192	15,806,443	2,516,782
Noncurrent liabilities:				
Due within one year	28,500,874	9,153,351	37,654,225	2,566,635
Due in more than one year	412,641,765	109,980,525	522,622,290	182,685,119
Total liabilities	<u>479,166,264</u>	<u>126,089,491</u>	<u>605,255,755</u>	<u>229,248,485</u>
DEFERRED INFLOWS OF RESOURCES:				
Differences between expected and actual experience	1,364,330	-	1,364,330	1,393,449
NET POSITION:				
Net Investment in capital assets	347,192,029	130,853,925	478,045,954	316,659,442
Restricted for:				
Capital projects	8,493,280	-	8,493,280	-
Debt service	36,177,986	-	36,177,986	-
Cable franchise	2,240,779	-	2,240,779	-
Public housing	219,410	-	219,410	-
Public safety	1,252,799	-	1,252,799	-
Conservation of Natural Resources	1,227,212	-	1,227,212	-
Economic Development	958,835	-	958,835	-
Mental health	163,324	-	163,324	-
Transportation	305,013	-	305,013	-
Judicial	75,064	-	75,064	-
Aging services	72,329	-	72,329	-
Planning	13,593	-	13,593	-
Unrestricted	<u>(168,350,468)</u>	<u>29,983,168</u>	<u>(138,367,300)</u>	<u>(141,481,962)</u>
Total net position	<u>\$ 230,041,185</u>	<u>\$ 160,837,093</u>	<u>\$ 390,878,278</u>	<u>\$ 175,177,480</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Legislative	\$ 1,591,134	\$ -	\$ -	\$ -
Judicial	6,370,123	94,845	1,290,803	-
Law	1,150,014	-	-	-
General government	17,066,637	1,963,170	3,552	-
Elections	1,024,458	-	-	-
Public safety	103,043,579	4,269,225	4,251,407	-
Planning and growth management	4,973,410	3,031,874	1,438,760	-
Health	3,130,059	116,274	1,201,448	-
Social services	2,007,057	-	-	-
Community services	21,025,812	2,824,839	12,998,703	-
Public facilities	28,045,011	671,589	86,688	2,964,335
Economic development	8,905,067	-	36,320	-
Education	181,938,370	3,260,599	8,976,898	-
Conservation of natural resources	637,079	-	-	-
Interest expense on long term debt	10,414,044	-	-	-
Total governmental activities	391,321,854	16,232,415	30,284,579	2,964,335
Business-type activities:				
Water and sewer	29,908,251	34,245,914	952,826	12,040,000
Inspection and review	3,437,782	4,771,060	-	-
Recreation	3,666,849	3,223,063	67,425	-
Solid waste	4,172,509	5,974,573	-	-
Environmental services	4,199,268	4,090,322	-	-
SW-Watershed Protection	1,620,185	2,187,340	-	-
Vending machines	133,993	145,303	-	-
Total business-type activities	47,138,837	54,637,575	1,020,251	12,040,000
Total primary government	\$ 438,460,691	\$ 70,869,990	\$ 31,304,830	\$ 15,004,335
COMPONENT UNITS:				
Board of Education of Charles County, Maryland	\$ 408,733,963	\$ 6,036,490	\$ 95,158,460	\$ 17,315,391
Board of Library Trustees for Charles County	6,755,757	178,494	31,675	15,437
Total component units	\$ 415,489,720	\$ 6,214,984	\$ 95,190,135	\$ 17,330,828

General revenues:

Taxes:

Local property taxes
Local taxes - Excise
Local taxes - Admissions & Amusement
Local taxes - Recordation
Local taxes - Hotel/Motel
Local taxes - Heavy Equipment
Income taxes
State shared revenue - Unrestricted
County and state appropriations
Other income
Interest and Investment earnings

Net transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year
Adjustment to restate beginning balances
Net position - beginning of year, as restated

Net position - end of year

See accompanying notes.

Net (Expenses)Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (1,591,134)	\$ -	\$ (1,591,134)	\$ -
(4,984,475)	-	(4,984,475)	-
(1,150,014)	-	(1,150,014)	-
(15,099,915)	-	(15,099,915)	-
(1,024,458)	-	(1,024,458)	-
(94,522,947)	-	(94,522,947)	-
(502,776)	-	(502,776)	-
(1,812,337)	-	(1,812,337)	-
(2,007,057)	-	(2,007,057)	-
(5,202,270)	-	(5,202,270)	-
(24,322,399)	-	(24,322,399)	-
(8,868,747)	-	(8,868,747)	-
(169,700,873)	-	(169,700,873)	-
(637,079)	-	(637,079)	-
(10,414,044)	-	(10,414,044)	-
(341,840,525)	-	(341,840,525)	-
-	17,330,489	17,330,489	-
-	1,333,278	1,333,278	-
-	(376,361)	(376,361)	-
-	1,802,064	1,802,064	-
-	(108,946)	(108,946)	-
-	567,155	567,155	-
-	11,310	11,310	-
-	20,558,989	20,558,989	-
(341,840,525)	20,558,989	(321,281,536)	-
-	-	-	(290,223,622)
-	-	-	(6,530,151)
-	-	-	(296,753,773)
216,073,564	-	216,073,564	-
12,249,903	-	12,249,903	-
753,104	-	753,104	-
16,918,007	-	16,918,007	-
1,026,772	-	1,026,772	-
12,276	-	12,276	-
115,479,944	-	115,479,944	-
931,891	-	931,891	-
-	-	-	278,878,607
12,303,303	464,358	12,767,661	205,753
2,531,265	59,994	2,591,259	30,160
(464,468)	464,468	-	-
377,815,561	988,820	378,804,381	279,114,520
35,975,036	21,547,809	57,522,845	(17,624,376)
257,199,648	139,169,849	396,369,497	192,801,856
(63,133,499)	119,435	(63,014,064)	-
194,066,149	139,289,284	333,355,433	-
\$ 230,041,185	\$ 160,837,093	\$ 390,878,278	\$ 175,177,480

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 20,102,971	\$ -	\$ -	\$ 4,862	\$ 20,107,833
Investments	94,582,823	-	-	-	94,582,823
Other receivables	23,799,900	3,801,723	979,354	4,425,137	33,006,114
Excise tax receivable	-	-	35,868,085	-	35,868,085
Taxes receivable	4,067,607	-	-	-	4,067,607
Due from other funds	-	15,723,416	598,225	6,867,565	23,189,206
Inventory	1,598,914	-	-	-	1,598,914
Other assets	571,694	-	-	2,472	574,166
Restricted assets					
Restricted cash and cash equivalents	1,712,990	-	-	946,332	2,659,322
Restricted notes receivable	-	-	36,649,518	-	36,649,518
Total assets	\$ 146,436,899	\$ 19,525,139	\$ 74,095,182	\$ 12,246,368	\$ 252,303,588
LIABILITIES AND FUND BALANCES:					
Accounts payable	\$ 2,050,140	\$ 2,364,089	\$ -	\$ 1,540,458	\$ 5,954,687
Accrued expenditures	1,257,642	-	-	-	1,257,642
Unearned revenue	128,079	3,738,455	2,058,571	175,045	6,100,150
Due to other funds	66,246,371	-	-	1,371,667	67,618,038
Other liabilities	11,214,204	-	-	2,568,798	13,783,002
Payable from restricted assets	1,713,249	-	-	-	1,713,249
Total liabilities	82,609,685	6,102,544	2,058,571	5,655,968	96,426,768
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	\$ 13,575,346	\$ -	\$ 35,858,625	\$ -	\$ 49,433,971
Fund balances:					
Nonspendable fund balance	2,156,136	-	36,649,518	-	38,805,654
Restricted fund balance	5,301,900	13,850,238	-	2,412,224	21,564,362
Committed fund balance	38,288,776	-	-	-	38,288,776
Assigned fund balance	3,482,661	-	-	4,178,176	7,660,837
Unassigned fund balance (deficit)	1,022,395	(427,643)	(471,532)	-	123,220
Total fund balances	50,251,868	13,422,595	36,177,986	6,590,400	106,442,849
Total liabilities & fund balances	\$ 146,436,899	\$ 19,525,139	\$ 74,095,182	\$ 12,246,368	\$ 252,303,588

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total Governmental Fund Balance	\$ 106,442,849
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	502,276,179
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(252,157,319)
Loans and notes payable	(1,418,831)
Capital leases payable	(8,528,693)
Health insurance claims	(747,286)
Worker's Compensation claims	(5,401,020)
Net pension liabilities	(81,671,361)
Accrued interest	(3,066,590)
Net OPEB obligation	(78,271,396)
Unavailable revenue	49,433,971
Deferred outflows and Inflows of resources, including charges on refunding and associated with pensions which are not financial resources and therefore are not reported in the funds.	
Changes with charges on refundings	3,246,146
Differences between expected and actual experience	(1,364,330)
Changes in pension plan assumptions	9,402,745
Differences between expected and actual experience	698,553
Difference between projected and actual earnings on pension plan investments	10,262,606
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds	<u>(19,095,038)</u>
Net position of Governmental Activities	<u>\$ 230,041,185</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes - local property	\$ 200,502,004	\$ -	\$ -	\$ 11,289,529	\$ 211,791,533
Taxes - income	109,709,956	-	-	-	109,709,956
Taxes - Excise	-	-	12,249,903	-	12,249,903
Taxes - Admissions and Amusement	753,104	-	-	-	753,104
Taxes - Recordation	16,918,007	-	-	-	16,918,007
Taxes - Hotel/Motel	1,026,772	-	-	-	1,026,772
Taxes - Heavy Equipment	12,276	-	-	-	12,276
Taxes - state shared	931,891	-	-	-	931,891
Charges for services	7,032,982	2,393,708	-	6,805,725	16,232,415
Intergovernmental	2,189,784	11,941,233	-	19,117,897	33,248,914
Interest income	84,417	-	2,438,157	8,691	2,531,265
Other income	5,839,692	-	6,068,632	394,979	12,303,303
Total revenues	<u>345,000,885</u>	<u>14,334,941</u>	<u>20,756,692</u>	<u>37,616,821</u>	<u>417,709,339</u>
Expenditures:					
Current:					
Education	175,587,302	15,269,218	-	1,540,587	192,397,107
Public safety	88,875,683	563,632	-	14,555,385	103,994,700
Other general government	23,234,166	-	157,319	-	23,391,485
Public facilities	18,459,844	10,278,112	-	-	28,737,956
Financial administration	8,838,756	-	-	-	8,838,756
Community services	3,760,093	3,485	-	17,997,648	21,761,226
Judicial	4,341,804	456,208	-	1,677,088	6,475,100
Planning and growth management	2,690,226	1,992,271	-	290,913	4,973,410
Health	3,071,661	-	-	1,250,853	4,322,514
Economic development	2,379,014	6,460,634	-	56,601	8,896,249
Social services	1,006,735	-	-	1,000,322	2,007,057
Legislative	1,554,332	-	-	16,113	1,570,445
Law	1,150,014	-	-	-	1,150,014
Conservation of natural resources	637,079	-	-	-	637,079
Elections	1,028,910	-	-	-	1,028,910
Debt service:					
Principal	-	-	17,851,976	-	17,851,976
Interest	7,010,501	-	3,308,080	-	10,318,581
Total expenditures	<u>343,626,120</u>	<u>35,023,560</u>	<u>21,317,375</u>	<u>38,385,510</u>	<u>438,352,565</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,374,765</u>	<u>(20,688,619)</u>	<u>(560,683)</u>	<u>(768,689)</u>	<u>(20,643,227)</u>
Other financing sources (uses):					
Issuance of debt - capital lease	6,139,500	-	-	-	6,139,500
Issuance of debt - bonds	-	27,100,000	-	-	27,100,000
Premium on issuance of debt	6,739,644	-	-	-	6,739,644
Issuance of Debt - refunding	26,597,764	-	-	-	26,597,764
Defeased Bonds	(29,712,075)	-	-	-	(29,712,075)
Transfers in	1,200,000	4,611,000	651,500	4,307,818	10,770,318
Transfers out	(6,295,507)	(200,000)	-	(4,739,279)	(11,234,786)
Total other financing sources (uses)	<u>4,669,326</u>	<u>31,511,000</u>	<u>651,500</u>	<u>(431,461)</u>	<u>36,400,366</u>
Net change in fund balance	<u>6,044,091</u>	<u>10,822,381</u>	<u>90,817</u>	<u>(1,200,150)</u>	<u>15,757,139</u>
Fund balance - beginning of year	<u>44,207,777</u>	<u>2,600,214</u>	<u>36,087,169</u>	<u>7,790,550</u>	<u>90,685,710</u>
Fund balance - end of year	<u>\$ 50,251,868</u>	<u>\$ 13,422,595</u>	<u>\$ 36,177,986</u>	<u>\$ 6,590,400</u>	<u>\$ 106,442,849</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net change in fund balance - Governmental Funds	\$ 15,757,139
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
	42,166,401
Governmental funds report the issuance of debt as income and the repayment of debt as expenditures. However, in the government-wide statements, debt and repayment of debt is reported as a reduction of a long-term liability.	
	(12,445,920)
Governmental funds report revenues based on the availability of of the funds. However, in the government-wide statements revenues are recorded based on collectibility.	
	4,282,031
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Deferred outflows and inflows of resources related to pensions	18,999,574
Amortization of deferred charges on bond refundings	(347,773)
Compensated absences	(24,208)
Health Self-Insurance Claims - IBNR	234,136
Worker's Compensation Self-Insurance Claims - IBNR	(5,401,020)
Net pension liabilities	(18,326,168)
Accrued interest	95,463
Net OPEB current year expense	(9,014,619)
Change in Net Position of Governmental Activities	<u>\$ 35,975,036</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 200	\$ 2,000	\$ 1,417,816	\$ 1,420,016
Other receivables	6,534,788	838,530	128,491	7,501,809
Notes receivable	121,729	-	-	121,729
Due from other funds	20,273,519	18,715,489	10,228,992	49,218,000
Inventory	527,641	-	65,106	592,747
Other current assets	-	-	108,037	108,037
Total current assets	<u>27,457,877</u>	<u>19,556,019</u>	<u>11,948,442</u>	<u>58,962,338</u>
Noncurrent assets:				
Net capital assets	195,111,144	17,686,504	18,481,696	231,279,344
Restricted cash and cash equivalents	-	117,271	-	117,271
Total noncurrent assets	<u>195,111,144</u>	<u>17,803,775</u>	<u>18,481,696</u>	<u>231,396,615</u>
Total assets	<u>222,569,021</u>	<u>37,359,794</u>	<u>30,430,138</u>	<u>290,358,953</u>
DEFERRED OUTFLDW OF RESOURCES:				
Charges on Bond Refundings	<u>912,406</u>	<u>-</u>	<u>444,394</u>	<u>1,356,800</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	3,040,279	1,177,938	811,464	5,029,681
Accrued expenses	1,079,919	26,167	158,900	1,264,986
Due to other funds	-	-	4,789,168	4,789,168
Unearned revenue	-	-	350,757	350,757
Current portion of long-term debt	7,423,670	28,502	1,701,179	9,153,351
Total current liabilities	<u>11,543,868</u>	<u>1,232,607</u>	<u>7,811,468</u>	<u>20,587,943</u>
Noncurrent liabilities:				
Other liabilities	192,921	117,271	-	310,192
Bonds payable	54,720,896	400,000	11,275,356	66,396,252
Net deferred bond issue premiums	6,297,357	42,853	967,230	7,307,440
Long-term debt	9,034,208	7,706,274	353,841	17,094,323
Net pension obligation	-	-	-	-
Net DPEB obligation	8,972,116	1,475,812	2,140,367	12,588,295
Capital lease obligation	4,599,516	7,066	1,987,633	6,594,215
Total noncurrent liabilities	<u>83,817,014</u>	<u>9,749,276</u>	<u>16,724,427</u>	<u>110,290,717</u>
Total liabilities	<u>95,360,882</u>	<u>10,981,883</u>	<u>24,535,895</u>	<u>130,878,660</u>
NET POSITION:				
Net Investment in capital assets	118,011,030	9,800,355	3,042,540	130,853,925
Unrestricted	<u>10,109,515</u>	<u>16,577,556</u>	<u>3,296,097</u>	<u>29,983,168</u>
Total net position	<u>\$ 128,120,545</u>	<u>\$ 26,377,911</u>	<u>\$ 6,338,637</u>	<u>\$ 160,837,093</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Operating revenues:				
Charges for services	\$ 34,245,914	\$ 5,974,573	\$ 14,417,088	\$ 54,637,575
Other income	406,538	127	57,693	464,358
Total operating revenues	34,652,452	5,974,700	14,474,781	55,101,933
Operating expenses:				
Personnel services	11,835,919	2,339,488	5,076,134	19,251,541
Utilities	2,891,014	38,004	351,853	3,280,871
Repairs and maintenance	1,087,434	198,031	275,300	1,560,765
Insurance costs	244,097	11,582	61,518	317,197
Indirect costs	488,900	252,300	131,297	872,497
Supplies	1,758,462	187,239	689,705	2,635,406
Contract services	1,506,306	88,264	4,836,381	6,430,951
Other operating costs	35,803	443,845	311,133	790,781
Depreciation	7,708,878	604,723	1,026,607	9,340,208
Total operating expenses	27,556,813	4,163,476	12,759,928	44,480,217
Operating income	7,095,639	1,811,224	1,714,853	10,621,716
Nonoperating revenues (expenses):				
Interest income	37,234	7,338	15,422	59,994
Intergovernmental	952,826	-	67,425	1,020,251
Interest expense	(2,351,438)	(9,033)	(298,149)	(2,658,620)
Gain on disposal of capital assets	-	-	-	-
Total nonoperating revenues (losses)	(1,361,378)	(1,695)	(215,302)	(1,578,375)
Income before transfers	5,734,261	1,809,529	1,499,551	9,043,341
Transfers in	-	-	464,468	464,468
Transfers out	-	-	-	-
Capital Contribution	12,040,000	-	-	12,040,000
Change in net position	17,774,261	1,809,529	1,964,019	21,547,809
Net position - beginning of year	110,262,111	24,555,380	4,352,358	139,169,849
Adjustment to restate beginning balances	84,173	13,002	22,260	119,435
Net position - beginning of year, as restated	110,346,284	24,568,382	4,374,618	139,289,284
Net position - end of year	\$ 128,120,545	\$ 26,377,911	\$ 6,338,637	\$ 160,837,093

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 34,566,216	\$ 5,974,700	\$ 14,528,342	\$ 55,069,258
Cash paid to suppliers	(6,989,195)	(127,264)	(5,532,548)	(12,649,007)
Cash paid to employees	(11,953,773)	(2,345,008)	(6,010,357)	(20,309,138)
Net cash from operating activities	<u>15,623,248</u>	<u>3,502,428</u>	<u>2,985,437</u>	<u>22,111,113</u>
Cash flows from investing activities:				
Interest received	37,234	7,338	15,422	59,994
Net cash from investing activities	<u>37,234</u>	<u>7,338</u>	<u>15,422</u>	<u>59,994</u>
Cash flows from noncapital financing activities:				
Intergovernmental	952,826	-	67,425	1,020,251
Transfers in (out)	-	-	464,468	464,468
Receipts from interfund loans	(1,193,495)	-	(2,635,467)	(3,828,962)
Repayments of interfund loans	-	2,410,943	507,434	2,918,377
Net cash from noncapital financing activities	<u>(240,669)</u>	<u>2,410,943</u>	<u>(1,596,140)</u>	<u>574,134</u>
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	8,500,000	-	3,000,000	11,500,000
Proceeds from new loan	-	-	-	-
Principal payments on bonds payable	(9,290,228)	-	(830,620)	(10,120,848)
Principal payments on capital lease obligations	(874,198)	(972)	(600,828)	(1,475,998)
Principal payments on loans	(723,588)	-	-	(723,588)
Interest paid	(2,351,438)	(9,033)	(298,149)	(2,658,620)
Proceeds from disposal of assets	-	-	-	-
Cash paid for capital expenses	(10,680,361)	(5,910,704)	(2,641,645)	(19,232,710)
Net cash from capital and related financing activities	<u>(15,419,813)</u>	<u>(5,920,709)</u>	<u>(1,371,242)</u>	<u>(22,711,764)</u>
Net increase in cash and cash equivalents	-	-	33,477	33,477
Cash and cash equivalents - beginning of year	200	119,271	1,384,339	1,503,810
Cash and cash equivalents - end of year	<u>\$ 200</u>	<u>\$ 119,271</u>	<u>\$ 1,417,816</u>	<u>\$ 1,537,287</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 7,095,639	\$ 1,811,224	\$ 1,714,853	\$ 10,621,716
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	7,708,878	604,723	1,026,607	9,340,208
Increase (decrease) in compensation-related liabilities included in long-term debt	40,173	6,287	(1,853)	44,607
Increase in landfill closure liabilities included in long-term debt	-	385,958	-	385,958
(Increase) decrease in other receivables	(108,740)	(129,000)	(78,087)	(315,827)
(Increase) decrease in notes receivable	22,504	-	-	22,504
(Increase) decrease in inventories	(40,984)	-	(8,947)	(49,931)
(Increase) decrease in other current assets	3,121	-	10,079	13,200
(Increase) decrease in restricted assets	807,801	(35)	-	807,766
(Increase) decrease in deferred bond issue costs	(530,624)	(42,853)	79,362	(494,115)
Increase (decrease) in accounts payable	(180,927)	691,712	(13,920)	496,865
Increase (decrease) in accrued expenses	(161,377)	(5,520)	(31,032)	(197,929)
Increase (decrease) in other liabilities	2,867	-	-	2,867
Increase (decrease) in Net Pension Obligation	(84,174)	(13,004)	(22,260)	(119,438)
Increase (decrease) in Net OPEB Obligation	1,049,091	192,936	257,074	1,499,101
Increase (decrease) in deferred revenue	-	-	53,561	53,561
Net cash from by operating activities	<u>\$ 15,623,248</u>	<u>\$ 3,502,428</u>	<u>\$ 2,985,437</u>	<u>\$ 22,111,113</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Borrowing under capital lease	\$ 1,205,400	\$ 10,000	\$ 2,688,900	\$ 3,904,300
Contributions of capital assets	12,040,000	-	-	12,040,000

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Pension and OPEB Trust Funds
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 12,222,564
Interest receivable	<u>124,004</u>
Total current assets	<u>12,346,568</u>
Investments at fair value:	
Bond mutual funds	114,420,751
Equity securities	<u>269,560,449</u>
Total investments	<u>383,981,200</u>
Total assets	396,327,768
LIABILITIES:	
Accrued expenses	<u>47,509</u>
NET POSITION:	
Held in trust for pension benefits and OPEB benefits	<u><u>\$ 396,280,259</u></u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015

	Pension and OPEB Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	\$ 17,616,468
Employee contributions	4,720,878
Total contributions	<u>22,337,346</u>
Investment earnings:	
Interest	25,847,499
Net change in fair value of investments	<u>(8,707,301)</u>
Total investment earnings	17,140,198
Less investment expenses	<u>(1,868,624)</u>
Net investment earnings	<u>15,271,574</u>
Total additions	<u>37,608,920</u>
DEDUCTIONS:	
Benefits paid to members	14,493,386
Administrative costs	<u>94,286</u>
Total deductions	<u>14,587,672</u>
Changes in net position	23,021,248
Net position - beginning of year	<u>373,259,011</u>
Net position - end of year	<u>\$ 396,280,259</u>

See accompanying notes.

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2015

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
ASSETS:			
Cash and cash equivalents	\$ 68,914,033	\$ 1,079,295	\$ 69,993,328
Accounts receivable	7,528,007	9,836	7,537,843
Inventory	462,205	-	462,205
Other assets		50,121	50,121
Capital assets			
Land	16,894,675	-	16,894,675
Construction in progress	2,236,508	-	2,236,508
Land improvements	3,612,816	-	3,612,816
Buildings	289,588,952	-	289,588,952
Machinery and equipment	6,668,939	1,243,797	7,912,736
Total assets	<u>395,906,135</u>	<u>2,383,049</u>	<u>398,289,184</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Pension plan assumptions	3,033,317	-	3,033,317
Difference between projected and actual earnings on pension plan investments	4,496,913	-	4,496,913
Total Deferred Outflows of Resources	<u>7,530,230</u>	<u>-</u>	<u>7,530,230</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 403,436,365</u></u>	<u><u>\$ 2,383,049</u></u>	<u><u>\$ 405,819,414</u></u>
LIABILITIES:			
Accounts payable	12,245,788	146,571	12,392,359
Accrued expenses	24,262,726	167,037	24,429,763
Unearned revenue	4,657,827	-	4,657,827
Other liabilities	2,516,782	-	2,516,782
Non-current liabilities:			
Due within one year	2,566,635	-	2,566,635
Due in more than one year	179,595,858	3,089,261	182,685,119
Total liabilities	<u>225,845,616</u>	<u>3,402,869</u>	<u>229,248,485</u>
DEFERRED INFLOWS OF RESOURCES:			
Differences between expected and actual experience	1,393,449	-	1,393,449
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 227,239,065</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 230,641,934</u></u>
NET POSITION:			
Net investment in capital assets	315,415,645	1,243,797	316,659,442
Unrestricted (deficit)	(139,218,345)	(2,263,617)	(141,481,962)
Total net position	<u><u>\$ 176,197,300</u></u>	<u><u>\$ (1,019,820)</u></u>	<u><u>\$ 175,177,480</u></u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS:				
Board of Education of Charles County, MD	\$ 408,733,963	\$ 6,036,490	\$ 95,158,460	\$ 17,315,391
Board of Library Trustees for Charles County	6,755,757	178,494	31,675	15,437
Total component units	<u>\$ 415,489,720</u>	<u>\$ 6,214,984</u>	<u>\$ 95,190,135</u>	<u>\$ 17,330,828</u>

General revenues:

County and state appropriations

Other income

Interest and investment earnings

Miscellaneous

Total general revenues and transfers

Change in net position

Net position - beginning of the year

Net position - end of year

See accompanying notes.

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
\$ (290,223,622)	\$ -	\$ (290,223,622)
-	(6,530,151)	(6,530,151)
(290,223,622)	(6,530,151)	(296,753,773)
272,737,278	6,141,329	278,878,607
-	14,877	14,877
29,732	428	30,160
200,975	4,778	205,753
272,967,985	6,161,412	279,129,397
(17,255,637)	(368,739)	(17,624,376)
193,452,937	(651,081)	192,801,856
\$ 176,197,300	\$ (1,019,820)	\$ 175,177,480

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Charles County, Maryland (the County) was created by order of council on May 10, 1658. The County operates under the Maryland Code Home Rule form of Government. Both the executive and the legislative functions of the County are vested in the elected five-member Board of Commissioners of Charles County, Maryland (County Commissioners). The County provides various services to its citizens including public safety, health and social services, parks and recreation, public transportation, public works, economic development and general administrative services.

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to state and local government units as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include those of the Charles County Government (the primary government) and its component units. Component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units with the County's reporting entity, as set forth in GASB Statement 14 *The Financial Reporting Entity*, modified by GASB Statement 39 *Determining Whether Certain Organizations are Component Units*, and further clarified with GASB Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, include whether:

- The organization is legally separate,
- The County Commissioners appoint a voting majority of the organization's board,
- The County Commissioners have the ability to impose their will on the organization,
- The organization has the potential to impose a financial benefit/burden on the County, and
- The organization is fiscally dependent on the County.

Based on the application of these criteria, the following organizations are considered component units of the Charles County Government. Their financial data is discretely presented in a separate column in the government-wide financial statements. A Combining Statement of Net Position and a Combining Statement of Activities for the component units are also provided. Each discretely presented component unit has a June 30 year end.

The Board of Education of Charles County, Maryland (the Board of Education) is a legally separate organization created by Maryland state law to operate the County's public

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

school system. Management of the County's schools is under the control of the Board of Education, with the final decision-making authority held by the State Board of Education. The members of the Board of Education are elected by the residents of Charles County every four years. The Board of Education is financially accountable to the Charles County Government because the Board of Education's annual budget is subject to approval of the elected County Commissioners. The Board of Education is presented as a governmental fund type. The County provided \$161,921,600 in operating funds and \$14,851,361 in capital funding to the Board of Education during fiscal year 2015.

The Board of Library Trustees for Charles County, Maryland (the Library) is a legally separate entity under Maryland state law. The Library's Trustees are appointed by the Governor of Maryland and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the elected County Commissioners. The Library is presented as a governmental fund type. The County provided \$3,511,800 in operating funds to the Library during fiscal year 2015.

Complete financial statements of the discretely presented component units can be obtained directly from their respective administrative offices:

Board of Education of Charles County, Maryland
Assistant Superintendent of Finance
Business Administration and Technology
P.O. Box 2770
La Plata, MD 20646

Board of Library Trustees of Charles County, Maryland
2 Garrett Avenue
La Plata, MD 20646

B. Basic Financial Statements

The County's basic financial statements include government-wide financial statements (reporting on the County as a whole), fund financial statements (reporting on the County as a whole with an emphasis on the most significant funds), and fiduciary financial statements (reporting on the County's pension funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are normally supported by taxes and intergovernmental revenues. The County's public safety, health and social services, some parks and recreation, public transportation, public works, economic development and general administrative services are classified as governmental activities. Business-type activities rely significantly on fees

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

and charges for support. The County's water and sewer operations, solid waste management operations, environmental services (recycling), watershed protection and restoration, recreation, vending commissions, and inspection and development services are classified as business-type activities.

Government-wide Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net positions are reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. Net position should be reported as restricted when constraints are placed either by externally imposed by creditors (such as thru debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The net position restricted for other purposes results from special revenue funds and the restrictions on their use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function of a business-type activity. The operating grants column indicates operating-specific and discretionary (either operating or capital) grants,

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.), which are not properly included among program revenues.

The County has an indirect cost allocation plan authorized under OMB Circular A-87, which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs and proprietary funds. The federal guidelines state that indirect costs are eligible for reimbursement provided they are necessary for the efficient conduct of the grant or contract and provided specific costs identified are not restricted by federal law or regulation. As required, the County received an annual central services allocation plan and indirect cost rate proposal prepared for the past fiscal year by Cost Plans Plus, LLC. As a result, the County uses that plan in developing cost-based fees, rates, user charges and overhead recoveries from other taxing entities, authorities and enterprise funds.

Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria for the determination of major funds. The criterion used by the County is based on the percentage of assets, liabilities, revenues, or expenditures/expenses by fund category and then the governmental and enterprise funds combined. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds by category are summarized into a single column.

1. Governmental Funds:

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

- a. **General Fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

- b. **Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Projects Fund is a major fund.
- c. **Debt Service Fund** is used to account for the accumulation of certain funds for the periodic payment of principal and interest on long-term debt. The Debt Service fund is a major fund.
- d. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds of the County are non-major funds.

2. Proprietary Funds:

The focus of proprietary fund measurement is the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to cover similar costs. The Water and Sewer Fund qualifies as a major fund and is presented separately. The County also has elected to present separately the Solid Waste Fund for consistency as it may qualify as a major fund one year and fall just below the next. All other enterprise funds are non-major and their data is combined into a single aggregated presentation.

3. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus for fiduciary funds is on net position and changes in net position, and accounting principles used are similar to proprietary funds.

The County's fiduciary and pension trust funds account for the retirement benefits for the Charles County Maryland Sheriff's Office Retirement Plan, the Charles County Pension

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Plan, the Volunteer Fireman/EMS Associations LOSAP plan, and the OPEB Trust plan. Since, by definition, these assets are held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. They are presented in the fiduciary fund financial statements.

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

Basis of Accounting

- a. **Accrual Basis** – Both governmental and business type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.
- b. **Modified Accrual Basis** – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Measurable" means knowing or able to reasonably estimate the amount. "Available" means collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end. Property taxes, income taxes, highway user taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences, claims and judgments, are recorded only when due.

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Measurement Focus

In the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined below in Item b.

In the governmental fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

D. Financial Statement Amounts

1. Cash and Cash Equivalents:

The County has defined cash and cash equivalents to include cash on hand, petty cash, demand deposits, and short-term securities with an original maturity of three months or less at time of purchase.

2. Investments:

Investments held by the County, including the pension funds, are stated at fair value. Fair value is based on quoted market prices at fiscal year-end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

3. Receivables:

All trade, excise and property tax receivables are reported at fair value. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billings during the month

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following the close of the fiscal year. Taxes, special assessments, utility charges and accrued interest are deemed collectible in full. Property taxes attach as an enforceable lien when levied on July 1 of each fiscal year. The taxes are payable without interest by September 30.

All property tax revenue is recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes), which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than sixty (60) days after the close of the current period. Revenue relating to receivables which have not been collected within sixty days after the fiscal year-end has been reclassified from property tax revenues to unavailable revenue.

4. Inter-fund Transactions:

The following is a description of the basic types of inter-fund transactions made during the year and related accounting policies:

- a. Transactions for services rendered or facilities provided – these transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
- b. Transactions to reimburse a fund for expenditures made by it or for the benefit of another fund – these transactions are recorded as expenditures in the disbursing fund and as reductions of expenditures in the receiving fund.
- c. Transactions to shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them – these transactions are recorded as transfers in and out.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due (to) from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and are not eliminated in the process of consolidation.

5. Inventories:

Inventories of the County, consisting of expendable supplies held for the County's use, are valued at the Average Cost Method. Inventories in all funds are initially recorded in an inventory account and recognized as expenditures/expenses when consumed.

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6. Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the allocation method.

7. Restricted Assets:

Cash deposits are held for construction escrow bonds, inmates at the Detention Center, a County Attorney escrow, a State's Attorney Restitution bank account, two Economic Development loan program bank accounts, and various lease deposits held are all restricted and being held in Governmental Funds. In addition, certain debt proceeds and certain resources set aside for their repayment in the Debt Service Fund, are classified as restricted assets on the balance sheet because their use is limited and they are maintained in separate accounts. In the Solid Waste Management Fund, bonds are held for commercial credit customers of the landfill operation in a fully refundable interest-bearing bank account.

8. Capital Assets:

Capital assets are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an original, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed by the County and at an estimated historical cost if donated or contributed. Both the Board of Education and Library (component units) define capital assets as assets having an initial individual cost of more than \$1,000 and estimated useful life in excess of one year. For the Library, books and audio visual materials with a useful life greater than one year are capitalized and are valued and depreciated using the group method. For the primary government and component units, donated capital assets are recorded at estimated fair market value at the date of donation. Normal maintenance and repair costs that do not add to the value of the assets or materially extend assets' lives are not capitalized by the County or the component units.

Significant outlays for capital assets and improvements are capitalized as Construction in Progress while projects are being constructed. Projects are not depreciated until completed or substantially completed and available for use.

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Property, plant and equipment of the primary government and the component units are depreciated using the straight line method over the following estimated useful lives:

Charles County Government

Buildings	30 years
Improvements	10 -30 years
Water and sewer systems	30 -50 years
Infrastructure	10 -50 years
Machinery and equipment	5 -10 years
Vehicles	5 years
Computers and software	3 – 5 years
Other infrastructure	10 -50 years

The Board of Education

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

The Library

Leasehold improvements	15 -39 years
Furniture and equipment	7 years
Vehicles and Computer Equipment	5 years
Books and audio visual materials	3 years

9. Net Position/Fund Equity:

In the government-wide financial statements, equity is classified as net position and is displayed in three components:

- a. Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- b. Restricted net position – consists of items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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- c. Unrestricted net position – all other amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, equity is classified as fund balance for governmental funds. Further classifications are as follows:

- a. Non-spendable Fund Balance – this classification reports governmental funds that are not spendable in the current form, such as inventory and prepaid items, or due to a legal or contractual requirement that they maintain intact.
- b. Restricted Fund Balance - this classification reports amounts that are restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external parties such as creditors, grantors, contributors, or laws and regulations of other governments.
- c. Committed Fund Balance – this category reports amounts that are self-imposed limitations that are set in place prior to the end of the reporting period. The limitation is imposed by formal action of the County’s highest level of decision making authority. The highest level of decision making action is resolution which is enacted by the Charles County Board of County Commissioners. Only the County may modify or rescind the commitment.
- d. Assigned Fund Balance – this classification reports amounts that are limited by the County’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of County Commissioner’s to their designees, the County Administrator and the Director of Fiscal and Administrative Services.
- e. Un-assigned Fund Balance – this classification reports the residual net resources.

Equity in the proprietary fund statements is classified in the same manner as in the government-wide statements.

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

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10. Compensated Absences:

Employees of the County earn annual leave, compensatory time and sick leave in varying amounts. It is the County's policy to permit employees to accumulate earned but unused annual leave, compensatory time, and sick pay benefits. Upon separation of service with the County, non-critical employees are reimbursed for accumulated annual leave up to a maximum of 45 days and accumulated compensatory time up to 240 hours. Sworn Officers, Corrections Officers, and certain critical employees of the Sheriff's Office are reimbursed for accumulated annual leave up to a maximum of 720 hours. Sworn Officers can be reimbursed for up to 480 hours of compensatory time. The County policy on sick pay relies upon an employee not using it towards retirement. If the employee has 1,000 hours, they can be paid for 200 hours. If the employee has 500 hours but less than 1,000, they can be paid for 100 hours.

The County accrues the value of accumulated unpaid annual leave, compensatory time, and associated employee-related costs when incurred in the government-wide and proprietary fund financial statements. Only the amount of unused annual leave and compensatory pay that is expected to be liquidated with expendable available financial resources (amount estimated to be used within 60 days of year-end) is recorded as an expense and a liability in the governmental fund that will pay it. The non-current portion for governmental funds is maintained separately and represents a reconciling item between the fund and the government-wide presentations.

11. Long-term Obligations:

In the government-wide financial statements and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund-types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Capital leases are recorded in the same manner.

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12. Revenues, Expenditures, and Expenses:

Property taxes and interest assessed in the current fiscal period are accrued and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be earned and therefore recognizable as revenue of the current period.

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing goods in connection with the proprietary fund's principal operations. Operating revenues include user fees and charges. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

13. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

14. Implementation of Applicable New GASB Pronouncements

The County has adopted GASB Statement No. 68, entitled Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 as well as Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB Statement No. 68. The goal of these Statements is to improve the accounting and financial reporting by state and local government employers whose employees are provided benefits through pension plans. The impact of these changes can be immediately seen in the government-wide statements contained herein.

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GASB Statement No. 72, Fair Value Measurement and Application, issued in February 2015, with an implementation date for financial statements for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition provided of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County fully expects to implement the impacts of this standard with our FY2016 report.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 was issued in June 2015, with the earliest implementation date for financial statements for periods beginning after June 15, 2015. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it also establishes requirements for defined contribution pensions that are not in the scope of GASB No. 68. It also amends certain provisions of Statement No. 67 and Statement No. 68 for pension plans that are within their respective scopes. The County fully expects to implement the impacts of this standard with our FY2016 report.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans was also issued in June 2015, with an implementation date for financial statements for periods beginning after June 15, 2016. This Statement replaces Statements No. 43 and 57. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statements No. 25, 43, and 50. The County fully expects to implement the impacts of this standard with our FY2017 report.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, issued in June 2015 with an implementation date for periods beginning after June 15, 2017. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The County fully expects to implement the impacts of this new standard with our FY2018 report.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments was issued in June 2015 with an implementation date for financial statements for periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the

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hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The County foresees minimal impact of this Statement and expects to implement with our FY2016 report.

GASB Statement No. 77, Tax Abatement Disclosures, was most recently issued in August 2015, with an implementation date for financial statements for periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients,
- The gross dollar amount of taxes abated during the period,
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The County plans to implement this new standard with the FY2016 report.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds of the County, except the four pension trust funds. However, a legal budget is adopted only for the General Fund. Thus, the budgetary financial statement included in this report as required supplementary information does not include our Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Proprietary Funds or the Fiduciary Funds. The basis for budgeting is the modified accrual basis. All annual appropriations lapse at fiscal year-end. Project-length budgets are adopted for the Capital Projects Fund which is projected in five year increments.

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The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the program level. However, with proper approval by the County Commissioners, as stated in the County's Budget Policies and Delegated Authorities, last modified on March 11, 2014, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2015.

B. Deficit Fund Equity

The Recreation Fund had a deficit fund balance of \$786,627 as of June 30, 2015. The deficit fund balance is primarily the cumulative result of operations from an indoor recreation complex which was acquired by the County in May 2006. A contract was awarded to Rink Management Services for the operation of this facility and commenced on July 5, 2008. After seven years of managing the facility, significant improvements have been achieved in operations.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County's Chief of Treasury is charged with the responsibility for selecting depositories and investing idle funds as directed by the State and County Codes. The Chief of Treasury is further restricted as to the types of deposits and investments in accordance with the County's investment policy. Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

Cash Deposits

At year-end, the carrying amount of the County's deposits was \$24,304,443 and the bank balances were \$25,436,337. Of the bank balance, \$14,213,325 was covered by Federal depository insurance and \$11,223,012 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. The various amounts of cash on hand were \$15,910.

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At year-end, the carrying amount of the Board of Education's deposits was \$36,309,596 and the bank balances were \$43,928,829. The bank balance was covered by either Federal depository insurance or by collateral held in either the pledging bank's trust department or by the pledging bank's agent in the Board's name.

At year-end, the carrying amount of the Library's deposits was \$151,570 and the bank balances was \$157,610. The bank balance was covered by Federal depository insurance. The amount of cash on hand was \$2,599.

Investments

Statutes authorize the Chief of Treasury to invest in short-term U.S. government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 24 months. Statutes also authorize the County's Chief of Treasury to invest in a local government investment pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used.

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

	Total Governmental Funds	Total Fiduciary Funds	Total Enterprise Funds	Total
Cash on hand	\$ 9,430	\$ -	\$ 6,480	\$ 15,910
Deposit Accounts	20,098,403	-	1,413,536	21,511,939
U.S. government securities				
Treasuries	4,994,381			4,994,381
Agencies	37,975,193			37,975,193
Money Market	1,756,486	12,222,564		13,979,050
Certificates of deposit	-	-	-	-
Maryland local government pool	49,856,764	-	-	49,856,764
Bond Mutual funds	-	114,420,751	-	114,420,751
Equity securities	-	269,560,450		269,560,450
Restricted assets	2,659,322	-	117,271	2,776,594
Total cash and investments	<u>\$ 117,349,978</u>	<u>\$ 396,203,765</u>	<u>\$ 1,537,287</u>	<u>\$ 515,091,031</u>

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

Cash on hand	\$ 1,000
Deposits	33,846,688
Maryland local government investment pool	<u>35,066,345</u>
Total cash and investments	<u>\$ 68,914,033</u>

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

Cash on hand and deposits	\$ 154,169
Maryland local government investment pool	<u>925,126</u>
Total cash and investments	<u>\$ 1,079,295</u>

The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The State Treasurer of Maryland exercises administrative oversight responsibility over the MLGIP. Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, for the participating governments, faces the custodial credit risk. A single financial institution, PNC Institutional Investments, is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor semi-annually and provide suggestions to enhance the return on investments. The MLGIP maintains an AAAM credit quality rating from Standard and Poor's. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of MLGIP shares.

Investments made by the County under Agencies consists of several instruments backed by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation organizations, and are held in a custodial account along with Treasuries. These agency investments are implicitly guaranteed by the U.S. government and carry a credit rating of AAA.

Interest Rate Risk

As a means of limiting its exposure to fair value losses stemming from rising interest rates, the County's investment policy prohibits the investment of operating funds in securities maturing more than 24 months from the date of purchase.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the County will not be able to recover the value of its investments or collateral

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securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counter party or the counter party's trust department or agent, but not in the government's name. The County's policy relating to credit risk of investments require that securities underlying all certificates of deposit, repurchase agreements and reverse repurchase agreements have a market value of at least 102 percent of the cost plus accrued interest of the investment. County policies also require that a third party custodian hold investments securities and the collateral underlying all investments, in the government's name. The County's Chief of Treasury recognizes investment diversification as an important safeguard of County assets. Investment instruments, investment maturities, and financial institutions doing business with the County shall be diversified in such a way to insure that there is no concentration of risk in any of these categories. These diversification standards, as outlined in the County's Joint Statement of Investment Policies, are applied at the time of each investment. As of June 30, 2015, the County's investments were not exposed to custodial credit risk.

B. Receivables

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

	General	Capital Projects	Debt Service	Water and Sewer Fund	Solid Waste Fund	Non-major Funds	Total
Receivables:							
Interest	\$ 121,539	\$ -	\$ -	\$ 8,641	\$ -	\$ 48	\$ 130,228
Taxes	4,262,287	-	35,868,085	-	-	-	40,130,372
Accounts	23,483,681	3,801,723	975,381	6,537,473	838,530	4,444,606	40,081,394
Special assessments	-	-	3,973	110,403	-	45,159	159,535
Intergovernmental	-	-	-	-	-	98,153	98,153
Total receivables	<u>\$ 27,867,507</u>	<u>\$ 3,801,723</u>	<u>\$ 36,847,439</u>	<u>\$ 6,656,517</u>	<u>\$ 838,530</u>	<u>\$ 4,587,966</u>	<u>\$ 80,599,682</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have

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been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ -	\$ 3,653,031	\$ 3,653,031
Deferred property taxes receivable (Debt Service)	-	35,854,652	35,854,652
Deferred income tax reserve	-	9,922,315	9,922,315
Special assessments not yet due (Debt Service)		3,973	3,973
School construction impact fees	3,738,455		3,738,455
Grant draw-downs prior to meeting all eligibility requirements	103,977	-	103,977
Other unearned revenue	199,095	-	199,095
Total unearned revenue for governmental funds	\$ 4,041,527	\$ 49,433,971	\$ 53,475,498

C. Property Taxes Receivable

The County levies a property tax each July 1 on the assessed value of all taxable real property located within the County on that date. Assessed values are established by the Maryland Departments of Assessments and Taxation at assessed market value. A reassessment of all property is required to be completed every three years. The rates of the levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. The real property tax rate for the year ended June 30, 2015 remained constant at \$1.141 per \$100 of assessed value. Property taxes attach as an enforceable lien on the property when levied on July 1 of each year. The taxes are payable without interest by September 30.

Revenue relating to property taxes receivable, which have not been collected within sixty days after year-end, have been reclassified from property tax revenues to deferred revenues in governmental funds.

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D. Notes Receivable

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

<u>Loan & Year</u>	<u>Total Borrowed</u>	<u>Term & Rate</u>	<u>Principal Balance 6/30/2015</u>
Hospital 2004	\$ 15,000,000	15 years, 3.04831%	\$ 6,570,499
St. Charles Companies 2004	8,000,000	15 years, 4%-5%	2,538,750
St. Charles Companies 2005	6,000,000	15 years, 5%-5.125%	2,268,750
St. Charles Companies 2006	10,000,000	15 years, 5.125%-8%	4,616,250
St. Charles Companies 2007	3,000,000	15 years, 5.25%-5.75%	1,643,750
St. Charles Companies 2008	3,000,000	15 years, 4.90%-5.25%	1,845,188
St. Charles Companies 2009	2,000,000	15 years, 4%-5.375%	1,325,000
St. Charles Companies 2011	4,000,000	15 years, 2%-4.5%	3,355,000
St. Charles Companies 2012	4,000,000	15 years, 2%-3.25%	3,292,500
St. Charles Companies 2013	3,700,000	15 years, 3%-4%	3,255,000
Subtotal: St. Charles Co.'s	43,700,000		24,140,188
So. MD Baseball LLC 2008	9,248,200	15 years, 4.90%-5.25%	5,548,918
CSM 2005	1,000,000	15 years, 3.67%	389,913
Total Notes Receivable	\$ 68,948,200		\$ 36,649,518

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The future minimum note payments receivable for the year ended June 30, 2015 are as follows:

	UM Charles Regional Medical Center	St. Charles Companies	So. MD Baseball	CSM	Total
2016	\$ 1,112,981	\$ 3,954,718	\$ 1,815,453	\$ 86,791	\$ 6,969,943
2017	1,247,234	3,997,836	894,000	86,791	6,225,861
2018	1,247,234	4,158,762	894,000	86,791	6,386,787
2019	1,247,234	3,895,737	894,000	86,791	6,123,762
2020	1,247,234	3,178,521	894,000	79,579	5,399,334
2021-2025	935,306	7,767,482	2,682,000	-	11,384,788
2026-2030	-	2,229,728	-	-	2,229,728
Subtotal	7,037,223	29,182,784	8,073,453	426,743	44,720,204
Less: Interest	466,724	5,042,596	2,524,535	36,831	8,070,686
Total future minimum note payments receivable	<u>\$ 6,570,499</u>	<u>\$ 24,140,188</u>	<u>\$ 5,548,918</u>	<u>\$ 389,912</u>	<u>\$ 36,649,518</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

E. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 70,896,900	\$ 6,788,018	\$ -	\$ 77,684,918
Construction in progress	88,857,681	19,749,515	55,745,503	52,861,693
Total capital assets, not depreciated	159,754,581	26,537,533	55,745,503	130,546,611
Capital assets, depreciated:				
Land Improvements	12,631,545	2,098,697	-	14,730,242
Infrastructure	381,122,819	76,579,181	-	457,702,000
Buildings and Improvements	156,706,278	10,010,114	-	166,716,392
Machinery and Equipment	48,353,048	4,808,090	24,808	53,136,330
Vehicles	24,061,421	1,798,634	1,270,332	24,589,723
Total capital assets, depreciated	622,875,112	95,294,716	1,295,140	716,874,687
Less: accumulated depreciation for:				
Land Improvements	(4,219,219)	(615,320)	-	(4,834,539)
Infrastructure	(201,063,909)	(13,666,897)	-	(214,730,807)
Buildings and Improvements	(71,463,069)	(4,642,252)	-	(76,105,322)
Machinery and Equipment	(26,922,256)	(3,080,918)	(24,808)	(29,978,367)
Vehicles	(18,851,462)	(1,914,956)	(1,270,332)	(19,496,086)
Total accumulated depreciation	(322,519,916)	(23,920,343)	(1,295,140)	(345,145,120)
Total capital assets, depreciated net	300,355,195	71,374,373	-	371,729,567
Governmental activities, capital assets, net	\$ 460,109,777	\$ 97,911,906	\$ 55,745,503	\$ 502,276,179

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 2,174,186	\$ -	\$ -	\$ 2,174,186
Construction in progress	57,322,875	16,409,094	12,608,593	61,123,376
Total capital assets, not depreciated	59,497,061	16,409,094	12,608,593	63,297,562
Capital assets, depreciated:				
Land Improvements	14,786,658	9,503	-	14,796,161
Infrastructure	226,967,009	26,985,431	-	253,952,440
Buildings and Improvements	14,155,421	-	-	14,155,421
Machinery and Equipment	47,219,525	1,510,082	42,290	48,687,317
Vehicles	4,958,205	710,586	115,584	5,553,207
Total capital assets, depreciated	308,086,818	29,215,602	157,874	337,144,546
Less: accumulated depreciation for:				
Land Improvements	(6,632,125)	(351,147)	-	(6,983,272)
Infrastructure	(129,311,319)	(6,021,824)	-	(135,333,143)
Buildings and Improvements	(5,714,347)	(480,108)	-	(6,194,455)
Machinery and Equipment	(13,976,391)	(2,225,597)	(25,050)	(16,176,938)
Vehicles	(4,346,248)	(261,533)	(132,824)	(4,474,957)
Total accumulated depreciation	(159,980,430)	(9,340,209)	(157,874)	(169,162,765)
Total capital assets, depreciated net	148,106,388	19,875,393	-	167,981,781
Business-type, capital assets, net	\$ 207,603,449	\$ 36,284,487	\$ 12,608,593	\$ 231,279,343
Grand Total, capital assets, net	\$ 667,713,226	\$ 134,196,393	\$ 68,354,096	\$ 733,555,522

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 1,015
Public Safety	4,020,427
Legislative	1,153
Judicial	94,571
Financial Administration	52,558
Health	158,235
Community Services	936,215
Public Facilities	18,603,422
Education	52,646
Central Services	101

Total depreciation expense- Governmental Activities	\$ 23,920,343
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Business-Type Activities:

Water and Sewer	\$ 7,708,878
Solid Waste	604,723
Environmental Services	591,812
Recreation Programs	328,413
Inspection and Reviews	17,856
Golf Course	19,830
SW- Watershed Protection	68,697

Total depreciation expense-Business-type Activities	\$ 9,340,209
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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Construction Commitments

The County has active construction projects as of June 30, 2015. The projects include widening and reconstruction of existing streets and bridges, maintenance of existing roads, landfill expansion, construction of a new Courthouse building, and the improvement and expansion of existing water and sewer facilities. At year-end, the County's project commitments are as follows:

<u>Division / Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Transportation		
Road and bridge expansions	\$ 28,144,342	\$ 49,868,384
Other transportation projects	746,800	2,491,940
General government		
Buildings and improvements	4,323,149	11,590,080
Other general government projects	18,421,814	26,166,780
Water and sewer		
Expansions and improvements	56,113,402	160,261,530
Parks		
Expansions and improvements	9,301,045	14,454,350
Environmental service		
Various environmental service projects	14,644,622	35,167,170
Total	<u>\$ 131,695,174</u>	<u>\$ 300,000,234</u>

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Discretely Presented Component Units

Capital asset activity for the Board of Education for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 16,854,675	\$ 40,000	\$ -	\$ 16,894,675
Construction in progress	3,067,546	14,824,315	(15,655,353)	2,236,508
Total capital assets, not depreciated	<u>19,922,221</u>	<u>14,864,315</u>	<u>(15,655,353)</u>	<u>19,131,183</u>
Capital assets, depreciated:				
Buildings	514,045,609	17,709,622	(2,238,273)	529,516,958
Land Improvements	11,686,412	421,885	(4,900)	12,103,397
Furniture and Equipment	29,365,770	2,165,898	(786,702)	30,744,966
Total capital assets, depreciated	<u>555,097,791</u>	<u>20,297,405</u>	<u>(3,029,875)</u>	<u>572,365,321</u>
Less: accumulated depreciation for:				
Buildings	(226,869,200)	(14,057,206)	998,400	(239,928,006)
Land Improvements	(7,827,828)	(667,653)	4,900	(8,490,581)
Furniture and Equipment	(22,916,616)	(1,919,855)	760,444	(24,076,027)
Total accumulated depreciation	<u>(257,613,644)</u>	<u>(16,644,714)</u>	<u>1,763,744</u>	<u>(272,494,614)</u>
Total capital assets, depreciated net	<u>297,484,147</u>	<u>3,652,691</u>	<u>(1,266,131)</u>	<u>299,870,707</u>
Board capital assets, net	<u>\$ 317,406,368</u>	<u>\$ 18,517,006</u>	<u>\$ (16,921,484)</u>	<u>\$ 319,001,890</u>

Capital asset activity for the Library for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, depreciated:				
Furniture and Equipment	\$ 1,867,931	\$ 89,826	\$ -	\$ 1,957,757
Library books and AV material	1,653,868	308,298	(204,570)	1,757,596
Total capital assets, depreciated	3,521,799	398,124	(204,570)	3,715,353
Less: accumulated depreciation	(1,895,314)	(780,812)	204,570	(2,471,556)
Library capital assets, depreciated, net	<u>\$ 1,626,485</u>	<u>\$ (382,688)</u>	<u>\$ -</u>	<u>\$ 1,243,797</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

F. Inter-fund Receivables, Payables, and Transfers

The General Fund is the main fund used to collect, invest, and disburse monies for governmental and proprietary funds. This creates temporary inter-fund balances. The composition of inter-fund balances as of June 30, 2015, is as follows:

	Governmental Activities	Business-type Activities
General Fund	\$ (66,246,371)	\$ -
Capital Projects Fund	15,723,416	-
Debt Service Fund	598,225	-
Water and Sewer Fund	-	20,273,519
Solid Waste Fund	-	18,715,489
Other Non-major Funds	5,495,898	5,439,824
Total	<u>\$ (44,428,832)</u>	<u>\$ 44,428,832</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expand them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following is a schedule of inter-fund transfers:

Transfers Out	Transfers In					Total
	General Fund	Capital Projects Fund	Debt Service Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
General Fund	\$ -	\$ 896,000	\$ 651,500	\$ 4,283,539	\$ 464,468	\$ 6,295,507
Capital Projects Fund	200,000	-	-	-	-	200,000
Non-major Governmental Funds	1,000,000	3,715,000	-	24,279	-	4,739,279
Total						
Transfers In:	<u>\$ 1,200,000</u>	<u>\$ 4,611,000</u>	<u>\$ 651,500</u>	<u>\$ 4,307,818</u>	<u>\$ 464,468</u>	<u>\$ 11,234,786</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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G. Leases

Capital Leases

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

- Fiscal Year 2007 – Meter Replacement Lease for the Water and Sewer Fund – semiannual payments starting at \$132,965 and increasing to \$396,605 over fifteen years ending February 2022, including interest at a rate of 4.14%, various components expended at \$5,862,900.
- Fiscal Year 2010 – Various equipment for the General Fund, Golf Course Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$120,512 thru FY13 except for a scheduled payment of \$378,268 in October 2011. Over the remaining period, scheduled payments of \$22,557 ending October 2014, including interest at a rate of 3.30%, equipment capitalized at \$1,102,600.
- Fiscal Year 2012 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service fund – semiannual payments of \$160,212 over five years ending July 2016, including interest at a rate of 1.65%, equipment capitalized at \$1,531,700.
- Fiscal Year 2013 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$253,472 over five years ending November 2017, including interest at a rate of 1.10%, equipment capitalized at \$2,459,700.
- Fiscal Year 2014 – Various equipment for the General Fund, Golf Course Fund, Inspection Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$657,555 over five years ending August 2018, including interest at a rate of 1.30%, equipment capitalized at \$6,346,800.
- Fiscal Year 2015 – Various equipment for the General Fund, Inspection Fund, Solid Waste Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$851,053 over five years ending September 2019, including interest at a rate of 1.27%, equipment capitalized at \$8,220,700.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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The assets acquired through capital leases and still in use are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Building and Improvements	\$ 90,906	\$ -
Machinery and equipment	14,924,659	5,561,765
Vehicles	9,229,335	3,691,462
Total capital assets	<u>24,244,900</u>	<u>9,253,227</u>
Less accumulated depreciation:		
Building and Improvements	(58,655)	-
Machinery and equipment	(10,379,020)	(2,990,612)
Vehicles	(5,824,506)	(2,619,548)
Total accumulated depreciation	<u>(16,262,181)</u>	<u>(5,610,160)</u>
Total capital assets, net	<u>\$ 7,982,719</u>	<u>\$ 3,643,067</u>

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2015, were as follows:

	Governmental Activities	Business-type Activities	Total
2016	\$ 2,371,526	\$ 1,935,778	\$ 4,307,304
2017	2,262,219	1,924,781	4,187,000
2018	1,974,720	1,838,968	3,813,688
2019	1,528,772	1,391,499	2,920,271
2020	635,596	1,937,604	2,573,200
2021-2025	-	-	-
Subtotal	<u>8,772,833</u>	<u>9,028,630</u>	<u>17,801,463</u>
Interest	<u>(244,146)</u>	<u>(688,217)</u>	<u>(932,363)</u>
Present value of minimum lease payments	<u>\$ 8,528,687</u>	<u>\$ 8,340,413</u>	<u>\$ 16,869,100</u>

H. Long-Term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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governmental and business-type activities. During the year ended June 30, 2015, general obligation bonds totaling \$39,000,000 were issued for consolidated public improvement.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. In the past, these bonds have been a mix of 10-year and 15-year serial bonds with equal amounts of principal maturing each year. Most recently, the County bonds have also had components with 20-year and 30-year serial bonds.

Advanced Refunding and Defeased Debt

On April 7, 2015, the County completed a refunding transaction for \$21,830,000 in general obligation bonds to defease \$21,445,000 in outstanding debt maturities of the County's Consolidated Public Improvement Bonds of 2009. In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2015, the amount of defeased debt outstanding but removed from the financial statements amounted to \$21,445,000. As a result of this refunding, the County achieved a net present value savings of \$953,365.

Also on April 7, 2015, the County completed a second refunding transaction for \$8,595,000 in taxable general obligation bonds to defease \$8,280,000 in outstanding debt maturities of the County's Consolidated Public Improvement Taxable Bonds of 2008. In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2015, the amount of defeased debt outstanding but removed from the financial statements amounted to \$8,280,000. As a result of this refunding, the County achieved a net present value savings of \$333,235.

The County's General Obligation Bonds currently outstanding are as follows:

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/15	Business-type Activities Balance 6/30/15
Consolidated Public Improvement Bonds of 2006	\$ 26,880,000	15 yrs, 4% - 5%	1,577,865	247,135
Consolidated Public Improvement Bonds of 2006	\$ 16,120,000	10 yrs, 4% - 5%	1,885,000	-
Consolidated Public Improvement Bonds (Taxable) of 2006	\$ 10,000,000	15 yrs, 5.125% - 8%	715,000	-
Consolidated Public Improvement Bonds of 2007	\$ 33,700,000	15 yrs, 3.5% - 5%	2,647,047	2,032,953
Consolidated Public Improvement Bonds of 2007	\$ 16,300,000	10 yrs, 3.5% - 4%	3,760,000	-
Consolidated Public Improvement Bonds (Taxable) of 2007	\$ 3,000,000	15 yrs, 5.25% - 5.75%	420,000	-
Consolidated Public Improvement Bonds of 2008	\$ 25,400,000	15 yrs, 3% - 5%	3,208,170	1,916,830
Consolidated Public Improvement Bonds of 2008	\$ 1,600,000	10 yrs, 3% - 5%	540,000	-
Consolidated Public Improvement Bonds (Taxable) of 2008	\$ 20,000,000	15 yrs, 5% - 5.25%	4,025,000	-
Consolidated Public Improvement Bonds of 2009	\$ 49,640,000	20 yrs, 2% - 4.25%	5,570,764	1,359,236
Consolidated Public Improvement Bonds of 2009	\$ 900,000	10 yrs, 2% - 4.25%	380,000	-
Consolidated Public Improvement Bonds (Taxable) of 2009	\$ 2,000,000	15 yrs, 4% - 5.375%	525,000	-
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 22,730,000	10 yrs, 2% - 5%	6,791,546	4,628,454
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 2,000,000	10 yrs, 2% - 5%	-	1,060,000
Consolidated Public Improvement Taxable BAB Bonds of 2010	\$ 11,415,000	5 yrs beg FY21, 4.9% - 5.3%	6,115,178	5,299,822
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 36,960,000	16 yrs, 2% - 5%	33,541,838	1,408,162
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 15,500,000	10 yrs, 2% - 5.3%	12,745,000	-
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 1,325,000	10 yrs, 2% - 5%	-	1,090,000
Consolidated Public Improvement Bonds (Taxable) of 2011	\$ 4,000,000	15 yrs, 2% - 4.5%	3,575,000	-
Refunding Bonds of Nov 2011	\$ 24,505,000	8 yrs, 4% - 5%	16,794,893	6,710,107

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Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/15	Business-type Activities Balance 6/30/15
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 40,740,000	15 yrs, 2% - 5%	31,782,353	5,337,647
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 3,000,000	10 yrs, 2% - 5%	-	2,185,000
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 7,500,000	20 yrs, 2% - 5%	-	6,640,000
Consolidated Public Improvement Bonds (Taxable) of 2012	\$ 4,000,000	15 yrs, 2% - 3.25%	3,355,000	-
Consolidated Public Improvement and Refunding Bonds of 2013	\$ 26,805,000	10 yrs, 3% - 5%	15,239,124	10,250,876
Consolidated Public Improvement Bonds of 2013	\$ 6,300,000	10 yrs, 2% - 5%	4,579,365	1,190,635
Consolidated Public Improvement Bonds of 2013	\$ 3,700,000	30 yrs, 3% - 5%	-	3,650,000
Consolidated Public Improvement Bonds of 2013	\$ 14,500,000	21 yrs, 3% - 5%	11,706,206	2,093,794
Consolidated Public Improvement Bonds (Taxable) of 2013	\$ 3,700,000	15 yrs, 3% - 4%	3,480,000	-
Consolidated Public Improvement Bonds of 2014	\$ 17,400,000	15 yrs, 3% - 5%	13,100,000	4,300,000
Consolidated Public Improvement Bonds of 2014	\$ 14,000,000	10 yrs, 4% - 5%	14,000,000	
Consolidated Public Improvement Bonds of 2014	\$ 7,600,000	30 yrs, 3% - 5%	-	7,600,000
Consolidated Public Improvement Refunding Bonds of 2015	\$ 21,830,000	15 yrs, 2% - 4%	18,002,764	3,827,236
Consolidated Public Improvement Refunding Bonds of 2015 (Taxable)	\$ 8,595,000	15 yrs, 3% - 4%	8,595,000	-
Total bonds outstanding			<u>228,657,114</u>	<u>72,827,886</u>
Loan Description and Year				
FHA Loan 1973	\$ 250,000	40 yrs, 3.649%	33,073	-
USDA Loan	\$ 731,720	35.2 yrs, 4.51%	722,961	-
Community Bank of Chesapeake	\$ 686,670	20.3 yrs, 3.45%	662,797	-
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	\$ 14,767,900	20 yrs, 1.200%	-	8,556,098
Total loans outstanding			<u>1,418,832</u>	<u>8,556,098</u>
Total bonds and loans outstanding			<u>\$ 230,075,945</u>	<u>\$ 81,383,984</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 224,840,011	\$ 53,697,764	\$ (49,880,660)	\$ 228,657,115	\$ 24,814,809
Plus deferred amounts for bond premiums	19,182,641	6,739,644	(2,422,080)	23,500,205	-
Total bonds payable	244,022,652	60,437,408	(52,302,740)	252,157,320	24,814,809
Notes payable	1,452,874	-	(34,042)	1,418,832	43,691
Capital leases	4,063,959	6,139,500	(1,674,766)	8,528,693	2,271,134
Net Pension liabilities	63,014,064	18,657,297	-	81,671,361	-
Net OPEB obligation	69,256,777	9,014,619	-	78,271,396	-
Compensated absences	19,070,830	5,130,894	(5,106,686)	19,095,038	1,371,239
Governmental activities noncurrent liabilities	400,881,156	99,379,718	(59,118,234)	441,142,639	28,500,873
<u>Business-type activities:</u>					
General obligation bonds	67,609,989	15,727,236	(10,509,340)	72,827,885	6,431,634
Plus deferred amounts for bond premiums	7,057,745	1,054,638	(804,942)	7,307,441	-
Total bonds payable	74,667,734	16,781,874	(11,314,282)	80,135,326	6,431,634
Notes payable	9,279,686	-	(723,588)	8,556,098	732,271
Capital leases	7,760,059	2,081,200	(1,500,853)	8,340,406	1,746,190
Landfill closure costs	7,091,163	385,958	-	7,477,121	-
Net OPEB obligation	11,089,193	1,499,101	-	12,588,294	-
Compensated absences	1,972,437	926,233	(862,040)	2,036,630	243,258
Business-type activities noncurrent liabilities	111,860,272	21,674,366	(14,400,763)	119,133,875	9,153,353
Total primary government noncurrent liabilities	\$ 512,741,428	\$ 121,054,084	\$ (73,518,997)	\$ 560,276,516	\$ 37,654,226
<u>Component units:</u>					
Board of Education	\$ 160,282,723	\$ 21,879,770	\$ -	\$ 182,162,493	\$ 2,566,635
Library	197,428	-	(21,411)	176,017	176,017

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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The annual requirements to amortize all debt outstanding as of June 30, 2015, including interest of \$76,016,750 and excluding compensated absences, net pension obligation, OPEB obligation and landfill closure costs, are as follows:

Year ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 27,129,635	\$ 9,216,874	\$ 8,910,095	\$ 3,228,563	\$ 48,485,167
2017	26,065,958	8,340,454	9,495,287	2,940,216	46,841,915
2018	24,622,563	7,260,679	9,477,326	2,584,624	43,945,192
2019	24,147,854	6,254,895	8,530,208	2,248,675	41,181,632
2020	21,353,311	5,265,522	8,022,349	1,921,836	36,563,018
2021-2025	86,415,127	13,750,175	27,042,542	5,765,723	132,973,567
2026-2030	28,154,910	2,222,688	10,076,584	2,388,122	42,842,304
2031-2035	283,806	121,803	2,995,000	1,202,556	4,603,165
2036-2040	124,001	253,643	2,430,000	739,750	3,547,394
2041-2045	155,324	52,319	2,745,000	243,584	3,196,227
2046-2050	152,150	14,049	-	-	166,199
	<u>\$ 238,604,639</u>	<u>\$ 52,753,101</u>	<u>\$ 89,724,391</u>	<u>\$ 23,263,649</u>	<u>\$ 404,345,780</u>

Special Assessment Debt

In prior years, the County has had requested and granted various special assessments on projects petitioned by citizens. These projects are performed by the County, but the cost is fully funded by the property owners. No debt has been issued for these projects to date rather they have been funded on a pay-go basis.

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I. Restricted Assets

The details of the restricted assets are as follows:

Governmental Activities

Cash and cash equivalents

Inmate account	\$ 36,614
County Attorney escrow	10,035
SAO Restitution account	13,704
Lease deposits	10,045
Disadvantaged Business Loan program account	444,257
Targeted Industry Loan program account	502,075
Construction Escrow	<u>1,642,592</u>
Total cash and cash equivalents	\$ 2,659,322

Notes Receivable

Univ. of MD Charles Regional Medical Center	\$ 6,570,499
St. Charles Companies	24,140,188
So. MD Baseball LLC	5,548,918
College of Southern MD	<u>389,913</u>
Total notes receivable	<u>36,649,518</u>
Total Governmental Activities	39,308,840

Business-type Activities

Cash and cash equivalents

Landfill Bonds	<u>117,271</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 39,426,111</u>

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NOTES TO THE FINANCIAL STATEMENTS
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J. Fund Balance Analysis

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

Fund balances:	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>					
Inventory	\$ 1,598,914	\$ -	\$ -	\$ -	\$ 1,598,914
Prepay Items	557,222	-	-	-	557,222
Long Term Note Receivable	-	-	36,649,518	-	36,649,518
	<u>2,156,136</u>	<u>-</u>	<u>36,649,518</u>	<u>-</u>	<u>38,805,654</u>
<u>Restricted</u>					
Capital Outlay	750,000	13,850,238	-	-	14,600,238
Economic Development	10,884	-	-	958,835	969,719
Housing	-	-	-	22,056	22,056
Drug Enforcement	-	-	-	51,427	51,427
Fire and Rescue	-	-	-	152,694	152,694
Planning Programs	-	-	-	1,227,212	1,227,212
Animal Control	95,010	-	-	-	95,010
Bond Premium	4,446,006	-	-	-	4,446,006
	<u>5,301,900</u>	<u>13,850,238</u>	<u>-</u>	<u>2,412,224</u>	<u>21,564,362</u>
<u>Committed</u>					
Policy Target (min. 8%)	36,692,494	-	-	-	36,692,494
Housing	88,578	-	-	-	88,578
Economic Development	154,000	-	-	-	154,000
Public Safety	169,350	-	-	-	169,350
CIP/Pay-go	540,000	-	-	-	540,000
Infrastructure	644,354	-	-	-	644,354
	<u>38,288,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,288,776</u>
<u>Assigned</u>					
Aging Grants	-	-	-	28,012	28,012
Judicial Grants	-	-	-	75,064	75,064
Transportation	-	-	-	305,013	305,013
Public Safety	-	-	-	625,606	625,606
Housing	206,051	-	-	195,050	401,101
Aging Services	-	-	-	44,317	44,317
Animal Control	-	-	-	95,075	95,075
Drug Enforcement	-	-	-	327,996	327,996
Mental Health	-	-	-	163,324	163,324
Planning programs	-	-	-	77,940	77,940
Cable Franchise	-	-	-	2,240,779	2,240,779
Health Ins Rate Stabilization	3,233,311	-	-	-	3,233,311
CIP & Operations	43,299	-	-	-	43,299
	<u>3,482,661</u>	<u>-</u>	<u>-</u>	<u>4,178,176</u>	<u>7,660,837</u>
<u>Unassigned</u>					
Other unassigned	1,022,395	(427,643)	(471,532)	-	123,220
Total fund balances (deficit)	<u>\$ 50,251,868</u>	<u>\$ 13,422,595</u>	<u>\$ 36,177,986</u>	<u>\$ 6,590,400</u>	<u>\$ 106,442,849</u>

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NOTE 4. RISK MANAGEMENT

Liability Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County was unable to obtain general liability, public official's legal liability, business auto liability, and auto physical damage insurance from commercial insurance companies at a cost it considered to be economically justifiable. The County and other local governments throughout the State joined together to form the Local Government Insurance Trust (LGIT), a public entity risk pool. The County pays an annual premium to LGIT for its general insurance coverage. LGIT is self-sustaining through member premiums and will reinsure through commercial companies.

Self-Insured Health Care

The County is self-insured for employee health insurance through agreements with CareFirst BlueCross BlueShield, CareFirst BlueChoice, and Delta Dental. Employees contribute 30% of the estimated cost of the plan, and the County contributes 70%. Certain outside agencies and some retirees are also covered under this agreement with varying contribution levels. The health insurance agreements are claims-made policies with administrative fees paid to all carriers. The policies include stop-loss provisions for claims in excess of \$125,000 per person/per year for CareFirst. Claims in excess of this limit are covered by the insurance carrier. Delta Dental does not have a stop-loss provision. At June 30, 2015, a liability of \$1,070,000 (\$747,286 in governmental funds and \$322,714 in business-type funds) was recorded for estimated claims incurred but not yet reported (IBNR), which represents the estimated run-out claims liability should the self-insurance agreement be terminated. Historical experience and actuarial assumptions were the basis used in estimating the liabilities for unpaid claims.

The changes in the County's IBNR claims liability are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>End of Year</u>
2012	\$ 900,000	\$ 280,000	\$ 1,180,000
2013	1,180,000	(370,000)	810,000
2014	810,000	560,000	1,370,000
2015	1,370,000	(300,000)	1,070,000

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Self-Insured Worker's Compensation

The County chose to be self-insured for employer worker's compensation as of the beginning of the fiscal year 2013. Based on employer costs and employee claims for the fiscal year ending June 30, 2015, a budget deficit of \$53,693 was recognized and reduced assigned fund balance within the Enterprise Funds to offset future plan related costs. The balance for all funds as of June 30, 2015 is \$2,035,703.

In addition, for the first time since becoming self-insured, the County had prepared a Loss Reserve Analysis report as of June 30, 2015. This report was provided to County stakeholders as well as being sent to the Maryland Workers' Compensation Commission. The discounted reserve reported was \$5,401,020, and has been recorded on the County's books in similar fashion as the preceding Health IBNR claims liability.

Other insurance

The County continues to carry commercial insurance for other risks of loss, including other general liability, earth movement, flood; fiduciary; employee health, dental, and life; unemployment, and long-term disability insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

NOTE 5. COMMITMENTS AND CONTINGENCIES

A. Contingencies Under Grant Provisions

The County participates in federal and state assisted programs and is a recipient of several grants. These programs and grants are subject to financial and compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as a result of these audits is not believed to be material. The County has experienced audits of a few programs during the year ended June 30, 2015, which have not resulted in any findings or liabilities. The County does not expect any disallowances of grant expenditures in the future.

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B. Litigation

Charles County is routinely engaged in litigation regarding matters that arise in the normal course of the County's activities. In the opinion of the County Attorney and County Management, none of these matters will have a material effect on the financial position of the County. A large power plant operating in the County previously appealed the State of Maryland's real and personal property assessments. The 2008 personal property tax case came to closure in 2012 and the state did not reduce the value of the personal property. However, there are remaining appeals that are pending. The real property assessment is pending at various levels of appeal for 2009 and 2010. With respect to the cases involving the valuation on the real and personal property tax years 2011 thru 2015, these cases are in the preliminary phases. Charles County has vigorously contested these appeals and has cross-filed its appeals contending that the assessments are too low. These appeals are currently pending before the Maryland Tax Court or State Assessor. In the opinion of the County Attorney and County Management the likelihood of an unfavorable outcome and material loss is not likely.

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NOTE 6. PENSION & TRUST PLANS

The County maintains two separate single-employer, defined benefit pension plans: one for the Sheriff's Office and Communications employees and one for substantially all other full-time County employees. The two pension plans are maintained as Pension Trust Funds.

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

The following are the required note disclosures for the County's Fiduciary Funds, including the OPEB trust funds that are explained in detail under Note 7 starting on page 98. Charles County allocates the net other postemployment benefit obligation based on active and retiree counts for personnel services based on the respective allocation to the general fund or proprietary fund. Charles County is liquidating the net pension obligation for the County pension plan with the allocation between the general fund and those proprietary funds with charges for personnel services.

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A. Sheriff's Office Retirement Plan

Plan Description – The Sheriff's Office Retirement Plan (SORP) is a single-employer defined benefit pension plan. The County administers the plan in accordance with Article 25, Section 3 (g-1) of the Annotated Code of Maryland. The County Commissioners have the power and authority to establish and amend the benefit provisions of the SORP. All full-time employees classified as sworn officers, correctional officers, or communications employees are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are also provided.

Membership in the plan consisted of the following at July 1, 2014, the date of the last actuarial valuation:

	<u>Sworn Officers</u>	<u>Correctional Officers</u>	<u>Communications Employees</u>
Active plan members	298	145	40
Retirees and beneficiaries receiving benefits	102	15	7
Disabled, receiving benefits	14	-	-
Vested termination	9	-	-
	<u>423</u>	<u>160</u>	<u>47</u>

Prior to July 1, 1995, the County contracted with an insurance company to provide the guaranteed payment of benefits for retirees of the SORP. Beginning July 1, 1995, the County enacted significant changes in the eligible classes of employees and in the investment policies. Currently, the insurance company has responsibility for payment of benefits only for those employees who retired before July 1, 1995. The funding of continued benefits for those pre-7/1/95 retirees comes from the County, based on quarterly calculations made by the insurance company. Assets held by the insurance company for payment of benefits totaled \$5,160,361 as of June 30, 2015, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2015 totaled \$1,191,856.

Summary of Significant Accounting Policies: Basis of Accounting and Valuation of Investments – The statement of plan net assets and the statement of changes in plan net assets are prepared on the accrual basis of accounting. SORP member contributions are recognized when due. The County's employer's contributions are recognized when due and a formal commitment to provide the contributions has been made. Employer-required contributions are calculated by an independent actuarial firm and are paid after formal

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approval by the County Commissioners. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Market quotations are used for investments traded in an active securities market, and contract values are used for unallocated insurance contracts. Investments are managed by an investment committee which includes an outside investment consultant. The plan is administered by a third-party administrator. Fund assets are held by a custodian. The County does not issue a stand-alone financial report for the Sheriff's Office Retirement Plan, nor is it included in the report of any other entity.

Contributions and Reserves – The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Sworn officers are required to contribute 8% of their base earnings. Correctional officers and communications dispatchers are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted annually, on July 1. The County makes the required employer contributions annually, as actuarially determined. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

Investment Concentrations – At June 30, 2015, net assets were invested in fixed income mutual funds (37%) and Equity mutual funds (63%).

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3%). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	50%	6.45%
International Equity	10%	6.99%
Fixed Income	35%	2.35%
Cash	5%	0.00%
Inflation		3.00%
Total	100%	

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

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

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

Normal Form of Benefit – Single life annuity with death benefit of undistributed employee contributions plus accumulated interest at 3.0% compounded annually to date of retirement. Other forms are the actuarial equivalent.

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

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

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

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

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

Service – Up to three years of military service counts for benefit, but not eligibility. Accumulated sick leave provides an increased benefit percentage of 1% for 500 hours and additional 0.1% for each additional 100 hours to a maximum of 4.0%

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

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

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

Line of Duty Disability – For Total and Permanent, 66-2/3% average compensation reduced by 50% of Social Security benefits, 100% of Worker's Compensation benefits and LTD benefits, if any. For Disability from own position, a percentage of final 3 years average earnings, based on a percentage disability as determined by the Disability Review Board, subject to:

- a) a minimum of 15%
 - b) a maximum of 50%
 - c) offset of 50% of Social Security
 - d) offset of 100% of Workers Compensation
 - e) offset by LTD benefits, if any
- Communications Dispatchers are not eligible for this benefit

Non-Line of Duty Disability – 5 years of service is required for this benefit. For Total and Permanent, a percentage of final 3 years average earnings, based on a percentage disability as determined by the Disability Review Board, subject to:

- a) a minimum of 15%
- b) a maximum of 40%
- c) offset of 50% of Social Security
- d) offset of 100% of Workers Compensation
- e) no benefits until LTD benefits, if any, expire.

For Disability from own position, a percentage of final 3 years average earnings, based on a percentage disability as determined by the Disability Review Board, subject to:

- a) a minimum of 15%
- b) a maximum of 40%
- c) offset of 50% of Social Security
- d) offset of 100% of Workers Compensation
- e) offset by LTD benefits, if any

Disability must be catastrophic (loss of limb, loss of hearing, blindness).
 Communications Dispatchers are not eligible for this benefit.

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Pre-Retirement Spouse's Benefit – For Line of Duty Death Benefit, 66-2/3% of participant's average compensation less any survivor benefits paid under Social Security. For Non-Line of Duty Death Benefit, 100% of the normal retirement benefit accrued to date of death, with reduction based on spouse's age.

Other Pre-Retirement Death Benefits – A beneficiary will receive employee contributions plus credited interest.

Funding Policy and Contributions – The annual pension cost for the year ended June 30, 2015 was equal to the amount of the annual actuarial valuation of \$10,401,723. This contribution for the current year was determined as part of the July 1, 2013 actuarial valuation. The actuarial assumptions and methods include:

Funding Method – Projected unit credit with amortization of the unfunded accrued liability over a period of 20 years as level percentage of pay. Total payroll is assumed to increase 3.5% per year. Restarted 7/1/2009.

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

Interest – 7.75% compounded annually. (adopted 7/1/2000)

Post-Retirement COLA Increases – 2.7% compounded annually, no limit. (adopted 7/1/2013)

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

Sample rates are:

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

DROP account accrues interest at 7% per year and DROP credits increase each year by the COLA.

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Disability – Sample rates are as follows:

<u>Age</u>	<u>Rate</u>
25	0.19%
35	0.28%
45	0.98%

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

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

Turnover – Sample rates for those with 0-10 years of service are as follows:

<u>Age</u>	<u>Sworn Officers</u>	<u>Corrections and Communications</u>
25	5.42%	10.81%
35	4.73%	9.60%
45	3.01%	7.23%

The turnover rates for those with 10-15 years of service are assumed to be 50% of those with 0-10 years of service. The rates for those with more than 15 years of service are assumed to be 10% of the base rates for the Deputy Sheriff's and 37.5% of the base rates for the Correctional and Communications Employees.

Retirement –

<u>Years of Service</u>	<u>% Retiring</u>
0-19	0%
20	50%
21+	20%

100% of participants are assumed to retire at age 60.

Sheriff's hired after to 7/1/1986

<u>Years of Service</u>	<u>% Retiring</u>
0-19	0%
20	10%
21-24	5%
25	50%
26-27	0%
28+	20%

100% of participants are assumed to retire at age 60.

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Corrections & Communications

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

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

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

Military Service – Actual service.

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

Other Methods and Assumptions – Cost and assets are measured separately for each of the three employee groups. If an employee transfers between groups, assets are also transferred. The allocation between each group is intended to be an approximation of the cost and assets as if each had a separate plan. However, there is only one plan and trust fund.

Transferred and purchased services are tracked for each employee. All known and confirmed service is included in the current valuation. The value of remaining employee contributions to purchase service is included in the actuarial value of assets.

Net Pension Liability – The components of the net pension liability of the Sheriff's at June 30, 2015, were as follows (dollar amounts shown in thousands):

Total pension liability	\$ 277,673
Plan fiduciary net position	(204,421)
Sheriff's net pension liability	<u>\$ 73,252</u>
Plan fiduciary net position as a percentage of the total pension liability	73.62%

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Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2014 rolled forward to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	5.0 percent, including inflation
Investment rate of return	7.69 percent, net of pension plan investment expense, including inflation
Mortality	RP-2000 Blue Collar Mortality tables projected to the year of the valuation by Scale AA and generational projection by ½ of Scale AA for years beyond the valuation. A five-year set forward is used for post-disability mortality.

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2014 actuarial valuation report.

Sensitivity of the net pension liability to changes in the discount rate – dollar amounts shown in thousands.

	1% decrease 6.69%	Current Discount Rate 7.69%	1% increase 8.69%
Sheriff's net pension liability	\$ 115,701	\$ 73,252	\$ 38,840

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 698,553	\$ -
Changes of assumptions	4,021,548	-
Net difference between projected and actual earnings on pension plan investments	5,746,020	-
Total	\$ 10,466,121	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 2,223,188
2017	2,223,188
2018	2,223,188
2019	2,223,188
2020	786,683
2021	786,686
Thereafter	-

Changes in the Sheriff's Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
(Dollar amounts in thousands)			
Balances at 6/30/14	\$ 255,248	192,319	\$ 62,929
Changes for the year:			
Service cost	6,534	-	6,534
Interest	19,286	-	19,286
Changes of benefit terms	-	-	-
Differences between expected and actual experience	815	-	815
Changes of assumptions	4,692	-	4,692
Contributions - employer	-	10,402	(10,402)
Contributions - employee	-	2,616	(2,616)
Net investment income	-	7,785	(7,785)
Benefit payments, including refunds of member contributions	(8,902)	(8,902)	-
Administrative expense	-	(111)	111
Other	-	312	(312)
Net Changes	\$ 22,425	\$ 12,102	\$ 10,323
Balances at 6/30/15	\$ 277,673	\$ 204,421	\$ 73,252

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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B. County Employees Retirement Plan

Plan Description – The County Employees Retirement Plan (the County Plan) is a single-employer defined benefit pension plan, established in accordance with Article 2S, section 3(g) of the Annotated Code of Maryland. The County Commissioners have the power and authority to establish and amend the benefit provisions of the County Plan. All full-time employees not otherwise eligible for the SORP are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are also provided.

Membership in the plan consisted of the following at July 1, 2014, the last date of the last actuarial valuation:

Active plan members	816
Terminated, entitled to but not yet receiving benefits	174
Retirees and beneficiaries receiving benefits	262
	<u>1,252</u>

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

Contributions and Reserves – The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Active non-public safety plan members are required to contribute 4% of their base earnings to the Plan and no contributions are required after 31 years of credited service. Public safety plan members are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted only once annually, on July 1. The County normally makes employer contributions annually as actuarially determined. For the year ended June 30, 2015, the County fully funded the ARC of \$5,627,145 to the Plan as recommended in the actuarial report as of

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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July 1, 2014. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

Investment Concentrations – At June 30, 2015, the County's Plan's net assets were invested in the following types of investments:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Large Cap Equity	29%	8.25%
Small Cap Equity	8%	9.00%
Mid Cap Equity	6%	8.75%
International Equity	13%	8.00%
Fixed Income	25%	6.90%
Real Estate	5%	7.00%
Stable Value	<u>14%</u>	4.50%
Total	100%	

Plan Provisions – The following are the plan provisions of the County Plan:

Normal Retirement Date – For non-public safety participants, the first day of the month coinciding with or next following the earlier of (a) age 62 with 5 years of service or (b) age 60 with 20 years; for participants in the Plan prior to July 1, 1977., the retirement date is assumed to be age 60. For public safety participants, the first day of the month coinciding with or next following the earlier of a participant's 60th birthday or 25 hypothetical years of service.

Income Payable – Amounts described in (a) or (b) below, whichever applies.

- (a) If participant has a spouse as of his/her retirement date and does not elect otherwise, retirement income shall be paid on the basis of Joint and Survivor Form, as stipulated by ERISA, and will be the amount determined under the benefit formula multiplied by the appropriate factor.
- (b) If participant either has no spouse as of his/her retirement date or elects to receive his/her income under the normal form, retirement income will be the amount determined under the benefit formula.

Form of Annuity – Modified cash refund.

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

Final Earnings – Highest average rate of earnings on any three consecutive July 1's during the last ten years before retirement date, early retirement, or termination of employment.

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

For non-public safety participants:

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

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

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

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

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

To a maximum benefit of 65% of final average earnings

For public safety participants:

Final average earnings X 2.0% X credited years of service

To a maximum benefit of 75% of final average earnings

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

Credited Service – All years of service with the County while making contributions to the Plan, from the date of employment to early retirement, termination of employment, or retirement date except the first year of service is excluded for participants hired prior to July 1, 1968 if contributions were not made for the first year.

Additional Credited Service – For non-public safety participants, the Plan provides for additional credited service due to earned but unused sick leave at the rate of 22 days of sick leave equals one month of additional credited service, provided the employee has a minimum of 5 years of service, with a maximum of 12 months additional credited service. Additional credited service for military service up to 5 years if earned during employment, if precedes employment, up to 3 years if non-military service is at least 10 years. For public safety participants, 1% of final average earnings for the first 500 hours of unused sick leave plus .1% final average earnings for every 100 hours above 500 up to a maximum additional 4% final average earnings. Additional credit service for military service up to 3 years, if precedes employment, up to 3 year if non-military service is at least 10 years.

Participation Eligibility – Making employee contributions to the Plan.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

Early Benefit Amount – For non-public safety participants, normal retirement benefit accrued to early retirement, actuarially reduced by the number of months annuity commencement date precedes normal retirement date, if service is 20 years or greater, actuarial reduction is from age 60. For public safety participants, the normal retirement benefit accrued to early retirement, actuarially reduced based on the years of service prior to normal retirement date.

Vesting Schedule – For non-public safety participants hired before July 1, 1997, 25% after 2 years, 50% after 3 years, 75% after 4 years, and 100% after 5 years, normal retirement date equals 100% vesting. For employees hired on or after July 1, 1997, 100% after 5 years. For public safety participants, 100% vesting after 20 years of service.

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

Employee Contributions

Amount – For non-public safety participants, 4% of earnings, no contributions after 31 years of credited service. For public safety participants, 7% of earnings.

Interest Credited – 5% per annum

Death or Termination Refund – Pre-retirement-refund of employee contributions with interest to date of termination or death. Post-retirement – excess of employee contributions with interest over annuity payments made, unless another form of benefit becomes payable to the beneficiary.

Disability – For public safety participants, no eligibility requirements for line of duty, 5 years of service for non-line of duty.

Benefit Formula – Line of Duty: Total disability=66 2/3% final average earnings offset by other income. Partial disability=15%-50% of final average earnings offset by other income. Non Line of Duty: 15%-40% of final average earnings offset by other income.

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

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

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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Benefit Formula (B): Pension benefit accrued to date of death payable under the 100% contingent pensioner option.

For public safety participants:

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

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

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

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

Eligibility (C): Death while receiving disability benefits.

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

Funding Policy and Contributions – The annual pension cost for the year ended June 30, 2015 was made of \$5,627,145. This contribution for the current year was determined as part of the July 1, 2013 actuarial valuation. The actuarial assumptions and methods included:

Funding Method – Frozen Entry Age Normal Actuarial Cost Method with amortization of the unfunded accrued liability using the level percent closed method over 20 years, as re-established effective July 1, 2009.

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

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

Post Retirement COLA Increases – 2.75% compounded annually.

Inflation – 2.5%

Mortality – The RP-2014 Total Dataset without Scale MP-2014 for males and females.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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Salary Increases – 4.5% compounded annually.

Termination – For non-public safety participants, the probabilities that participants (males and female) at the indicated ages terminate within the upcoming year are based on the Crocker T-6 mortality table (with mortality removed), sample rates are as follows:

<u>Age</u>	<u>%</u>
20	7.94
25	7.72
30	7.40
35	6.86
40	6.11
45	5.16
50	3.62
55	1.37
60	0.13

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

Sample rates are:

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

For those with 10 or more but less than 15 years of service, the rates are assumed to be 50% of those with less than 10 years of services. For those with 15 or more years of service, the rates are 37.5% of the rate for those with less than 10 years of service.

Retirement Age – For non-public safety participants, the earlier of (a) age 62 with 5 years of service or (b) age 60 with 20 years of service. For participants in the Plan prior to July 1, 1977, the retirement date is assumed to be age 60. For public safety participants, the retirement date is assumed to be the earlier of age 60 or 25 hypothetical years of service.

Additional Credit Service – For non-public safety participants, additional credit service at assumed retirement, due to unused sick leave is eight months. For public safety participants, we assume 1,500 hours of unused sick leave at assumed retirement. Any military services that is provided to us is reflected in calculations.

Estimated Expenses – Annual expenses expected to be paid from plan assets are assumed to be \$75,000.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Survivor Benefits – It is assumed that husbands are 3 years older than wives. For non-public safety participants, 90% of the male participants and 60% of female participants who are or will become eligible for coverage under the survivor benefit will be survived by an eligible survivor. For public safety participants, 100% of the participants who are or will become eligible for coverage under the survivor benefit will be survived by an eligible survivor. 5% of deaths would be in-line-of-duty and the remainder would be non-service related.

Disability – The Commissioner's 1987 Group Disability Table rates were used. For public safety participants, 5% of disabilities would be in-line-of-duty and the remainder would be non-service related. It is assumed that 100% of line-of-duty disabilities are total disabilities. Non line of duty are assumed to be awarded 20%.

Net Pension Liability – The components of the net pension liability of the County at June 30, 2015, were as follows (dollar amounts in thousands):

Total pension liability	\$ 185,300
Plan fiduciary net position	(176,880)
County's net pension liability	<u>\$ 8,420</u>

Plan fiduciary net position as a percentage of the total pension liability	95.46%
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	1% decrease <u>6.65%</u>	Current Discount Rate <u>7.65%</u>	1% increase <u>8.65%</u>
County's net pension liability	\$ 35,755	\$ 8,420	\$ (13,988)

Annual money-weighted rate of return	15%
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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,660,261	\$ -
Changes of assumptions	-	6,548,409
Net difference between projected and actual earnings on pension plan investments	3,629,265	-
Total	<u>\$ 5,289,526</u>	<u>\$ 6,548,409</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 92,624
2017	92,624
2018	92,624
2019	92,626
2020	(814,691)
2021	(814,690)
Thereafter	-

Changes in the County's Net Pension Liability and Related Ratios

(Dollar amounts in thousands)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
0			
Balances at 6/30/14	\$ 166,621	166,574	\$ 47
Changes for the year:			
Service cost	5,844	-	5,844
Interest	12,705	-	12,705
Changes of benefit terms	-	-	-
Differences between expected and actual experience	4,888	-	4,888
Changes of assumptions	-	-	-
Contributions - employer	-	5,627	(5,627)
Contributions - employee	-	2,105	(2,105)
Net Investment Income	-	7,421	(7,421)
Benefit payments, including refunds of member contributions	(4,759)	(4,759)	-
Administrative expense	-	(88)	88
Other	-	-	-
Net Changes	<u>\$ 18,678</u>	<u>\$ 10,306</u>	<u>\$ 8,372</u>
Balances at 6/30/15	<u>\$ 185,299</u>	<u>\$ 176,880</u>	<u>\$ 8,419</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

C. Length of Service Award Program (LOSAP) for Volunteer Firemen and Rescue Squad Members

In accordance with Article II, Chapter S4 of the Charles County Code of Public Local Laws of Maryland, a retirement program has been established for qualified active volunteer members of the Charles County volunteer fire companies and volunteer rescue squads and is administered by the Charles County Commissioners. Effective July 1, 2013, any person who has reached the age of sixty and who has completed a minimum of twenty-five years of certified active volunteer service with any Charles County volunteer fire company or rescue squad shall receive benefits of \$10 per year per month. An additional payment of \$2 per month shall be added for each full year of volunteer service in excess of twenty-five years. Seventy-five percent of the volunteer's benefits shall accrue to his or her surviving spouse and shall terminate upon the death or remarriage of the spouse.

The contributions for this plan have historically not been actuarially determined. For the fiscal year and future, the plan was funded from the revenue derived from one cent of the fire and rescue tax levied by the County in accordance with Section 123 of the Article noted above. Contributions made to the program for the year ended June 30, 2015 totaled \$707,600 from the 2014/15 tax levy. The County Commissioners were not obligated to fund the plan, only to administer it.

Program assets are held in trust during the year by a custodian. As of June 30, 2015, M&T held the fair value of net assets for the plan benefits in the amount of \$271,376. Investment decisions are made by an investment firm appointed by the Board of Fire and Rescue Commissioners. Assets have been invested in various stocks, bonds, and mutual funds. As of June 30, 2015, BB&T held the fair value of these assets in the amount of \$13,470,448.

NOTE 7. OTHER EMPLOYMENT BENEFITS

A. Deferred Compensation Plan

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

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

	Nationwide	Mass Mutual	Metlife	Total
Participants	191	247	61	499
Plan Assets	\$ 16,399,161	\$ 13,906,075	\$ 3,071,060	\$ 33,376,296
Annual Employee Contribution	953,522	1,070,868	169,342	2,193,732

B. Other Post-Employment Benefits (OPEB)

Charles County's post-employment benefit plan is a single employer defined benefit plan. The following actuarial calculations are based on OPEB benefits provided under the terms of the County's substantive plan in effect at the time of the valuation and on a pattern of sharing costs between the employer and plan members to that point, while also reflecting a long term financial perspective. Charles County provides medical, dental and vision benefits to eligible employees who retire from employment after meeting the minimum age and years of service requirements of the County Employees Retirement Plan or the Sheriff's Office Retirement Plan which are outlined previously in these notes.

The County pays a portion of the participant's health care premium in accordance with the following schedule:

<u>Years of Service</u>	<u>% Paid by County</u>
5 years	2% per year (10% max)
Years 6-10	3% per year (25% max)
Years 11-15	4% per year (45% max)
Years 16-20	4.34% per year (66.75% max)
Years 21+	66.75%
Public Safety employees receive 66.67% subsidy regardless of service.	

For the year ended June 30, 2015, there were 347 former employees and family members with medical coverage, 420 with dental, and 376 with vision. For the fiscal year ended June 30, 2015, the County incurred and recorded \$2,203,292 in health care expenditures for these participants on the pay-go basis.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), in an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the combined amount contributed both on the pay-go basis and our trust contribution, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 13,879,000
Interest on OPEB obligation	3,689,000
Annual required contribution adjustment	<u>(3,770,000)</u>
Annual OPEB cost (expense)	13,798,000
Pay-go contribution made	(2,237,229)
Trust contribution made	<u>(750,000)</u>
Increase in net OPEB obligation	10,810,771
Net OPEB obligation - beginning of year	82,881,164
Net OPEB obligation - end of year	<u>\$ 93,691,935</u>

The Library's pro-rata share of the Net OPEB obligation at the end of the current fiscal year is \$2,913,244.

The schedule of funding progress as of the most recent actuarial valuation is as follows:

SCHEDULE OF FUNDING PROGRESS OTHER POST EMPLOYMENT BENEFITS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	430,663	124,041,000	123,610,337	0.3%	73,743,373	167.6%
7/1/10	667,759	134,539,000	133,871,241	0.5%	70,881,361	188.9%
7/1/11	918,197	144,038,000	143,119,803	0.6%	69,875,828	204.8%
7/1/12	1,166,815	155,528,000	154,361,185	0.8%	72,094,844	214.1%
7/1/13	1,667,640	159,034,000	157,366,360	1.0%	75,514,102	208.4%
7/1/14	2,418,661	146,127,000 *	143,708,339	1.7%	78,112,668	184.0%
7/1/15	3,170,130	157,272,000 *	154,101,870	2.0%	n/a	n/a

* estimated

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual required OPEB Cost</u>	<u>% of Annual required OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 14,263,000	15.73%	\$ 71,097,949
June 30, 2014	13,791,000	18.93%	82,881,164
June 30, 2015	13,798,000	21.65%	93,691,935

Actuarial Methods and Assumptions

These notes to the financial statements disclose that (1) actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and (2) actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. In the effective June 30, 2014 actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement was used. The actuarial assumptions included a 4.25% investment rate of return over the long term and a 4% per year on future salary increases. The asset valuation method used was the fair market value. The annual healthcare cost trend rate is 8% initially, reduced to an ultimate rate of 4.20% after year 2050. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 24 years.

NOTE 8. CLOSURE AND POST-CLOSURE CARE COSTS

A. Pisgah Landfill

State and Federal laws and regulations required the County to place a final cover on its Pisgah landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after the closure. The Pisgah landfill stopped accepting waste in September 1994. The majority of closure costs related to this landfill were incurred during Fiscal Year 1997. The landfill was closed in Fiscal Year 2000 with a final cost of \$6,841,885. Post-closure costs for the fiscal year ended June 30, 2015 were \$96,416.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

B. Charles County Landfill

State and federal laws and regulations require the County to place a final cover on the County landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is located on a 70 acre site, estimated to provide nearly 5.3 million cubic yards of landfill space. As of June 30, 2015, approximately 43% of this space remains available for future waste disposal. The County is developing the landfill in sections so that when one section closes another is ready to open. At the close of the fiscal year, the landfill had Phase I, IIA, IIIA, and IIIB open. The \$7,477,121 reported as landfill closure and post-closure care liability at June 30, 2015, represents the cumulative amount reported to date of the estimated capacity of the sections that have been opened. The County will recognize the remaining estimated cost of closure and post-closure care as the remaining phases and capacity is filled. The actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County has established a sinking fund reserve for landfill closure costs through the implementation of the user fee rates at the landfill. The County estimates the capacity of the landfill and the future date to begin closure with the assistance of computer models. Construction costs are estimated and a rate is adopted during the budget process to ensure funds are available when needed. Landfill closure costs recognized during the year amounted to \$385,958.

NOTE 9. PRIOR YEAR RESTATEMENT

Net positions of governmental activities and business-type activities have been restated by a decrease of \$63,133,499 and an increase of \$119,435 respectively, due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27.

Required Supplementary Information

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY (NON GAAP) TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted amounts		Actual amounts	Variance with
	Original	Final	budgetary basis	final budget positive (negative)
Revenues:				
Taxes - local property	\$ 202,665,300	\$ 202,665,300	\$ 200,502,004	\$ (2,163,296)
Taxes - income	110,215,000	110,215,000	109,709,956	(505,044)
Taxes - other local	16,359,700	16,359,700	18,710,159	2,350,459
Taxes - state shared	913,000	913,000	931,891	18,891
Charges for services	6,912,800	7,000,090	7,032,982	32,892
Intergovernmental	2,137,000	2,216,900	2,189,784	(27,116)
Interest income	225,000	225,000	84,417	(140,583)
Other income	4,553,400	4,875,230	5,839,692	964,462
Total revenues	<u>343,981,200</u>	<u>344,470,220</u>	<u>345,000,885</u>	<u>530,665</u>
Expenditures:				
Education	175,661,800	175,661,800	175,587,302	74,498
Public safety	91,889,200	92,138,470	88,875,683	3,262,787
General government (including contingencies)	24,556,900	23,280,680	23,234,166	46,514
Public facilities	17,976,800	19,160,070	18,459,844	700,226
Financial administration	9,042,500	9,010,410	8,838,756	171,654
Judicial	4,713,800	4,670,000	4,341,804	328,196
Planning and growth management	2,728,600	2,718,680	2,690,226	28,454
Community services	4,003,200	4,025,800	3,760,093	265,507
Health services	3,097,900	3,097,900	3,071,661	26,239
Economic development	2,804,700	3,121,340	2,379,014	742,326
Social services	1,016,000	1,016,000	1,006,735	9,265
Legislative	1,566,300	1,553,570	1,554,332	(762)
Law	954,400	1,114,540	1,150,014	(35,474)
Conservation of natural resources	646,800	646,700	637,079	9,621
Elections	918,000	1,034,750	1,028,910	5,840
Debt service				
Interest	6,860,100	7,133,640	7,010,501	123,139
Total expenditures	<u>348,437,000</u>	<u>349,384,150</u>	<u>343,626,120</u>	<u>5,758,030</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,455,800)</u>	<u>(4,913,930)</u>	<u>1,374,765</u>	<u>6,288,695</u>
Other financing sources (uses):				
Proceeds from capital lease agreement	6,139,500	6,139,500	6,139,500	-
Issuance of debt - notes payable	-	-	-	-
Premium on debt proceeds	-	273,540	6,739,644	6,466,104
Bond Proceeds from debt refunding	-	-	26,597,764	26,597,764
Defeased Bonds	-	-	(29,712,075)	(29,712,075)
Transfers in	1,200,000	1,200,000	1,200,000	-
Transfers out	(6,078,200)	(6,564,180)	(6,295,507)	268,673
Total other financing sources (uses)	<u>1,261,300</u>	<u>1,048,860</u>	<u>4,669,326</u>	<u>3,620,466</u>
Net change in fund balance	(3,194,500)	(3,865,070)	6,044,091	9,909,161
Fund balance - beginning of year	44,207,777	44,207,777	44,207,777	-
Fund balance - end of year	<u>\$ 41,013,277</u>	<u>\$ 40,342,707</u>	<u>\$ 50,251,868</u>	<u>\$ 9,909,161</u>

See report of independent public accountants.

Schedule of Sheriff's Plan Contributions
Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 10,402	\$ 9,823	8,425	7,390	6,817	6,964
Contributions in relation to the actuarially determined contribution	<u>10,402</u>	<u>9,823</u>	<u>8,425</u>	<u>7,390</u>	<u>6,817</u>	<u>6,964</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 38,584	\$ 38,926	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	26.96%	25.24%	n/a	n/a	n/a	n/a

*Amounts shown are based on total compensation and not just pensionable earnings only.

Notes to Schedule

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year.
Valuation date: Actuarial valuations are performed every year.

Methods and assumptions used to determine most recent contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll (closed), increasing 3.5% per year.
Remaining amortization period	Remaining amortization periods range from 16 to 20 years.
Asset valuation method	5-year smoothed market.
Inflation	3.00%
Salary increases	5.00%, including inflation
Investment rate of return	7.75%, including partial expenses, including inflation
Retirement age	Rates vary by participant age and service
Mortality	RP-2000 Blue Collar Mortality tables projected to the year of the valuation by Scale AA and a generational projection by 1/2 of Scale AA for years beyond the valuation. A five-year set forward is used for post-disability mortality.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
5,861	4,956	5,263	4,451
<u>5,861</u>	<u>4,956</u>	<u>5,263</u>	<u>4,451</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a

See report of independent public accountants.

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Changes in the Sheriff's Net Pension Liability & Related Ratios

(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 6,534	\$ 4,157
Interest	19,286	18,530
Changes of benefit terms	-	-
Differences between expected and actual experience	815	-
Changes of assumptions	4,692	(3,864)
Benefit payments, including refunds of member contributions	(8,902)	(7,997)
Net change in total pension liability	22,425	10,826
Total Pension Liability - beginning	255,248	244,460
Total Pension Liability - ending (a)	<u>\$ 277,673</u>	<u>\$ 255,286</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 10,402	\$ 9,823
Contributions - employee	2,616	2,541
Net Investment Income	7,785	26,463
Benefit payments, including refunds of member contributions	(8,902)	(7,997)
Administrative expense	(111)	(14)
Other	312	-
Net change in plan fiduciary net position	12,102	30,816
Plan Fiduciary Net Position - beginning	192,319	161,503
Plan Fiduciary Net Position - ending (b)	<u>\$ 204,421</u>	<u>\$ 192,319</u>
 Sheriff's Net Pension Liability - ending (a) - (b)	 <u>\$ 73,252</u>	 <u>\$ 62,967</u>
 Plan Fiduciary Net Position as a percentage of the total pension liability	 73.62%	 75.33%
 Covered employee payroll	 \$ 38,584	 \$ 38,926
 Sheriff's Net Pension Liability as a percentage of covered employee pensionable payroll	 189.85%	 161.76%
 Expected average remaining service years of all participants	 7	 7
 Annual money-weighted rate of return	 4.5%	 16.9%

Information for FY2013 and earlier is not available.

Schedule of County's Plan Contributions
Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 5,627	\$ 5,356	5,223	6,055	5,745	6,547
Contributions in relation to the actuarially determined contribution	<u>5,627</u>	<u>5,356</u>	<u>5,223</u>	<u>6,055</u>	<u>5,745</u>	<u>6,547</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 57,345	\$ 54,750	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	9.81%	9.78%	n/a	n/a	n/a	n/a

*Information for FY2013 and earlier

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
6,170	5,527	5,104	3,912
<u>6,170</u>	<u>5,527</u>	<u>5,104</u>	<u>3,912</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a

Changes In the County's Net Pension Liability and Related Ratios

(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 5,844	\$ 5,552
Interest	12,705	11,745
Changes of benefit terms	-	-
Differences between expected and actual experience	4,888	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(4,759)	(4,357)
Net change in total pension liability	18,678	12,940
Total Pension Liability - beginning	166,621	153,681
Total Pension Liability - ending (a)	<u>\$ 185,299</u>	<u>\$ 166,621</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 5,627	\$ 5,356
Contributions - employee	2,105	2,011
Net Investment Income	7,421	22,826
Benefit payments, including refunds of member contributions	(4,759)	(4,357)
Administrative expense	(88)	(84)
Other	-	-
Net change in plan fiduciary net position	10,306	25,752
Plan Fiduciary Net Position - beginning	166,574	140,822
Plan Fiduciary Net Position - ending (b)	<u>\$ 176,880</u>	<u>\$ 166,574</u>
 County's Net Pension Liability - ending (a) - (b)	 <u>\$ 8,419</u>	 <u>\$ 47</u>
 Plan Fiduciary Net Position as a percentage of the total pension liability	 95.46%	 99.97%
 Covered employee payroll	 \$ 57,345	 \$ 54,750
 County's Net Pension Liability as a percentage of covered employee pensionable payroll	 14.68%	 0.09%
 Annual money-weighted rate of return	 5.2%	 16.9%

Information for FY2013 and earlier is not available.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	430,663	124,041,000	123,610,337	0.3%	73,743,373	167.6%
7/1/10	667,759	134,539,000	133,871,241	0.5%	70,881,361	188.9%
7/1/11	918,197	144,038,000	143,119,803	0.6%	69,875,828	204.8%
7/1/12	1,166,815	155,528,000	154,361,185	0.8%	72,094,844	214.1%
7/1/13	1,667,640	159,034,000	157,366,360	1.0%	75,514,102	208.4%
7/1/14	2,418,661	146,127,000 *	143,708,339	1.7%	78,112,668	184.0%
7/1/15	3,170,130	157,272,000 *	154,101,870	2.0%	n/a	n/a

* estimated

See report of independent public accountants.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS

<u>Fiscal Year Ended</u>	<u>Annual required OPEB Cost</u>	<u>% of Annual required OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 14,263,000	15.73%	\$ 71,097,949
June 30, 2014	13,791,000	18.93%	82,881,164
June 30, 2015	13,798,000	21.65%	93,691,935

See report of independent public accountants.

Schedules and Combining Statements

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General Fund

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS
FOR THE YEAR ENDED JUNE 30, 2015

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Taxes - Local Property</u>			
Real Property	\$ 175,753,700	\$ 175,393,888	\$ (359,812)
Business Personal Property	227,600	204,859	(22,741)
Railroad & Public Utilities	8,004,000	8,652,543	648,543
Ordinary Business Corporation	18,149,000	15,885,205	(2,263,795)
Payment in Lieu of Tax	2,000,000	2,000,000	-
Penalties and Interest	600,000	608,193	8,193
Half-year Billing Fee	36,800	15,699	(21,101)
Homestead Tax Credit	(113,800)	(84,857)	28,943
Low Income Tax Credit	(514,300)	(605,312)	(91,012)
Senior Tax Credit	(202,100)	(270,674)	(68,574)
La Plata Tax Differential	(1,046,000)	(1,065,084)	(19,084)
Indian Head Tax Differential	(96,000)	(94,499)	1,501
Agriculture Preservation Credit	(126,400)	(131,874)	(5,474)
Other Tax Credits	(7,200)	(6,083)	1,117
Total Taxes - Local Property	202,665,300	200,502,004	(2,163,296)
<u>Taxes - Income</u>	110,215,000	109,709,956	(505,044)
<u>Taxes - Other Local</u>			
Admission and Amusement	842,200	753,104	(89,096)
Recordation	14,500,000	16,918,007	2,418,007
Hotel / Motel	940,000	1,026,772	86,772
Heavy Equipment Tax	77,500	12,276	(65,224)
Total Taxes - Other Local	16,359,700	18,710,159	2,350,459
<u>Taxes - State Shared</u>			
Highway User	913,000	931,891	18,891
Total Taxes - State Shared	913,000	931,891	18,891
<u>Charges for Services</u>			
Licenses and Permits			
Alcohol Licenses	177,800	171,178	(6,622)
Electrical Permits	45,300	69,125	23,825
Traders Licenses	223,300	224,294	994
Civil Marriage Licenses	32,600	36,115	3,515
Protective Inspection Licenses	84,700	76,912	(7,788)
Building Permits	115,000	149,966	34,966
Plumbing Permits	40,000	48,431	8,431
Occupancy Permits	15,700	11,616	(4,084)
Park Facilities Permits	101,700	99,654	(2,046)
Trailer Occupancy Permits	46,700	46,980	280
Other Licenses and Permits	74,200	65,778	(8,422)
subtotal	957,000	1,000,049	43,049

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Charges for Services (continued)</u>			
Service Charges			
Soil Conservation Plan Fee	20,600	25,930	5,330
Indirect Cost Revenue	991,000	999,481	8,481
Plat Review & Processing	82,000	95,486	13,486
Special Exception Fees	17,500	15,348	(2,152)
Bail Bond Fees	50,000	31,154	(18,846)
EM5 Billing Fees	1,256,300	1,365,120	108,820
School Allocation Extension Fees	15,000	1,650	(13,350)
Forest Conservation Fees	24,200	13,196	(11,004)
Site Development Plan Application	30,500	41,779	11,279
Mosquito Control Fees	75,000	55,717	(19,283)
Deeds & Tax Verification Fees	75,300	92,055	16,755
Advertising Fees	37,700	34,038	(3,662)
Custodial Fees	341,890	341,886	(4)
Animal Shelter Boarding Fees	30,600	24,506	(6,094)
False Alarm Registration Fees	260,800	280,211	19,411
Sheriff Fees	340,600	463,667	123,067
Sheriff Pay Phone Commission	180,000	147,110	(32,890)
Detention Center Room and Board	150,000	140,088	(9,912)
Federal Inmate Operating	453,200	349,526	(103,674)
Local 911 Fees	1,080,000	1,068,597	(11,403)
Park Entrance Fees	38,000	52,457	14,457
Food and Drink Sales	42,900	35,982	(6,918)
Outdoor Sports Programs Fees	162,500	141,610	(20,890)
Other Fees	287,500	216,339	(71,161)
subtotal	6,043,090	6,032,933	(10,157)
Total Charges for Services	7,000,090	7,032,982	32,892
<u>Intergovernmental</u>			
Federal Grants			
Miscellaneous Grants	35,430	73,365	37,935
subtotal	35,430	73,365	37,935

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Intergovernmental (continued)</u>			
State Grants			
Aid for Police Protection	1,222,200	1,225,738	3,538
Aid for Inmate Operations	245,000	240,840	(4,160)
Jury Fee Reimbursement	82,000	82,095	95
Soil Conservation	54,100	55,968	1,868
Other State Grants	69,870	86,688	16,818
subtotal	1,673,170	1,691,329	18,159
Animal Shelter			
Calvert County	203,300	170,036	(33,264)
St. Mary's County	305,000	255,054	(49,946)
subtotal	508,300	425,090	(83,210)
Total Intergovernmental	2,216,900	2,189,784	(27,116)
<u>Interest Income</u>			
MLGIP	60,000	29,146	(30,854)
US Government Agencies	21,000	14,533	(6,467)
CD's & Other Interest	144,000	40,738	(103,262)
Total Interest Income	225,000	84,417	(140,583)
<u>Other Income</u>			
Rent			
Courthouse Rent	935,200	900,330	(34,870)
Water Tower Rental	249,000	242,880	(6,120)
Office Space	86,600	137,388	50,788
Post Office	8,000	8,000	-
Other Rent	3,700	3,628	(72)
subtotal	1,282,500	1,292,226	9,726
Fines and Forfeitures			
False Alarm Fines	258,500	265,107	6,607
Alcoholic Beverage Fines	9,700	22,575	12,875
State Shared Fines	12,700	19,899	7,199
County Parking Fines	7,500	3,565	(3,935)
Red Light Camera Fines	994,600	1,800,384	805,784
Speed Camera Fines	1,128,900	1,392,019	263,119
Building Permit Fines	58,700	30,622	(28,078)
Other Fines	15,300	18,865	3,565
subtotal	2,485,900	3,553,036	1,067,136

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Other Income (continued)</u>			
Non-Recurring Revenue	-	7,599	7,599
Worker's Compensation	100,000	221,558	121,558
Miscellaneous	747,700	659,239	(88,461)
Gain (Loss) on Fixed Assets	259,130	106,034	(153,096)
Total Other Income	4,875,230	5,839,692	964,462
 Total Revenues	 344,470,220	 345,000,885	 530,665
<u>Other Financing Sources:</u>			
Proceeds from capital lease agreement	6,139,500	6,139,500	-
Premium on debt proceeds	273,540	6,739,644	6,466,104
Bond Proceeds from debt refunding	-	26,597,764	26,597,764
Transfers In			
Enterprise Funds	-	-	-
Special Revenue Funds	1,000,000	1,000,000	-
Capital Projects Funds	200,000	200,000	-
Total Other Financing Sources	7,613,040	40,676,908	33,063,868
 Total Revenues and Other Financing Sources	 \$ 352,083,260	 \$ 385,677,793	 \$ 33,594,533

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS
FOR THE YEAR ENDED JUNE 30, 2015

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Education</u>			
Board of Education	\$ 161,921,600	\$ 161,921,600	\$ -
College of Southern Maryland	9,710,300	9,710,300	-
Library	3,984,300	3,909,802	74,498
Other	45,600	45,600	-
Total Education	175,661,800	175,587,302	74,498
<u>Public Safety</u>			
Sheriff's Office			
Sheriff's Office	57,699,560	55,865,038	1,834,522
Detention Center	18,029,400	17,333,168	696,232
Automated Enforcement Unit	2,066,100	1,880,871	185,229
Fingerprinting Service	159,200	168,818	(9,618)
subtotal	77,954,260	75,247,895	2,706,365
Emergency Services			
Administration	313,100	315,577	(2,477)
False Alarm Reduction Unit	173,150	173,817	(667)
Communications	3,827,110	3,543,243	283,867
Emergency Management	18,400	33,724	(15,324)
Tactical Response	170,540	166,668	3,872
Career EMS	7,863,320	7,674,562	188,758
Animal Control	676,700	684,099	(7,399)
Animal Shelter	809,000	708,093	100,907
subtotal	13,851,320	13,299,783	551,537
Volunteer Fire & EMS	9,000	13,502	(4,502)
Security	139,500	128,001	11,499
Safety	184,390	186,502	(2,112)
Total Public Safety	92,138,470	88,875,683	3,262,787
<u>General Government</u>			
Debt Service	14,394,800	14,385,578	9,222
Central Services	8,885,880	8,848,588	37,292
Contingencies	-	-	-
Total General Government	23,280,680	23,234,166	46,514
<u>Public Facilities</u>			
Administration	784,300	761,776	22,524
Buildings & Trades	7,362,470	7,024,691	337,779
Parks & Grounds	3,968,930	3,696,063	272,867
Vehicle Maintenance	938,000	871,357	66,643
Roads	6,106,370	6,105,957	413
Total Public Facilities	19,160,070	18,459,844	700,226

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Financial Administration</u>			
Fiscal & Administrative Services			
Administration	259,900	256,192	3,708
Budget	423,870	417,533	6,337
Accounting	1,082,080	1,072,888	9,192
Purchasing	401,170	383,413	17,757
Information Technology	2,627,070	2,605,659	21,411
Treasurer's Office	1,145,700	1,139,124	6,576
subtotal	5,939,790	5,874,809	64,981
Liquor Board	235,300	241,301	(6,001)
Human Resources	730,040	672,993	57,047
Retiree Fringe	2,105,280	2,049,653	55,627
Total Financial Administration	9,010,410	8,838,756	171,654
<u>Judicial</u>			
State's Attorney's Office	3,442,950	3,345,852	97,098
Circuit Court	1,179,500	947,524	231,976
Orphan's Court	47,550	48,428	(878)
Total Judicial	4,670,000	4,341,804	328,196
<u>Planning & Growth Management</u>			
Administration	255,590	253,746	1,844
Planning	1,461,360	1,445,330	16,030
Inspection & Enforcement	341,200	340,351	849
Codes & Permits	425,900	416,880	9,020
Resource & Infrastructure Mgmt	234,630	233,919	711
Total Planning & Growth Mgmt	2,718,680	2,690,226	28,454
<u>Community Services</u>			
Administration	503,700	495,220	8,480
Aging Services	1,473,150	1,341,480	131,670
Recreation	1,569,850	1,520,388	49,462
Housing Authority	478,900	403,005	75,895
Total Community Services	4,025,600	3,760,093	265,507
<u>Health Services</u>	3,097,900	3,071,661	26,239
<u>Economic Development</u>			
Economic development	1,523,590	1,159,886	363,704
Tourism	851,850	772,828	79,022
Other	745,900	446,300	299,600
Total Economic Development	3,121,340	2,379,014	742,326

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2015

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Social Services</u>	<u>1,016,000</u>	<u>1,006,735</u>	<u>9,265</u>
<u>Legislative</u>			
County Commissioners	513,200	494,768	18,432
County Administrator	1,040,370	1,059,564	(19,194)
Total Legislative	<u>1,553,570</u>	<u>1,554,332</u>	<u>(762)</u>
<u>Law - County Attorney</u>	<u>1,114,540</u>	<u>1,150,014</u>	<u>(35,474)</u>
<u>Conservation of Natural Resources</u>			
Weed Control	15,200	14,205	995
Resource Conservation & Development	18,000	11,157	6,843
University of MD Extension	241,300	239,551	1,749
Soil Conservation	372,200	372,166	34
Total Conservation	<u>646,700</u>	<u>637,079</u>	<u>9,621</u>
<u>Elections</u>	<u>1,034,750</u>	<u>1,028,910</u>	<u>5,840</u>
<u>Debt Service</u>			
Interest	<u>7,133,640</u>	<u>7,010,501</u>	<u>123,139</u>
 Total expenditures	 <u>349,384,150</u>	 <u>343,626,120</u>	 <u>5,758,030</u>
<u>Other financing uses:</u>			
Defeased Bonds	-	29,712,075	(29,712,075)
Transfers out			
Capital Projects	896,000	896,000	-
Special Revenue Funds	4,565,480	4,283,539	281,941
Debt Service Fund	651,500	651,500	-
Enterprise Funds	451,200	464,468	(13,268)
subtotal	<u>6,564,180</u>	<u>6,295,507</u>	<u>268,673</u>
Total other financing uses	<u>6,564,180</u>	<u>36,007,582</u>	<u>(29,443,402)</u>
Total Expenditures and Other Financing Uses	<u>\$ 355,948,330</u>	<u>\$ 379,633,702</u>	<u>\$ (23,685,372)</u>

See accompanying notes.

Special Revenue Funds

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

Judicial Grants -

Established to track grant funds which support improvement in the quality of justice in state and local courts, and foster innovative, efficient solutions to common issues faced by all courts. Child Support programs are operated within this fund through a combined effort from the State's Attorney's Office and the Circuit Court.

Transportation Grants-

Established to support the County's public transportation systems designed for the general public, senior citizens, people with physical or mental disabilities, and medical assistance. Operating revenues are primarily supported with Federal and State grants with matching funds from the County.

Housing Assistance Funds-

Established to fund programs that provide low income housing assistance through Federal grants, provided by the U.S. Department of Housing and Urban Development (HUD) and Portability agreements with other jurisdictions.

Agricultural Preservation Fund-

Established to track and fund land preservation efforts. An agricultural transfer tax is assessed on land that has a change of use from agricultural to residential or commercial. The County also receives Tobacco Land Preservation Funds.

Fire and Rescue Funds-

Established to fund the various volunteer fire stations and rescue squads, this fund is financed by a County-wide Fire and Rescue property tax and a State of Maryland Amoss grant.

Cable TV-I-Net Fund-

A cooperative effort between County Government, the public school system, the local community college, and the library system. Government access channels for Charles County are made possible through franchise agreements with local cable TV providers which generate revenue from a franchise fee assessed on monthly cable TV bills.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2015

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Other receivables	167,389	36,559	396,909	1,663,333	68,570
Due (to) from other funds	-	-	-	-	12,503
Other assets	-	-	-	-	-
Restricted assets	-	-	-	-	946,332
Total assets	<u>\$ 167,389</u>	<u>\$ 36,559</u>	<u>\$ 396,909</u>	<u>\$ 1,663,333</u>	<u>\$ 1,027,405</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 8,959	\$ 10,945	\$ 60,498	\$ 1,084,488	\$ -
Accrued expenditures	-	-	-	-	-
Deferred revenue	-	-	-	3,036	68,570
Due to other funds	94,083	12,021	336,411	270,796	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>103,042</u>	<u>22,966</u>	<u>396,909</u>	<u>1,358,320</u>	<u>68,570</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	-	-	958,835
Committed fund balance	-	-	-	-	-
Assigned fund balance	64,347	13,593	-	305,013	-
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>64,347</u>	<u>13,593</u>	<u>-</u>	<u>305,013</u>	<u>958,835</u>
Total liabilities and fund balance	<u>\$ 167,389</u>	<u>\$ 36,559</u>	<u>\$ 396,909</u>	<u>\$ 1,663,333</u>	<u>\$ 1,027,405</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Public Safety Grants	Community Development Grants	Housing Assistance	Housing Special Loans	Sheriff's Special Programs
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ 4,762	\$ -	\$ -
Investments	-	-	-	-	-
Other receivables	205,970	136,066	12,333	-	885
Due (to) from other funds	-	-	182,082	68,517	355,611
Other assets	2,472	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	<u>\$ 208,442</u>	<u>\$ 136,066</u>	<u>\$ 199,177</u>	<u>\$ 68,517</u>	<u>\$ 356,496</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 689	\$ -	\$ 50,528	\$ 60	\$ 546
Accrued expenditures	-	-	-	-	-
Deferred revenue	25,297	-	-	-	-
Due to other funds	182,456	136,066	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>208,442</u>	<u>136,066</u>	<u>50,528</u>	<u>60</u>	<u>546</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	22,056	-	-
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	126,593	68,457	355,950
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>148,649</u>	<u>68,457</u>	<u>355,950</u>
Total liabilities and fund balance	<u>\$ 208,442</u>	<u>\$ 136,066</u>	<u>\$ 199,177</u>	<u>\$ 68,517</u>	<u>\$ 356,496</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Other receivables	94,344	8,052	6,800	-	-
Due (to) from other funds	-	92,943	372,623	1,227,212	2,726,069
Other assets	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	<u>\$ 94,344</u>	<u>\$ 100,995</u>	<u>\$ 379,423</u>	<u>\$ 1,227,212</u>	<u>\$ 2,726,069</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 39,823	\$ 3,128	\$ -	\$ -	\$ 7,162
Accrued expenditures	-	-	-	-	-
Deferred revenue	25,013	207	-	-	-
Due to other funds	29,508	-	-	-	-
Other liabilities	-	2,585	-	-	2,566,213
Total liabilities	<u>94,344</u>	<u>5,920</u>	<u>-</u>	<u>-</u>	<u>2,573,375</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	51,427	1,227,212	152,694
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	95,075	327,996	-	-
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>-</u>	<u>95,075</u>	<u>379,423</u>	<u>1,227,212</u>	<u>152,694</u>
Total liabilities and fund balance	<u>\$ 94,344</u>	<u>\$ 100,995</u>	<u>\$ 379,423</u>	<u>\$ 1,227,212</u>	<u>\$ 2,726,069</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
ASSETS:				
Cash and cash equivalents	\$ 100	\$ -	\$ -	\$ -
Investments	-	-	-	-
Other receivables	2,877	36,320	299,861	55,506
Due (to) from other funds	75,376	-	-	196
Other assets	-	-	-	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 78,353</u>	<u>\$ 36,320</u>	<u>\$ 299,861</u>	<u>\$ 55,702</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ 3,289	\$ -	\$ 56,103	\$ 11,332
Accrued expenditures	-	-	-	-
Deferred revenue	-	-	24,700	53
Due to other funds	-	36,320	191,046	-
Other liabilities	-	-	-	-
Total liabilities	<u>3,289</u>	<u>36,320</u>	<u>271,849</u>	<u>11,385</u>
Fund balance:				
Nonspendable fund balance	-	-	-	-
Restricted fund balance	-	-	-	-
Committed fund balance	-	-	-	-
Assigned fund balance	75,064	-	28,012	44,317
Unassigned fund balance	-	-	-	-
Total fund balance	<u>75,064</u>	<u>-</u>	<u>28,012</u>	<u>44,317</u>
Total liabilities and fund balance	<u>\$ 78,353</u>	<u>\$ 36,320</u>	<u>\$ 299,861</u>	<u>\$ 55,702</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2015

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 4,862
Investments	-	-	-	-	-
Other receivables	7,165	262,620	837,456	126,122	4,425,137
Due (to) from other funds	266,328	43,196	1,444,909	-	6,867,565
Other assets	-	-	-	-	2,472
Restricted assets	-	-	-	-	946,332
Total assets	<u>\$ 273,493</u>	<u>\$ 305,816</u>	<u>\$ 2,282,365</u>	<u>\$ 126,122</u>	<u>\$ 12,246,368</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 3,837	\$ 116,562	\$ 41,586	\$ 40,923	\$ 1,540,458
Accrued expenditures	-	-	-	-	-
Deferred revenue	-	25,930	-	2,239	175,045
Due to other funds	-	-	-	82,960	1,371,667
Other liabilities	-	-	-	-	2,568,798
Total liabilities	<u>3,837</u>	<u>142,492</u>	<u>41,586</u>	<u>126,122</u>	<u>5,655,968</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	-	-	2,412,224
Committed fund balance	-	-	-	-	-
Assigned fund balance	269,656	163,324	2,240,779	-	4,178,176
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>269,656</u>	<u>163,324</u>	<u>2,240,779</u>	<u>-</u>	<u>6,590,400</u>
Total liabilities and fund balance	<u>\$ 273,493</u>	<u>\$ 305,816</u>	<u>\$ 2,282,365</u>	<u>\$ 126,122</u>	<u>\$ 12,246,368</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	165,639	-	-	1,004,519	-
Intergovernmental	-	155,580	1,290,803	3,191,622	-
Interest income	-	-	-	-	4,805
Other income	-	1,901	509	193,601	30,933
Total revenues	165,639	157,481	1,291,312	4,389,742	35,738
EXPENDITURES:					
Education	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	-	-	-	7,127,973	-
Judicial	-	-	1,628,513	-	-
Planning & growth mgmt.	101,292	165,211	-	-	-
Health	-	-	-	-	-
Economic development	-	-	-	-	20,281
Social services	-	-	-	-	-
Legislative	-	-	-	-	-
Total expenditures	101,292	165,211	1,628,513	7,127,973	20,281
Excess (deficiency) of revenues over (under) expenditures	64,347	(7,730)	(337,201)	(2,738,231)	15,457
Other financing sources:					
Transfers in	-	13,400	339,979	2,677,340	443,261
Transfers out	-	-	(2,778)	-	-
		13,400	337,201	2,677,340	443,261
Net change in fund balance	64,347	5,670	-	(60,891)	458,718
Fund balance - beginning of year	-	7,923	-	365,904	500,117
Fund balance - end of year	\$ 64,347	\$ 13,593	\$ -	\$ 305,013	\$ 958,835

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (continued)
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Public Safety Grants	Community Development Grants	Housing Assistance	Housing Special Loans	Sheriff's Special Programs
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	-	-	1,670,987	-	199,314
Intergovernmental	758,028	211,069	8,419,213	182,949	-
Interest income	-	-	-	-	-
Other income	323	14,999	18,356	-	11,550
Total revenues	758,351	226,068	10,108,556	182,949	210,864
EXPENDITURES:					
Education	-	-	-	-	-
Public safety	1,279,145	-	-	-	176,385
Community services	-	225,002	10,335,408	128,715	-
Judicial	-	-	-	-	-
Planning & growth mgmt.	-	-	-	-	-
Health	-	-	-	-	-
Economic development	-	-	-	-	-
Social services	-	-	-	-	-
Legislative	-	-	-	-	-
Total expenditures	1,279,145	225,002	10,335,408	128,715	176,385
Excess (deficiency) of revenues over (under) expenditures	(520,794)	1,066	(226,852)	54,234	34,479
Other financing sources:					
Transfers in	520,794	-	138,872	-	-
Transfers out	-	(1,066)	-	-	-
	520,794	(1,066)	138,872	-	-
Net change in fund balance	-	-	(87,980)	54,234	34,479
Fund balance - beginning of year	-	-	236,629	14,223	321,471
Fund balance - end of year	\$ -	\$ -	\$ 148,649	\$ 68,457	\$ 355,950

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (continued)
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ 24,410	\$ 11,265,119
Charge for services	-	72,168	108,281	-	-
Intergovernmental	180,517	-	29,554	1,227,212	292,810
Interest income	33	-	25	-	3,828
Other income	-	60,180	7,880	-	-
Total revenues	180,550	132,348	145,740	1,251,622	11,561,757
EXPENDITURES:					
Education	-	-	-	-	-
Public safety	-	106,186	145,033	-	11,595,945
Community services	180,550	-	-	-	-
Judicial	-	-	-	-	-
Planning & growth mgmt.	-	-	-	24,410	-
Health	-	-	-	-	-
Economic development	-	-	-	-	-
Social services	-	-	-	-	-
Legislative	-	-	16,113	-	-
Total expenditures	180,550	106,186	161,146	24,410	11,595,945
Excess (deficiency) of revenues over (under) expenditures	-	26,162	(15,406)	1,227,212	(34,188)
Other financing sources:					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Net change in fund balance	-	26,162	(15,406)	1,227,212	(34,188)
Fund balance - beginning of year	-	68,913	394,829	-	186,882
Fund balance - end of year	\$ -	\$ 95,075	\$ 379,423	\$ 1,227,212	\$ 152,694

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (continued)
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
REVENUES:				
Taxes - local property	\$ -	\$ -	\$ -	\$ -
Charge for services	94,845	-	-	149,333
Intergovernmental	-	36,320	585,958	227,375
Interest income	-	-	-	-
Other income	-	-	50,261	-
Total revenues	94,845	36,320	636,219	376,708
EXPENDITURES:				
Education	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Judicial	48,575	-	-	-
Planning & growth mgmt.	-	-	-	-
Health	-	-	-	-
Economic development	-	36,320	-	-
Social services	-	-	627,619	372,703
Legislative	-	-	-	-
Total expenditures	48,575	36,320	627,619	372,703
Excess (deficiency) of revenues over (under) expenditures	46,270	-	8,600	4,005
Other financing sources:				
Transfers In	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balance	46,270	-	8,600	4,005
Fund balance - beginning of year	28,794	-	19,412	40,312
Fund balance - end of year	\$ 75,064	\$ -	\$ 28,012	\$ 44,317

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE (continued)
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	50 MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ 11,289,529
Charge for services	19,483	60,557	3,260,599	-	6,805,725
Intergovernmental	88,000	1,201,448	-	1,039,439	19,117,897
Interest income	-	-	-	-	8,691
Other income	-	739	-	3,747	394,979
Total revenues	107,483	1,262,744	3,260,599	1,043,186	37,616,821
EXPENDITURES:					
Education	-	-	1,540,587	-	1,540,587
Public safety	79,333	-	-	1,173,358	14,555,385
Community services	-	-	-	-	17,997,648
Judicial	-	-	-	-	1,677,088
Planning & growth mgmt.	-	-	-	-	290,913
Health	-	1,250,853	-	-	1,250,853
Economic development	-	-	-	-	56,601
Social services	-	-	-	-	1,000,322
Legislative	-	-	-	-	16,113
Total expenditures	79,333	1,250,853	1,540,587	1,173,358	38,385,510
Excess (deficiency) of revenues over (under) expenditures	28,150	11,891	1,720,012	(130,172)	(768,689)
Other financing sources:					
Transfers in	44,000	-	-	130,172	4,307,818
Transfers out	-	-	(4,735,435)	-	(4,739,279)
	44,000	-	(4,735,435)	130,172	(431,461)
Net change in fund balance	72,150	11,891	(3,015,423)	-	(1,200,150)
Fund balance - beginning of year	197,506	151,433	5,256,202	-	7,790,550
Fund balance - end of year	\$ 269,656	\$ 163,324	\$ 2,240,779	\$ -	\$ 6,590,400

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Enterprise Funds

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

Recreation Programs Fund-

This is used to manage the operations of recreation programs for the County

Environmental Services Fund-

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

Inspection and Review Fund-

This fund is used to manage the operations of inspection and review for the County

Vending Machines Fund-

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

Stormwater – Watershed Protection Fund-

This fund is used to manage the implementation of local stormwater management plans and practices, and stream and wetland restoration activities for the County.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
OTHER PROPRIETARY FUNDS
JUNE 30, 2015

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ -	\$ 1,281,439	\$ -	\$ 136,377	\$ -	\$ 1,417,816
Other receivables	-	22,232	30,060	-	76,199	128,491
Due (to) from other funds	4,059,057	574,251	1,718,522	58,691	3,818,471	10,228,992
Inventory	-	65,106	-	-	-	65,106
Other current assets	-	108,037	-	-	-	108,037
Total current assets	4,059,057	2,051,065	1,748,582	195,068	3,894,670	11,948,442
Noncurrent assets:						
Net capital assets	66,961	7,152,435	2,577,945	-	8,684,355	18,481,696
Total noncurrent assets	66,961	7,152,435	2,577,945	-	8,684,355	18,481,696
Total assets	4,126,018	9,203,500	4,326,527	195,068	12,579,025	30,430,138
DEFERRED OUTFLOW OF RESOURCES:						
Charges on Bond Refundings	-	370,563	-	-	73,831	444,394
LIABILITIES:						
Current liabilities:						
Accounts payable	69,558	92,346	229,235	65	420,260	811,464
Accrued expenses	13,211	19,244	37,729	-	88,715	158,899
Due to other funds	-	4,789,168	-	-	-	4,789,168
Unearned revenue	1,160	349,597	-	-	-	350,757
Current portion of long-term debt	166,636	649,328	580,632	-	304,584	1,701,180
Total current liabilities	250,565	5,899,683	847,596	65	813,559	7,811,468
Noncurrent liabilities:						
Bonds payable	-	3,436,590	46,266	-	7,792,500	11,275,356
Net bond issue premiums	-	463,520	3,916	-	499,794	967,230
Long-term debt	105,498	99,182	130,023	-	19,138	353,841
Net pension obligation	-	-	-	-	-	-
Net OPEB obligation	1,001,304	451,757	649,069	-	38,237	2,140,367
Capital lease obligation	496,224	9,958	1,473,824	-	7,627	1,987,633
Total noncurrent liabilities	1,603,026	4,461,007	2,303,098	-	8,357,296	16,724,427
Total liabilities	1,853,591	10,360,690	3,150,694	65	9,170,855	24,535,895
NET POSITION:						
Net Investment in capital assets	(574,439)	2,973,911	485,358	-	157,710	3,042,540
Unrestricted	2,846,866	(3,760,538)	690,475	195,003	3,324,291	3,296,097
Total net position	\$ 2,272,427	\$ (786,627)	\$ 1,175,833	\$ 195,003	\$ 3,482,001	\$ 6,338,637

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Operating revenues:						
Charge for services	\$ 4,771,060	\$ 3,223,063	\$ 4,090,322	\$ 145,303	\$ 2,187,340	\$ 14,417,088
Other income	-	57,693	-	-	-	57,693
Total operating revenue	4,771,060	3,280,756	4,090,322	145,303	2,187,340	14,474,781
Operating expenses:						
Personnel services	1,710,126	1,812,896	1,219,742	-	333,370	5,076,134
Utilities	1,320	329,663	20,870	-	-	351,853
Repairs and maintenance	337	159,272	115,691	-	-	275,300
Insurance costs	3,981	48,168	9,369	-	-	61,518
Indirect costs	84,197	-	35,500	-	11,600	131,297
Supplies	15,396	421,142	235,963	-	17,204	689,705
Contract services	1,593,730	488,221	1,886,541	-	867,889	4,836,381
Other operating costs	3,348	60,580	55,534	133,993	57,678	311,133
Depreciation	17,856	348,242	591,812	-	68,697	1,026,607
Total operating expenses	3,430,291	3,668,184	4,171,022	133,993	1,356,438	12,759,928
Operating income (loss)	1,340,769	(387,428)	(80,700)	11,310	830,902	1,714,853
Nonoperating revenues (expenses)						
Interest income	-	37	10,198	-	5,187	15,422
Intergovernmental	-	67,425	-	-	-	67,425
Interest expense	(7,491)	1,335	(28,246)	-	(263,747)	(298,149)
Gain (Loss) on disposal of capital assets	-	-	-	-	-	-
Total nonoperating revenue (expenses)	(7,491)	68,797	(18,048)	-	(258,560)	(215,302)
income (loss) before transfers	1,333,278	(318,631)	(98,748)	11,310	572,342	1,499,551
Transfers in	-	464,468	-	-	-	464,468
Transfers out	-	-	-	-	-	-
Capital transfer	-	-	-	-	-	-
Change in net position	1,333,278	145,837	(98,748)	11,310	572,342	1,964,019
Net position - beginning of year	928,437	(937,258)	1,269,079	183,693	2,908,407	4,352,358
Adjustment to restate beginning balances	10,712	4,794	5,502	-	1,252	22,260
Net position - beginning of year, as restated	939,149	(932,464)	1,274,581	183,693	2,909,659	4,374,618
Net position - end of year	\$ 2,272,427	\$ (786,627)	\$ 1,175,833	\$ 195,003	\$ 3,482,001	\$ 6,338,637

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,771,110	\$ 3,334,267	\$ 4,090,322	\$ 145,303	\$ 2,187,340	\$ 14,528,342
Cash paid to suppliers	(726,630)	(1,338,335)	(2,226,541)	(133,928)	(1,107,114)	(5,532,548)
Cash paid to employees	(2,606,305)	(1,832,295)	(1,220,379)	-	(351,378)	(6,010,357)
Net cash provided by (used in) operating activities	1,438,175	163,637	643,402	11,375	728,848	2,985,437
Cash flows from investing activities:						
Interest received	-	37	10,198	-	5,187	15,422
Net cash provided by investing activities	-	37	10,198	-	5,187	15,422
Cash flows from noncapital financing activities:						
Intergovernmental	-	67,425	-	-	-	67,425
Transfers in (out)	-	464,468	-	-	-	464,468
Receipts from interfund loans	(1,056,886)	(57,894)	-	(2,483)	(1,518,204)	(2,635,467)
Repayment of interfund loans	-	-	507,434	-	-	507,434
Net cash provided by (used in) noncapital financing activities	(1,056,886)	473,999	507,434	(2,483)	(1,518,204)	(1,596,140)
Cash flows from capital and related financing activities:						
Proceeds from issuance of bonds	-	-	-	-	3,000,000	3,000,000
Proceeds from new loans	-	-	-	-	-	-
Principal payments on bonds payable	-	(607,680)	(1,968)	-	(220,972)	(830,620)
Principal payments on capital lease obligations	(84,440)	(4,213)	(507,185)	-	(4,990)	(600,828)
Interest paid	(7,491)	1,335	(28,246)	-	(263,747)	(298,149)
Proceeds from disposal of assets	-	-	-	-	-	0
Cash (paid) received for capital expenses	(289,358)	(2,530)	(623,635)	-	(1,726,122)	(2,641,645)
Net cash used in capital and related financing activities	(381,289)	(613,088)	(1,161,034)	-	784,169	(1,371,242)
Net increase (decrease) in cash and cash equivalents	-	24,585	-	8,892	-	33,477
Cash and cash equivalents - beginning of year	-	1,256,854	-	127,485	-	1,384,339
Cash and cash equivalents - end of year	\$ -	\$ 1,281,439	\$ -	\$ 136,377	\$ -	\$ 1,417,816

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

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 1,340,769	\$ (387,428)	\$ (80,700)	\$ 11,310	\$ 830,902	\$ 1,714,853
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	17,856	348,242	591,812	-	68,697	1,026,607
Increase (decrease) in compensation-related liabilities included in long-term debt	7,582	(2,057)	3,475	-	(10,853)	(1,853)
(increase) decrease in other receivables	-	(3,017)	(2,400)	-	(72,670)	(78,087)
(increase) decrease in inventories	-	(8,947)	-	-	-	(8,947)
(increase) decrease in other current assets	-	10,079	-	-	-	10,079
(increase) decrease in restricted assets	0	0	0	-	-	0
(increase) decrease in deferred bond issue costs	-	127,525	2,160	-	(50,323)	79,362
Increase (decrease) in accounts payable	(25,625)	(759)	63,385	65	(50,986)	(13,920)
Increase (decrease) in accrued expenses	(2,423)	(17,342)	(4,112)	-	(7,155)	(31,032)
Increase (decrease) in other liabilities	0	0	0	-	-	0
Increase (decrease) in Net Pension Obligation	(10,712)	(4,794)	(5,502)	-	(1,252)	(22,260)
Increase (decrease) in Net OPEB Obligation	110,678	48,624	75,284	-	22,488	257,074
Increase (decrease) in deferred revenue	50	53,511	-	-	-	53,561
Net cash provided by operating activities	\$ 1,438,175	\$ 163,637	\$ 643,402	\$ 11,375	\$ 728,848	\$ 2,985,437

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Borrowing under capital lease	\$ 610,000	\$ -	\$ 230,942	\$ -	\$ -	\$ 840,942
Capital asset transfer	-	-	-	-	-	-

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Fiduciary & Trust Funds

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Funds</u>	<u>LOSAP Funds</u>	<u>Total</u>
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 4,392,095	\$ 4,388,963	\$ 3,170,130	\$ 271,376	\$ 12,222,564
Interest receivable	-	124,004	-	-	124,004
Total current assets	<u>4,392,095</u>	<u>4,512,967</u>	<u>3,170,130</u>	<u>271,376</u>	<u>12,346,568</u>
Investments at fair value:					
Bond mutual funds	43,632,694	70,788,057	-	-	114,420,751
Equity securities	<u>127,242,947</u>	<u>128,847,054</u>	<u>-</u>	<u>13,470,448</u>	<u>269,560,449</u>
Total investments	<u>170,875,641</u>	<u>199,635,111</u>	<u>-</u>	<u>13,470,448</u>	<u>383,981,200</u>
Total assets	175,267,736	204,148,078	3,170,130	13,741,824	396,327,768
LIABILITIES:					
Accrued expenses	<u>(45,068)</u>	<u>(2,441)</u>	<u>-</u>	<u>-</u>	<u>(47,509)</u>
NET POSITION:					
Held in trust for pension benefits	<u>\$ 175,222,668</u>	<u>\$ 204,145,637</u>	<u>\$ 3,170,130</u>	<u>\$ 13,741,824</u>	<u>\$ 396,280,259</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Funds</u>	<u>LOSAP Funds</u>	<u>Total</u>
ADDITIONS:					
Contributions:					
Employer contributions	\$ 5,627,145	\$ 10,401,723	\$ 750,000	\$ 837,600	\$ 17,616,468
Employee contributions	2,105,032	2,615,846	-	-	4,720,878
Total contributions	<u>7,732,177</u>	<u>13,017,569</u>	<u>750,000</u>	<u>837,600</u>	<u>22,337,346</u>
Investment earnings:					
Interest, Dividends, Gains	14,789,613	10,563,494	1,656	492,736	25,847,499
Net change in fair value of Investments	(6,168,678)	(2,011,875)	-	(526,748)	(8,707,301)
Total investment earnings	<u>8,620,935</u>	<u>8,551,619</u>	<u>1,656</u>	<u>(34,012)</u>	<u>17,140,198</u>
Less investment expenses	(1,027,414)	(841,210)	-	-	(1,868,624)
Net investment earnings	<u>7,593,521</u>	<u>7,710,409</u>	<u>1,656</u>	<u>(34,012)</u>	<u>15,271,574</u>
Total additions	<u>15,325,698</u>	<u>20,727,978</u>	<u>751,656</u>	<u>803,588</u>	<u>37,608,920</u>
DEDUCTIONS:					
Benefits paid to members	4,758,689	8,901,701	-	832,996	14,493,386
Administrative costs	<u>12,737</u>	<u>-</u>	<u>187</u>	<u>81,362</u>	<u>94,286</u>
Total deductions	<u>4,771,426</u>	<u>8,901,701</u>	<u>187</u>	<u>914,358</u>	<u>14,587,672</u>
Changes in net position	10,554,272	11,826,277	751,469	(110,770)	23,021,248
Net position - beginning of year	<u>164,668,396</u>	<u>192,319,360</u>	<u>2,418,661</u>	<u>13,852,594</u>	<u>373,259,011</u>
Net position - end of year	<u>\$ 175,222,668</u>	<u>\$ 204,145,637</u>	<u>\$ 3,170,130</u>	<u>\$ 13,741,824</u>	<u>\$ 396,280,259</u>

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Statistical Section

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

Financial Trends-

Tables 1 through 4 contain trend information that may assist the reader in assessing the County's current financial performance by placing it in historical perspective

Revenue Capacity-

Tables 5 through 8 contain information that may assist the reader in assessing the viability of the County's most significant local revenue source, property taxes

Debt Capacity-

Tables 9 through 12 present information that may assist the reader in analyzing the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future

Demographic & Economic Indicators-

Tables 13 and 14 offer information that may assist the reader in understanding the environment within which the County's financial activities take place

Operating Information-

Tables 15 through 17 contain service and infrastructure indicators that may assist the reader in understanding how the information in the County's financial statements relates to the services and the activities it performs

Source: Unless otherwise noted, the information in these tables is derived from the annual reports for the relevant year

Net Position by Component

Charles County, Maryland

Table 1

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Net Investment in capital assets	\$ 199,786,953	\$ 217,932,805	\$ 255,344,078	\$ 277,293,967
Restricted	37,960,372	37,214,570	32,866,628	21,011,767
Unrestricted	27,243,969	33,992,522	(6,033,159)	(22,968,759)
Total governmental activities net position	\$ 264,991,294	\$ 289,139,897	\$ 282,177,547	\$ 275,336,975
Business-type activities				
Net Investment in capital assets	\$ 98,060,711	\$ 97,968,074	\$ 100,098,580	\$ 109,407,466
Restricted	-	-	-	-
Unrestricted	24,561,653	21,641,262	19,036,528	14,695,223
Total business-type activities net position	\$ 122,622,364	\$ 119,609,336	\$ 119,135,108	\$ 124,102,689
Primary government				
Net Investment in capital assets	\$ 297,847,664	\$ 315,900,879	\$ 355,442,658	\$ 386,701,433
Restricted	37,960,372	37,214,570	32,866,628	21,011,767
Unrestricted	51,805,622	55,633,784	13,003,369	(8,273,536)
Total primary government activities net position	\$ 387,613,658	\$ 408,749,233	\$ 401,312,655	\$ 399,439,664

2010	2011	2012	2013	2014	2015
\$ 286,447,650	\$ 299,008,922	\$ 302,756,883	\$ 288,603,104	\$ 303,818,811	\$ 347,192,029
21,247,016	25,905,459	74,707,854	79,871,134	43,877,572	51,199,624
(34,262,144)	(43,531,325)	(59,993,417)	(77,922,303)	(90,496,735)	(168,350,468)
<u>\$ 273,432,522</u>	<u>\$ 281,383,056</u>	<u>\$ 317,471,320</u>	<u>\$ 290,551,935</u>	<u>\$ 257,199,648</u>	<u>\$ 230,041,185</u>
\$ 101,483,715	\$ 108,354,734	\$ 104,852,725	\$ 107,008,981	\$ 115,327,060	\$ 130,853,925
-	-	-	-	-	-
22,920,560	14,910,933	21,119,627	26,418,067	23,842,789	29,983,168
<u>\$ 124,404,275</u>	<u>\$ 123,265,667</u>	<u>\$ 125,972,352</u>	<u>\$ 133,427,048</u>	<u>\$ 139,169,849</u>	<u>\$ 160,837,093</u>
\$ 387,931,365	\$ 407,363,656	\$ 407,609,608	\$ 395,612,085	\$ 419,145,871	\$ 478,045,954
21,247,016	25,905,459	74,707,854	79,871,134	43,877,572	51,199,624
(11,341,584)	(28,620,392)	(38,873,790)	(51,504,236)	(66,653,946)	(138,367,300)
<u>\$ 397,836,797</u>	<u>\$ 404,648,723</u>	<u>\$ 443,443,672</u>	<u>\$ 423,978,983</u>	<u>\$ 396,369,497</u>	<u>\$ 390,878,278</u>

Changes in Net Position
Charles County, Maryland
Table 2
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental activities:				
Legislative	\$ 1,331,109	\$ 1,331,325	\$ 2,027,389	\$ 2,080,510
Judicial	4,072,252	3,931,506	4,198,286	11,545,466
Law	838,244	790,215	869,395	894,366
General government	4,864,884	1,885,753	13,591,909	9,410,137
Elections	450,921	738,503	808,229	706,269
Public safety	68,718,560	77,007,397	87,502,195	95,921,812
Planning and growth management	3,080,869	4,245,235	4,036,674	5,883,572
Health	6,748,879	7,440,758	8,160,231	8,697,964
Social services	1,701,721	1,828,759	1,943,168	1,848,488
Community services	13,939,925	15,857,477	18,734,675	19,108,464
Public facilities	24,454,714	24,251,462	31,504,139	14,534,181
Economic development	1,265,730	1,571,550	1,623,306	1,504,604
Education	152,384,426	166,363,198	191,557,369	167,950,725
Conservation of natural resources	539,086	561,820	590,681	611,869
Interest expense on long term debt	7,660,049	9,279,460	10,264,554	11,100,155
Total governmental activities	292,051,369	317,084,418	377,412,201	351,798,582
Business-type activities:				
Water and sewer	21,167,855	28,686,214	25,226,246	23,617,745
Inspection and review	2,525,610	3,251,479	3,424,829	3,062,354
County parks	793,293	957,450	946,765	980,132
Recreation	1,978,274	3,927,976	3,495,983	3,185,403
Solid waste	3,047,990	3,278,830	3,383,287	3,557,332
Environmental services	3,044,612	3,082,082	3,108,793	3,342,339
SW-Watershed Protection	-	-	-	-
Vending machines	92,791	102,465	118,637	92,185
Total business-type activities	32,650,425	43,286,496	39,704,540	37,837,489
Total primary government expenses	\$ 324,701,794	\$ 360,370,914	\$ 417,116,741	\$ 389,636,071
Program revenues				
Governmental activities:				
Charges for services				
Judicial	\$ 191,378	\$ 179,082	\$ 254,840	\$ 79,083
General government	3,733,301	11,232,430	10,753,735	2,222,486
Elections	6,500	7,046	6,504	-
Public safety	5,860,154	17,203,036	7,286,631	5,769,229
Planning and growth management	725,242	694,038	723,722	1,214,746
Health	64,301	28,130	47,861	38,362
Community services	1,545,253	2,007,430	881,080	1,605,410
Public facilities	662,741	508,650	641,037	809,628
Education	-	-	-	1,732,026
Operating grants and contributions	21,257,099	23,366,365	22,157,042	30,172,818
Capital grants and contributions	3,539,453	144,757	10,133,515	4,556,436
Total governmental activities program revenues	37,585,422	55,370,964	52,885,967	48,200,224
Business-type activities:				
Charges for services				
Water and sewer	20,869,943	20,513,212	23,179,800	23,215,291
Solid waste management	5,632,645	4,310,368	3,863,111	3,771,529
Environmental services	2,890,912	3,054,939	3,210,401	3,275,175
Other activities	5,571,374	7,608,922	6,986,131	5,983,167
Operating grants and contributions	-	-	-	-
Capital grants and contributions	5,196,779	720,580	771,580	922,555
Total business-type activities program revenues	40,161,653	36,208,021	38,011,023	37,167,718
Total primary government program revenues	\$ 77,747,075	\$ 91,578,985	\$ 90,896,990	\$ 85,367,942
Net (expense)/revenue				
Governmental activities	\$ (254,465,947)	\$ (261,713,455)	\$ (324,526,235)	\$ (303,598,358)
Business-type activities	7,511,228	(7,078,474)	(1,693,516)	(669,773)
Total primary government net expense	\$ (246,954,719)	\$ (268,791,929)	\$ (326,219,751)	\$ (304,268,131)

2010	2011	2012	2013	2014	2015
\$ 1,939,759	\$ 1,440,487	\$ 1,204,649	\$ 1,551,235	\$ 1,574,092	\$ 1,591,134
9,589,759	5,523,977	4,533,124	4,888,044	6,068,613	6,370,123
896,496	1,225,112	1,083,290	908,978	1,014,904	1,150,014
11,602,410	1,762,747	24,082,988	23,631,662	18,616,356	17,066,637
535,401	1,004,415	882,927	906,424	817,455	1,024,458
92,357,073	92,757,414	102,882,389	96,495,382	105,607,477	103,043,579
3,736,711	2,842,458	4,586,880	4,184,430	7,176,186	4,973,410
9,228,755	5,580,675	4,514,298	4,847,001	5,439,898	3,130,059
1,833,744	1,888,397	1,970,383	1,949,313	1,822,933	2,007,057
20,239,786	21,022,903	22,425,245	22,506,200	22,763,192	21,025,812
16,646,652	31,111,042	22,261,400	29,976,910	30,516,513	28,045,011
1,280,857	618,852	1,283,074	1,517,839	1,811,898	8,905,067
172,482,312	171,972,269	163,377,207	184,524,571	200,352,487	181,938,370
554,157	568,366	585,556	580,319	631,591	637,079
10,922,423	11,485,900	9,987,993	10,529,272	10,363,586	10,414,044
353,846,295	350,805,014	365,661,403	388,997,580	414,577,180	391,321,854
25,146,157	30,073,573	27,143,056	28,479,435	29,372,054	29,908,251
3,370,382	3,104,577	3,166,989	3,078,141	3,179,558	3,437,782
867,498	-	-	-	-	-
3,045,137	3,635,017	3,710,602	3,674,793	3,807,971	3,666,849
3,577,336	3,515,373	4,678,951	3,977,028	3,953,044	4,172,509
3,312,126	3,403,209	3,521,933	3,980,290	3,335,642	4,199,268
-	-	-	-	1,578,702	1,620,185
129,239	105,366	141,609	113,497	136,198	133,993
39,447,874	43,837,115	42,363,140	43,303,184	45,363,169	47,138,837
\$ 393,294,169	\$ 394,642,129	\$ 408,024,543	\$ 432,300,764	\$ 459,940,349	\$ 438,460,691
\$ 73,114	\$ 54,133	\$ 69,879	\$ 66,023	\$ 70,674	\$ 94,845
1,574,048	1,708,149	1,657,043	1,741,205	1,914,465	1,963,170
-	-	-	-	-	-
6,054,547	6,005,879	4,665,257	4,292,250	4,229,891	4,269,225
2,466,319	1,435,941	2,063,713	3,925,544	4,308,924	3,031,874
215,169	256,361	129,025	104,592	104,944	116,274
1,889,243	1,978,318	2,322,769	2,738,086	2,806,040	2,824,839
652,970	3,178,265	569,207	602,675	655,933	671,589
2,032,142	2,379,379	2,600,740	2,930,153	3,084,088	3,260,599
31,457,586	20,480,647	20,111,640	19,400,382	21,110,010	30,284,579
3,631,898	3,802,171	3,899,944	2,387,219	1,971,553	2,964,335
50,047,036	41,279,243	38,089,217	38,188,129	40,256,522	49,481,329
24,940,407	26,011,549	26,766,118	31,848,681	31,716,428	34,245,914
4,583,739	5,450,318	6,255,357	5,266,566	5,310,180	5,974,573
3,565,524	3,858,445	3,942,562	3,906,046	3,594,313	4,090,322
5,697,562	6,102,542	6,328,711	7,546,979	9,565,882	10,326,766
-	-	817,240	964,026	974,083	13,060,251
1,039,983	1,011,461	-	-	-	-
39,827,216	42,434,316	44,109,989	49,532,298	51,160,886	67,697,826
\$ 89,874,252	\$ 83,713,559	\$ 82,199,206	\$ 87,720,427	\$ 91,417,408	\$ 117,179,155
\$ (303,799,258)	\$ (309,525,771)	\$ (327,572,186)	\$ (350,809,451)	\$ (374,320,658)	\$ (341,840,525)
379,340	(1,402,800)	1,746,848	6,229,114	5,797,717	20,558,989
\$ (303,419,918)	\$ (310,928,571)	\$ (325,825,338)	\$ (344,580,337)	\$ (368,522,941)	\$ (321,281,536)

Continued

Changes in Net Position

Charles County, Maryland

Table 2

Last Ten Fiscal Years

(accrual basis of accounting)

Continued

	2006	2007	2008	2009
<u>General revenues and other changes in net position</u>				
Governmental activities:				
Taxes				
Local property taxes	\$ 130,167,509	\$ 144,342,192	\$ 161,343,642	\$ 181,396,190
Other local	37,035,382	34,687,130	20,522,655	15,240,771
Income taxes	79,175,266	80,001,338	82,610,436	71,838,853
State highway user taxes	8,963,917	9,489,506	9,142,897	8,077,769
Other income	1,460,713	2,699,439	3,661,909	4,209,764
Interest and investment earnings	8,013,493	10,614,025	8,914,827	5,471,445
Unrestricted grants and contributions	348,651	-	-	-
Miscellaneous	824,268	3,501,055	1,072,491	10,024,646
Transfers	68,155	527,370	515,496	498,348
Extraordinary loss tornado, net of income rec	-	-	-	-
Total governmental activities	<u>266,057,354</u>	<u>285,862,055</u>	<u>287,784,352</u>	<u>296,757,785</u>
Business-type activities:				
Other income	225,460	513,511	310,906	454,841
Interest and investment earnings	456,878	753,005	453,435	157,074
Miscellaneous	(19,148)	3,326,300	970,448	5,523,787
Transfers	(68,155)	(527,370)	(515,496)	(498,348)
Total business-type activities	<u>595,035</u>	<u>4,065,446</u>	<u>1,219,293</u>	<u>5,637,354</u>
Total primary government	<u>\$ 266,652,389</u>	<u>\$ 289,927,501</u>	<u>\$ 289,003,645</u>	<u>\$ 302,395,139</u>
<u>Change in net position</u>				
Governmental activities	\$ 11,591,407	\$ 24,148,600	\$ (36,741,883)	\$ (6,840,573)
Net Restatement				
Business-type activities	8,106,263	(3,013,028)	(474,223)	4,967,581
Total primary government	<u>\$ 19,697,670</u>	<u>\$ 21,135,572</u>	<u>\$ (37,216,106)</u>	<u>\$ (1,872,992)</u>

2010	2011	2012	2013	2014	2015
\$ 190,131,537	\$ 193,939,891	\$ 196,368,356	\$ 200,484,806	\$ 211,634,597	\$ 216,073,564
15,417,825	17,875,503	16,105,317	20,612,134	22,154,294	30,960,062
85,784,762	97,544,231	97,179,582	90,885,261	98,827,341	115,479,944
437,492	631,126	473,872	852,425	881,979	931,891
5,695,002	3,806,510	11,269,786	8,396,717	6,479,338	12,303,303
3,898,008	3,468,006	3,339,228	3,077,153	3,282,490	2,531,265
-	-	-	-	-	-
-	-	-	-	-	-
530,182	211,038	214,743	(418,430)	(368,300)	(464,468)
-	-	-	-	-	-
301,894,805	317,476,305	324,950,884	323,890,066	342,891,739	377,815,561
376,834	389,597	1,119,570	743,229	457,308	464,358
75,594	76,761	63,882	63,923	68,239	59,994
-	-	-	-	-	-
(530,182)	(211,038)	(214,743)	418,430	368,300	464,468
(77,754)	255,320	968,709	1,225,582	893,847	988,820
\$ 301,817,051	\$ 317,731,625	\$ 325,919,593	\$ 325,115,648	\$ 343,785,586	\$ 378,804,381
\$ (1,904,453)	\$ 7,950,534	\$ (2,621,302)	\$ (26,919,385)	\$ (31,428,919)	\$ 35,975,036
301,586	(1,147,480)	2,715,557	7,454,696	6,691,564	(63,014,064)
\$ (1,602,867)	\$ 6,803,054	\$ 94,255	\$ (19,464,689)	\$ (24,737,355)	\$ 21,547,809
					\$ (5,491,219)

Fund Balances of Governmental Funds

Charles County, Maryland

Table 3

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
General fund					
Reserved	\$ 3,148,435	\$ 2,513,359	\$ 2,341,477	\$ 2,851,067	\$ 2,531,035
Unreserved	66,201,505	70,845,770	52,384,223	44,465,708	38,654,138
Total general fund	\$ 69,349,940	\$ 73,359,129	\$ 54,725,700	\$ 47,316,775	\$ 41,185,173
All other governmental funds					
Reserved	\$ 66,488,425	\$ 53,723,542	\$ 36,092,369	\$ 28,330,900	\$ 19,849,362
Unreserved, reported in:					
Capital projects	215,784	11,526,070	5,445,932	3,163,028	6,465,890
Debt service	(1,285,199)	(2,329,831)	(569,350)	(1,409,944)	-
Other Governmental	-	-	-	-	-
Total all other governmental funds	\$ 65,419,010	\$ 62,919,781	\$ 40,968,951	\$ 30,083,984	\$ 26,315,252
	2011	2012	2013	2014	2015
General fund					
Nonspendable fund balance	\$ 1,805,165	\$ 2,257,418	\$ 1,853,656	\$ 1,604,951	\$ 2,156,136
Restricted fund balance	699,770	3,896,913	6,830,594	4,032,708	5,301,900
Committed fund balance	27,022,596	31,526,041	32,556,833	33,350,360	38,288,776
Assigned fund balance	8,806,694	3,867,530	4,248,921	4,197,363	3,482,661
Unassigned fund balance	2,050,076	3,959,025	2,897,380	1,022,395	1,022,395
Total general fund	\$ 40,384,301	\$ 45,506,927	\$ 48,387,384	\$ 44,207,777	\$ 50,251,868
All other governmental funds					
Capital projects					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	\$ 20,588,415	\$ 32,353,125	\$ 24,145,449	\$ 5,532,042	\$ 13,850,238
Committed fund balance	-	-	-	-	-
Assigned fund balance	17,963,717	17,279,026	20,688,549	-	-
Unassigned fund balance	-	-	-	(2,931,828)	(427,643)
Debt service					
Nonspendable fund balance	-	44,767,231	44,985,067	41,125,212	36,649,518
Restricted fund balance	209,544	-	-	-	-
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	-	-	-
Unassigned fund balance	-	(3,122,548)	(5,228,617)	(5,038,043)	(471,532)
Other Governmental					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	342,347	1,246,450	436,018	876,867	2,412,224
Committed fund balance	-	-	-	3,715,000	-
Assigned fund balance	6,136,690	5,225,045	6,158,631	3,198,683	4,178,176
Unassigned fund balance	-	-	-	-	-
Total all other governmental funds	\$ 45,240,713	\$ 97,748,329	\$ 91,185,097	\$ 46,477,933	\$ 56,190,981

Please note the display of information above is a result of Implementation of GASB 54 reporting that changed the fund balance terminology going forward from FY11.

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Changes in Fund Balances of Governmental Funds

Charles County, Maryland

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Taxes:				
Local property	\$ 143,256,235	\$ 144,342,192	\$ 161,343,642	\$ 181,396,190
Income	79,175,266	80,001,338	81,823,096	82,314,487
Other local	37,035,382	34,687,130	20,522,655	15,240,771
State shared	8,963,917	9,489,506	9,142,897	8,077,769
Charges for services	12,788,863	26,028,921	19,496,339	13,470,970
Intergovernmental	25,145,209	28,035,871	41,170,868	34,729,254
Interest income	8,013,496	10,614,025	8,914,827	5,471,445
Other income	1,631,290	2,699,443	3,661,909	4,209,764
Total revenues	316,009,658	335,898,426	346,076,232	344,910,650
Expenditures				
Education	161,687,215	159,729,820	179,059,944	159,990,086
Public safety	66,126,686	79,956,523	83,927,644	92,314,203
Other general government	15,950,278	16,694,340	18,628,434	18,948,924
Public facilities	14,466,542	51,163,301	71,238,410	44,349,363
Financial administration	7,375,017	7,385,324	8,061,548	9,500,759
Community services	13,891,819	20,115,284	19,337,221	18,932,221
Judicial	3,514,752	5,173,562	5,852,295	11,495,678
Planning and growth management	2,955,292	5,558,043	6,835,946	5,852,025
Health services	5,384,954	5,946,557	6,894,108	7,185,740
Economic development	1,315,935	1,552,596	1,645,300	1,472,393
Social services	1,701,721	1,828,759	1,943,168	1,848,488
Legislative	1,156,823	1,196,965	1,804,515	1,972,696
Law	812,146	781,485	824,957	880,247
Conservation of natural resources	525,344	549,096	593,574	602,244
Elections	450,915	738,503	813,294	706,011
Debt service:				
Principal	7,313,662	8,413,950	10,122,812	11,166,700
Interest	7,660,050	9,279,460	10,264,554	11,100,155
Capital outlay	29,641,662	-	-	-
Total expenditures	341,930,813	376,063,567	427,847,725	398,317,933
Excess (deficiency) of revenues over (under) expenditures	(25,921,155)	(40,165,140)	(81,771,493)	(53,407,283)
Other financing sources (uses):				
Issuance of debt	51,504,247	40,114,600	40,048,292	33,619,000
Premium on issuance of debt	1,283,122	1,033,133	623,446	1,504,644
Bond Proceeds from debt refunding	-	-	-	11,200,097
Defeased Bonds	-	-	-	(11,728,871)
Transfers in	17,534,817	12,157,059	17,360,153	10,517,473
Transfers out	(17,466,662)	(11,629,690)	(16,844,657)	(10,019,125)
Total other financing sources	52,855,524	41,675,102	41,187,234	35,093,218
Extraordinary loss from natural disasters, net of income	-	-	-	-
Net change in fund balances	\$ 26,934,369	\$ 1,509,962	\$ (40,584,259)	\$ (18,314,065)
Debt service as a percentage of noncapital expenditures	4.795%	5.465%	5.194%	6.300%

2010	2011	2012	2013	2014	2015
\$ 190,131,537	\$ 194,125,205	\$ 196,270,291	\$ 200,484,806	\$ 211,634,597	\$ 211,791,533
86,513,316	92,049,627	97,179,582	99,440,598	99,513,353	109,709,956
15,417,825	17,875,503	16,105,317	20,612,134	22,154,294	30,960,062
437,492	631,126	473,872	852,425	881,979	931,891
13,705,262	13,806,742	14,077,633	16,400,528	17,174,959	16,232,415
35,089,484	22,052,057	24,011,584	21,787,601	22,377,063	33,248,914
3,898,008	3,460,692	3,339,228	3,077,153	3,282,490	2,531,265
6,947,293	7,403,236	11,269,786	8,396,717	6,479,338	12,303,303
352,140,216	351,404,188	362,727,293	371,051,962	383,498,073	417,709,339
164,204,676	163,571,345	161,897,688	188,950,057	202,287,835	192,397,107
87,835,915	87,884,735	92,640,243	94,272,991	101,742,806	103,994,700
19,227,970	17,876,622	17,024,330	17,712,335	19,184,620	23,391,485
28,524,687	31,753,661	27,593,471	26,598,031	33,140,813	28,737,956
8,016,417	7,794,237	7,938,619	7,961,432	8,514,244	8,838,756
20,707,531	21,371,151	21,322,388	21,906,992	21,705,280	21,761,226
9,549,790	5,535,421	4,479,661	4,805,217	6,086,489	6,475,100
3,796,263	3,645,761	4,579,928	4,173,750	7,162,964	4,973,410
8,158,197	4,476,139	4,352,999	3,726,711	4,281,981	4,322,514
1,295,704	595,342	1,283,074	1,515,966	1,791,817	8,896,249
1,833,744	1,971,360	1,970,383	1,949,313	1,822,933	2,007,057
1,820,205	1,317,066	1,372,856	1,456,063	1,478,484	1,570,445
884,268	1,281,988	1,083,290	878,998	991,003	1,150,014
551,419	560,986	585,556	579,761	629,894	637,079
535,143	1,010,575	882,927	911,170	820,332	1,028,910
11,243,409	11,543,633	16,488,429	12,628,435	13,969,954	17,851,976
10,922,423	11,485,900	10,231,477	10,529,272	10,363,586	10,318,581
-	-	-	-	-	-
379,107,761	373,675,922	375,727,319	400,556,495	435,975,035	438,352,565
(26,967,545)	(22,271,735)	(13,000,027)	(29,504,534)	(52,476,963)	(20,643,227)
15,621,497	36,900,000	19,929,500	22,729,200	3,958,490	33,239,500
1,358,311	3,214,979	9,169,214	5,740,278	-	6,739,644
4,853,935	17,985,000	37,257,552	16,031,904	-	26,597,764
(5,276,540)	(18,495,286)	(40,051,360)	(18,261,194)	-	(29,712,075)
17,012,208	7,806,015	10,195,181	4,639,176	6,127,899	10,770,318
(16,482,026)	(8,173,831)	(9,980,438)	(5,057,606)	(6,496,199)	(11,234,786)
17,087,385	39,236,878	26,519,650	25,821,759	3,590,191	36,400,366
-	-	(1,909,773)	-	-	-
\$ (9,880,160)	\$ 16,965,143	\$ 11,609,850	\$ (3,682,775)	\$ (48,886,772)	\$ 15,757,139
6.284%	6.193%	7.389%	5.781%	5.581%	6.426%

Assessed Value and Estimated Actual Value of Taxable Property

Charles County, Maryland

Table 5

Last Ten Fiscal Years

Fiscal Year Ending June 30	Real Property		Business Personal Property	Railroads & Public Utilities	Ordinary Business Corporations
	Full Year	1/4, 1/2, 3/4 Yr.			
2006	10,389,747,410	243,173,395	7,418,110	195,088,110	666,542,410
2007	12,264,927,064	323,758,657	7,464,250	202,471,100	672,024,330
2008	14,947,505,231	233,312,629	7,285,360	187,147,270	661,521,380
2009	17,572,236,940	185,557,591	5,640,570	195,176,080	808,399,180
2010	18,848,560,018	161,648,430	5,233,180	205,119,670	802,289,680
2011	17,815,986,983	99,737,589	7,900,630	263,545,620	785,847,980
2012	16,565,423,239	138,407,890	8,284,230	256,991,160	693,247,980
2013	15,767,175,406	131,283,908	8,190,160	267,162,220	681,889,120
2014	15,384,968,244	131,670,190	7,712,830	285,422,960	631,661,420
2015	15,406,621,549	210,168,374	7,504,070	304,401,370	621,082,550

Source: Maryland State Department of Assessments and Taxation/Charles County Treasurer's Office

Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
11,501,969,435	1.16	11,501,969,435	100.00%
13,470,645,401	1.14	13,470,645,401	100.00%
16,036,771,870	1.14	16,036,771,870	100.00%
18,767,010,361	0.96	18,767,010,361	100.00%
20,022,850,978	0.96	20,022,850,978	100.00%
18,973,018,802	0.96	18,973,018,802	100.00%
17,662,354,499	1.00	17,662,354,499	100.00%
16,855,700,814	1.05	16,855,700,814	100.00%
16,441,435,644	1.14	16,441,435,644	100.00%
16,549,777,913	1.14	16,549,777,913	100.00%

Property Tax Rates for Direct and Overlapping Governments ¹

Charles County, Maryland

Table 6

Last Ten Fiscal Years

(Per \$100 of Assessed Value)

Fiscal Year	General County (Including Education)	Fire and Rescue Tax	State	Town of La Plata	Town of Indian Head
2006	0.9620	0.064	0.132	0.22	0.28
2007	0.9620	0.064	0.112	0.24	0.29
2008	0.9620	0.064	0.112	0.24	0.29
2009	0.9620	0.064	0.112	0.24	0.28
2010	0.9620	0.064	0.112	0.25	0.28
2011	0.9620	0.064	0.112	0.24	0.27
2012	1.0025	0.064	0.112	0.24	0.27
2013	1.0527	0.064	0.112	0.23	0.26
2014	1.1410	0.064	0.112	0.23	0.26
2015	1.1410	0.064	0.112	0.23	0.26

¹ Information Source: Charles County Treasurer's Office

Principal Taxpayers

Charles County, Maryland
Table 7

Ten Leading Taxpayers (For period ending June 30, 2015)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes¹</u>
NRG Energy, Inc. (formerly GenOn Mid-Atlantic LLC)	\$ 528,235,890 ²	3.19%	\$ 13,376,512
Southern Maryland Electric Cooperative	142,246,430	0.86%	4,057,579
Charles Mall Company LTD Partnership	140,600,000	0.85%	1,604,246
Domlnion Cove Point LNG, LP	55,836,520	0.34%	1,592,737
Verizon Maryland Inc.	42,231,590	0.26%	1,204,656
API Town Center	73,980,367	0.45%	844,116
Washington Gas Light Company	26,765,070	0.16%	763,474
Madison Waldorf, LLC	52,738,400	0.32%	601,745
Potomac Electric Power Company	20,781,810	0.13%	592,801
SVF Waldorf LLC	46,343,833	0.28%	528,783
	<u>\$ 1,129,759,910</u>	<u>6.83%</u>	<u>\$ 25,166,649</u>
Total Taxable Assessed Value		<u>\$ 16,549,777,913</u> ³	

Ten Leading Taxpayers (For period ending June 30, 2006)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes</u>
Mirant Mid-Atlantic	\$ 571,550,230	4.97%	\$ 13,774,361
Southern Maryland Electric Cooperative	87,191,980	0.76%	2,101,327
Verizon Maryland, Inc	62,596,920	0.54%	1,508,586
Charles Mall Company LTD Partnership	115,244,000	1.00%	2,777,380
Potomac Electric Power Company	20,820,770	0.18%	501,781
Washington Gas Light Company	18,821,190	0.16%	453,591
CW Waldorf Retail LTD Partnership	36,179,032	0.31%	871,915
Charles Developers LTD Partnership	35,342,832	0.31%	851,762
Waldorf Shoppers' World	24,666,666	0.21%	594,467
COMCAST Cablevision of Maryland	8,444,770	0.07%	203,519
	<u>\$ 980,858,390</u>	<u>8.53%</u>	<u>\$ 23,638,689</u>
Total Taxable Assessed Value		<u>\$ 11,501,969,435</u> ²	

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

1 2014 Based on County Tax of \$2.85 per \$100 assessed and 2005 Based on County Tax of \$2.40 per \$100 assessed

2 This figure based on FY13 assessment, the most recent available.

3 Total figure from Table 5

Property Tax Levies and Collections ¹

Charles County, Maryland
Table 8

Fiscal Year Ending June 30	Total Tax Levy Local Property ²	Collected within the Fiscal Year of the Levy		Collection In Subsequent Years	Total Collections To Date		Outstanding Delinquent Tax
		Amount	Percent		Amount	Percent	
2006	121,997,001	121,478,580	99.58%	472,603	121,524,398	99.61%	45,818
2007	140,772,121	139,930,512	99.40%	771,241	140,000,880	99.45%	70,368
2008	165,599,544	164,805,575	99.52%	672,632	164,926,912	99.59%	121,337
2009	194,249,210	190,150,738	97.89%	3,810,882	190,438,328	98.04%	287,590
2010	206,470,878	205,523,547	99.54%	666,766	205,804,112	99.68%	280,565
2011	197,305,606	196,393,396	99.54%	566,857	196,738,749	99.71%	345,353
2012	190,760,517	190,062,217	99.63%	410,225	190,350,292	99.78%	288,075
2013	192,660,818	191,842,717	99.58%	490,566	192,170,252	99.75%	327,535
2014	202,699,932	201,517,315	99.42%	733,970	201,965,962	99.64%	448,647
2015	203,588,665	202,252,138	99.34%	-	202,252,138	99.34%	1,336,527

1 Audited financial statements of the County for the fiscal years 2006-2015.

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

Ratios of Outstanding Debt by Type

Charles County, Maryland
Table 9
Last Ten Fiscal Years

Fiscal Year Ending June 30	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income ²	Per Capita ²
	General Obligation	Capital Lease Obligation	Notes Payable	General Obligation	Capital Lease Obligation	Notes Payable			
	Bonds ¹			Bonds					
2006	217,280,520	3,798,264	3,062,982	37,024,478	988,400	18,684,069	280,838,713	5.31%	2,003.57
2007	235,896,259	4,112,261	2,614,352	48,173,744	6,838,341	13,402,972	311,037,929	5.60%	2,209.64
2008	250,841,807	5,178,942	2,146,167	53,663,193	6,219,175	13,826,797	331,876,081	5.57%	2,327.13
2009	258,422,307	5,332,288	1,657,574	55,677,693	6,554,467	13,031,157	340,675,486	5.58%	2,324.62
2010	254,017,418	4,098,080	1,147,685	67,866,923	6,330,031	12,222,126	345,682,263	5.40%	2,350.21
2011	266,620,586	2,458,503	615,570	65,355,700	5,620,873	11,399,375	352,070,607	5.27%	2,360.83
2012	266,372,697	2,255,985	60,261	77,652,832	5,078,844	10,701,223	362,121,842	5.08%	2,368.36
2013	266,505,077	2,568,681	51,540	78,892,837	4,956,754	9,994,694	362,969,583	5.06%	2,345.57
2014	244,022,652	4,063,959	1,452,874	74,667,734	7,760,059	9,279,687	341,246,965	not available	2,205.19
2015	252,157,320	8,528,693	1,418,832	8,556,098	12,588,294	8,340,406	291,589,643	not available	not available

1 Presented net of original issuance discounts and premiums.

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

Ratios of General Bonded Debt Outstanding

Charles County, Maryland

Table 10

Last Ten Fiscal Years

Fiscal Year Ending June 30	General Obligation Bonds ¹	Less: Amounts Available in Debt Service Fund ²	Total	Percentage of Estimated Actual Taxable Value of Property ³	Per Capita ⁴
2006	217,040,104	(1,285,199)	218,325,303	1.90%	1,568.83
2007	240,755,514	(2,329,831)	243,085,345	2.89%	1,734.23
2008	280,838,713	(569,350)	281,408,063	3.17%	1,999.15
2009	311,037,929	(1,409,943)	312,447,872	3.31%	2,190.89
2010	331,876,081	139,071	331,737,010	3.22%	2,263.63
2011	340,675,486	209,544	340,465,942	2.96%	2,314.74
2012	345,682,263	41,644,683 ⁵	304,037,580	2.26%	2,038.74
2013	352,070,607	39,756,450	312,314,157	1.95%	2,042.60
2014	362,121,842	36,087,169	326,034,673	1.74%	2,106.89
2015	362,969,583	36,177,986	326,791,597	1.63%	Not available

1 Presented net of original issuance discounts and premiums.

2 Restricted for debt service principal payments.

3 See Table 5 for total taxable assessed value. This ratio is calculated using total taxable assessed value.

4 See Table 13 for personal income and population data. This ratio is calculated using personal income and population.

5 Stated within the County's FY12 audit, a restatement was reported for the Debt Service fund that results in larger amounts in comparison to past years.

Direct and Overlapping Governmental Activities Debt

Charles County, Maryland

Table 11

Jurisdiction	Total Debt Outstanding	Assessed Valuation ¹	% of Assessed Valuation to Countywide Total	Estimated Share of Total Direct & Overlapping Debt
<u>Direct</u>				
Charles County	\$ 269,125,298	\$ 17,722,516,634	94%	\$ 255,482,556
<u>Overlapping</u>				
La Plata	1,345,824	864,028,797	5%	12,455,583
Indian Head	68,546	180,464,930	1%	2,601,529
Total Overlapping Debt	1,414,370	1,044,493,727	6%	15,057,112
Countywide Total	\$ 270,539,668	\$ 18,767,010,361	100%	\$ 270,539,668

1 Countywide Total matches that of Table 5

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

Legal Debt Margin Information

Charles County, Maryland
Table 12
Last Ten Fiscal Years

Fiscal Year	Debt Limit	Total Debt Applicable to the Limit	Legal Debt Margin	Total Debt Applicable to the Limit as a % of Debt Margin
2005	\$ 825,206,912	\$ 128,561,118	\$ 696,645,794	18.45%
2006	920,157,555	194,471,014	725,686,541	26.80%
2007	1,077,651,632	225,528,351	852,123,281	26.47%
2008	1,282,941,750	254,874,348	1,028,067,402	24.79%
2009	1,501,360,829	285,479,946	1,215,880,883	23.48%
2010	1,601,828,078	304,365,929	1,297,462,149	23.46%
2011	1,517,841,504	313,890,456	1,203,951,048	26.07%
2012	1,412,988,360	280,239,658	1,132,748,702	24.74%
2013	1,348,456,065	295,099,784	1,053,356,281	28.02%
2014	1,315,314,852	267,095,391	1,048,219,460	25.48%
2015	1,323,982,233	275,281,943	1,048,700,289	26.25%

Legal Debt Margin Calculation for Fiscal Year 2015

1 Net Assessed Value - Real Property	\$ 16,549,777,913
2 Debt limit = <u>8.00%</u> of Net Assessed Value	1,323,982,233
3 Debt Applicable to Debt Limit	311,459,929
3 Less: deductions allowed by law: Debt service fund balance	(36,177,986)
Total Amount of debt applicable Debt Limit	<u>275,281,943</u>
Legal Debt Margin	<u>\$ 1,048,700,290</u>

1 Table 5

2 Percentage based on County limit

3 Table 10

Demographic and Economic Statistics

Charles County, Maryland

Table 13

Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ³	Median Age	School ⁴ Enrollment	Unemployment Rate ²
2006	139,164	5,290,968	33,849	35	25,339	3.10%
2007	140,169	5,558,659	33,572	35	25,797	2.90%
2008	140,764	5,955,286	42,103	37	25,843	3.60%
2009	142,612	6,101,304	42,899	35	25,861	6.20%
2010	146,551	6,405,224	43,542	35	25,897	6.60%
2011	147,086	6,677,709	44,778	36	25,955	6.00%
2012	149,130	7,132,795	47,365	37	25,870	6.00%
2013	152,900	7,176,139	46,945	37	25,717	6.00%
2014	154,747	Not available	Not available	37	25,410	6.00%
2015	Not available	Not available	Not available	37	25,498	5.40%

1 U.S. Census Bureau, 2005 - 2009, 2011, 2012, 2013 and 2014 population figures are estimated

2 Bureau of Labor Statistics

3 Bureau of Economic Analysis

4 Charles Co. Board of Education, Student Services

Principal Employers

Charles County, Maryland

Table 14

Fiscal Year 2015		
Employer	Number of Employees ¹	Percentage of Total County Employment
Charles County Board of Education	3,453	4.61%
Naval Department of Defense at Indian Head	2,973	3.96%
Charles County Government	1,433	1.91%
UM Charles Regional Medical Center	673	0.90%
The Facchina Group of Companies	555	0.74%
Naval Support Facility Indian Head Contractors	550	0.73%
College of Southern Maryland	490	0.65%
BJ's Wholesale Club	452	0.60%
Southern Maryland Electric Cooperative	434	0.58%
Target	400	0.53%
McDonald's	396	0.53%
Safeway	391	0.52%
Wal-Mart/Sam's Club	349	0.47%
Bloomin' Brands (formerly OSI Restaurant Partners)	300	0.40%
Genesis Health Care	295	0.39%
Waldorf Ford	250	0.33%
Total	13,394	
Total County Employment ²	74,982	

Fiscal Year 2006		
Employer	Number of Employees ¹	Percentage of Total County Employment
Indian Head Naval Surface Warfare Center	4,306	5.93%
Charles County Board of Education	3,096	4.26%
Charles County Government	1,217	1.68%
Civista Medical Center	850	1.17%
Wal-Mart	768	1.06%
College of Southern Maryland	766	1.05%
Facchina Construction	635	0.87%
Southern Maryland Electric Cooperative	331	0.46%
The Hecht Company	300	0.41%
Sears	260	0.36%
Target	253	0.35%
Noslot Cleaning Services	250	0.34%
JC Penney	180	0.25%
Total	13,212	
Total County Employment ²	72,642	

¹ Economic Development Department as of July 2015 and Economic Development Commission December 2005.

² "State of Maryland, Civilian Labor Force, Employment and Unemployment by Place of Residence, March 2012 and December 2005." Maryland Department of Labor, Licensing and Regulation.

Full-time Equivalent County Employees by Function

Charles County, Maryland

Table 15

Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	Budget 2016
<u>County Commissioner's</u>	5	5	5	5	5	5	5	5	5	5
<u>Governmental Departments</u>										
Animal Control Services	23	22	22	22	20	20	20	20	20	20
Community Services	138	136	129	126	110	112	116	113	117	117
County Commissioner's Office Staff	18	25	27	30	24	24	26	30	32	32
County Attorney's Office	10	10	10	10	9	9	10	10	10	10
Economic Development	8	8	8	7	2	5	6	6	6	6
Emergency Services	109	112	114	113	113	113	115	117	122	122
Fiscal and Administrative Services	70	71	72	72	63	66	66	67	71	73
Human Resources	8	8	9	8	7	7	8	8	8	8
Planning & Growth Mgmt	80	90	94	86	73	73	74	77	78	78
Public Works	396	395	379	372	344	342	342	343	348	353
Subtotal County Departments	860	877	865	847	764	772	783	791	812	819
<u>Other Agencies</u>										
Circuit Court	23	23	23	23	22	23	22	22	22	23
Detention Center	160	160	160	160	151	156	156	156	156	156
Sheriff's Office	457	465	473	472	463	462	468	484	488	487
Soil Conservation	5	6	6	6	5	5	5	5	5	5
State's Attorney Office	31	31	31	31	30	31	37	46	55	55
TOTAL	1541	1567	1563	1544	1440	1454	1475	1508	1543	1549

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

Operating Indicators by Function

Charles County, Maryland

Table 16

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 ²
Public Safety										
1 Sheriff's Calls for Service	158,278	174,306	187,000	207,842	216,701	230,390	235,371	253,292	258,591	not available
1* Emergency Response Team Responses	614	585	629	1,078	1,423	1,435	1,309	1,164	1,312	1,443
1* Bookings	11,520	12,535	12,669	12,088	11,814	12,164	11,308	10,706	11,106	11,900
1* Drug Screening	1,064	1,117	1,072	1,404	1,360	1,298	1,054	932	653	718
Red Light Camera Citations Issued	8,982	18,334	18,727	13,773	13,385	10,065	12,319	11,388	25,858	23,840
Animal Control Calls for Service	9,592	9,219	11,390	3,293	5,898	6,034	5,910	5,646	7,053	6,157
Animal Shelter Population	13,453	10,704	10,729	11,150	12,085	11,195	11,120	10,049	8,987	9,100
Alarm System Registrations	12,136	13,359	14,351	15,434	16,762	17,924	19,194	20,350	21,801	23,570
False Alarm Calls	7,678	7,778	8,133	7,842	8,251	8,215	7,821	7,952	8,324	8,477
EMS Responses	9,473	12,192	12,314	12,480	11,032	11,008	11,903	12,290	13,188	13,800
911 Calls Received	66,601	68,384	67,383	67,965	69,141	74,674	74,866	73,182	72,231	75,000
Community Services										
Public Transit Routes	14	14	14	13	14	14	14	14	14	14
Service Miles	1,178,330	853,753	1,019,086	1,037,999	999,941	1,103,191	1,225,954	1,171,946	1,150,000	1,150,000
Senior Program Participation	9,077	8,785	6,255	3,639	3,726	3,726	3,768	3,701	4,041	4,050
Public Facilities										
Square Footage Maintained	920,686	924,335	936,575	941,235	1,001,235	1,004,000	1,034,200	1,034,260	1,044,460	1,091,325
Preventative Maintenance Performed	363	356	392	430	480	488	298	395	852	940
Athletic Leagues Maintained	55	56	57	59	68	73	69	68	69	70
Scheduled Games	6,900	7,433	7,523	7,680	7,721	8,139	8,399	7,929	8,051	8,100
Vehicle Maintenance Work Orders	7,432	5,948	5,899	5,743	5,667	5,572	5,276	5,044	5,601	5,630
Lane Miles Maintained	1,449	1,507	1,540	1,559	1,597	1,597	1,600	1,625	1,662	1,680
Water and Sewer										
Billing Invoices per year	109,089	111,938	117,497	115,540	118,329	120,893	121,578	123,434	129,034	132,905
New Accounts Set Up	587	791	506	419	474	446	511	547	572	550
2 Meters Replaced	665	521	614	531	490	1,274	981	3,283	3,967	2,000
Meters Read	109,089	111,938	117,497	115,540	118,329	120,893	121,578	123,434	129,034	132,905
Holding Tank Program Gallons Pumped	830,500	837,500	516,350	509,850	482,340	398,100	395,750	395,600	317,500	610,707
Water Gallons Pumped per Day	6,580,995	6,526,757	6,564,700	6,134,087	5,640,450	5,964,252	6,266,437	5,934,731	6,113,923	6,300,000
County Park Operations										
Rounds of Golf	30,150	30,255	30,200	30,059	30,490	25,500	27,583	28,412	26,105	28,000
Season Passes	178	180	207	198	177	131	125	102	101	120
Solid Waste Management										
1 Recycled Tons	61,984	56,243	48,654	58,451	51,537	52,575	77,537	74,966	81,133	77,936
1 Recycle Curbside Collection Tons	2,882	2,708	2,885	2,900	3,100	3,200	3,074	3,295	5,500	6,000
Landfill Tons	84,119	59,319	57,404	54,420	74,581	85,762	90,354	73,195	75,277	77,820

1 Based on Calendar Year

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

2 Projected

Capital Asset Statistics by Function

Charles County, Maryland

Table 17

Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Buildings	23	23	25	25	23	24	24	26	28	30
Vehicles	278	282	295	302	293	267	245	244	250	254
Public Safety										
Sheriff Stations	6	6	7	7	7	6	7	7	7	7
Detention Centers	2	2	2	2	2	2	2	2	2	2
Sheriff Patrol Vehicles	321	361	413	422	425	462	472	463	456	474
Other Sheriff Vehicles	19	13	15	16	17	18	17	16	14	14
K-9 Dogs	10	11	14	14	15	11	12	11	12	13
Mobile Communications Center	1	1	1	1	1	1	1	1	1	1
Emergency Operations Vehicles	10	11	16	16	17	18	18	18	18	18
Hazmat Vehicles	4	5	7	5	5	5	5	5	5	5
Animal Control Vehicles	10	9	10	9	8	8	9	9	11	9
Community Services										
Transportation Service Vehicles	15	36	38	36	33	36	37	37	38	41
Senior / Community Centers	4	4	4	4	4	4	4	4	4	4
Community Centers	9	9	9	9	9	9	9	9	9	9
Pools	5	5	5	5	5	5	5	5	5	6
Public Facilities										
Buildings	8	8	8	8	8	8	8	8	8	8
Roadways (miles)	1,449	1,507	1,540	1,559	1,597	1,597	1,600	1,625	1,662	1,680
Heavy Equipment	18	20	26	31	32	27	28	30	33	32
Water and Sewer										
Buildings	18	18	18	17	17	17	17	17	17	17
Wastewater Treatment Plants	6	7	7	7	7	7	7	7	7	7
Pump Stations	57	56	50	57	57	57	56	56	56	55
Wells	81	81	62	67	67	65	65	65	65	66
Heavy Equipment	15	15	17	16	17	14	15	18	19	22
Vehicles	89	93	81	92	87	76	86	102	109	116
Meters	104,157	107,321	113,354	111,397	113,858	116,883	117,546	119,214	124,394	128,125
County Park Operations										
Parks	19	26	27	29	29	29	30	30	31	33
Park Acreage	2,519	2,536	3,228	3,336	3,349	3,349	3,483	3,483	3,767	4,061
Golf Course	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Concession Buildings	3	6	8	8	8	8	9	9	9	9
Vehicles	3	3	3	3	3	3	3	3	3	2
Recreation Programs										
Recreation/ Sports Centers	2	2	2	2	2	2	2	2	2	2
Solid Waste Management										
Buildings	6	6	6	6	6	6	6	6	6	6
Recycling Stations with Buildings	3	3	3	3	3	3	3	3	3	3
Heavy Equipment	27	29	28	27	26	21	21	22	30	29
Vehicles	53	34	39	38	34	26	35	34	33	35

Charles County Commissioners



Equal Opportunity County • Say No To Drugs

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PREPARED BY:

Department of Fiscal & Administrative Services

David M. Eicholtz, Director

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

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