



CHARLES COUNTY, MARYLAND

Financial Statements and Supplemental Schedules

Together with Report of Independent Public Accountants

For the Year Ended June 30, 2014

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Charles County, Maryland
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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, 2014, 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.



SB & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2014, 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.

Other Matters

Required Supplementary Information

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

Supplementary 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 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 combining and individual fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
October 28, 2014

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, 2014. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 17), and the accompanying notes to those financial statements (beginning on page 34).

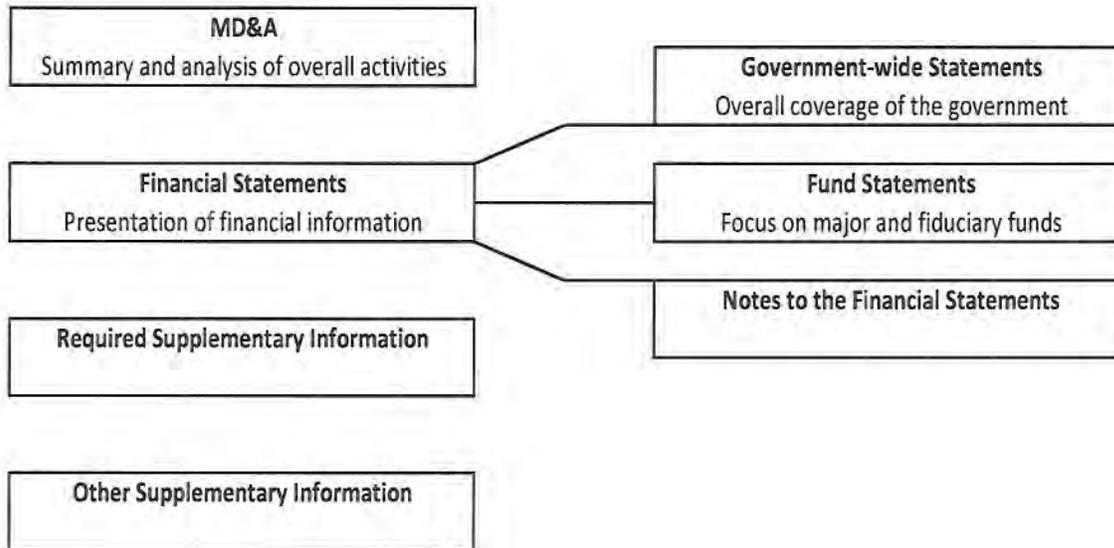
Financial Highlights

- The government-wide net position of Charles County exceeded liabilities at the close of the current fiscal year by \$396.4 million (*net position*).
- The County's change in net position was a decrease of \$24.7 million.
- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balances of \$90.7 million, a decrease of \$48.9 million from the prior year as stated on page 22. Approximately 47% of this total amount is classified as Non-spendable fund balance, or \$42.7 million. The majority of the total is classified as Restricted, Committed or Assigned fund balance, or \$54.9 million.
- For FY2014, the total Fund Balance for the General Fund equaled \$44.2 million, as shown on page 20. Of that total, \$33.4 million is represented as Committed Fund Balance, including the Fund Balance Policy Target of \$28.6 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 \$5.9 million was approved during the course of the year, however favorable expense budget savings partially reduced the use of Fund Balance. As a result, instead of a Fund Balance decrease of \$5.9 million, a decrease of approximately \$4.2 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 17-19 of this report.

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

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

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

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

Charles County Government maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other twenty-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 20-23 of this report.

Proprietary funds - Proprietary funds include internal service funds and enterprise funds. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. Charles County does not maintain any internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer services, solid waste management, environmental services programs, 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 24-26 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds include four fund types - pension trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any investment trust funds or private-purpose trusts. The three trust funds maintained by the County are the Sheriff's Office Retirement Plan, the County Employees Retirement Plan, and the Other Post Employment Benefit (OPEB) Trust plan. The single agency fund that the County maintains is the Volunteer Emergency Services Length Of Services Awards Program (LOSAP) plan. The fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to developing a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-90 of this report.

Required supplementary information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information that is not considered a part of the financial statements. Included in this section is a budgetary comparison for the General Fund, which demonstrates compliance with the annually adopted budget. This information can be found on pages 92-96 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. These reports can be found on pages 98-110 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 \$396.4 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, \$419.1 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 (11%) represents resources that are subject to external restrictions on how they may be used.

Net Position
June 30, 2014 and 2013
(amounts are presented in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 165,362	\$ 216,412	\$ 49,377	\$ 54,104	\$ 214,739	\$ 270,516
Capital assets, net of depreciation	460,110	457,209	207,603	198,022	667,713	655,231
Total assets	625,472	673,621	256,980	252,126	882,452	925,747
Non-current liabilities	334,604	345,779	110,402	112,171	445,006	457,950
Other liabilities	33,668	37,291	7,408	6,528	41,076	43,819
Total liabilities	368,272	383,070	117,810	118,699	486,082	501,769
Net position:						
Net investment in capital assets	303,818	288,603	115,327	107,009	419,145	395,612
Restricted net position	43,744	79,871	-	-	43,744	79,871
Unrestricted net position	(90,362)	(77,922)	23,843	26,418	(66,519)	(51,504)
Total net position	\$ 257,200	\$ 290,552	\$ 139,170	\$ 133,427	\$ 396,370	\$ 423,979

Changes in Net Position
Years ended June 30, 2014 and 2013
(amounts are presented in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 17,175	\$ 16,400	\$ 50,187	\$ 48,568	\$ 67,362	\$ 64,968
Operating grants	21,110	19,400	974	964	22,084	20,364
Capital grants	1,972	2,387	-	-	1,972	2,387
General revenues:						
Property taxes	211,635	200,484	-	-	211,635	200,484
Other taxes	121,864	112,350	-	-	121,864	112,350
Other	9,761	11,474	525	808	10,286	12,282
Total revenues	<u>383,517</u>	<u>362,495</u>	<u>51,686</u>	<u>50,340</u>	<u>435,203</u>	<u>412,835</u>
Program expenses:						
General government	18,616	23,632	-	-	18,616	23,632
Public safety	105,607	96,495	-	-	105,607	96,495
Education	200,352	184,524	-	-	200,352	184,524
Judicial	6,068	4,888	-	-	6,068	4,888
Health	5,439	4,847	-	-	5,439	4,847
Social services	1,822	1,949	-	-	1,822	1,949
Community services	22,763	22,506	-	-	22,763	22,506
Economic development	1,811	1,517	-	-	1,811	1,517
Public facilities	30,516	29,977	-	-	30,516	29,977
Water and sewer	-	-	29,372	28,479	29,372	28,479
Solid Waste	-	-	3,953	3,977	3,953	3,977
Other	21,584	18,661	12,037	10,847	33,621	29,508
Total expenses	<u>414,578</u>	<u>388,996</u>	<u>45,362</u>	<u>43,303</u>	<u>459,940</u>	<u>432,299</u>
Excess(deficit) before transfers	(31,061)	(26,501)	6,324	7,037	(24,737)	(19,464)
Net transfers	(368)	(418)	368	418	-	-
Change in net position	<u>(31,429)</u>	<u>(26,919)</u>	<u>6,692</u>	<u>7,455</u>	<u>(24,737)</u>	<u>(19,464)</u>
Net position - beginning of year	290,552	317,471	133,427	125,972	423,979	443,443
Adjustment to restate beginning balances	(1,923)	-	(949)	-	(2,872)	-
Net position - beginning of year, as restated	<u>288,629</u>	<u>317,471</u>	<u>132,478</u>	<u>125,972</u>	<u>421,107</u>	<u>443,443</u>
Net position - end of year	<u>\$ 257,200</u>	<u>\$ 290,552</u>	<u>\$ 139,170</u>	<u>\$ 133,427</u>	<u>\$ 396,370</u>	<u>\$ 423,979</u>

Overall, the financial position of Charles County decreased nearly 6.5% compared to FY2013. As shown on the table on page 8, total revenues increased from \$412.8 million in FY2013 to \$435.2 million in FY2014. Property taxes increased by \$11.2 million due to a tax rate increase. Other taxes increased by \$9.5 million primarily due to an income tax rate increase. Program expenses increased from \$432 million in FY2013 to \$460 million in FY2014.

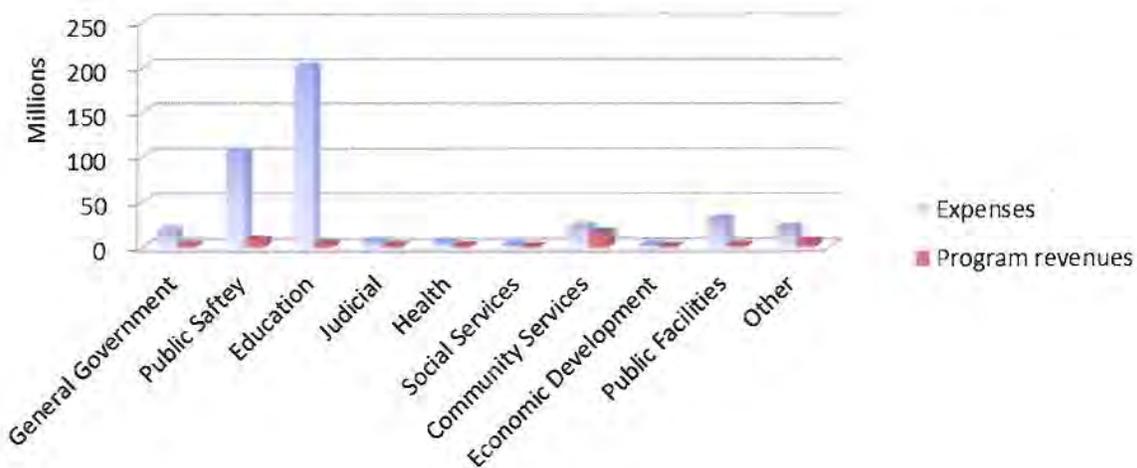
Governmental activities. To aid in the understanding of the Statement of Activities (pages 17-19), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expenses)/Revenue and Changes in Net 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 \$24.7 million was experienced when all funds are combined, as indicated on page 8. Total expenditures of \$460 million were partially offset by program related service fees, grants, and other contributions of nearly \$91.4 million. The remaining \$368.6 million in expenditures were primarily funded through non-program revenue sources, primarily property and income taxes.

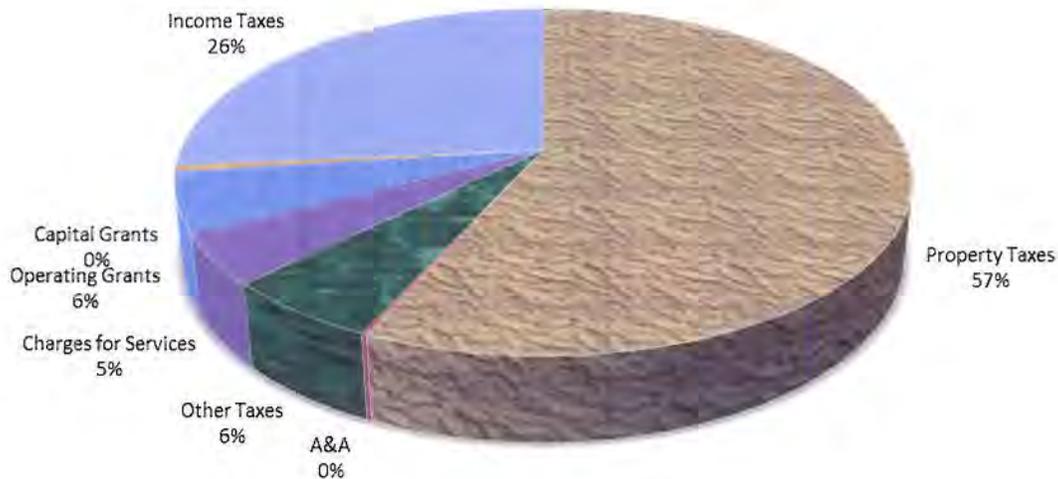
Governmental-type activities, as expected, operated at a \$374.3 million loss, primarily due to Education and Public Safety. As depicted in the bar chart below, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately \$293.6 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 \$45.4 million of the total \$460 million expended, or approximately 9% of the total, and finished the fiscal year with an operating gain of \$6.3 million.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2014)



**General Governmental Revenues by Source - Governmental Activities
(Year Ended June 30, 2014)**



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 2014, the rates increased for each tier. The residential rate for water is \$2.98 for the first 18,000 gallons, an increase of 15 cents. The residential rate for water is \$5.96 from 18,001 to 24,000 gallons, an increase of 30 cents. The residential rate for water is \$8.94 for 24,000 gallons and above, an increase of 45 cents. The residential sewer rate is \$6.33, an increase of 26 cents, and is capped at 24,000 gallons. The commercial/multi-family rate for water is \$3.78, up 16, and sewer is \$6.33 per 1,000 gallons, an increase of 26 cents.

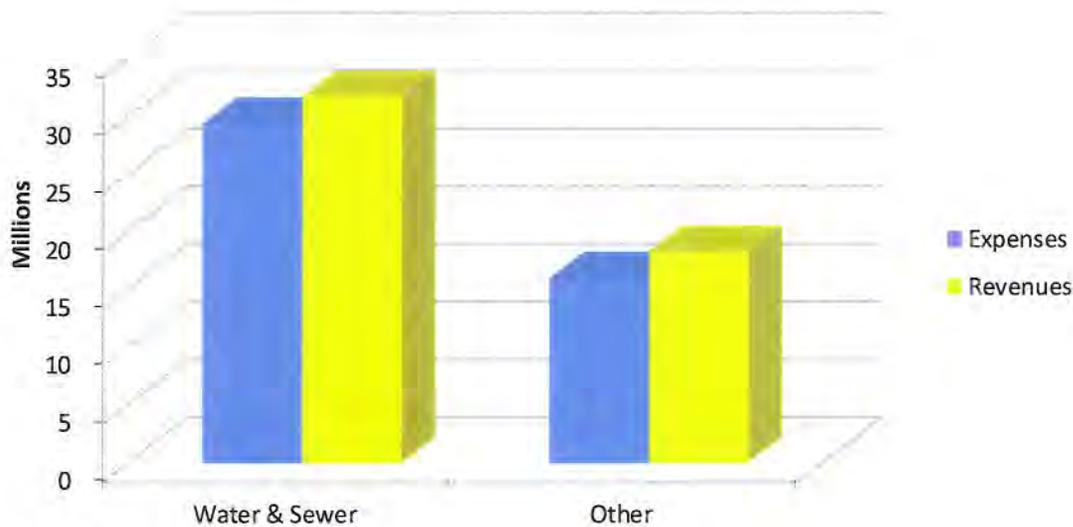
The Solid Waste Fund is considered a major fund for reporting purposes. The County owns and operates a landfill. The primary source of revenue is derived from tipping fees. The fee of \$70 per ton for commercial and residential refuse was unchanged compared to FY2013. The County has opened the fourth 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 \$69 assessed on each improved property in the County. This was decreased by six dollars compared to FY2013, due to shifting stormwater costs to the new Watershed Restoration and Protection Fund to meet State Law (2012 Session – HB 987).

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. 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 is \$43 and will be charged annually to each improved property within the County.

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 \$90.7 million, a decrease of \$48.9 million in comparison with the prior year. The general fund decreased by \$4.2 million and the capital projects fund decreased \$42.2 million for the fiscal year due in part to the County’s decision to delay the Fiscal Year 2014 bond issue to Fiscal Year 2015. The debt service decreased \$3.7 million while the special revenue funds increased \$1.2 million. The County’s governmental fund balances as of June 30, 2014 includes General Fund reserves of \$1.6 million for inventory and Capital Project reserves of \$2.6 million with the balance of funds as indicated on page 67. The governmental fund balances of the County that are committed or assigned and the largest components include (1) \$3.8 million for health insurance, (2) \$3.5 million for infrastructure, and (3) \$28.6 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 \$5.6 million, and the committed fund balance, including the policy target, was \$33.4 million. The assigned fund balance for specific purposes was \$4.2 million, and the un-assigned fund balance was \$1 million for a total fund balance of \$44.2 million.

The Capital Project Fund experienced a decrease of \$42.2 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. The County delayed issuing bonds until Fiscal Year 2015 which resulted in the fund balance decrease in Fiscal Year 2014.

The County's Debt Service Fund balance decreased by \$3.7 million during the current fiscal year as a result of a payment on a contractual agreement that was expected, but has been delayed to be received prior to the end of Fiscal Year 2015.

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 \$4.1 million. The unrestricted net position for the County's Solid Waste Fund was \$19.3 million. Unrestricted net position of all proprietary funds was \$23.8 million. There was a total increase in net position for all proprietary funds in the amount of \$6.7 million.

General Fund Budgetary Highlights

The FY2014 General Fund Operating Budget was adopted at \$339.1 million. Budget amendments approved during the year equaled \$600 thousand increasing the budget to an amended total of \$339.6 million. The Budget provided funds to the local Board of Education exceeding the State mandated "Maintenance-of-Effort" by \$2.9 million and provided an additional \$2 million for non-recurring costs. State legislation passed in FY2013 required the County to pay for teachers' pension in the amount of \$5 million for Fiscal Year 2014; an increase of \$1 million compared to Fiscal Year 2013.

The FY2014 Operating Budget was adopted 4% greater than the FY2013 Budget. Lower property assessments coupled with expenditure increases resulted in the need to raise the property tax rate by 3.2% and increase the local income tax rate by 4.5%. Although a Fund Balance appropriation of \$5.9 million was approved during the course of the year, favorable budget savings partially reduced the use of Fund Balance. As a result, instead of a Fund Balance decrease of \$5.9 million, a decrease of approximately \$4.2 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, 2014, amounts to \$667.7 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 1.9% (less than 1% increase for governmental activities and a 4.8% increase for business-type activities).

Capital Assets
(net of depreciation)
June 30, 2014 and 2013
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land (not depreciated)	\$ 70,897	\$ 69,085	\$ 2,174	\$ 2,174	\$ 73,071	\$ 71,259
Construction in progress (not depreciated)	88,858	76,132	57,323	45,692	146,181	121,824
Land improvements	8,412	8,321	8,154	8,514	16,566	16,835
Infrastructure	180,059	189,070	97,656	100,196	277,715	289,266
Buildings and improvements	85,243	88,227	8,441	8,921	93,684	97,148
Machinery and equipment	21,431	22,270	33,250	32,140	54,681	54,410
Vehicles	5,210	4,104	612	385	5,822	4,489
Total	\$ 460,110	\$ 457,209	\$ 207,610	\$ 198,022	\$ 667,720	\$ 655,231

Additional information on the County's capital assets can be found in Note 3 on pages 54-57 of this report.

Long-term debt. At the end of the current fiscal year, the County had notes and bonds outstanding of \$303.2 million, which are backed by the full faith and credit of the County.

Outstanding Debt
General Obligation Bonds and Notes Payable
June 30, 2014 and 2013
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 224,840	\$ 250,991	\$ 67,610	\$ 73,819	\$ 292,450	\$ 324,810
Notes payable	1,453	51	9,280	9,994	10,733	10,045
Total	\$ 226,293	\$ 251,042	\$ 76,890	\$ 83,813	\$ 303,183	\$ 334,855

The County's total debt during the current fiscal year decreased by \$31.7 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 did not issue new bonds during the year, opting to go to the market at the beginning of Fiscal Year 2015.

The County continues to maintain an “Aa1” rating from Moody’s Investors Service and an “AAA” from Fitch Investors Service. Standard & Poor’s Ratings Services raised its rating on Charles County, Md.’s general obligation (GO) debt one notch to ‘AAA’ from ‘AA+’. According to the press release issued by Standard & Poors, “the upgrade reflects the county’s very strong economy with strong income and wealth levels, strong budgetary flexibility, and a diverse revenue stream.”

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County has also enacted public local laws authorizing the issuance of general obligation bonds. The County currently has \$167,591,100 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 62-66 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The FY2015 General Fund Budget was adopted at \$354,515,200, representing a 5% increase compared to FY2014.
- In FY2015, the County’s largest revenue source, Property Tax, was budgeted at \$203 million, representing an increase of 0.8% compared to the FY2014 Adopted Budget. The second largest revenue source, Income Tax, was adopted at \$110 million, a 4% increase compared to the FY2014 Adopted Budget. Recordation taxes were budgeted to increase \$4 million due primarily to an anticipated payment from a power plant and other revenues combined are budgeted \$62 thousand less than the FY2014 budget. A Fund Balance appropriation of \$3.2 million was also approved to balance the budget representing \$300 thousand more than FY2014.
- The County experienced a slight decline in property tax assessments due to a general decline in the real estate market.
- Income tax revenue was budgeted 4% more than FY2014 which includes the full year impact of the local tax rate increasing from 2.9% to 3.03% of Maryland taxable income on January 1, 2014.
- Expense budgets increased in total by 3% compared to the FY2014 Budget. The largest increase in expenditures is \$2.9 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 \$5.4 million. FY2014 one-time funding of \$2 million is excluded from the Maintenance of Effort calculation. The County fully

funded the Board of Education's request associated with the opening of a new high school by approving the use of \$2.3 million of the Board of Education's fund balance in FY2015. County funding for the Board of Education will be used to operate the new St. Charles High School (opening in August 2014). For FY2015, the shift in teachers' pension from the State to the Counties went from 65% to 85%, an increase of \$650 thousand.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2014.

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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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS:				
Cash and cash equivalents	\$ 20,096,585	\$ 1,386,539	\$ 21,483,124	\$ 63,174,316
Short-term investments	76,831,691	-	76,831,691	-
Other receivables	23,537,285	7,185,982	30,723,267	12,594,479
Notes receivable	-	144,233	144,233	-
Excise tax receivable	36,078,631	-	36,078,631	-
Taxes receivable	3,794,085	-	3,794,085	-
Internal balances	(39,878,396)	39,878,396	-	-
Inventory	1,577,748	542,816	2,120,564	542,921
Other current assets	44,135	121,237	165,372	11,205,017
Restricted assets	43,280,440	117,236	43,397,676	-
Capital assets, net of accumulated depreciation:				
Land	70,896,901	2,174,186	73,071,087	16,854,675
Construction in progress	88,857,681	57,322,875	146,180,556	3,067,546
Land improvements	8,412,326	8,154,534	16,566,860	3,858,584
Infrastructure	180,058,910	97,655,690	277,714,600	-
Buildings and improvements	85,243,209	8,441,076	93,684,285	287,176,409
Machinery and equipment	21,430,792	33,243,134	54,673,926	8,075,639
Vehicles	5,209,959	611,957	5,821,916	-
Total assets	<u>625,471,982</u>	<u>256,979,890</u>	<u>882,451,872</u>	<u>406,549,586</u>
DEFERRED OUTFLOW OF RESOURCES:				
Loss on Bond Refundings	<u>3,593,919</u>	<u>1,577,680</u>	<u>5,171,599</u>	<u>-</u>
LIABILITIES:				
Accounts payable	11,645,087	4,532,816	16,177,903	9,695,475
Accrued expenses	3,482,670	1,462,911	4,945,581	24,092,726
Unearned revenue	3,708,183	297,196	4,005,379	3,756,970
Other liabilities	14,832,090	1,115,089	15,947,179	2,036,253
Noncurrent liabilities:				
Due within one year	26,395,908	9,035,556	35,431,464	2,157,278
Due in more than one year	<u>304,614,477</u>	<u>99,788,793</u>	<u>404,403,270</u>	<u>153,063,044</u>
Total liabilities	<u>364,678,415</u>	<u>116,232,361</u>	<u>480,910,776</u>	<u>194,801,746</u>
NET POSITION:				
Net Investment in capital assets	303,818,811	115,327,060	419,145,871	313,860,133
Restricted for:				
Debt service	36,087,022	-	36,087,022	-
Cable franchise	5,256,202	-	5,256,202	-
Public housing	250,852	-	250,852	-
Public safety	1,169,602	-	1,169,602	-
Economic Development	500,117	-	500,117	-
Mental health	151,433	-	151,433	-
Transportation	365,904	-	365,904	-
Judicial	28,793	-	28,793	-
Aging services	59,724	-	59,724	-
Planning	7,923	-	7,923	-
Unrestricted	<u>(90,496,735)</u>	<u>23,842,789</u>	<u>(66,653,946)</u>	<u>(102,112,293)</u>
Total net position	<u>\$ 257,199,648</u>	<u>\$ 139,169,849</u>	<u>\$ 396,369,497</u>	<u>\$ 211,747,840</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Legislative	\$ 1,574,092	\$ -	\$ -	\$ -
Judicial	6,068,613	70,674	1,356,823	-
Law	1,014,904	-	-	-
General government	18,616,356	1,914,465	6,860	-
Elections	817,455	-	-	-
Public safety	105,607,477	4,229,891	3,588,713	-
Planning and growth management	7,176,186	4,308,924	111,571	1,062,788
Health	5,439,898	104,944	1,165,834	-
Social services	1,822,933	-	-	-
Community services	22,763,192	2,806,040	13,142,848	-
Public facilities	30,516,513	655,933	44,843	908,765
Economic development	1,811,898	-	284,734	-
Education	200,352,487	3,084,088	1,407,784	-
Conservation of natural resources	631,591	-	-	-
Interest expense on long term debt	10,363,586	-	-	-
Total governmental activities	414,577,180	17,174,959	21,110,010	1,971,553
Business-type activities:				
Water and sewer	29,372,054	31,716,428	908,769	-
Inspection and review	3,179,558	3,597,666	-	-
Recreation	3,807,971	3,369,004	65,314	-
Solid waste	3,953,044	5,310,180	-	-
Environmental services	3,335,642	3,594,313	-	-
SW-Watershed Protection	1,578,702	2,448,050	-	-
Vending machines	136,198	151,162	-	-
Total business-type activities	45,363,169	50,186,803	974,083	-
Total primary government	\$ 459,940,349	\$ 67,361,762	\$ 22,084,093	\$ 1,971,553
COMPONENT UNITS:				
Board of Education of Charles County, Maryland	\$ 392,980,090	\$ 6,379,470	\$ 92,971,400	\$ 37,815,442
Board of Library Trustees for Charles County	6,853,199	182,041	16,957	5,563
Total component units	\$ 399,833,289	\$ 6,561,511	\$ 92,988,357	\$ 37,821,005

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
\$ (1,574,092)	\$ -	\$ (1,574,092)	\$ -
(4,641,116)	-	(4,641,116)	-
(1,014,904)	-	(1,014,904)	-
(16,695,031)	-	(16,695,031)	-
(817,455)	-	(817,455)	-
(97,788,873)	-	(97,788,873)	-
(1,692,903)	-	(1,692,903)	-
(4,169,120)	-	(4,169,120)	-
(1,822,933)	-	(1,822,933)	-
(6,814,304)	-	(6,814,304)	-
(28,906,972)	-	(28,906,972)	-
(1,527,164)	-	(1,527,164)	-
(195,860,615)	-	(195,860,615)	-
(631,591)	-	(631,591)	-
(10,363,586)	-	(10,363,586)	-
<u>(374,320,658)</u>	<u>-</u>	<u>(374,320,658)</u>	<u>-</u>
-	3,253,143	3,253,143	-
-	418,108	418,108	-
-	(373,653)	(373,653)	-
-	1,357,136	1,357,136	-
-	258,671	258,671	-
-	869,348	869,348	-
-	14,964	14,964	-
-	<u>5,797,717</u>	<u>5,797,717</u>	-
<u>(374,320,658)</u>	<u>5,797,717</u>	<u>(368,522,941)</u>	-
-	-	-	(255,813,778)
-	-	-	(6,648,638)
-	-	-	<u>(262,462,416)</u>
211,634,597	-	211,634,597	-
9,363,263	-	9,363,263	-
757,375	-	757,375	-
11,094,837	-	11,094,837	-
912,531	-	912,531	-
26,288	-	26,288	-
98,827,341	-	98,827,341	-
881,979	-	881,979	-
-	-	-	271,929,317
6,479,338	457,308	6,936,646	137,002
3,282,490	68,239	3,350,729	33,932
(368,300)	368,300	-	-
<u>342,891,739</u>	<u>893,847</u>	<u>343,785,586</u>	<u>272,100,251</u>
(31,428,919)	6,691,564	(24,737,355)	9,660,218
290,551,935	133,427,048	423,978,983	202,087,622
(1,923,368)	(948,763)	(2,872,131)	-
288,628,567	132,478,285	421,106,852	-
<u>\$ 257,199,648</u>	<u>\$ 139,169,849</u>	<u>\$ 396,369,497</u>	<u>\$ 211,747,840</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 19,993,114	\$ -	\$ -	\$ 103,471	\$ 20,096,585
Investments	76,831,691	-	-	-	76,831,691
Other receivables	17,271,138	1,322,057	1,708,887	3,235,203	23,537,285
Excise tax receivable	-	-	36,078,631	-	36,078,631
Taxes receivable	3,794,085	-	-	-	3,794,085
Due from other funds	-	12,922,511	-	9,450,521	22,373,032
Inventory	1,577,748	-	-	-	1,577,748
Other assets	39,322	-	-	4,813	44,135
Restricted assets	1,655,111	-	41,125,212	500,117	43,280,440
Total assets	\$ 121,162,209	\$ 14,244,568	\$ 78,912,730	\$ 13,294,125	\$ 227,613,632
LIABILITIES AND FUND BALANCES:					
Accounts payable	\$ 1,756,266	\$ 8,257,145	\$ -	\$ 1,631,676	\$ 11,645,087
Accrued expenditures	1,004,327	-	-	-	1,004,327
Unearned revenue	121,409	3,387,209	-	199,655	3,708,273
Due to other funds	54,515,247	-	6,760,442	975,739	62,251,428
Other liabilities	10,692,973	-	-	2,696,505	13,389,478
Payable from restricted assets	1,442,612	-	-	-	1,442,612
Total liabilities	69,532,834	11,644,354	6,760,442	5,503,575	93,441,205
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	\$ 7,421,598	\$ -	\$ 36,065,119	\$ -	\$ 43,486,717
Fund balances:					
Nonspendable fund balance	1,604,951	-	41,125,212	-	42,730,163
Restricted fund balance	4,032,708	5,532,042	-	876,867	10,441,617
Committed fund balance	33,350,360	-	-	3,715,000	37,065,360
Assigned fund balance	4,197,363	-	-	3,198,683	7,396,046
Unassigned fund balance (deficit)	1,022,395	(2,931,828)	(5,038,043)	-	(6,947,476)
Total fund balances	44,207,777	2,600,214	36,087,169	7,790,550	90,685,710
Total liabilities & fund balances	\$ 121,162,209	\$ 14,244,568	\$ 78,912,730	\$ 13,294,125	\$ 227,613,632

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total Governmental Fund Balance	\$	90,685,710
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		460,109,778
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		(244,022,652)
Loans and notes payable		(1,452,874)
Capital leases payable		(4,063,960)
Health insurance claims		(981,422)
Net pension obligation		(331,131)
Accrued interest		(3,162,053)
Net OPEB obligation		(69,256,777)
Unavailable revenue		45,151,940
Deferred inflows of resources, including loss on refunding which are not financial resources and therefore are not reported in the funds.		3,593,919
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds		<u>(19,070,830)</u>
Net position of Governmental Activities	\$	<u>257,199,648</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, 2014

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes - local property	\$ 200,342,806	\$ -	\$ -	\$ 11,291,791	\$ 211,634,597
Taxes - income	99,513,353	-	-	-	99,513,353
Taxes - Excise	-	-	9,363,263	-	9,363,263
Taxes - Admissions and Amusement	757,375	-	-	-	757,375
Taxes - Recordation	11,094,837	-	-	-	11,094,837
Taxes - Hotel/Motel	912,531	-	-	-	912,531
Taxes - Heavy Equipment	26,288	-	-	-	26,288
Taxes - state shared	881,979	-	-	-	881,979
Charges for services	6,889,813	3,794,287	-	6,490,859	17,174,959
Intergovernmental	2,135,999	2,674,837	-	17,566,227	22,377,063
Interest income	171,306	-	3,103,823	7,361	3,282,490
Other income	4,944,231	-	1,233,548	301,559	6,479,338
Total revenues	<u>327,670,518</u>	<u>6,469,124</u>	<u>13,700,634</u>	<u>35,657,797</u>	<u>383,498,073</u>
Expenditures:					
Current:					
Education	170,238,686	30,537,943	-	1,511,206	202,287,835
Public safety	87,012,735	1,051,094	-	13,678,977	101,742,806
Other general government	19,184,620	-	-	-	19,184,620
Public facilities	19,463,695	13,677,118	-	-	33,140,813
Financial administration	8,514,244	-	-	-	8,514,244
Community services	3,728,095	-	-	17,977,185	21,705,280
Judicial	4,007,776	323,633	-	1,755,080	6,086,489
Planning and growth management	2,595,437	4,325,621	-	241,906	7,162,964
Health	3,067,197	-	-	1,214,784	4,281,981
Economic development	1,757,083	-	-	34,734	1,791,817
Social services	967,719	-	-	855,214	1,822,933
Legislative	1,470,275	-	-	8,209	1,478,484
Law	991,003	-	-	-	991,003
Conservation of natural resources	629,894	-	-	-	629,894
Elections	820,332	-	-	-	820,332
Debt service:					
Principal	-	-	13,969,954	-	13,969,954
Interest	6,963,625	-	3,399,961	-	10,363,586
Total expenditures	<u>331,412,416</u>	<u>49,915,409</u>	<u>17,369,915</u>	<u>37,277,295</u>	<u>435,975,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,741,898)</u>	<u>(43,446,285)</u>	<u>(3,669,281)</u>	<u>(1,619,498)</u>	<u>(52,476,963)</u>
Other financing sources (uses):					
Issuance of debt - capital lease	2,540,100	-	-	-	2,540,100
Issuance of debt - notes payable	1,418,390	-	-	-	1,418,390
Transfers in	1,050,000	1,262,500	-	3,815,399	6,127,899
Transfers out	(5,446,199)	(50,000)	-	(1,000,000)	(6,496,199)
Total other financing sources (uses)	<u>(437,709)</u>	<u>1,212,500</u>	<u>-</u>	<u>2,815,399</u>	<u>3,590,191</u>
Net change in fund balance	<u>(4,179,607)</u>	<u>(42,233,785)</u>	<u>(3,669,281)</u>	<u>1,195,901</u>	<u>(48,886,772)</u>
Fund balance - beginning of year	<u>48,387,384</u>	<u>44,833,999</u>	<u>39,756,450</u>	<u>6,594,649</u>	<u>139,572,482</u>
Fund balance - end 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>

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, 2014

Net change in fund balance - Governmental Funds	\$ (48,886,772)
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.	
	2,900,302
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.	
	24,672,499
Governmental funds report revenues based on the availability of the funds. However, in the government-wide statements revenues are recorded based on collectibility.	
	3,103,674
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Amortization of deferred charges	(1,848,966)
Compensated absences	(2,315,031)
Self-Insurance Claims - IBNR	467,973
Net pension obligation	15,153
Accrued interest	167,652
Net OPEB current year expense	(9,705,403)
	(31,428,919)
Change in Net Position of Governmental Activities	\$ (31,428,919)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type activities			Total
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 200	\$ 2,000	\$ 1,384,339	\$ 1,386,539
Other receivables	6,426,048	709,530	50,404	7,185,982
Notes receivable	144,233	-	-	144,233
Due from other funds	16,808,549	20,628,372	7,034,116	44,471,037
Inventory	486,657	-	56,159	542,816
Other current assets	3,121	-	118,116	121,237
Total current assets	<u>23,868,808</u>	<u>21,339,902</u>	<u>8,643,134</u>	<u>53,851,844</u>
Noncurrent assets:				
Net capital assets	178,290,766	12,371,495	16,941,191	207,603,452
Restricted assets	-	117,236	-	117,236
Total noncurrent assets	<u>178,290,766</u>	<u>12,488,731</u>	<u>16,941,191</u>	<u>207,720,688</u>
Total assets	<u>202,159,574</u>	<u>33,828,633</u>	<u>25,584,325</u>	<u>261,572,532</u>
DEFERRED OUTFLOW OF RESOURCES:				
Loss on Bond Refundings	<u>1,068,945</u>	<u>-</u>	<u>508,735</u>	<u>1,577,680</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	3,221,206	486,226	825,384	4,532,816
Accrued expenses	1,241,293	31,687	189,931	1,462,911
Due to other funds	-	-	4,592,642	4,592,642
Unearned revenue	-	-	297,196	297,196
Current portion of long-term debt	7,527,021	25,195	1,483,340	9,035,556
Total current liabilities	<u>11,989,520</u>	<u>543,108</u>	<u>7,388,493</u>	<u>19,921,121</u>
Noncurrent liabilities:				
Other liabilities	997,853	117,236	-	1,115,089
Bonds payable	51,659,794	-	9,202,416	60,862,210
Net deferred bond issue premiums	3,941,921	-	(39,538)	3,902,383
Long-term debt	9,726,306	7,317,029	340,938	17,384,273
Net pension obligation	84,174	13,004	22,260	119,438
Net OPEB obligation	7,923,025	1,282,876	1,883,293	11,089,194
Capital lease obligation	4,505,925	-	1,925,370	6,431,295
Total noncurrent liabilities	<u>78,838,998</u>	<u>8,730,145</u>	<u>13,334,739</u>	<u>100,903,882</u>
Total liabilities	<u>90,828,518</u>	<u>9,273,253</u>	<u>20,723,232</u>	<u>120,825,003</u>
NET POSITION:				
Net Investment in capital assets	106,144,580	5,280,331	3,902,149	115,327,060
Unrestricted	<u>4,117,531</u>	<u>19,275,049</u>	<u>450,209</u>	<u>23,842,789</u>
Total net position	<u>\$ 110,262,111</u>	<u>\$ 24,555,380</u>	<u>\$ 4,352,358</u>	<u>\$ 139,169,849</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, 2014

	Business-type activities			Total
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	
Operating revenues:				
Charges for services	\$ 31,716,428	\$ 5,310,180	\$ 12,862,924	\$ 49,889,532
Other income	450,087	-	7,221	457,308
Total operating revenues	<u>32,166,515</u>	<u>5,310,180</u>	<u>12,870,145</u>	<u>50,346,840</u>
Operating expenses:				
Personnel services	11,611,377	2,242,339	4,972,409	18,826,125
Utilities	2,975,616	40,873	380,905	3,397,394
Repairs and maintenance	876,308	218,815	285,796	1,380,919
Insurance costs	272,159	12,443	67,773	352,375
Indirect costs	434,200	235,500	113,117	782,817
Supplies	2,093,372	199,822	672,559	2,965,753
Contract services	1,196,153	117,373	3,761,280	5,074,806
Other operating costs	194,431	295,532	368,383	858,346
Depreciation	7,238,326	590,255	1,087,220	8,915,801
Total operating expenses	<u>26,891,942</u>	<u>3,952,952</u>	<u>11,709,442</u>	<u>42,554,336</u>
Operating income	<u>5,274,573</u>	<u>1,357,228</u>	<u>1,160,703</u>	<u>7,792,504</u>
Nonoperating revenues (expenses):				
Interest income	35,643	16,001	16,595	68,239
Intergovernmental	908,769	-	65,314	974,083
Interest expense	(2,480,112)	(92)	(328,629)	(2,808,833)
Gain on disposal of capital assets	-	-	297,271	297,271
Total nonoperating revenues (losses)	<u>(1,535,700)</u>	<u>15,909</u>	<u>50,551</u>	<u>(1,469,240)</u>
Income before transfers	3,738,873	1,373,137	1,211,254	6,323,264
Transfers in	-	-	703,784	703,784
Transfers out	-	-	(335,484)	(335,484)
Change in net position	3,738,873	1,373,137	1,579,554	6,691,564
Net position - beginning of year	107,343,455	23,184,545	2,899,048	133,427,048
Adjustment to restate beginning balances	(820,217)	(2,302)	(126,244)	(948,763)
Net position - beginning of year, as restated	<u>106,523,238</u>	<u>23,182,243</u>	<u>2,772,804</u>	<u>132,478,285</u>
Net position - end of year	<u>\$ 110,262,111</u>	<u>\$ 24,555,380</u>	<u>\$ 4,352,358</u>	<u>\$ 139,169,849</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 38,008,064	\$ 5,310,180	\$ 12,856,693	\$ 56,174,937
Cash paid to suppliers	(6,692,085)	(442,093)	(3,510,678)	(10,644,856)
Cash paid to employees	(11,422,050)	(2,232,359)	(6,078,663)	(19,733,072)
Net cash from operating activities	19,893,929	2,635,728	3,267,352	25,797,009
Cash flows from investing activities:				
Interest received	35,643	16,001	16,595	68,239
Net cash from investing activities	35,643	16,001	16,595	68,239
Cash flows from noncapital financing activities:				
Intergovernmental	908,769	-	65,314	974,083
Transfers in (out)	-	-	368,300	368,300
Receipts from interfund loans	(1,502,133)	(164,469)	1,243,826	(422,776)
Repayments of interfund loans	-	-	234,809	234,809
Net cash from noncapital financing activities	(593,364)	(164,469)	1,912,249	1,154,416
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	-	-	-	-
Proceeds from new loan	-	-	-	-
Principal payments on bonds payable	(5,434,667)	-	(532,041)	(5,966,708)
Principal payments on capital lease obligations	(680,564)	(15,066)	(307,764)	(1,003,394)
Principal payments on loans	(715,008)	-	-	(715,008)
Interest paid	(2,480,112)	(92)	(328,629)	(2,808,833)
Proceeds from disposal of assets	-	-	297,271	297,271
Cash paid for capital expenses	(10,025,857)	(2,472,102)	(4,178,700)	(16,676,659)
Net cash from capital and related financing activities	(19,336,208)	(2,487,260)	(5,049,863)	(26,873,331)
Net increase in cash and cash equivalents	-	-	146,333	146,333
Cash and cash equivalents - beginning of year	200	2,000	1,238,006	1,240,206
Cash and cash equivalents - end of year	<u>\$ 200</u>	<u>\$ 2,000</u>	<u>\$ 1,384,339</u>	<u>\$ 1,386,539</u>

	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	\$ 5,274,573	\$ 1,357,228	\$ 1,160,703	\$ 7,792,504
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	7,238,326	590,255	1,087,220	8,915,801
Increase (decrease) in compensation-related liabilities included in long-term debt	49,902	23,767	(9,821)	63,848
Increase in landfill closure liabilities included in long-term debt	-	243,395	-	243,395
(Increase) decrease in other receivables	5,819,559	(91,106)	1,805,471	7,533,924
(Increase) decrease in notes receivable	21,990	-	-	21,990
(Increase) decrease in inventories	330,324	-	(3,054)	327,270
(Increase) decrease in other current assets	1,226	-	(3,025)	(1,799)
(Increase) decrease in restricted assets	-	(10,213)	-	(10,213)
(Increase) decrease in deferred bond issue costs	(315,957)	(2,302)	(1,340,675)	(1,658,934)
Increase (decrease) in accounts payable	(87,602)	303,858	243,190	459,446
Increase (decrease) in accrued expenses	139,425	9,980	43,177	192,582
Increase (decrease) in other liabilities	315,957	10,213	-	326,170
Increase (decrease) in Net Pension Obligation	(5,540)	(506)	(1,974)	(8,020)
Increase (decrease) in Net OPEB Obligation	1,111,746	201,159	299,592	1,612,497
Increase (decrease) in deferred revenue	-	-	(13,452)	(13,452)
Net cash from by operating activities	\$ 19,893,929	\$ 2,635,728	\$ 3,267,352	\$ 25,797,009

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Borrowing under capital lease	\$ 1,117,800	\$ -	\$ 2,688,900	\$ 3,806,700

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

	<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	\$ 3,881,111	\$ 3,928,947	\$ 2,418,661	\$ 275,390	\$ 10,504,109
Interest receivable	-	96,581	-	-	96,581
Total current assets	<u>3,881,111</u>	<u>4,025,528</u>	<u>2,418,661</u>	<u>275,390</u>	<u>10,600,690</u>
Investments at fair value:					
Bond mutual funds	40,206,131	66,724,825	-	-	106,930,956
Equity securities	120,622,873	121,571,339	-	13,577,204	255,771,416
Total investments	<u>160,829,004</u>	<u>188,296,164</u>	<u>-</u>	<u>13,577,204</u>	<u>362,702,372</u>
Total assets	<u>164,710,115</u>	<u>192,321,692</u>	<u>2,418,661</u>	<u>13,852,594</u>	<u>373,303,062</u>
LIABILITIES:					
Accrued expenses	<u>(41,719)</u>	<u>(2,332)</u>	<u>-</u>	<u>-</u>	<u>(44,051)</u>
NET POSITION:					
Held in trust for pension benefits	<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>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2014

	<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	\$ 5,355,700	\$ 9,822,863	\$ 750,000	\$ 759,000	\$ 16,687,563
Employee contributions	2,011,246	2,541,009	-	-	4,552,255
Total contributions	<u>7,366,946</u>	<u>12,363,872</u>	<u>750,000</u>	<u>759,000</u>	<u>21,239,818</u>
Investment earnings:					
Interest, Dividends, Gains	7,875,118	12,510,844	1,168	183,031	20,570,161
Net change in fair value of investments	16,125,666	14,793,291	-	1,510,543	32,429,500
Total investment earnings	<u>24,000,784</u>	<u>27,304,135</u>	<u>1,168</u>	<u>1,693,574</u>	<u>52,999,661</u>
Less investment expenses	(939,468)	(840,937)	-	-	(1,780,405)
Net investment earnings	<u>23,061,316</u>	<u>26,463,198</u>	<u>1,168</u>	<u>1,693,574</u>	<u>51,219,256</u>
Total additions	<u>30,428,262</u>	<u>38,827,070</u>	<u>751,168</u>	<u>2,452,574</u>	<u>72,459,074</u>
DEDUCTIONS:					
Benefits paid to members	4,357,479	7,996,764	-	777,078	13,131,321
Administrative costs	12,201	14,216	147	48,184	74,748
Total deductions	<u>4,369,680</u>	<u>8,010,980</u>	<u>147</u>	<u>825,262</u>	<u>13,206,069</u>
Changes in net position	26,058,582	30,816,090	751,021	1,627,312	59,253,005
Net position - beginning of year	<u>138,609,814</u>	<u>161,503,270</u>	<u>1,667,640</u>	<u>12,225,282</u>	<u>314,006,006</u>
Net position - end 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>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 JUNE 30, 2014

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
ASSETS:			
Cash and cash equivalents	\$ 62,660,800	\$ 513,516	\$ 63,174,316
Accounts receivable	12,574,667	19,812	12,594,479
Inventory	542,921	-	542,921
Other assets	11,150,962	54,055	11,205,017
Capital assets			
Land	16,854,675	-	16,854,675
Construction in progress	3,067,546	-	3,067,546
Land improvements	3,858,584	-	3,858,584
Buildings	287,176,409	-	287,176,409
Machinery and equipment	6,449,154	1,626,485	8,075,639
Total assets	<u>404,335,718</u>	<u>2,213,868</u>	<u>406,549,586</u>
LIABILITIES:			
Accounts payable	9,663,518	31,957	9,695,475
Accrued expenses	23,993,355	99,371	24,092,726
Unearned revenue	3,755,970	1,000	3,756,970
Other liabilities	2,036,253	-	2,036,253
Non-current liabilities:			
Due within one year	2,157,278	-	2,157,278
Due in more than one year	150,330,423	2,732,621	153,063,044
Total liabilities	<u>191,936,797</u>	<u>2,864,949</u>	<u>194,801,746</u>
NET POSITION:			
Net investment in capital assets	312,233,648	1,626,485	313,860,133
Unrestricted (deficit)	(99,834,727)	(2,277,566)	(102,112,293)
Total net position	<u>\$ 212,398,921</u>	<u>\$ (651,081)</u>	<u>\$ 211,747,840</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 YEAR ENDED JUNE 30, 2014

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	\$ 392,980,090	\$ 6,379,470	\$ 92,971,400	\$ 37,815,442
Board of Library Trustees for Charles County	<u>6,853,199</u>	<u>182,041</u>	<u>16,957</u>	<u>5,563</u>
Total component units	<u>\$ 399,833,289</u>	<u>\$ 6,561,511</u>	<u>\$ 92,988,357</u>	<u>\$ 37,821,005</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
\$ (255,813,778)	\$ -	\$ (255,813,778)
-	(6,648,638)	(6,648,638)
<u>(255,813,778)</u>	<u>(6,648,638)</u>	<u>(262,462,416)</u>
265,895,193	6,034,124	271,929,317
-	22,383	22,383
33,577	355	33,932
130,557	6,445	137,002
<u>266,059,327</u>	<u>6,063,307</u>	<u>272,122,634</u>
10,245,549	(585,331)	9,660,218
202,153,372	(65,750)	202,087,622
<u>\$ 212,398,921</u>	<u>\$ (651,081)</u>	<u>\$ 211,747,840</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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 \$156,862,000 in operating funds and \$23,334,714 in capital funding to the Board of Education during fiscal year 2014.

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 \$3,552,000 in operating funds to the Library during fiscal year 2014.

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, 2014

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, 2014

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.

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- 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 judgements, 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. There is no liability recorded for unpaid accumulated sick leave since the County does not have a policy to pay any of these amounts when employees separate from service.

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

11. Long-term Obligations:

In the government-wide financial statements and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net 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 New GASB Pronouncements

The County has adopted the provision of Governmental Accounting Standard Board (GASB) issued Statement No. 65, entitled Items Previously Reported as Assets and Liabilities; Statement No. 66, entitled Technical Corrections - 2012 – an amendment of GASB Statements No. 10 and No. 62; Statement No. 67, entitled Financial Reporting for Pension Plans; and Statement No. 70, entitled Accounting and Financial Reporting for Nonexchange Financial Guarantees. The adoption of these standards did not have a material effect on these statements.

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As of the year ended June 30, 2014, GASB issued Statement No. 68, entitled Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The County is analyzing the effects of these pronouncements, which is expected to be material, and plans to adopt them as applicable by their effective date.

GASB also issued Statement No. 69, entitled Government Combinations and Disposals of Government Operations. This Statement is anticipated to not have a material effect on the County's financial statement upon implementation.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the program level. However, with proper approval by the County Commissioners, 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, 2014.

B. Deficit Fund Equity

The Recreation Fund had a deficit fund balance of \$937,258 as of June 30, 2014. 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 six years of managing the facility, significant improvements have been achieved in operations.

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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 \$23,755,588 and the bank balances were \$23,112,858. Of the bank balance, \$12,859,245 was covered by Federal depository insurance and \$10,253,613 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 \$5,150.

At year-end, the carrying amount of the Board of Education's deposits was \$31,948,977 and the bank balances were \$42,142,292. 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 \$257,672 and the bank balances were \$284,833. The bank balance was covered by Federal depository insurance. The amount of cash on hand was \$3,126.

Investments

Statutes authorize the Chief of Treasury to invest in short-term U.S. government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 365 days. Statutes also authorize the County's Chief of Treasury to invest in a local government investment pool established by state law. Investments are subject to approval of

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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	\$ 9,230	\$ -	\$ 6,660	\$ 15,890
Deposit Accounts	20,087,355		1,379,880	21,467,235
U.S. government securities				
Agencies	27,972,894	-	-	27,972,894
Money Market	268,400	10,504,109	-	10,772,509
Certificates of deposit	20,000,000	-	-	20,000,000
Maryland local government pool	28,590,397	-	-	28,590,397
Bond mutual funds	-	106,930,957	-	106,930,957
Equity securities	-	255,771,416	-	255,771,416
Restricted assets	2,155,229	-	117,236	2,272,465
Total cash and investments	<u>\$ 99,083,504</u>	<u>\$ 373,206,481</u>	<u>\$ 1,503,776</u>	<u>\$ 473,793,763</u>

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

Cash on hand	\$ 1,000
Deposits	29,503,846
Maryland local government investment pool	<u>33,155,954</u>
Total cash and investments	<u>\$ 62,660,800</u>

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

Cash on hand and deposits	\$ 260,798
Maryland local government investment pool	<u>252,718</u>
Total cash and investments	<u>\$ 513,516</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, not the participating governments, faces the custodial credit risk. A single financial institution, PNC Institutional Investments, is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the

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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 365 days from the date of purchase.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counter party or the counter party's trust department or agent, but not in the government's name. The County's policy relating to credit risk of investments require that securities underlying all certificates of deposit, repurchase agreements and reverse repurchase agreements have a market value of at least 102 percent of the cost plus accrued interest of the investment. County policies also require that a third party custodian hold investments securities and the collateral underlying all investments, in the government's name. The County's Chief of Treasury recognizes investment diversification as an important safeguard of County assets. Investment instruments, investment maturities, and financial institutions doing business with the County shall be diversified in such a way to insure that there is no concentration of risk in any of these categories. These diversification standards, as outlined in the County's Joint Statement of Investment Policies, are applied at the time of each investment. As of June 30, 2014, the County's investments were not exposed to custodial credit risk.

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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	\$ 144,409	\$ -	\$ -	\$ 8,641	\$ -	\$ -	\$ 153,049
Taxes	3,511,130	-	36,078,631	-	-	-	39,589,761
Accounts	17,409,686	1,322,057	1,703,893	6,431,281	709,530	3,107,482	30,683,930
Special assessments	-	-	4,994	130,360	-	-	135,354
Intergovernmental	-	-	-	-	-	178,125	178,125
Total receivables	<u>\$ 21,065,225</u>	<u>\$ 1,322,057</u>	<u>\$ 37,787,519</u>	<u>\$ 6,570,282</u>	<u>\$ 709,530</u>	<u>\$ 3,285,607</u>	<u>\$ 70,740,219</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 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)	\$ -	\$ 3,269,271	\$ 3,269,271
Deferred property taxes receivable (Debt Service)	-	36,060,125	36,060,125
Deferred income tax reserve	-	4,152,327	4,152,327
Special assessments not yet due (Debt Service)	-	4,994	4,994
School construction impact fees	3,387,209	-	3,387,209
Grant draw-downs prior to meeting all eligibility requirements	172,761	-	172,761
Other unearned revenue	148,213	-	148,213
Total unearned revenue for governmental funds	<u>\$ 3,708,183</u>	<u>\$ 43,486,717</u>	<u>\$ 47,194,900</u>

C. Property Taxes Receivable

The County levies a property tax each July 1 on the assessed value of all taxable real property location within the County on that date. Assessed values are established by the Maryland Departments of Assessments and Taxation at assessed market value. A reassessment of all property is required to be completed every three years. The rates of the levy cannot

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exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. The real property tax rate was increased during the year ended June 30, 2014 from \$1.057 to \$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.

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 6/30/2014</u>
Hospital 2004	\$ 15,000,000	15 years, 3.04831%	\$ 7,600,356
St. Charles Companies 2004	8,000,000	15 years, 4%-5%	3,090,000
St. Charles Companies 2005	6,000,000	15 years, 5%-5.125%	2,668,750
St. Charles Companies 2006	10,000,000	15 years, 5.125%-8%	5,305,000
St. Charles Companies 2007	3,000,000	15 years, 5.25%-5.75%	1,841,250
St. Charles Companies 2008	3,000,000	15 years, 4.90%-5.25%	1,983,000
St. Charles Companies 2009	2,000,000	15 years, 4%-5.375%	1,416,667
St. Charles Companies 2011	4,000,000	15 years, 2%-4.5%	3,575,000
St. Charles Companies 2012	4,000,000	15 years, 2%-3.25%	3,538,750
St. Charles Companies 2013	3,700,000	15 years, 3%-4%	3,480,000
Subtotal: St. Charles Co.'s	<u>43,700,000</u>		<u>26,898,417</u>
So. MD Baseball LLC 2008	9,248,200	15 years, 4.90%-5.25%	6,165,465
CSM 2005	1,000,000	15 years, 3.67%	460,974
Total Notes Receivable	<u>\$ 68,948,200</u>		<u>\$ 41,125,212</u>

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
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The future minimum note payments receivable for the year ended June 30, 2014 are as follows:

	UM Charles Regional Medical Center	St. Charles Companies	So. MD Baseball	CSM	Total
2015	\$ 1,247,234	\$ 3,990,965	\$ 2,432,000	\$ 86,791	\$ 7,756,990
2016	1,112,980	3,954,718	894,000	86,791	6,048,489
2017	1,247,234	3,997,836	894,000	86,791	6,225,861
2018	1,247,234	4,086,512	894,000	86,791	6,314,537
2019	1,247,234	3,895,737	894,000	86,790	6,123,761
2020-2024	2,182,540	9,940,775	2,682,000	79,579	14,884,894
2025-2029	-	3,234,956	-	-	3,234,956
Subtotal	8,284,456	33,101,499	8,690,000	513,534	50,589,489
Less: Interest	684,100	6,203,082	2,524,535	52,561	9,464,278
Total future minimum note payments receivable	<u>\$ 7,600,356</u>	<u>\$ 26,898,417</u>	<u>\$ 6,165,465</u>	<u>\$ 460,973</u>	<u>\$ 41,125,211</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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E. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

Governmental Activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not depreciated:				
Land	\$ 69,085,580	\$ 1,811,320	\$ -	\$ 70,896,900
Construction in progress	<u>76,131,693</u>	<u>19,894,565</u>	<u>7,168,576</u>	<u>88,857,681</u>
Total capital assets, not depreciated	<u>145,217,273</u>	<u>21,705,885</u>	<u>7,168,576</u>	<u>159,754,581</u>
Capital assets, depreciated:				
Land Improvements	11,983,667	647,878	-	12,631,545
Infrastructure	377,650,847	3,471,973	-	381,122,820
Buildings and Improvements	155,330,230	1,376,049	-	156,706,278
Machinery and Equipment	46,442,429	1,930,758	20,139	48,353,048
Vehicles	<u>22,581,895</u>	<u>2,862,885</u>	<u>1,375,859</u>	<u>24,068,921</u>
Total capital assets, depreciated	<u>613,989,067</u>	<u>10,289,543</u>	<u>1,395,998</u>	<u>622,882,613</u>
Less: accumulated depreciation for:				
Land Improvements	(3,662,227)	(556,993)	-	(4,219,219)
Infrastructure	(188,581,275)	(12,482,634)	-	(201,063,909)
Buildings and Improvements	(67,102,698)	(4,360,371)	-	(71,463,069)
Machinery and Equipment	(24,172,341)	(2,748,683)	1,233	(26,922,256)
Vehicles	<u>(18,478,323)</u>	<u>(1,773,996)</u>	<u>(1,393,357)</u>	<u>(18,858,962)</u>
Total accumulated depreciation	<u>(301,996,863)</u>	<u>(21,922,677)</u>	<u>(1,392,124)</u>	<u>(322,527,416)</u>
Total capital assets, depreciated net	<u>311,992,204</u>	<u>(11,633,134)</u>	<u>3,874</u>	<u>300,355,196</u>
Governmental activities, capital assets, net	<u>\$ 457,209,477</u>	<u>\$ 10,072,751</u>	<u>\$ 7,172,450</u>	<u>\$ 460,109,778</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Business Type Activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not depreciated:				
Land	\$ 2,174,186	\$ -	\$ -	\$ 2,174,186
Construction in progress	<u>45,691,963</u>	<u>12,410,106</u>	<u>779,194</u>	<u>57,322,875</u>
Total capital assets, not depreciated	<u>47,866,149</u>	<u>12,410,106</u>	<u>779,194</u>	<u>59,497,061</u>
Capital assets, depreciated:				
Land Improvements	14,786,658	-	-	14,786,658
Infrastructure	223,870,481	5,060,071	1,963,543	226,967,009
Buildings and Improvements	14,155,422	-	-	14,155,422
Machinery and Equipment	44,479,463	3,117,322	377,260	47,219,525
Vehicles	<u>4,642,556</u>	<u>391,100</u>	<u>75,451</u>	<u>4,958,205</u>
Total capital assets, depreciated	<u>301,934,580</u>	<u>8,568,493</u>	<u>2,416,254</u>	<u>308,086,819</u>
Less: accumulated depreciation for:				
Land Improvements	(6,273,086)	(359,038)	-	(6,632,124)
Infrastructure	(123,674,219)	(5,904,351)	(267,250)	(129,311,320)
Buildings and Improvements	(5,234,240)	(480,107)	-	(5,714,347)
Machinery and Equipment	(12,339,576)	(2,007,718)	(378,207)	(13,969,087)
Vehicles	<u>(4,257,110)</u>	<u>(164,588)</u>	<u>(75,451)</u>	<u>(4,346,247)</u>
Total accumulated depreciation	<u>(151,778,231)</u>	<u>(8,915,803)</u>	<u>(720,908)</u>	<u>(159,973,125)</u>
Total capital assets, depreciated net	<u>150,156,349</u>	<u>(347,310)</u>	<u>1,695,346</u>	<u>148,113,694</u>
Business-type, capital assets, net	<u>\$ 198,022,498</u>	<u>\$ 12,062,797</u>	<u>\$ 2,474,540</u>	<u>\$ 207,610,755</u>
Grand Total, capital assets, net	<u>\$ 655,231,975</u>	<u>\$ 22,135,548</u>	<u>\$ 9,646,991</u>	<u>\$ 667,720,532</u>

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	3,399,445
Legislative	36,381
Judicial	90,843
Financial Administration	77,074
Health	158,236
Community Services	999,323
Public Facilities	17,109,371
Education	50,989
Total depreciation expense- Governmental Activities	<u>\$ 21,922,677</u>

Business-Type Activities:

Water and Sewer	\$ 7,238,326
Solid Waste	590,255
Environmental Services	400,993
Recreation Programs	327,200
Inspection and Reviews	20,547
Golf Course	22,999
SW- Watershed Protection	315,482
Total depreciation expense-Business-type Activities	<u>\$ 8,915,802</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Construction Commitments

The County has active construction projects as of June 30, 2014. 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	\$ 32,454,640	\$ 19,264,302
Other transportation projects	873,927	773,153
General government		
Buildings and improvements	21,166,978	5,412,312
Other general government projects	11,473,883	5,320,847
Water and sewer		
Expansions and improvements	48,864,200	80,239,070
Parks		
Expansions and improvements	6,123,743	3,558,147
Environmental service		
Various environmental service projects	<u>7,761,102</u>	<u>23,623,638</u>
Total	<u>\$ 128,718,473</u>	<u>\$ 138,191,469</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
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Discretely Presented Component Units

Capital asset activity for the Board of Education for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 16,849,675	\$ 5,000	\$ -	\$ 16,854,675
Construction in progress	44,369,611	35,630,455	(76,932,520)	3,067,546
Total capital assets, not depreciated	<u>61,219,286</u>	<u>35,635,455</u>	<u>(76,932,520)</u>	<u>19,922,221</u>
Capital assets, depreciated:				
Buildings	435,622,086	78,423,523	-	514,045,609
Land Improvements	11,027,975	662,237	(3,800)	11,686,412
Furniture and Equipment	27,585,785	2,371,907	(592,922)	29,365,770
Total capital assets, depreciated	<u>474,236,846</u>	<u>81,457,667</u>	<u>(596,722)</u>	<u>555,097,791</u>
Less: accumulated depreciation for:				
Buildings	(215,226,259)	(11,642,941)	-	(226,869,200)
Land Improvements	(7,210,993)	(620,635)	3,800	(7,827,828)
Furniture and Equipment	(21,783,922)	(1,700,700)	568,006	(22,916,616)
Total accumulated depreciation	<u>(244,221,174)</u>	<u>(13,964,276)</u>	<u>571,806</u>	<u>(257,613,644)</u>
Total capital assets, depreciated net	<u>230,015,672</u>	<u>67,493,391</u>	<u>(24,916)</u>	<u>297,484,147</u>
Board capital assets, net	<u>\$ 291,234,958</u>	<u>\$ 103,128,846</u>	<u>\$ (76,957,436)</u>	<u>\$ 317,406,368</u>

Capital asset activity for the Library for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciated:				
Furniture and Equipment	\$ 1,849,333	\$ 18,598	\$ -	\$ 1,867,931
Library books and AV material	1,541,873	325,224	(213,229)	1,653,868
Total capital assets, depreciated	3,391,206	343,822	(213,229)	3,521,799
Less: accumulated depreciation	(1,364,482)	(744,061)	(213,229)	(1,895,314)
Library capital assets, depreciated, net	<u>\$ 2,026,724</u>	<u>\$ (400,239)</u>	<u>\$ -</u>	<u>\$ 1,626,485</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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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, 2014, is as follows:

Due (to) from other funds:		
	Governmental	Business-type
	Activities	Activities
General Fund	\$ (54,515,247)	\$ -
Capital Projects Fund	12,922,511	-
Debt Service Fund	(6,760,442)	-
Water and Sewer Fund	-	16,808,549
Solid Waste Fund	-	20,628,372
Other Non-major Funds	8,474,782	2,441,475
Total	<u>\$ (39,878,396)</u>	<u>\$ 39,878,396</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:

<u>Transfers Out</u>	<u>Transfers In</u>				Total
	General Fund	Capital Projects Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
<u>General Fund</u>	\$ -	\$ 1,262,500	\$ 3,815,399	\$ 368,300	\$ 5,446,199
<u>Capital Projects Fund</u>	50,000	-	-	-	50,000
<u>Non-major Governmental Funds</u>	1,000,000	-	-	-	1,000,000
<u>Total Transfers In:</u>	<u>\$ 1,050,000</u>	<u>\$ 1,262,500</u>	<u>\$ 3,815,399</u>	<u>\$ 368,300</u>	<u>\$ 6,496,199</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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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 2009 – Various equipment for the General Fund, Water and Sewer Fund, Inspection Fund, and the Environmental Service Fund – semiannual payments of \$330,929 over five years ending September 2013, including interest at a rate of 3.65%, equipment capitalized at \$3,000,000.
- Fiscal Year 2010 – Various equipment for the General Fund, Golf Course Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$120,512 thru FY13 except for a scheduled payment of \$378,268 in October 2011. Over the remaining period, scheduled payments of \$22,557 ending October 2014, including interest at a rate of 3.30%, equipment capitalized at \$1,102,600.
- Fiscal Year 2012 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service fund – semiannual payments of \$160,212 over five years ending July 2016, including interest at a rate of 1.65%, equipment capitalized at \$1,531,700.
- 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.

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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	11,024,548	4,724,840
Vehicles	7,802,359	3,042,270
Total capital assets	<u>18,917,813</u>	<u>7,767,110</u>
Less accumulated depreciation:		
Building and Improvements	(55,625)	-
Machinery and equipment	(9,389,017)	(2,342,170)
Vehicles	(5,137,585)	(2,446,138)
Total accumulated depreciation	<u>(14,582,227)</u>	<u>(4,788,308)</u>
Total capital assets, net	<u>\$ 4,335,586</u>	<u>\$ 2,978,803</u>

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2014, were as follows:

	Governmental Activities	Business-type Activities	Total
2015	\$ 1,118,540	\$ 1,496,724	\$ 2,615,264
2016	1,101,329	1,506,355	2,607,684
2017	992,024	1,495,356	2,487,380
2018	704,524	1,409,544	2,114,068
2019	263,165	956,242	1,219,407
2020-2024	-	1,722,146	1,722,146
Subtotal	<u>4,179,582</u>	<u>8,586,367</u>	<u>12,765,949</u>
Interest	<u>(115,622)</u>	<u>(826,308)</u>	<u>(941,930)</u>
Present value of minimum lease payments	<u>\$ 4,063,960</u>	<u>\$ 7,760,059</u>	<u>\$ 11,824,019</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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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. In the past, general obligation bonds have been issued for both governmental and business-type activities. During the year ended June 30, 2014, the County did not issue any general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. In the past, these bonds have been a mix of 10-year serial bonds and 15-year serial bonds with equal amounts of principal maturing each year. The County's General Obligation Bonds currently outstanding are as follows:

Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/14	Business-type Activities Balance 6/30/14
Consolidated Public Improvement and Refunding Bonds of 2004	\$ 41,270,000	15 yrs, 2% - 4%	\$ 1,483,643	\$ 326,357
Consolidated Public Improvement and Refunding Bonds of 2005	52,550,000	15 yrs, 3% - 4.5%	838,193	666,807
Consolidated Public Improvement and Refunding Bonds of 2005	10,160,000	10 yrs, 3% - 4.5%	1,240,000	-
Consolidated Public Improvement Bonds (Taxable) of 2005	6,000,000	15 yrs, 5% - 5.125%	425,000	-
Consolidated Public Improvement Bonds of 2006	26,880,000	15 yrs, 4% - 5%	3,095,209	484,791
Consolidated Public Improvement Bonds of 2006	16,120,000	10 yrs, 4% - 5%	3,700,000	-
Consolidated Public Improvement Bonds (Taxable) of 2006	10,000,000	15 yrs, 5.125% - 8%	1,395,000	-
Consolidated Public Improvement Bonds of 2007	33,700,000	15 yrs, 3.5% - 4%	3,894,213	2,990,787
Consolidated Public Improvement Bonds of 2007	16,300,000	10 yrs, 3.5% - 4%	5,535,000	-
Consolidated Public Improvement Bonds (Taxable) of 2007	3,000,000	15 yrs, 5.75% - 5.51%	615,000	-
Consolidated Public Improvement Bonds of 2008	25,400,000	15 yrs, 3% - 5%	4,203,485	2,511,515
Consolidated Public Improvement Bonds of 2008	1,600,000	10 yrs, 3% - 5%	705,000	-
Consolidated Public Improvement Bonds (Taxable) of 2008	\$20,000,000	15 yrs, 5% - 5.25%	13,525,000	-
Consolidated Public Improvement Bonds of 2009	49,640,000	20 yrs, 2% - 4.25%	24,995,431	6,049,569
Consolidated Public Improvement Bonds of 2009	900,000	10 yrs, 2% - 4.25%	470,000	-

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Consolidated Public Improvement Bonds (Taxable) of 2009	2,000,000	15 yrs, 4% - 5.375%	\$ 1,455,000	-
Consolidated Public Improvement and Refunding Bonds of 2010	22,730,000	10 yrs, 2% - 5%	8,641,558	5,643,442
Consolidated Public Improvement and Refunding Bonds of 2010	2,000,000	10 yrs, 2% - 5%	-	1,255,000
Consolidated Public Improvement Taxable BAB Bonds of 2010	11,415,000	5 yrs, 5% - 5.3%	6,115,178	5,299,822
Consolidated Public Improvement and Refunding Bonds of 2011	36,960,000	16 yrs, 2% - 4%	34,472,589	1,492,411
Consolidated Public Improvement and Refunding Bonds of 2011	15,500,000	10 yrs, 2% - 4%	14,135,000	-
Consolidated Public Improvement and Refunding Bonds of 2011	1,325,000	10 yrs, 2% - 4%	-	1,210,000
Consolidated Public Improvement Bonds (Taxable) of 2011	4,000,000	15 yrs, 2% - 4.5%	3,790,000	-
Refunding Bonds of Nov 2011	24,505,000	8 yrs, 4% - 5%	17,255,932	7,249,068
Consolidated Public Improvement and Refunding Bonds of 2012	40,740,000	15 yrs, 2% - 5%	32,951,507	5,583,493
Consolidated Public Improvement and Refunding Bonds of 2012	3,000,000	10 yrs, 2% - 5%	-	2,450,000
Consolidated Public Improvement and Refunding Bonds of 2012	7,500,000	20 yrs, 2% - 5%	-	6,905,000
Consolidated Public Improvement Bonds (Taxable) of 2012	4,000,000	15 yrs, 2% - 3.25%	3,600,000	-
Consolidated Public Improvement and Refunding Bonds of 2013	14,500,000	15 yrs, 3% - 5%	12,300,000	2,200,000
Consolidated Public Improvement and Refunding Bonds of 2013	33,105,000	10 yrs, 2% - 5%	20,303,073	11,591,927
Consolidated Public Improvement and Refunding Bonds of 2013	3,700,000	30 yrs, 3% - 5%	-	3,700,000
Consolidated Public Improvement Bonds (Taxable) of 2013	3,700,000	15 yrs, 3% - 4%	3,700,000	-
Total bonds outstanding			<u>\$ 224,840,010</u>	<u>\$ 67,609,990</u>
<u>Loan Description and Year</u>				
FHA Loan 1973	250,000	40 yrs, 3.649%	42,472	-
USDA Loan	731,720	35 yrs, 4.51%	729,585	-
Community Bank of Chesapeake	686,670	20 yrs, 3.45%	680,817	-
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	14,767,900	20 yrs, 1.200%	-	9,279,687
Total loans outstanding			<u>1,452,874</u>	<u>9,279,687</u>
Total bonds and loans outstanding			<u>\$ 226,292,884</u>	<u>\$ 76,889,676</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 250,990,727	\$ -	\$ (26,150,716)	\$ 224,840,011	\$ 23,897,254
Plus deferred amounts for bond premiums	21,397,486	-	(2,214,845)	19,182,641	-
Total bonds payable	272,388,213	-	(28,365,562)	244,022,652	23,897,254
Notes payable	51,540	1,418,390	(17,056)	1,452,874	42,105
Capital leases	2,568,681	2,540,100	(1,044,822)	4,063,959	1,086,714
Net Pension obligation	346,284	-	(15,153)	331,131	-
Net OPEB obligation	59,551,374	9,705,403	-	69,256,777	-
Compensated absences	16,755,799	2,315,031	-	19,070,830	1,369,835
Governmental activities noncurrent liabilities	<u>351,661,891</u>	<u>15,978,924</u>	<u>(29,442,593)</u>	<u>338,198,222</u>	<u>26,395,908</u>
<u>Business-type activities:</u>					
General obligation bonds	73,819,273	-	(6,209,284)	67,609,989	6,747,779
Plus deferred amounts for bond premiums	7,826,003	-	(768,258)	7,057,745	-
Total bonds payable	81,645,276	-	(6,977,542)	74,667,734	6,747,779
Notes payable	9,994,694	-	(715,008)	9,279,686	723,588
Capital leases	4,956,754	3,806,700	(1,003,395)	7,760,059	1,328,763
Landfill closure costs	6,847,768	243,395	-	7,091,163	-
Net Pension obligation	127,458	-	(8,023)	119,435	-
Net OPEB obligation	9,476,697	1,612,496	-	11,089,193	-
Compensated absences	1,874,547	105,508	(7,618)	1,972,437	235,426
Business-type activities noncurrent liabilities	<u>114,923,194</u>	<u>5,768,099</u>	<u>(8,711,586)</u>	<u>111,979,707</u>	<u>9,035,556</u>
Total primary government noncurrent liabilities	<u>\$ 466,585,085</u>	<u>\$ 21,747,023</u>	<u>\$ (38,154,179)</u>	<u>\$ 450,177,930</u>	<u>\$ 35,431,464</u>
<u>Component units:</u>					
Board of Education	\$ 129,767,535	\$ 22,720,166	\$ -	\$ 152,487,701	\$ 2,731,735
Library	211,269	-	(13,841)	197,428	197,428

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

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The annual requirements to amortize all debt outstanding as of June 30, 2014, including interest of \$76,962,846 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>	
2015	\$ 25,028,954	\$ 9,410,955	\$ 8,769,965	\$ 3,149,979	\$ 46,359,853
2016	24,279,645	8,531,328	8,563,033	2,832,759	44,206,765
2017	22,775,442	7,376,298	8,699,654	2,509,187	41,360,581
2018	21,276,460	6,414,628	8,666,501	2,178,270	38,535,859
2019	20,780,834	5,529,298	7,698,257	1,867,595	35,875,984
2020-2024	82,973,785	15,305,815	28,187,535	5,342,424	131,809,559
2025-2029	32,477,136	3,254,144	10,094,791	1,789,601	47,615,672
2030-2034	309,745	133,078	2,120,000	587,719	3,150,542
2035-2039	122,446	259,115	815,000	298,981	1,495,542
2040-2044	148,483	59,160	1,035,000	110,859	1,353,502
2045-2049	183,916	21,653	-	-	205,569
	<u>\$ 230,356,846</u>	<u>\$ 56,295,472</u>	<u>\$ 84,649,736</u>	<u>\$ 20,667,374</u>	<u>\$ 391,969,428</u>

Conduit Debt

Charles County Government had issued five economic development revenue bonds for the express purpose of providing capital financing for specific third parties that are not a part of the Charles County's financial reporting entity. These bonds neither constitute an indebtedness nor do they represent a pledge of the full faith and credit of the Charles County Government and are not reported as liabilities on the accompanying financial statements. Of these five issues, three of them have been previously satisfied or paid in full prior to this reporting period. During this fiscal year, the remaining two issues were satisfied and/or paid in full.

Non-Exchange Financial Guarantee

In Fiscal Year 2014, Charles County has recognized two financial guarantees issued several years ago for the Bel Alton High School Alumni Association, a legally separate entity, in accordance with GASB Statement No. 70. The amount of the liability recognized was the present value of the outstanding principal balances. These notes payable are reflected on page 65 with maturity dates of 2034 and 2049 respectively, with monthly payments now being made by the County to the two financial institutions. The County determined it was more likely than not to pay the remaining portions of Bel Alton's debt based on the underlying guarantee by the County, which owns the building that original funds were secured by Bel Alton to make renovations and improvements.

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Special Assessment Debt

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

I. Restricted Assets

The details of the restricted assets are as follows:

Governmental Activities

Cash and cash equivalents

Inmate account	\$	46,692
County Attorney escrow		10,033
SAO Restitution account		19,411
Lease deposits		10,043
Disadvantaged Business Loan program account		461,570
Targeted Industry Loan program account		500,117
Construction Escrow		<u>1,107,363</u>
Total cash and cash equivalents	\$	2,155,229

Notes Receivable

Univ. of MD Charles Regional Medical Center	\$	7,600,356
St. Charles Companies		26,898,417
So. MD Baseball LLC		6,165,465
College of Southern MD		<u>460,974</u>
Total notes receivable		<u>41,125,212</u>
Total Governmental Activities		43,280,441

Business-type Activities

Cash and cash equivalents

Landfill Bonds	<u>117,236</u>
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TOTAL PRIMARY GOVERNMENT \$ 43,397,677

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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	\$ 1,577,748	\$ -	\$ -	\$ -	\$ 1,577,748
Prepay Items	27,203	-	-	-	27,203
Long Term Note Receivable	-	-	41,125,212	-	41,125,212
	<u>1,604,951</u>	<u>-</u>	<u>41,125,212</u>	<u>-</u>	<u>42,730,163</u>
<u>Restricted</u>					
Capital Outlay	203,592	5,532,042	-	-	5,735,634
Economic Development	472,448	-	-	500,117	972,565
Housing	-	-	-	108,213	108,213
Public Safety	-	-	-	81,655	81,655
Fire and Rescue	-	-	-	186,882	186,882
Animal Control	76,055	-	-	-	76,055
Bond Premium	3,280,613	-	-	-	3,280,613
	<u>4,032,708</u>	<u>5,532,042</u>	<u>-</u>	<u>876,867</u>	<u>10,441,617</u>
<u>Committed</u>					
Policy Target	28,627,496	-	-	-	28,627,496
Housing	156,455	-	-	-	156,455
Public Safety	172,500	-	-	-	172,500
Cable Franchise	-	-	-	3,715,000	3,715,000
CIP/Pay-go	871,000	-	-	-	871,000
Infrastructure	3,522,909	-	-	-	3,522,909
	<u>33,350,360</u>	<u>-</u>	<u>-</u>	<u>3,715,000</u>	<u>37,065,360</u>
<u>Assigned</u>					
Aging Grants	-	-	-	19,412	19,412
Judicial Grants	-	-	-	28,794	28,794
Transportation	-	-	-	365,904	365,904
Public Safety	-	-	-	518,977	518,977
Housing	192,956	-	-	150,561	343,517
Aging Services	-	-	-	40,313	40,313
Animal Control	-	-	-	68,913	68,913
Drug Enforcement	-	-	-	313,174	313,174
Mental Health	-	-	-	151,433	151,433
Cable Franchise	-	-	-	1,541,202	1,541,202
Health Ins Rate Stabilization	3,804,804	-	-	-	3,804,804
CIP & Operations	199,604	-	-	-	199,604
	<u>4,197,364</u>	<u>-</u>	<u>-</u>	<u>3,198,683</u>	<u>7,396,047</u>
<u>Unassigned</u>					
Other unassigned	1,022,394	(2,931,828)	(5,038,043)	-	(6,947,477)
Total fund balances (deficit)	<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>

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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, 2014, a liability of \$1,370,000 (\$981,422 in governmental funds and \$388,578 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.

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, 2014, an additional budget surplus of \$549,935 was recognized and assigned as fund balance within the General Fund to offset future plan related costs. The balance as of June 30, 2014 is \$1,783,854.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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The changes in the County's 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

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, 2014, which have not resulted in any findings or liabilities. The County does not expect any disallowances of grant expenditures in the future.

B. Litigation

Charles County is routinely engaged in litigation regarding matters that arise in the normal course of the County's activities. In the opinion of the County Attorney and County Management, none of these matters will have a material effect on the financial position of the County. A large power plant operating in the County previously appealed the State of Maryland's real and personal property assessments. The 2008 personal property tax case came to closure in 2012 and the state did not reduce the value of the personal property. However, there are remaining appeals that are pending. The real property assessment is pending at various levels of appeal for 2009, 2011, and 2012. There is no appeal for 2010. Charles County has vigorously contested these appeals and has cross-filed its appeals contending that the assessments are too low. These appeals are currently pending before the Maryland Tax Court or State Assessor. In the opinion of the County Attorney and County Management the likelihood of an unfavorable outcome and material loss is 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 87. 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, 2013, the date of the last actuarial valuation:

	<u>Sworn Officers</u>	<u>Correctional Officers</u>	<u>Communications Employees</u>
Active plan members	287	142	41
Retirees and beneficiaries receiving benefits	98	14	8
Disabled, receiving benefits	15	-	-
Vested termination	6	-	-
	<u>406</u>	<u>156</u>	<u>49</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 \$4,895,484 as of June 30, 2014, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2014 totaled \$1,185,094.

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

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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, 2014, 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, 2014 was equal to the amount of the annual actuarial valuation of \$9,822,863. There was no net pension obligation at June 30, 2014. 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			
Years of Service				Years of Service			
Age	25	30	35	Age	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 –

Sheriff's hired prior to 7/1/1986

<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, 2014, were as follows (dollar amounts shown in thousands):

Total pension liability	\$ 255,286
Plan fiduciary net position	(192,319)
Sheriff's net pension liability	<u>\$ 62,967</u>
 Plan fiduciary net position as a percentage of the total pension liability	 75.33%

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Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2013 rolled forward to June 30, 2014 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. 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, 2013 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	\$ 105,905	\$ 62,967	\$ 34,726

Annual money-weighted rate of return 16.9%

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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 25, section 3(g) of the Annotated Code of Maryland. The County Commissioners have the power and authority to establish and amend the benefit provisions of the County Plan. All full-time employees not otherwise eligible for the SORP are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are also provided.

Membership in the plan consisted of the following at July 1, 2013, the last date of the last actuarial valuation:

Active plan members	796
Terminated, entitled to but not yet receiving benefits	157
Retirees and beneficiaries receiving benefits	<u>246</u>
	<u>1,199</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, 2014, the County fully funded the ARC of \$5,355,700 to the Plan as recommended in the actuarial report as of

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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July 1, 2013. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

Investment Concentrations – At June 30, 2014, 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%	8.50%
Small Cap Equity	8%	9.25%
Mid Cap Equity	6%	9.00%
International Equity	12%	8.25%
Fixed Income	25%	6.90%
Real Estate	5%	7.25%
Stable Value	15%	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.

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

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

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

For non-public safety participants:

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

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

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

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

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

To a maximum benefit of 65% of final average earnings

For public safety participants:

Final average earnings X 2.0% X credited years of service

To a maximum benefit of 75% of final average earnings

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

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

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

Participation Eligibility – Making employee contributions to the Plan.

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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

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

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

For public safety participants:

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

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

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

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

Eligibility (C): Death while receiving disability benefits.

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

Funding Policy and Contributions – The annual pension cost for the year ended June 30, 2014 was slightly less than the annual actuarial valuation made of \$5,332,524, as shown in the historical chart that follows. As a result, the net pension obligation at June 30, 2014 was decreased to a balance of \$450,565. This contribution for the current year was determined as part of the July 1, 2012 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.

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Inflation – 2.5%

Mortality – The RP-2000 Mortality Table for males and females projected to 2010.

Salary Increases – 4.5% compounded annually.

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

<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,

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we assume 1,500 hours of unused sick leave at assumed retirement. Any military services that is provided to us is reflected in calculations.

Estimated Expenses – Annual expenses expected to be paid from plan assets are assumed to be \$50,000.

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

Disability – The 1952 Disability Study of the Society of Actuaries, Period 2, Benefit 5 rates were used. For public safety participants, 5% of disabilities would be in-line-of-duty and the remainder would be non-service related. It is assumed that 100% of line-of-duty disabilities are total disabilities.

Net Pension Liability – The components of the net pension liability of the County at June 30, 2014, were as follows (dollar amounts in thousands):

Total pension liability		\$ 166,621
Plan fiduciary net position		(164,668)
County's net pension liability		\$ 1,953

Plan fiduciary net position as a percentage of the total pension liability	98.83%
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	1% decrease 6.75%	Current Discount Rate 7.75%	1% increase 8.75%
County's net pension liability	\$ 19,804	\$ 1,953	\$ 24,130

Annual money-weighted rate of return	16%
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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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C. Length of Service Award Program (LOSAP) for Volunteer Firemen and Rescue Squad Members

In accordance with Article 9, Section 130 of the Charles County Code of Public Local Laws of Maryland, a retirement program has been established for qualified active volunteer members of the Charles County volunteer fire companies and volunteer rescue squads and is administered by the Charles County Commissioners. Beginning on January 1, 1974, any person who has reached the age of sixty and who has completed a minimum of twenty-five years of certified active volunteer service with any Charles County volunteer fire company or rescue squad shall receive benefits in the amount of \$100 per month for life. An additional payment of \$4 per month shall be added for each full year of volunteer service in excess of twenty-five years. Seventy-five percent of the volunteer's benefits shall accrue to his or her surviving spouse and shall terminate upon the death or remarriage of the spouse.

The contributions for this plan have historically not been actuarially determined. For the fiscal year and future, the plan was funded from the revenue derived from one cent of the fire and rescue tax levied by the County in accordance with Section 123 of the Article noted above. Contributions made to the program for the year ended June 30, 2014 totaled \$759,000 from the 2013/14 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, 2014, M&T held the fair value of net assets for the plan benefits in the amount of \$275,390. 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, 2014, BB&T held the fair value of these assets in the amount of \$13,577,204.

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	176	232	54	462
Plan Assets	\$ 15,010,307	\$ 13,354,528	\$ 3,001,698	\$ 31,366,533
Annual Employee Contribution	825,762	907,307	152,707	1,885,776

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, 2014, there were 345 former employees and family members with medical coverage, 405 with dental, and 373 with vision. For the fiscal year ended June 30, 2013, the County incurred and recorded \$1,968,769 in health care expenditures for these participants on the pay-go basis.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	14,534,000
Interest on OPEB obligation		3,130,000
Annual required contribution adjustment		<u>(3,873,000)</u>
Annual OPEB cost (expense)		13,791,000
Pay-go contribution made		(2,000,785)
Trust contribution made		<u>(750,000)</u>
Increase in net OPEB obligation		11,040,215
Net OPEB obligation - beginning of year		<u>71,840,949</u>
Net OPEB obligation - end of year	\$	<u>82,881,164</u>

The Library's pro-rata share of the Net OPEB obligation at the end of the current fiscal year is \$2,535,193.

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

**SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	430,663	124,041,000	123,610,337	0.3%	73,743,373	167.6%
7/1/10	667,759	134,539,000	133,871,241	0.5%	70,881,361	188.9%
7/1/11	918,197	144,038,000	143,119,803	0.6%	69,875,828	204.8%
7/1/12	1,166,815	155,629,000	154,462,185	0.7%	72,094,844	214.2%
7/1/13	1,667,640	155,528,000 *	153,860,360	1.1%	75,514,102	203.8%
7/1/14	2,418,562	159,034,000 *	156,615,438	1.5%	n/a	n/a

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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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, 2014 was as follows:

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

Fiscal Year Ended	Annual required OPEB Cost	% of Annual required OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 15,162,000	9.35%	\$ 13,743,245
June 30, 2009	11,904,000	13.60%	24,028,146
June 30, 2010	12,858,000	12.51%	35,277,146
June 30, 2011	13,269,000	14.06%	46,757,723
June 30, 2012	14,216,000	13.76%	59,067,223
June 30, 2013	14,263,000	15.73%	71,097,949

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, 2014 was 25 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, 2014 were \$67,309.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, approximately 55% of this space remains available for future waste disposal. The County is developing the landfill in sections so that when one section closes another is ready to open. At the close of the fiscal year, the landfill had Phase I, IIA, and IIIA open. The \$7,091,163 reported as landfill closure and post-closure care liability at June 30, 2014, 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 \$243,395.

NOTE 9. PRIOR YEAR RESTATEMENT

Net positions of governmental activities and business-type activities have been restated by decreases of \$1,923,368 and \$948,763 respectively, due to the write off of previous bond issuance costs which were being amortized over the life of the bonds. With the implementation of GASB Statement No. 65, the County is required to expense these amounts as bonds are issued in coming years and to apply this change retroactively.

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, 2014

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes - local property	\$ 201,088,000	\$ 200,719,500	\$ 200,342,806	\$ (376,694)
Taxes - income	106,240,200	102,043,500	99,513,353	(2,530,147)
Taxes - other local	12,508,000	12,508,000	12,791,031	283,031
Taxes - state shared	908,000	908,000	881,979	(26,021)
Charges for services	6,816,100	6,948,470	6,889,813	(58,657)
Intergovernmental	2,126,600	2,185,220	2,135,999	(49,221)
Interest income	300,000	300,000	171,306	(128,694)
Other income	4,503,700	4,530,920	4,944,231	413,311
Total revenues	<u>334,490,600</u>	<u>330,143,610</u>	<u>327,670,518</u>	<u>(2,473,092)</u>
Expenditures:				
Education	172,595,300	170,283,400	170,238,686	44,714
Public safety	89,427,900	88,762,750	87,012,735	1,750,015
General government (including contingencies)	17,434,800	18,892,900	19,184,620	(291,720)
Public facilities	17,549,700	19,635,180	19,463,695	171,485
Financial administration	8,686,100	8,706,360	8,514,244	192,116
Judicial	4,492,500	4,173,350	4,007,776	165,574
Planning and growth management	2,629,300	2,621,300	2,595,437	25,863
Community services	3,913,400	3,853,660	3,728,095	125,565
Health services	3,147,400	3,086,700	3,067,197	19,503
Economic development	2,150,670	1,991,460	1,757,083	234,377
Social services	941,730	973,840	967,719	6,121
Legislative	1,502,400	1,564,520	1,470,275	94,245
Law	899,800	1,013,630	991,003	22,627
Conservation of natural resources	643,100	639,800	629,894	9,906
Elections	972,800	959,700	820,332	139,368
Debt service				
Interest	6,825,800	6,920,480	6,963,625	(43,145)
Total expenditures	<u>333,812,700</u>	<u>334,079,030</u>	<u>331,412,416</u>	<u>2,666,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>677,900</u>	<u>(3,935,420)</u>	<u>(3,741,898)</u>	<u>193,522</u>
Other financing sources (uses):				
Proceeds from capital lease agreement	609,400	2,540,100	2,540,100	-
Issuance of debt - notes payable	-	-	1,418,390	1,418,390
Transfers in	1,050,000	1,050,000	1,050,000	-
Transfers out	(5,258,900)	(5,581,570)	(5,446,199)	135,371
Total other financing sources (uses)	<u>(3,599,500)</u>	<u>(1,991,470)</u>	<u>(437,709)</u>	<u>1,553,761</u>
Net change in fund balance	(2,921,600)	(5,926,890)	(4,179,607)	1,747,283
Fund balance - beginning of year	48,387,384	48,387,384	48,387,384	-
Fund balance - end of year	<u>\$ 45,465,784</u>	<u>\$ 42,460,494</u>	<u>\$ 44,207,777</u>	<u>\$ 1,747,283</u>

See report of independent public accountants.

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

(Dollar amounts in thousands)

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

Notes to schedule:

Benefit changes: There are no benefit changes reflected in the current schedule.

Changes of assumptions: For FY2014, assumed future post retirement COLA increases were reduced from 3.0% to 2.7%, assumed future rates of turnover were reduced, and the "trapezoidal rule" was implemented to calculate Average Compensation.

Information for FY2013 and earlier is not available and not required as part of new GASB Statement 67 for retroactive reporting.

Schedule of Sheriff's Plan Contributions

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 9,823	8,425	7,390	6,817	6,964	5,861	4,956	5,263	4,451	4,150
Contributions in relation to the actuarially determined contribution	9,823	8,425	7,390	6,817	6,964	5,861	4,956	5,263	4,451	4,150
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll*	\$ 38,926	n/a								
Contributions as a percentage of covered employee payroll	25.24%	n/a								

* Information for FY2013 and earlier is not readily available and not required as part of new GASB Statement 67 for retroactive reporting.

Notes to Schedule

The actuarial valuation date is the beginning of the fiscal year.

Valuation date:

Methods and assumptions used to determine Projected Unit Credit

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

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

(Dollar amounts in thousands)

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 5,552
Interest	11,745
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(4,357)</u>
Net change in total pension liability	12,940
Total Pension Liability - beginning	153,681
Total Pension Liability - ending (a)	<u>\$ 166,621</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 5,356
Contributions - employee	2,011
Net Investment Income	23,052
Benefit payments, including refunds of member contributions	<u>(4,357)</u>
Administrative expense	(84)
Other	-
Net change in plan fiduciary net position	25,978
Plan Fiduciary Net Position - beginning	138,690
Plan Fiduciary Net Position - ending (b)	<u>\$ 164,668</u>
County's Net Pension Liability - ending (a) - (b)	<u>\$ 1,953</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	98.83%
Covered employee payroll	\$ 54,750
County's Net Pension Liability as a percentage of covered employee pensionable payroll	3.57%
Annual money-weighted rate of return	17.3%

Information for FY2013 and earlier is not available and not required as part of new GASB Statement 67 for retroactive reporting.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 5,356	5,223	6,055	5,745	6,547	6,170	5,527	5,104	3,912	2,955
Contributions in relation to the actuarially determined contribution	5,356	5,223	6,055	5,745	6,547	6,170	5,527	5,104	3,912	2,955
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll*	\$ 54,750	n/a								
Contributions as a percentage of covered employee payroll	9.78%	n/a								

*Information for FY2013 and earlier is not readily available and not required as part of new GASB Statement 67 for retroactive reporting.

See report of independent public accountants.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

**SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	430,663	124,041,000	123,610,337	0.3%	73,743,373	167.6%
7/1/10	667,759	134,539,000	133,871,241	0.5%	70,881,361	188.9%
7/1/11	918,197	144,038,000	143,119,803	0.6%	69,875,828	204.8%
7/1/12	1,166,815	155,629,000	154,462,185	0.7%	72,094,844	214.2%
7/1/13	1,667,640	155,528,000 *	153,860,360	1.1%	75,514,102	203.8%
7/1/14	2,418,562	159,034,000 *	156,615,438	1.5%	n/a	n/a

* estimated

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS**

Fiscal Year Ended	Annual required OPEB Cost	% of Annual required OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 15,162,000	9.35%	\$ 13,743,245
June 30, 2009	11,904,000	13.60%	24,028,146
June 30, 2010	12,858,000	12.51%	35,277,146
June 30, 2011	13,269,000	14.06%	46,757,723
June 30, 2012	14,216,000	13.76%	59,067,223
June 30, 2013	14,263,000	15.73%	71,097,949
June 30, 2014	13,791,000	18.93%	82,881,164

See report of independent public accountants.

OTHER SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Other receivables	69,659	46,362	529,112	789,984	-
Due (to) from other funds	-	-	-	525,658	-
Other assets	-	-	151	-	-
Restricted assets	-	-	-	-	500,117
Total assets	<u>\$ 69,659</u>	<u>\$ 46,362</u>	<u>\$ 529,263</u>	<u>\$ 1,315,642</u>	<u>\$ 500,117</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 20,405	\$ 28,853	\$ 37,183	\$ 924,235	\$ -
Accrued expenditures	-	-	-	-	-
Deferred revenue	-	1,901	509	25,503	-
Due to other funds	49,254	7,685	491,571	-	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>69,659</u>	<u>38,439</u>	<u>529,263</u>	<u>949,738</u>	<u>-</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	-	-	500,117
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	7,923	-	365,904	-
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>-</u>	<u>7,923</u>	<u>-</u>	<u>365,904</u>	<u>500,117</u>
Total liabilities and fund balance	<u>\$ 69,659</u>	<u>\$ 46,362</u>	<u>\$ 529,263</u>	<u>\$ 1,315,642</u>	<u>\$ 500,117</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Public Safety Grants	Community Development Grants	Housing Assistance	Housing Special Loans	Sheriff's Special Programs
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ 103,371	\$ -	\$ -
Investments	-	-	-	-	-
Other receivables	239,996	14,999	30,215	20,968	819
Due (to) from other funds	-	-	167,587	-	320,851
Other assets	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	<u>\$ 239,996</u>	<u>\$ 14,999</u>	<u>\$ 301,173</u>	<u>\$ 20,968</u>	<u>\$ 321,670</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 14,114	\$ -	\$ 64,544	\$ -	\$ 199
Accrued expenditures	-	-	-	-	-
Deferred revenue	1,166	14,999	-	-	-
Due to other funds	224,716	-	-	6,745	-
Other liabilities	-	-	-	-	-
Total liabilities	<u>239,996</u>	<u>14,999</u>	<u>64,544</u>	<u>6,745</u>	<u>199</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	108,213	-	-
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	128,416	14,223	321,471
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>236,629</u>	<u>14,223</u>	<u>321,471</u>
Total liabilities and fund balance	<u>\$ 239,996</u>	<u>\$ 14,999</u>	<u>\$ 301,173</u>	<u>\$ 20,968</u>	<u>\$ 321,670</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Other receivables	66,896	9,400	-	-	-
Due (to) from other funds	11,052	70,775	420,974	-	2,884,519
Other assets	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	<u>\$ 77,948</u>	<u>\$ 80,175</u>	<u>\$ 420,974</u>	<u>\$ -</u>	<u>\$ 2,884,519</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 31,762	\$ 2,683	\$ 26,145	\$ -	\$ 4,704
Accrued expenditures	-	-	-	-	-
Deferred revenue	46,186	5,008	-	-	-
Due to other funds	-	-	-	-	-
Other liabilities	-	3,571	-	-	2,692,933
Total liabilities	<u>77,948</u>	<u>11,262</u>	<u>26,145</u>	<u>-</u>	<u>2,697,637</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	81,655	-	186,882
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	68,913	313,174	-	-
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>-</u>	<u>68,913</u>	<u>394,829</u>	<u>-</u>	<u>186,882</u>
Total liabilities and fund balance	<u>\$ 77,948</u>	<u>\$ 80,175</u>	<u>\$ 420,974</u>	<u>\$ 0</u>	<u>\$ 2,884,519</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
ASSETS:				
Cash and cash equivalents	\$ 100	\$ -	\$ -	\$ -
Investments	-	-	-	-
Other receivables	8,969	34,734	216,917	23,733
Due (to) from other funds	28,689	-	-	28,770
Other assets	-	-	-	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 37,758</u>	<u>\$ 34,734</u>	<u>\$ 216,917</u>	<u>\$ 52,503</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ 8,964	\$ -	\$ 45,149	\$ 12,191
Accrued expenditures	-	-	-	-
Deferred revenue	-	-	86,068	-
Due to other funds	-	34,734	66,288	-
Other liabilities	-	-	-	-
Total liabilities	<u>8,964</u>	<u>34,734</u>	<u>197,505</u>	<u>12,191</u>
Fund balance:				
Nonspendable fund balance	-	-	-	-
Restricted fund balance	-	-	-	-
Committed fund balance	-	-	-	-
Assigned fund balance	28,794	-	19,412	40,312
Unassigned fund balance	-	-	-	-
Total fund balance	<u>28,794</u>	<u>-</u>	<u>19,412</u>	<u>40,312</u>
Total liabilities and fund balance	<u>\$ 37,758</u>	<u>\$ 34,734</u>	<u>\$ 216,917</u>	<u>\$ 52,503</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2014

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 103,471
Investments	-	-	-	-	-
Other receivables	600	211,371	798,691	121,777	3,235,202
Due (to) from other funds	202,022	52,410	4,737,214	-	9,450,521
Other assets	-	2,418	2,244	-	4,813
Restricted assets	-	-	-	-	500,117
Total assets	<u>\$ 202,622</u>	<u>\$ 266,199</u>	<u>\$ 5,538,149</u>	<u>\$ 121,777</u>	<u>\$ 13,294,124</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 5,116	\$ 101,438	\$ 281,947	\$ 22,044	\$ 1,631,676
Accrued expenditures	-	-	-	-	-
Deferred revenue	-	13,328	-	4,987	199,655
Due to other funds	-	-	-	94,746	975,739
Other liabilities	-	-	-	-	2,696,504
Total liabilities	<u>5,116</u>	<u>114,766</u>	<u>281,947</u>	<u>121,777</u>	<u>5,503,574</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	-	-	876,867
Committed fund balance	-	-	3,715,000	-	3,715,000
Assigned fund balance	197,506	151,433	1,541,202	-	3,198,683
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>197,506</u>	<u>151,433</u>	<u>5,256,202</u>	<u>-</u>	<u>7,790,550</u>
Total liabilities and fund balance	<u>\$ 202,622</u>	<u>\$ 266,199</u>	<u>\$ 5,538,149</u>	<u>\$ 121,777</u>	<u>\$ 13,294,124</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, 2014

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	60,248	-	-	992,300	-
Intergovernmental	-	55,961	1,356,823	2,887,574	250,000
Interest income	-	-	-	-	117
Other income	-	-	1,002	178,849	-
Total revenues	<u>60,248</u>	<u>55,961</u>	<u>1,357,825</u>	<u>4,058,723</u>	<u>250,117</u>
EXPENDITURES:					
Education	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	-	-	-	6,305,725	-
Judicial	-	-	1,683,957	-	-
Planning & growth mgmt.	60,248	59,438	-	-	-
Health	-	-	-	-	-
Economic development	-	-	-	-	-
Social services	-	-	-	-	-
Legislative	-	-	-	-	-
Total expenditures	<u>60,248</u>	<u>59,438</u>	<u>1,683,957</u>	<u>6,305,725</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(3,477)	(326,132)	(2,247,002)	250,117
Other financing sources:					
Transfers in	-	11,400	326,132	2,458,594	250,000
Transfers out	-	-	-	-	-
	<u>-</u>	<u>11,400</u>	<u>326,132</u>	<u>2,458,594</u>	<u>250,000</u>
Net change in fund balance	-	7,923	-	211,592	500,117
Fund balance - beginning of year	-	-	-	154,312	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ 7,923</u>	<u>\$ -</u>	<u>\$ 365,904</u>	<u>\$ 500,117</u>

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, 2014

	Public Safety Grants	Community Development Grants	Housing Assistance	Housing Special Loans	Sheriff's Special Programs
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	-	-	1,697,250	-	191,732
Intergovernmental	823,552	294,997	8,667,212	473,145	-
Interest income	-	-	-	-	-
Other income	2,376	-	20,133	-	18,830
Total revenues	825,928	294,997	10,384,595	473,145	210,562
EXPENDITURES:					
Education	-	-	-	-	-
Public safety	1,295,325	-	-	-	220,070
Community services	-	294,997	10,792,290	462,062	-
Judicial	-	-	-	-	-
Planning & growth mgmt.	-	-	-	-	-
Health	-	-	-	-	-
Economic development	-	-	-	-	-
Social services	-	-	-	-	-
Legislative	-	-	-	-	-
Total expenditures	1,295,325	294,997	10,792,290	462,062	220,070
Excess (deficiency) of revenues over (under) expenditures	(469,397)	-	(407,695)	11,083	(9,508)
Other financing sources:					
Transfers in	469,397	-	30,730	-	-
Transfers out	-	-	-	-	-
	469,397	-	30,730	-	-
Net change in fund balance	-	-	(376,965)	11,083	(9,508)
Fund balance - beginning of year	-	-	613,594	3,140	330,979
Fund balance - end of year	\$ -	\$ -	\$ 236,629	\$ 14,223	\$ 321,471

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, 2014

	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ 15,849	\$ 11,275,942
Charge for services	-	85,342	147,860	-	-
Intergovernmental	122,082	-	27,448	-	246,708
Interest income	29	-	24	-	7,191
Other income	-	15,818	720	-	-
Total revenues	<u>122,111</u>	<u>101,160</u>	<u>176,052</u>	<u>15,849</u>	<u>11,529,841</u>
EXPENDITURES:					
Education	-	-	-	-	-
Public safety	-	83,866	114,158	-	11,360,919
Community services	122,111	-	-	-	-
Judicial	-	-	-	-	-
Planning & growth mgmt.	-	-	-	122,220	-
Health	-	-	-	-	-
Economic development	-	-	-	-	-
Social services	-	-	-	-	-
Legislative	-	-	8,209	-	-
Total expenditures	<u>122,111</u>	<u>83,866</u>	<u>122,367</u>	<u>122,220</u>	<u>11,360,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>17,294</u>	<u>53,685</u>	<u>(106,371)</u>	<u>168,922</u>
Other financing sources:					
Transfers in	-	-	-	106,371	-
Transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,371</u>	<u>-</u>
Net change in fund balance	-	17,294	53,685	-	168,922
Fund balance - beginning of year	-	51,619	341,144	-	17,960
Fund balance - end of year	<u>\$ -</u>	<u>\$ 68,913</u>	<u>\$ 394,829</u>	<u>\$ -</u>	<u>\$ 186,882</u>

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, 2014

	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
REVENUES:				
Taxes - local property	\$ -	\$ -	\$ -	\$ -
Charge for services	70,674	-	-	116,490
Intergovernmental	-	34,734	483,551	214,287
Interest income	-	-	-	-
Other income	687	-	59,682	-
Total revenues	<u>71,361</u>	<u>34,734</u>	<u>543,233</u>	<u>330,777</u>
EXPENDITURES:				
Education	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Judicial	71,123	-	-	-
Planning & growth mgmt.	-	-	-	-
Health	-	-	-	-
Economic development	-	34,734	-	-
Social services	-	-	536,083	319,131
Legislative	-	-	-	-
Total expenditures	<u>71,123</u>	<u>34,734</u>	<u>536,083</u>	<u>319,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>238</u>	<u>-</u>	<u>7,150</u>	<u>11,646</u>
Other financing sources:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net change in fund balance	238	-	7,150	11,646
Fund balance - beginning of year	28,556	-	12,262	28,666
Fund balance - end of year	<u>\$ 28,794</u>	<u>\$ -</u>	<u>\$ 19,412</u>	<u>\$ 40,312</u>

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, 2014

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ 11,291,791
Charge for services	1,436	43,439	3,084,088	-	6,490,859
Intergovernmental	88,000	1,165,834	-	374,319	17,566,227
Interest income	-	-	-	-	7,361
Other income	-	691	-	2,771	301,559
Total revenues	89,436	1,209,964	3,084,088	377,090	35,657,797
EXPENDITURES:					
Education	-	-	1,511,206	-	1,511,206
Public safety	108,774	-	-	495,865	13,678,977
Community services	-	-	-	-	17,977,185
Judicial	-	-	-	-	1,755,080
Planning & growth mgmt.	-	-	-	-	241,906
Health	-	1,214,784	-	-	1,214,784
Economic development	-	-	-	-	34,734
Social services	-	-	-	-	855,214
Legislative	-	-	-	-	8,209
Total expenditures	108,774	1,214,784	1,511,206	495,865	37,277,295
Excess (deficiency) of revenues over (under) expenditures	(19,338)	(4,820)	1,572,882	(118,775)	(1,619,498)
Other financing sources:					
Transfers in	44,000	-	-	118,775	3,815,399
Transfers out	-	-	(1,000,000)	-	(1,000,000)
	44,000	-	(1,000,000)	118,775	2,815,399
Net change in fund balance	24,662	(4,820)	572,882	-	1,195,901
Fund balance - beginning of year	172,844	156,253	4,683,320	-	6,594,649
Fund balance - end of year	\$ 197,506	\$ 151,433	\$ 5,256,202	\$ -	\$ 7,790,550

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 OTHER PROPRIETARY FUNDS
 JUNE 30, 2014

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ -	\$ 1,256,854	\$ -	\$ 127,485	-	\$ 1,384,339
Other receivables	-	19,215	27,660	-	3,529	50,404
Due (to) from other funds	2,090,121	456,558	2,220,454	56,208	2,210,775	7,034,116
Inventory	-	56,159	-	-	-	56,159
Other current assets	-	118,116	-	-	-	118,116
Total current assets	2,090,121	1,906,902	2,248,114	183,693	2,214,304	8,643,134
Noncurrent assets:						
Net capital assets	84,818	7,502,042	2,322,357	-	7,031,974	16,941,191
Restricted assets	-	-	-	-	-	-
Total noncurrent assets	84,818	7,502,042	2,322,357	-	7,031,974	16,941,191
Total assets	2,174,939	9,408,944	4,570,471	183,693	9,246,278	25,584,325
DEFERRED OUTFLOW OF RESOURCES:						
Loss on Bond Refundings	-	425,377	-	-	83,358	508,735
LIABILITIES:						
Current liabilities:						
Accounts payable	95,183	93,105	165,850	-	471,246	825,384
Accrued expenses	15,533	36,586	41,841	-	95,870	189,930
Due to other funds	-	4,592,642	-	-	-	4,592,642
Unearned revenue	1,110	296,086	-	-	-	297,196
Current portion of long-term debt	44,644	622,198	523,324	-	293,175	1,483,341
Total current liabilities	156,570	5,640,617	731,015	-	860,291	7,388,493
Noncurrent liabilities:						
Bonds payable	-	4,071,713	47,668	-	5,083,035	9,202,416
Net bond issue premiums	-	(314,524)	1,756	-	273,230	(39,538)
Long-term debt	97,916	101,239	133,498	-	8,285	340,938
Net pension obligation	10,712	4,794	5,502	-	1,252	22,260
Net OPEB obligation	890,526	403,133	573,785	-	15,749	1,883,293
Capital lease obligation	90,678	13,853	1,808,168	-	12,671	1,925,370
Total noncurrent liabilities	1,089,932	4,280,208	2,570,377	-	5,394,222	13,334,739
Total liabilities	1,246,502	9,920,825	3,301,392	-	6,254,513	20,723,232
NET POSITION:						
Net Investment in capital assets	(31,023)	2,690,297	(46,281)	-	1,289,156	3,902,149
Unrestricted	959,460	(3,627,555)	1,315,360	183,693	1,619,251	450,209
Total net position	\$ 928,437	\$ (937,258)	\$ 1,269,079	\$ 183,693	2,908,407	\$ 4,352,358

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 OTHER PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Operating revenues:						
Charge for services	\$ 3,597,666	\$ 3,369,004	\$ 3,594,313	\$ 151,162	\$ 2,150,779	\$ 12,862,924
Other income	1,087	1,134	5,000	-	-	7,221
Total operating revenue	<u>3,598,753</u>	<u>3,370,138</u>	<u>3,599,313</u>	<u>151,162</u>	<u>2,150,779</u>	<u>12,870,145</u>
Operating expenses:						
Personnel services	1,677,405	1,945,106	1,147,508	-	202,390	4,972,409
Utilities	1,318	357,598	21,989	-	-	380,905
Repairs and maintenance	4,264	165,008	116,524	-	-	285,796
Insurance costs	3,519	53,566	10,688	-	-	67,773
Indirect costs	113,117	-	-	-	-	113,117
Supplies	18,995	391,522	259,815	-	2,227	672,559
Contract services	1,335,024	469,371	1,278,074	-	678,811	3,761,280
Other operating costs	3,781	66,310	65,876	136,198	96,218	368,383
Depreciation	20,546	350,199	400,993	-	315,482	1,087,220
Total operating expenses	<u>3,177,969</u>	<u>3,798,680</u>	<u>3,301,467</u>	<u>136,198</u>	<u>1,295,128</u>	<u>11,709,442</u>
Operating income (loss)	<u>420,784</u>	<u>(428,542)</u>	<u>297,846</u>	<u>14,964</u>	<u>855,651</u>	<u>1,160,703</u>
Nonoperating revenues (expenses)						
Interest income	-	43	9,270	-	7,282	16,595
Intergovernmental	-	65,314	-	-	-	65,314
Interest expense	(1,589)	(9,291)	(34,175)	-	(283,574)	(328,629)
Gain (Loss) on disposal of capital assets	-	-	-	-	297,271	297,271
Total nonoperating revenue (expenses)	<u>(1,589)</u>	<u>56,066</u>	<u>(24,905)</u>	<u>-</u>	<u>20,979</u>	<u>50,551</u>
Income (loss) before transfers	<u>419,195</u>	<u>(372,476)</u>	<u>272,941</u>	<u>14,964</u>	<u>876,630</u>	<u>1,211,254</u>
Transfers in	-	368,300	-	-	335,484	703,784
Transfers out	-	-	(335,484)	-	-	(335,484)
Capital transfer	-	-	(1,696,293)	-	1,696,293	-
Change in net position	419,195	(4,176)	(1,758,836)	14,964	2,908,407	1,579,554
Net position - beginning of year	509,242	(884,294)	3,105,371	168,729	-	2,899,048
Adjustment to restate beginning balances	-	(48,788)	(77,456)	-	-	(126,244)
Net position - beginning of year, as restated	<u>509,242</u>	<u>(933,082)</u>	<u>3,027,915</u>	<u>168,729</u>	<u>-</u>	<u>2,772,804</u>
Net position - end of year	<u>\$ 928,437</u>	<u>\$ (937,258)</u>	<u>\$ 1,269,079</u>	<u>\$ 183,693</u>	<u>\$ 2,908,407</u>	<u>\$ 4,352,358</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Cash flows from operating activities:						
Cash received from customers	\$ 3,594,863	\$ 3,360,576	\$ 3,599,313	\$ 151,162	\$ 2,150,779	\$ 12,856,693
Cash paid to suppliers	(567,975)	(1,050,136)	(1,463,831)	(136,198)	(292,538)	(3,510,678)
Cash paid to employees	(2,450,402)	(2,313,955)	(1,199,501)	-	(114,805)	(6,078,663)
Net cash provided by (used in) operating activities	<u>576,486</u>	<u>(3,515)</u>	<u>935,981</u>	<u>14,964</u>	<u>1,743,436</u>	<u>3,267,352</u>
Cash flows from investing activities:						
Interest received	-	43	9,270	-	7,282	16,595
Net cash provided by investing activities	<u>-</u>	<u>43</u>	<u>9,270</u>	<u>-</u>	<u>7,282</u>	<u>16,595</u>
Cash flows from noncapital financing activities:						
Intergovernmental	-	65,314	-	-	-	65,314
Transfers in (out)	-	368,300	(2,031,777)	-	2,031,777	368,300
Receipts from interfund loans	(669,309)	-	72,579	(6,662)	1,847,218	1,243,826
Repayment of interfund loans	-	234,809	-	-	-	234,809
Net cash provided by (used in) noncapital financing activities	<u>(669,309)</u>	<u>668,423</u>	<u>(1,959,198)</u>	<u>(6,662)</u>	<u>3,878,995</u>	<u>1,912,249</u>
Cash flows from capital and related financing activities:						
Proceeds from issuance of bonds	-	-	-	-	-	-
Proceeds from new loans	-	-	-	-	-	-
Principal payments on bonds payable	-	(507,890)	(24,151)	-	-	(532,041)
Principal payments on capital lease obligations	(33,888)	(4,168)	(264,790)	-	(4,918)	(307,764)
Interest paid	(1,589)	(9,291)	(34,175)	-	(283,574)	(328,629)
Proceeds from disposal of assets	-	-	-	-	297,271	297,271
Cash (paid) received for capital expenses	128,300	(5,571)	1,337,063	-	(5,638,492)	(4,178,700)
Net cash used in capital and related financing activities	<u>92,823</u>	<u>(526,920)</u>	<u>1,013,947</u>	<u>-</u>	<u>(5,629,713)</u>	<u>(5,049,863)</u>
Net increase (decrease) in cash and cash equivalents	-	138,031	-	8,302	-	146,333
Cash and cash equivalents - beginning of year	-	1,118,823	-	119,183	-	1,238,006
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 1,256,854</u>	<u>\$ -</u>	<u>\$ 127,485</u>	<u>\$ -</u>	<u>\$ 1,384,339</u>

	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)	\$ 420,784	\$ (428,542)	\$ 297,846	\$ 14,964	\$ 855,651	\$ 1,160,703
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	20,546	350,199	400,993	-	315,482	1,087,220
Increase (decrease) in compensation-related liabilities included in long-term debt	(5,158)	10,926	(7,304)	-	(8,285)	(9,821)
(Increase) decrease in other receivables	-	(6,779)	1,815,779	-	(3,529)	1,805,471
(Increase) decrease in inventories	-	(3,054)	-	-	-	(3,054)
(Increase) decrease in other current assets	-	(3,025)	-	-	-	(3,025)
(Increase) decrease in deferred bond issue costs	-	-	(1,340,675)	-	-	(1,340,675)
Increase (decrease) in accounts payable	10,705	51,391	(290,152)	-	471,246	243,190
Increase (decrease) in accrued expenses	9,156	(17,160)	(44,689)	-	95,870	43,177
Increase (decrease) in Net Pension Obligation	(433)	(311)	(2,482)	-	1,252	(1,974)
Increase (decrease) in Net OPEB Obligation	124,776	52,402	106,665	-	15,749	299,592
Increase (decrease) in deferred revenue	(3,890)	(9,562)	-	-	-	(13,452)
Net cash provided by operating activities	<u>\$ 576,486</u>	<u>\$ (3,515)</u>	<u>\$ 935,981</u>	<u>\$ 14,964</u>	<u>\$ 1,743,436</u>	<u>\$ 3,267,352</u>

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	\$ 128,300	\$ 19,600	\$ 2,541,000	\$ -	\$ -	\$ 2,688,900
Capital asset transfer	-	-	(1,696,293)	-	1,696,293	-

