



CHARLES COUNTY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016



CHARLES COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

Prepared by:
Department of Fiscal and Administrative Services
Charles County, Maryland
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Director of Fiscal & Administrative Services
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Chief of Accounting

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County Administrator

www.charlescountymd.gov

Charles County, Maryland

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Charles County, Maryland

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Introductory Section



CHARLES COUNTY GOVERNMENT
Office of the County Administrator

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County Administrator

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January 6, 2017

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

The Comprehensive Annual Financial Report of Charles County, Maryland for the Fiscal Year ended June 30, 2016, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that Charles County annually issue a report of its financial condition and that this report be audited by an independent firm of licensed Certified Public Accountants. Responsibility for the accuracy of the County's financial records, including all required disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of Charles County Government. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

The County's financial statements have been audited by SB & Company, LLC, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurances that the financial statements of the County for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the year ended June 30, 2016, are fairly presented in conformity with U.S. generally accepted accounting principles

(GAAP). The report of Independent Public Accountants is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of the U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

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

Profile of the Charles County Government

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

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

The County serves a population of approximately 156,118 and provides a full range of municipal services enacted by statute or charter. These include public safety, education, sanitation, transportation, public health, social services, recreation, public improvements, planning and zoning, and administrative services. The three incorporated municipalities within the County are La Plata, Indian Head and Port Tobacco. These entities are independent of the County and, as such, are not included in this report.

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

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

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

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

Budget-to-actual comparisons are provided in this report for the General Fund for which an appropriated annual budget is adopted. This comparison is presented on page 121 as part of the required supplementary information.

Economic Condition and Outlook

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

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

Charles County has grown steadily for more than two decades as a "bedroom community" of Washington, DC. Just over 60% of the County's workforce commute to Washington, DC and other nearby urbanized areas for high-paying jobs, resulting in the County being ranked the 24th highest median household income in the nation, according to the Census Bureau's 2015 update of the

American Community Survey. Additionally, Charles County has some of the lowest commercial vacancy and rental rates within the Washington, DC MSA.

Naval Support Facility (NSF) Indian Head is one of the County's largest employers and economic drivers, with more than 3,200 civilian, military and contract employees in FY 2015. Other major county employers include population-serving agencies and organizations including the Charles County Board of Education, the College of Southern Maryland, Charles County Government, University of MD Regional Medical Center, the Charles County Sheriff's Office, and Southern Maryland Electrical Cooperative (SMECO), the regional electrical utility.

Industry composition in the County is significantly impacted by these major employers, with the highest percentage in educational services, health care and social assistance (20.2%), followed by public administration (16.6%). However, several small, high-tech private firms - some of which have been nationally recognized for rapid revenue growth - are changing the business landscape as the County develops. One quarter of the County's major industries include professional, scientific, management and administrative (14.8%) and retail trade (10.3%).

Firms headquartered in Charles County include Community Bank of the Chesapeake (regional bank), SMECO (regional utility provider), The Wills Group (regional fuel and energy provider), College of Southern Maryland (regional community college), outsourceIT (national cloud-computing and IT firm), Zekiah Technologies (national GIS firm), and Facchina Global Solutions (multi-national security, technology & engineering services). (Data sources: NSF Indian Head; U.S. Census Bureau ACS 1-year estimates, 2015)

As indicated in the following table, employment in the County increased from 40,421 in 2011 to 42,064 in 2015, a gain of 1,643 jobs and a 4.1% increase in total employment. The majority of the jobs gained in this timeframe were in State and Local Government, and the Construction and Other industries.

	2011	2012	2013	2014	2015	% Change '11 to '15
GOVERNMENT						
Federal	2,249	2,271	2,224	2,168	2,205	-2.0%
State	415	626	565	571	577	39.0%
Local	6,600	6,708	6,749	6,826	6,796	3.0%
Subtotal	9,264	9,605	9,538	9,565	9,578	3.4%
INDUSTRY						
Services, Transportation, Communication & Utilities	27,363	27,074	27,144	27,452	28,181	3.0%
Construction	3,071	3,265	3,480	3,503	3,612	17.6%
Manufacturing	687	650	605	655	649	-5.5%
Other	36	29	32	35	44	22.2%
Subtotal	31,157	31,018	31,261	31,645	32,486	4.3%
Total	40,421	40,623	40,799	41,210	42,064	4.1%

Source: Maryland Department of Labor, Licensing and Regulation.

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

Average Annual Unemployment Rate

	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014</u>	<u>2015</u>
Calvert County	6.3%	5.9%	5.7%	5.1%	4.0%
Charles County	6.5	6.3	6.2	5.5	4.5
Frederick County	6.3	5.9	5.7	5.0	3.9
Montgomery County	5.4	5.2	5.1	4.5	3.4
Prince George's County	7.5	7.2	6.8	6.0	4.8
St. Mary's County	6.2	6.1	5.8	5.2	4.3
State of Maryland	7.3	6.9	6.6	5.8	4.7
United States ¹	8.9	8.1	7.4	6.2	5.3

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

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

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

Charles County has experienced continued increase in population each year. The Census of 1990 showed the County's population at 101,154. The 2000 Census put the County's population at 121,204. The Census of 2010 puts the County's population at 146,551. The increase from 1990 to 2010 is 44.9%. The 2015 Census estimates the County's population at 156,118. It is projected that population growth within the County will continue at a steady but moderate rate. By the year 2020, Charles County's population is estimated to reach over 169,000.

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

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

4. When needed, the County will advance the State of Maryland's share for school construction to provide adequate classroom space, only when assurances are given by the State that the County will be reimbursed. All advanced projects have been reimbursed by the State.
5. Established a Fund Balance policy on March 9, 2010:
 - a. This policy will ensure the County maintains a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unexpected one-time expenditures.
 - b. The policy will be reviewed on an annual basis during the budget process.
 - c. The fund balance range for the General Fund shall not be less than 8% and not more than 15% of the total budgeted operating revenues of the General Fund budget.
 - d. The fund balance of the Water and Sewer Operating Budget shall not be less than 30 days and not more than 120 days of the total budgeted operating expenses of the Water and Sewer Operating Fund.
 - e. A surplus of 15% of the General Fund shall be transferred to cover shortfalls within Special Revenue Funds. Water and Sewer surplus shall be reserved for one-time capital needs. Surplus funds can be utilized to reduce or avoid debt, applied to capital outlay purchases, or stabilize taxes, rates and fees.
 - f. A shortfall is to be rebuilt through the following mechanisms: distribution of surplus from other related funds or appropriation during the next three annual budget cycles of at least 20% of the shortfall. If this is financially unfeasible, a written plan shall be forwarded by the County Administrator to the Board of Commissioners for approval to restore the required range. This plan may require reduction of services, increased taxes, fees or rates.
6. Established a Debt policy on September 22, 2009:
 - a. Authority to Issue Debt – The County may only issue general obligation and revenue bonds under the authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County may also authorize the issuance of general obligation and revenue bonds by a public local law enacted by the County Commissioners. There are no statutory limits on the amount of general obligation or revenue bonds that may be authorized by the County Commissioners. The County may issue economic development revenue bonds under State law which provides that such bonds shall not constitute indebtedness or charge against the general credit of taxing power of the County. The County may issue bonds necessary to finance the cost incurred to construct new capacity for public school facilities. The debt service on these bonds is paid for by a special tax assessment (excise tax) on new home starts after June 30, 2003, payable over a 10 year period. The County may issue

general obligation bonds to finance water systems, sewerage systems, solid waste disposal systems and solid waste acceptance systems in the Waldorf Taxing District One, the Mattawoman Special Taxing District Number Two, and Special Taxing District Number Three.

- b. Debt Issue Guidelines – Long-term borrowing will not be used to finance current operations or normal maintenance. All debt issued, including lease purchases, will be repaid within a period not to exceed the useful life of the asset or the improvement financed by the debt. General Fund debt service payment levels will be maintained not to exceed 8% of operating revenues. The County will seek to maintain and, if possible, improve current bond ratings in order to minimize borrowing costs. The General Obligation debt issuance will be managed on an annual basis to match funds to the CIP cashflow requirements.

- c. Debt Capacity – The five-year financial plan will help determine the amount of debt that can be issued while maintaining an 8% debt service ratio.

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

In Fiscal Year 2016, the County held a bond sale in October for \$34.7 million. The County's debt service levels have remained well below the legal debt margin for the past several years as a direct result of the extensive financial planning that is conducted from both a capital and operating budget perspective. The Commissioner's target debt ceiling limit of 8% provides a sturdy framework from which to make long-term financial decisions.

Major Initiatives. The County's Fiscal Year 2017 budget continued to reflect long-range goals of achieving the FY2016-2018 goals stated below to improve the overall quality of life in Charles County. The County's annual Budget Book provides additional detail at the departmental level on efforts to achieve the following stated goals:

- Transformational Government
 - Management Best Practices
 - Automation and Technology
 - Customer Service
 - Transparency

- Promote Quality of Life and Resources
 - Optimize Cultural Heritage and Historic Assets
 - Promote Community Wellness

- Establish a Cohesive, Sustainable Community through Collaboration
 - Transportation
 - Sustainable and Equitable Growth
 - Engaged Workforce

- Governance Leadership
 - Transparency
 - High-Performance, Data Driven Government
 - Financial Stewardship
 - Legislation

Also, as part of strengthening the County's position, several major economic development projects are currently underway and continue to advance in FY2017. St. Charles Energy Center, a 725 megawatt combined cycle natural gas-fired electrical generation facility, is under construction and will become operational in winter 2016-17. With construction costs of roughly \$500 million, this is the largest investment in Charles County in known history. The business will generate more than \$100 million in revenues and fees to the County over a 23-year period, and create more than 400 jobs during construction and about 25 highly skilled jobs when operational.

The U.S. Government has purchased 15 acres in White Plains for a new, 80,000 square foot Army Reserves Training Center and possible recruiting center. Design and approvals will continue through much of FY2017, and construction is expected to begin in the summer 2017. Some 600 reservists will train at the facility annually once it is operational.

In summary, the Fiscal Year 2017 economic outlook for the County is stable. Operating revenues should increase approximately 4.6%. Property Taxes are expected to increase 3% and Income Tax revenue is budgeted to increase 8%. Recordation Tax is budgeted to remain at the same level as that of Fiscal Year 2016.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Charles County, Maryland for its comprehensive annual financial report for the year ended June 30, 2015. This is the fourteenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principle in the United States of America and applicable legal requirements.

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

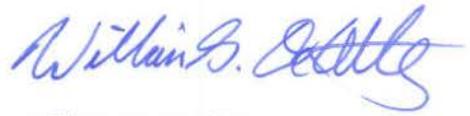
The preparation of the comprehensive annual financial report was made possible by the dedicated services of the staff of the Department of Fiscal & Administrative Services, Accounting Division. Each member of the Department of Fiscal & Administrative Services, as well as members of other Departments who assisted and contributed information, has our sincere appreciation for their efforts.

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

Respectfully submitted,



David M. Eicholtz
Director of Fiscal & Administrative Services



William G. DeAtley
Chief of Accounting

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Government Finance Officers Association

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

Presented to

**Charles County Government
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

**CHARLES COUNTY, MARYLAND
GOVERNMENTAL ORGANIZATION
CERTAIN ELECTED AND APPOINTED OFFICIALS**

As of June 30, 2016

CERTAIN ELECTED OFFICIALS

President, County Commissioners
County Commissioners

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

County Sheriff

Troy D. Berry

CERTAIN ADMINISTRATIVE OFFICIALS

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

Michael D. Mallinoff, Esq., ICMA-CM
Deborah E. Hall, CPA
Rhonda L. Weaver, Esq.
David M. Eicholtz
Peter Aluotto
William D. Stephens
William A. Shreve, Sr.
Eileen B. Minnick
Paul M. Rensted
Darrell A. Brown

Independent Public Accountant

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

Bond Counsel

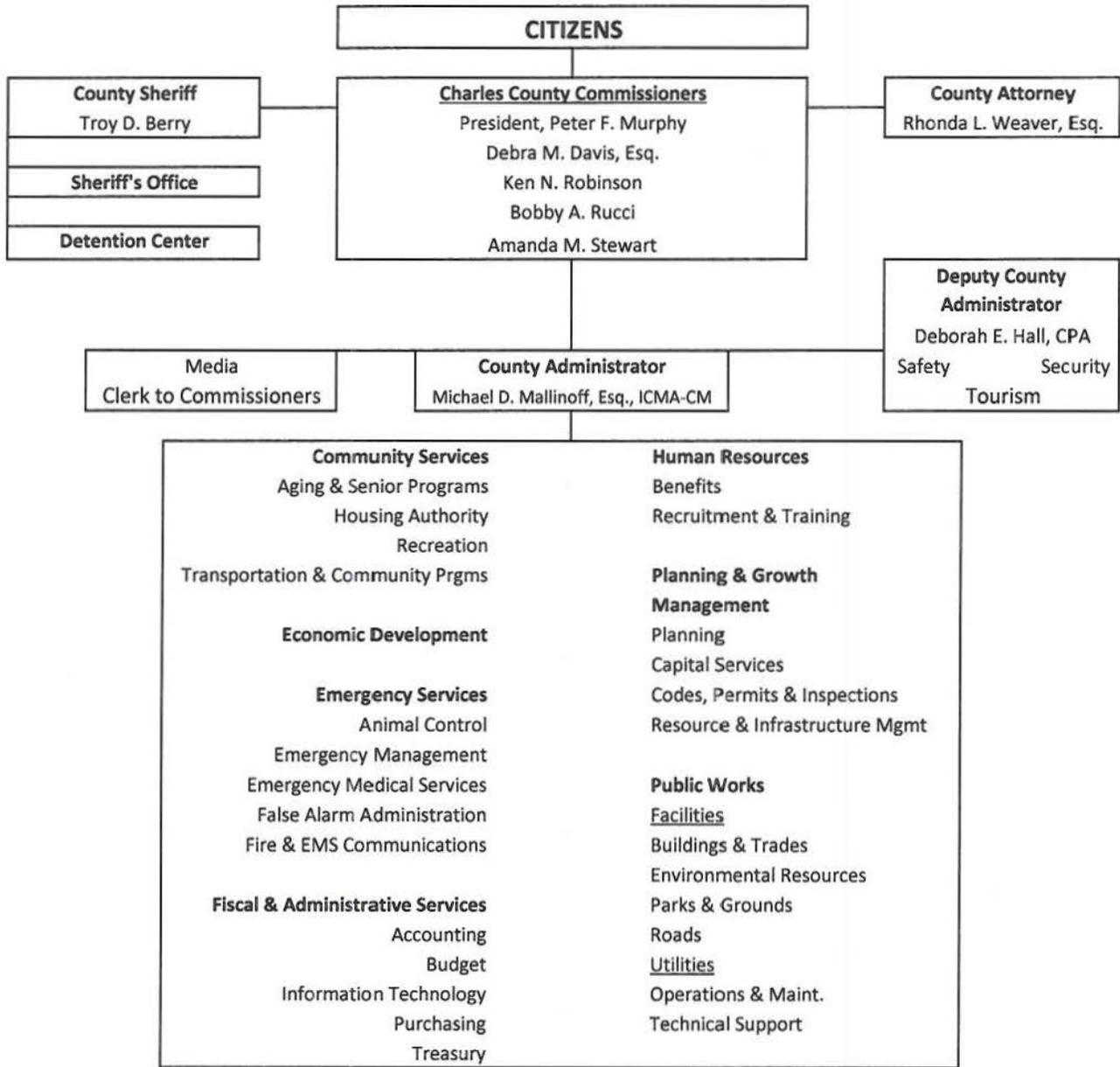
McGuire Woods LLP
7 Saint Paul Street, Suite 100
Baltimore, MD 21201

Financial Advisor

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

CHARLES COUNTY GOVERNMENT ORGANIZATIONAL CHART

As of June 30, 2016



Other agencies which receive County funding

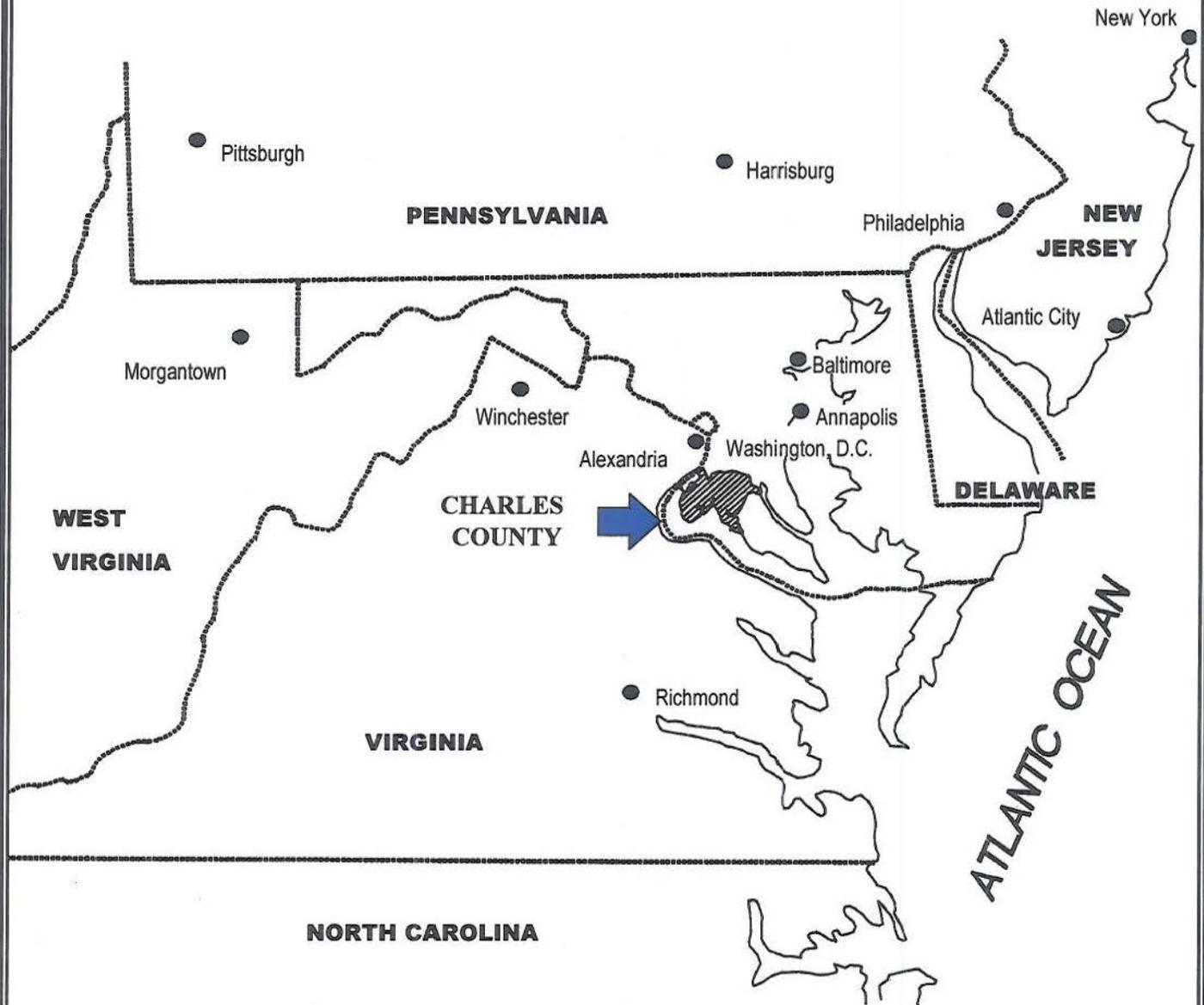
Public Schools
Community College
Libraries

Board of Fire & Rescue
Election Board
Health Department

State's Attorney
Circuit Court
Orphan's Court

Department of Social Services
University of MD Extension
Soil Conservation

CHARLES COUNTY LOCATION MAP



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

Charles County Government

Our Mission

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

Our Vision

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

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Financial Section



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2016, 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.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Hunt Valley, Maryland
December 28, 2016

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, 2016. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 37), and the accompanying notes to those financial statements (beginning on page 57).

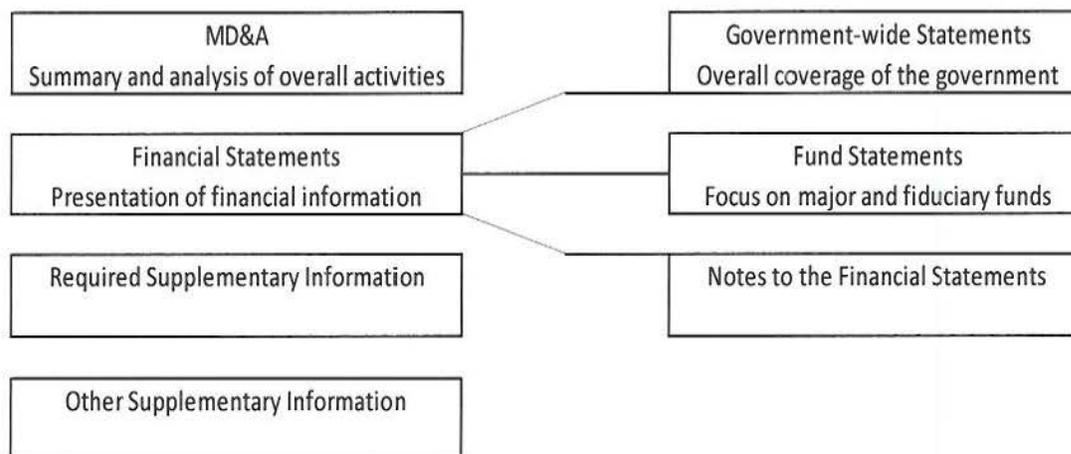
Financial Highlights

- The government-wide assets of Charles County exceeded liabilities at the close of the current fiscal year by \$433.3 million (*net position*).
- The County's statement of activities change in net position was an increase of \$42.4 million.
- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balance of \$142.8 million, an increase of \$36.3 million from the prior year as stated on page 42. Approximately 23% of this total amount is classified as Non-spendable fund balance, or \$33.0 million. The majority of the total is classified as Restricted, Committed or Assigned fund balance, or \$106.3 million.
- For FY2016, the total Fund Balance for the General Fund equaled \$69.3 million, as shown on page 40. Of that total, \$55.6 million is represented as Committed Fund Balance, including the Fund Balance Policy Target of \$50.7 million. The County's Fund Balance Policy sets a goal to maintain a minimum reserve of 8% of operating revenues.
- A General Fund balance appropriation of \$6.1 million was approved during the course of the year, however favorable expense budget savings and receipt of a \$2.7 million bond premium negated the use of Fund Balance. In addition, there was greater than budget revenues collected from Income Tax and Transfer Taxes of \$11.7 million. As a result, instead of a Fund Balance decrease of \$6.1 million, an increase of approximately \$19.0 million was experienced.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the County's financial statements. Charles County's financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the financial statements themselves. The diagram on the next page 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 inspection and review).

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 37-39 of this report.

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

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

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

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

Charles County Government maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation in the governmental fund financial statements. The governmental fund financial statements can be found on pages 40-43 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 review 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 44-47 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 48-49 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 57-118 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 121-128 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 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 non-major proprietary funds. Lastly, the Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position are presented. These reports can be found on pages 132-155 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 \$433.3 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, \$511.4 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 (15%) represents resources that are subject to external restrictions on how they may be used.

Net Position
As of June 30, 2016 and 2015
(amounts are presented in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 224,624	\$ 184,686	\$ 58,536	\$ 54,291	\$ 283,160	\$ 238,977
Capital assets, net of depreciation	502,025	502,276	238,560	231,279	740,585	733,555
Total assets	<u>726,649</u>	<u>686,962</u>	<u>297,096</u>	<u>285,570</u>	<u>1,023,745</u>	<u>972,532</u>
Deferred Outflows of Resources	51,288	23,610	1,149	1,357	52,438	24,967
Total Assets and Deferred Outflows of Resources	<u>777,937</u>	<u>710,572</u>	<u>298,245</u>	<u>286,927</u>	<u>1,076,183</u>	<u>997,499</u>
Non-current liabilities	467,258	441,143	119,172	119,134	586,430	560,277
Other liabilities	37,831	38,023	7,452	6,955	45,283	44,978
Total liabilities	<u>505,088</u>	<u>479,166</u>	<u>126,624</u>	<u>126,089</u>	<u>631,713</u>	<u>605,255</u>
Deferred Inflows of Resources	11,145	1,364	-	-	11,145	1,364
Total Liabilities and Deferred Inflows of Resources	<u>516,233</u>	<u>480,530</u>	<u>126,624</u>	<u>126,089</u>	<u>642,858</u>	<u>606,619</u>
Net position:						
Net investment in capital assets	362,534	347,192	148,865	130,854	511,399	478,046
Restricted	67,035	51,199	-	-	67,035	51,199
Unrestricted	<u>(167,865)</u>	<u>(168,350)</u>	<u>22,756</u>	<u>29,983</u>	<u>(145,109)</u>	<u>(138,367)</u>
Total net position	<u>\$ 261,704</u>	<u>\$ 230,041</u>	<u>\$ 171,621</u>	<u>\$ 160,837</u>	<u>\$ 433,325</u>	<u>\$ 390,878</u>

Changes in Net Position
Years ended June 30, 2016 and 2015
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program revenues:						
Charges for services	\$ 20,599	\$ 16,232	\$ 56,797	\$ 54,638	\$ 77,396	\$ 70,870
Operating grants & contributions	32,236	30,285	990	1,020	33,227	31,305
Capital grants & contributions	1,305	2,964	105	12,040	1,411	15,004
General revenues:						
Property taxes	223,239	216,073	-	-	223,239	216,073
Other taxes	160,874	147,372	-	-	160,874	147,372
Other	9,906	14,833	587	521	10,493	15,354
Total revenues	<u>448,160</u>	<u>427,759</u>	<u>58,480</u>	<u>68,219</u>	<u>506,640</u>	<u>495,978</u>
Program expenses:						
General government	17,913	17,067	-	-	17,913	17,067
Public safety	106,251	103,043	-	-	106,251	103,043
Education	185,562	181,938	-	-	185,562	181,938
Judicial	6,568	6,370	-	-	6,568	6,370
Health	3,416	3,130	-	-	3,416	3,130
Social services	1,959	2,007	-	-	1,959	2,007
Community services	20,638	21,026	-	-	20,638	21,026
Economic development	2,234	8,905	-	-	2,234	8,905
Public facilities	52,083	28,045	-	-	52,083	28,045
Water and sewer	-	-	31,741	29,908	31,741	29,908
Solid waste	-	-	3,916	4,172	3,916	4,172
Other	18,994	19,790	12,917	13,055	31,911	32,845
Total expenses	<u>415,618</u>	<u>391,321</u>	<u>48,575</u>	<u>47,135</u>	<u>464,192</u>	<u>438,456</u>
Excess(deficit) before transfers	32,542	36,438	9,905	21,084	42,447	57,522
Net transfers	<u>(879)</u>	<u>(464)</u>	<u>879</u>	<u>464</u>	<u>-</u>	<u>-</u>
Change in net position	31,663	35,974	10,784	21,548	42,447	57,522
Net position - beginning of year	<u>230,041</u>	<u>194,067</u>	<u>160,837</u>	<u>139,289</u>	<u>390,878</u>	<u>333,356</u>
Net position - end of year	<u>\$ 261,704</u>	<u>\$ 230,041</u>	<u>\$ 171,621</u>	<u>\$ 160,837</u>	<u>\$ 433,325</u>	<u>\$ 390,878</u>

Overall, the financial position of Charles County increased nearly 7% compared to FY2015. As shown on the table on page 25, total revenues increased from \$496.0 million in FY2015 to \$506.6 million in FY2016. Property taxes increased by \$7.2 million. The County's Other taxes increased by \$13.5 million due to significant increases in Income Tax revenue, as well as the implementation of a new property Transfer Tax. Program expenses increased from \$438.5 million in FY2015 to \$464.2 million in FY2016. An increase in net position of \$42.4 million was experienced when all funds are combined, as indicated on page 25.

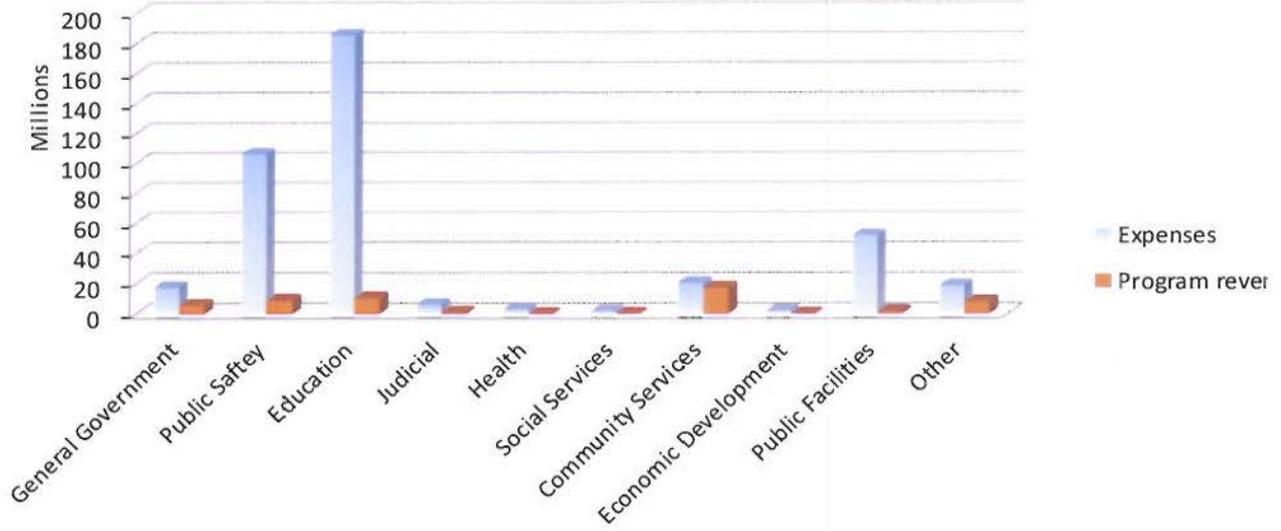
To aid in the understanding of the Statement of Activities (pages 38-39), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result 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.

An increase in overall net position of \$42.4 million was experienced, as indicated on page 25. Total expenditures of \$464.2 million were partially offset by program related service fees, grants, and other contributions of \$112.0 million. The remaining \$352.2 million in expenditures were primarily funded through non-program revenue sources, primarily property and income taxes.

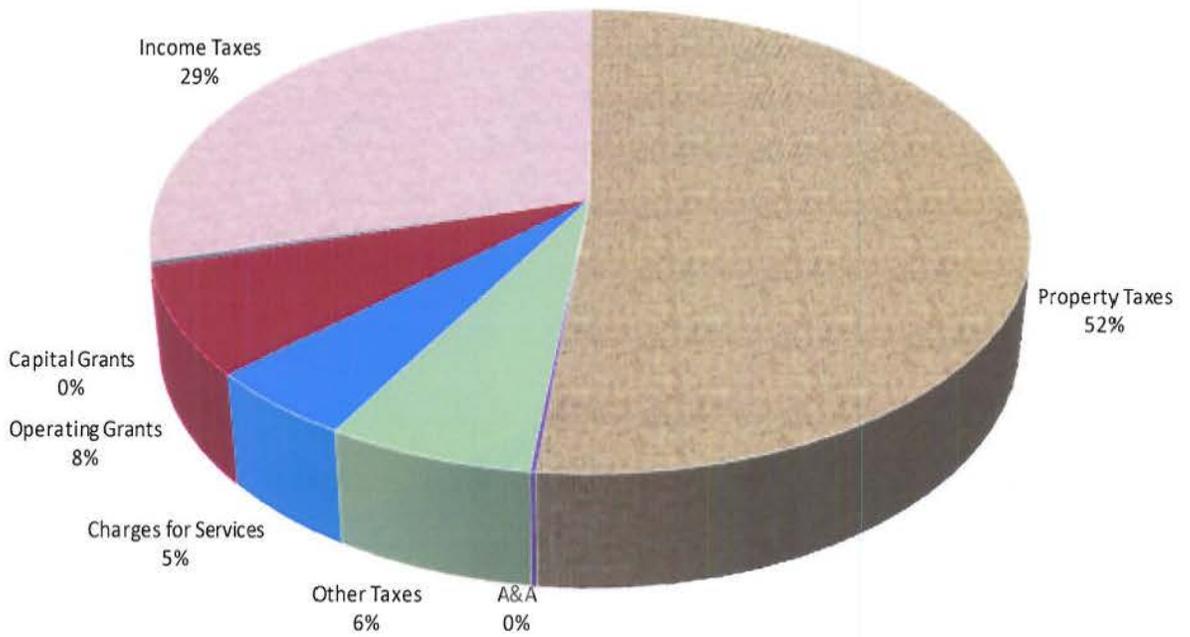
Governmental activities. Governmental-type activities, as expected, operated at a \$361.5 million loss, primarily due to Education and Public Safety. As depicted in the bar chart on the next page, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately \$272.3 million in non-program revenue.

The County operates many programs on a fee for service basis (business-type activities) in order to help keep the burden on the taxpayer down. Business-type activities account for \$48.6 million of the total \$464.2 million expended, or approximately 10% of the total, and finished the fiscal year with an operating gain of \$10.8 million.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2016)



General and Program Governmental Revenues by Source - Governmental Activities (Year Ended June 30, 2016)



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 2016, the rates increased for each tier. The residential rate for water is \$3.33 for the first 18,000 gallons, an increase of 20 cents. The residential rate for water is \$6.66 from 18,001 to 24,000 gallons, an increase of 40 cents. The residential rate for water is \$9.99 for 24,000 gallons and above, an increase of 60 cents. The residential sewer rate is \$7.13, an increase of 24 cents, and is capped at 24,000 gallons. The commercial/multi-family rate for water is \$4.18, up 22 cents, and sewer is \$7.13 per 1,000 gallons, an increase of 24 cents.

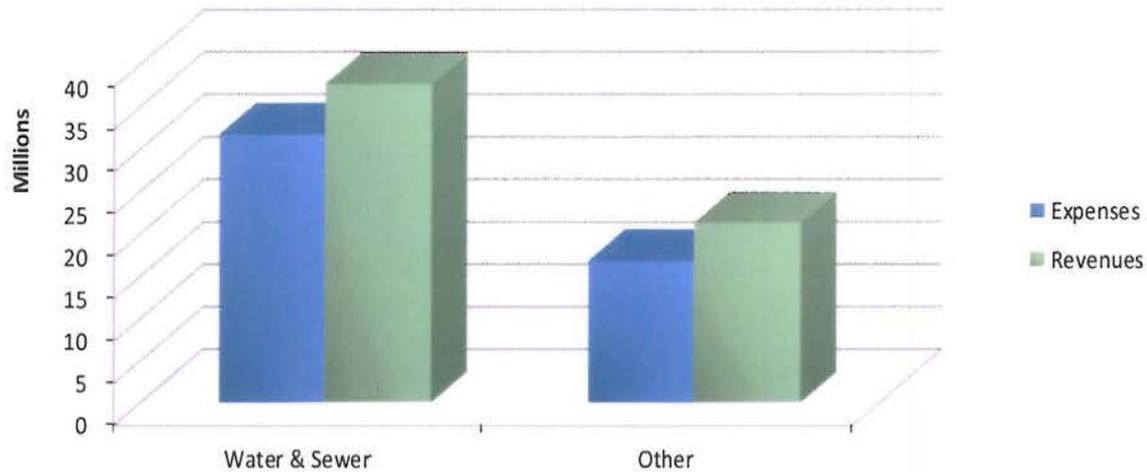
The Solid Waste Fund is considered a major fund for reporting purposes. The County owns and operates a landfill. The primary source of revenue is derived from tipping fees. The fee of \$70 per ton for commercial and residential refuse was unchanged compared to FY2015. The County has opened the fourth 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 \$88 assessed on each improved property in the County. This was increased by ten dollars compared to FY2015.

On May 2, 2012, the Governor signed into law a requirement that the ten most populated jurisdictions in Maryland establish a watershed protection and restoration program and a stormwater remediation fee by July 1, 2013 (State Law (2012 Session – HB 987)). The main purpose of the program and fee is to provide a funding source to address requirements of the County's stormwater management permit, issued by the Maryland Department of the Environment. The County was already funding part of these expenditures through a stormwater component of the Environmental Service fee, as mentioned above. The fee established for FY2016 was \$35, a reduction of eight dollars compared to FY2015. The fee is charged annually to each improved property within the County. The Maryland legislature passed SB 863, the Watershed Protection and Restoration Program, that placed governance on counties and municipalities to regulate their own stormwater fee starting in Fiscal Year 2016.

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

Business-type Summary - Expenses and Revenues



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, unassigned 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 \$142.8 million, an increase of \$36.3 million in comparison with the prior year. The general fund increased by \$19.0 million primarily due to significant increases in revenue from Income Taxes and the implementation of a new Transfer Tax for FY2016. The special revenue funds increased by \$2.4 million. This was attributed, in part, to increases from the County's Housing Fund, the Drug Forfeiture Fund, and the largest, the Cable Franchise Fund, as indicated on pages 143-145. The County's governmental fund balances as of June 30, 2016 includes General Fund reserves of \$1.8 million for inventory and Capital Project reserves of \$6.7 million for capital outlay with the balance of funds as indicated on page 92. The governmental fund balances of the County that are committed or assigned and the largest components include \$2.5 million for worker's compensation insurance and \$50.7 million as the policy target for bond rating.

The General Fund is the chief operating fund of the Charles County Government. At the end of the current fiscal year, non-spendable and restricted fund balance was \$9.6 million, and the committed fund balance, including the policy target, was \$55.6 million. The assigned fund balance for specific purposes was \$4.0 million for a total fund balance of \$69.2 million.

The Capital Project Fund experienced an increase of \$21.9 million during the current fiscal

year. The County issues debt annually to fund multi-year capital projects, therefore, a fluctuation in fund balance is to be expected as bond proceeds are used.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2.6 million. The unrestricted net position for the County's Solid Waste Fund was \$18.3 million. Unrestricted net position of all proprietary funds was \$22.8 million. There was a total increase in net position for all proprietary funds in the amount of \$10.8 million.

General Fund Budgetary Highlights

The FY2016 General Fund Operating Budget was adopted at \$365.6 million. Budget amendments approved during the year equaled \$4.1 million, increasing the budget to an amended total of \$369.8 million. The Budget provided funds to the local Board of Education exceeding the State mandated "Maintenance-of-Effort" by \$3.9 million, to continue funding for the new St. Charles High School that includes the addition of a fourth class, as well as funds for teacher pension obligations. State legislation passed in FY2013 required the County to pay for teachers' pension in the amount of \$6.6 million for Fiscal Year 2016; an increase of \$948 thousand compared to Fiscal Year 2015.

The FY2016 Operating Budget was adopted 3.2% greater than the FY2015 Budget. Although a Fund Balance appropriation of \$6.1 million was approved during the course of the year, favorable budget savings, greater than budget revenues collected from Income Tax and Transfer Taxes, and receipt of a \$2.7 million bond premium negated the use of Fund Balance. As a result, instead of a Fund Balance decrease of \$6.1 million, an increase of approximately \$19.0 million was experienced.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$740.6 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 just under 1% (a less than 1% decrease for governmental activities and a 3% increase for business-type activities).

Capital Assets
(net of depreciation)
June 30, 2016 and 2015
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Land (not depreciated)	\$ 78,206	\$ 77,685	\$ 2,174	\$ 2,174	\$ 80,380	\$ 79,859
Construction in progress (not depreciated)	60,885	52,862	73,089	61,123	133,974	113,985
Land improvements	9,710	9,896	7,357	7,813	17,067	17,709
Infrastructure	237,499	242,971	115,223	118,619	352,722	361,590
Buildings and improvements	86,456	90,611	8,217	7,961	94,673	98,572
Machinery and equipment	25,399	23,157	30,985	32,511	56,384	55,668
Vehicles	3,870	5,094	1,514	1,078	5,384	6,172
Total	\$ 502,025	\$ 502,276	\$ 238,559	\$ 231,279	\$ 740,584	\$ 733,555

Additional information on the County's capital assets can be found in Note 3 on pages 78-83 of this report.

Long-term debt. At the end of the current fiscal year, the County had notes and bonds outstanding of \$344.3 million, which are backed by the full faith and credit of the County.

Outstanding Debt
General Obligation Bonds and Notes Payable
June 30, 2016 and 2015
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 254,571	\$ 252,157	\$ 80,608	\$ 80,135	\$ 335,179	\$ 332,292
Notes payable	1,367	1,419	7,824	8,556	9,191	9,975
Total	\$ 255,938	\$ 253,576	\$ 88,432	\$ 88,691	\$ 344,370	\$ 342,267

The County's total debt during Fiscal Year 2016 increased by \$2.3 million. The issuance of bonds at favorable interest rates combined with the County's strategic long term financial policy of primarily 15-year bond terms results in a rapid pay down of debt and has provided the County with the ability to issue new debt without a large negative fiscal impact.

The County recently received news from Moody's Investors Service of their bond rating upgrade from "Aa1" to "Aaa", the highest rating issued by the agency. According to Moody's, the county's comprehensive fiscal policies and planning were determining factors in the agency's decision to assign the upgrade. Charles County has previously received "AAA" ratings from Fitch Investors Service and Standard & Poor's Ratings Services. Charles County also maintained a stable financial rating outlook from all three rating agencies, which is a reflection of the County's continued tax base growth and conservative fiscal management.

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 may also authorize the issuance of general obligation and revenue bonds by enacting public local laws. There is no statutory limit on the amount of general obligation or revenue bonds that may be authorized by the County Commissioners. As of the end of Fiscal Year 2016, the County currently has \$155,368,100 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 second by the full faith and credit of the County. The current water, sewer, and solid waste debt limitation for Charles County is \$1.7 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 86-90 of this report.

Economic Factors and Next Year's Budgets and Rates

- The FY2017 General Fund Budget was adopted at \$375,542,600, representing a 2.7% increase compared to FY2016.
- In FY2017, the County's largest revenue source, Property Tax, was budgeted at \$211.6 million, representing an increase of 3.1% compared to the FY2016 Adopted Budget. The second largest revenue source, Income Tax, was adopted at \$120.6 million, a 7.1% increase compared to the FY2016 Adopted Budget. Recordation taxes were budgeted to remain stable in comparison to Fiscal Year 2016. A Fund Balance appropriation of \$4.0 million was also approved to balance the budget representing the same figure as adopted in FY2016.
- The County experienced a slight increase in property tax assessments and held constant the property tax rates.
- The local Income Tax rate remained the same at 3.03% of Maryland taxable income.
- Expense budgets increased in total by 4% compared to the FY2016 Budget. Our largest budget priority, Public Education, will be receiving \$4.0 million more than the

Maintenance of Effort level required by law. The Board of Education (BOE) will receive \$170.5 million, \$4.4 million more than FY2016 which includes funding to support salary raises for teacher and other public schools employees. The Sheriff's Office and related functions will receive a total funding of \$82.7 million, a 4% increase compared to FY2016 to support hiring additional officers, capital/equipment purchases, and a salary increase for staff. Our steady and consistent funding in the police force clearly has helped in our fight against crime and provides for a safer community. Other highlights include, the Department of Emergency Services being approved five new Emergency Medical Service (EMS) employees, to improve public safety services in underserved areas of the county, a 3% overall county department budget increase which includes salary raises for eligible employees and capital/equipment purchases to improve operating efficiencies, and the Department of Health will receive additional funding to offset a decrease in state grant funding. The FY2017 budget will maintain the county's fund balance reserve within policy limits of 8-15% of total budgeted operating revenues.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2017.

Requests for Information

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

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

Please visit our website at www.charlescountymd.gov

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Basic Financial Statements

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS:				
Cash and cash equivalents	\$ 13,487,675	\$ 1,079,636	\$ 14,567,311	\$ 61,505,248
Short-term investments	147,844,237	-	147,844,237	-
Other receivables	36,064,652	7,757,598	43,822,250	10,205,263
Excise tax receivable	36,960,309	-	36,960,309	-
Taxes receivable	3,772,739	-	3,772,739	-
Internal balances	(48,974,818)	48,974,819	-	-
Inventory	1,846,380	499,500	2,345,880	404,435
Other current assets	2,536,964	92,264	2,629,228	34,754
Restricted assets:				
Restricted cash and cash equivalents	2,396,517	132,309	2,528,826	-
Restricted notes receivable	28,689,051	-	28,689,051	-
Capital assets, net of accumulated depreciation:				
Land	78,205,774	2,174,186	80,379,960	17,805,499
Construction in progress	60,885,210	73,089,435	133,974,645	7,400,318
Land improvements	9,710,159	7,357,320	17,067,479	5,320,135
Infrastructure	237,498,938	115,222,608	352,721,546	-
Buildings and improvements	86,456,678	8,216,987	94,673,665	284,303,209
Machinery and equipment	25,398,715	30,985,292	56,384,007	7,647,252
Vehicles	3,869,854	1,513,738	5,383,592	-
Total assets	<u>726,649,034</u>	<u>297,095,692</u>	<u>1,023,744,726</u>	<u>394,626,113</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Charges on bond refundings	2,930,544	1,149,472	4,080,016	-
Changes in pension plan assumptions	13,743,099	-	13,743,099	2,293,484
Differences between expected and actual experience	6,803,389	-	6,803,389	-
Difference between projected and actual earnings on pension plan investments	27,811,372	-	27,811,372	7,652,807
Total deferred outflows	<u>51,288,404</u>	<u>1,149,472</u>	<u>52,437,876</u>	<u>9,946,291</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>777,937,438</u>	<u>298,245,164</u>	<u>1,076,182,602</u>	<u>404,572,404</u>
LIABILITIES:				
Accounts payable	8,262,024	4,754,747	13,016,771	8,689,390
Accrued expenses	12,862,229	1,831,058	14,693,287	25,491,234
Unearned revenue	4,830,611	734,238	5,564,849	3,433,785
Other liabilities	11,875,994	132,309	12,008,303	3,130,949
Noncurrent liabilities:				
Due within one year	30,380,908	10,173,898	40,554,806	1,305,448
Due in more than one year	436,876,632	108,998,214	545,874,846	205,857,850
Total liabilities	<u>505,088,398</u>	<u>126,624,464</u>	<u>631,712,862</u>	<u>247,908,656</u>
DEFERRED INFLOWS OF RESOURCES:				
Changes in Pension plan assumptions	5,381,197	-	5,381,197	1,461,396
Differences between expected and actual experience	5,763,814	-	5,763,814	2,058,827
Total deferred inflows	<u>11,145,011</u>	<u>-</u>	<u>11,145,011</u>	<u>3,520,223</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>516,233,409</u>	<u>126,624,464</u>	<u>642,857,873</u>	<u>251,428,879</u>
NET POSITION:				
Net Investment in capital assets	362,533,718	148,864,902	511,398,621	319,204,286
Restricted for grants	-	-	-	1,505,562
Restricted for:				
Capital projects	28,799,659	-	28,799,659	-
Debt service	29,286,288	-	29,286,288	-
Cable franchise	3,971,023	-	3,971,023	-
Public housing	616,870	-	616,870	-
Public safety	1,406,722	-	1,406,722	-
Conservation of natural resources	1,227,212	-	1,227,212	-
Economic development	984,045	-	984,045	-
Mental health	197,607	-	197,607	-
Transportation	327,059	-	327,059	-
Judicial	70,932	-	70,932	-
Aging services	106,795	-	106,795	-
Planning	40,777	-	40,777	-
Unrestricted	(167,864,680)	22,755,798	(145,108,882)	(167,566,323)
Total net position	<u>\$ 261,704,028</u>	<u>\$ 171,620,700</u>	<u>\$ 433,324,728</u>	<u>\$ 153,143,525</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Legislative	\$ 1,691,498	\$ 68,314	\$ -	\$ -
Judicial	6,567,844	-	1,301,175	-
Law	952,254	67,294	-	-
General government	17,912,929	5,820,923	33,630	-
Elections	1,171,314	-	-	-
Public safety	106,250,693	4,067,307	4,528,863	354,772
Planning and growth management	4,026,177	7,847,985	88,233	-
Health	3,415,892	64,109	-	-
Social services	1,979,157	-	-	-
Community services	20,637,588	1,775,673	15,584,903	54,833
Public facilities	52,083,282	887,612	23,759	895,666
Economic development	2,214,242	-	50,000	-
Education	185,562,444	-	10,625,680	-
Conservation of natural resources	646,436	-	-	-
Interest expense on long term debt	10,506,320	-	-	-
Total governmental activities	415,618,071	20,599,217	32,236,242	1,305,271
Business-type activities:				
Water and sewer	31,740,597	36,575,372	922,249	105,256
Inspection and review	3,540,445	4,205,493	-	-
Recreation	2,752,848	2,829,030	68,160	-
Solid waste	3,916,243	6,753,142	-	-
Environmental services	4,560,865	4,491,840	-	-
SW-Watershed Protection	1,956,248	1,809,225	-	-
Vending machines	107,085	132,555	-	-
Total business-type activities	48,574,331	56,796,658	990,409	105,256
Total primary government	\$ 464,192,402	\$ 77,395,875	\$ 33,226,651	\$ 1,410,527
COMPONENT UNITS:				
Board of Education of Charles County, Maryland	\$ 413,240,740	\$ 5,834,070	\$ 96,570,092	\$ 13,851,364
Board of Library Trustees for Charles County	6,903,910	161,316	20,184	20,000
Total component units	\$ 420,144,650	\$ 5,995,386	\$ 96,590,276	\$ 13,871,364

General revenues:

Taxes:

- Local property taxes
- Local taxes - Excise
- Local taxes - Admissions & Amusement
- Local taxes - Recordation
- Local taxes - Transfer
- Local taxes - Hotel/Motel
- 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

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
\$ (1,623,184)	\$ -	\$ (1,623,184)	\$ -
(5,266,670)	-	(5,266,670)	-
(884,960)	-	(884,960)	-
(12,058,377)	-	(12,058,377)	-
(1,171,314)	-	(1,171,314)	-
(97,299,752)	-	(97,299,752)	-
3,910,041	-	3,910,041	-
(3,351,783)	-	(3,351,783)	-
(1,979,157)	-	(1,979,157)	-
(3,222,179)	-	(3,222,179)	-
(50,276,245)	-	(50,276,245)	-
(2,164,242)	-	(2,164,242)	-
(174,936,764)	-	(174,936,764)	-
(646,436)	-	(646,436)	-
(10,506,320)	-	(10,506,320)	-
<u>(361,477,341)</u>	<u>-</u>	<u>(361,477,341)</u>	<u>-</u>
-	5,862,280	5,862,280	-
-	665,049	665,049	-
-	144,343	144,343	-
-	2,836,899	2,836,899	-
-	(69,024)	(69,024)	-
-	(147,023)	(147,023)	-
-	25,469	25,469	-
-	<u>9,317,992</u>	<u>9,317,992</u>	<u>-</u>
<u>(361,477,341)</u>	<u>9,317,992</u>	<u>(352,159,349)</u>	<u>-</u>
-	-	-	(296,985,214)
-	-	-	(6,702,410)
-	-	-	<u>(303,687,624)</u>
223,238,990	-	223,238,990	-
10,264,660	-	10,264,660	-
681,792	-	681,792	-
15,406,637	-	15,406,637	-
5,481,599	-	5,481,599	-
1,190,544	-	1,190,544	-
126,886,692	-	126,886,692	-
962,397	-	962,397	-
-	-	-	281,276,976
7,400,380	501,903	7,902,283	297,006
2,505,628	84,574	2,590,201	79,687
(879,136)	879,136	-	-
<u>393,140,184</u>	<u>1,465,613</u>	<u>394,605,797</u>	<u>281,653,669</u>
31,662,843	10,783,605	42,446,448	(22,033,955)
230,041,185	160,837,095	390,878,280	175,177,480
<u>\$ 261,704,028</u>	<u>\$ 171,620,700</u>	<u>\$ 433,324,728</u>	<u>\$ 153,143,525</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 13,196,623	\$ -	\$ -	\$ 291,052	\$ 13,487,675
Investments	147,844,237	-	-	-	147,844,237
Other receivables	28,662,135	2,516,043	334,957	4,551,517	36,064,652
Excise tax receivable	-	-	36,960,309	-	36,960,309
Taxes receivable	3,772,739	-	-	-	3,772,739
Due from other funds	-	41,686,025	251,192	8,864,456	50,801,673
Inventory	1,846,380	-	-	-	1,846,380
Other assets	2,534,207	-	-	2,757	2,536,964
Restricted assets					
Restricted cash and cash equivalents	1,411,783	-	-	984,734	2,396,517
Restricted notes receivable	-	-	28,689,051	-	28,689,051
Total assets	\$ 199,268,104	\$ 44,202,068	\$ 66,235,508	\$ 14,694,516	\$ 324,400,197
LIABILITIES AND FUND BALANCES:					
Accounts payable	\$ 2,286,562	\$ 4,414,732	\$ -	\$ 1,560,730	\$ 8,262,024
Accrued expenditures	1,909,804	-	-	-	1,909,804
Unearned revenue	80,519	4,487,265	3,575	259,252	4,830,611
Due to other funds	98,436,036	-	-	1,340,455	99,776,491
Other liabilities	9,290,956	-	-	2,585,038	11,875,994
Payable from restricted assets	1,415,794	-	-	-	1,415,794
Total liabilities	113,419,671	8,901,996	3,575	5,745,474	128,070,718
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	16,595,757	-	36,945,645	-	53,541,401
Fund balances:					
Nonspendable fund balance	4,365,445	-	28,689,051	-	33,054,497
Restricted fund balance	5,256,573	6,700,412	-	2,644,330	14,601,315
Committed fund balance	55,610,042	25,767,947	-	-	81,377,989
Assigned fund balance	4,020,616	-	-	6,304,712	10,325,328
Unassigned fund balance	-	2,831,713	597,237	-	3,428,950
Total fund balances	69,252,677	35,300,071	29,286,288	8,949,042	142,788,078
Total liabilities & fund balances	\$ 199,268,105	\$ 44,202,068	\$ 66,235,508	\$ 14,694,516	\$ 324,400,198

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total Governmental Fund Balance	\$	142,788,078
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		502,025,328
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		(254,571,189)
Loans and notes payable		(1,367,078)
Capital leases payable		(11,986,955)
Health insurance claims		(747,286)
Worker's Compensation claims		(5,401,020)
Net pension liabilities		(91,321,384)
Accrued interest		(3,388,326)
Net OPEB obligation		(87,735,573)
Unavailable revenue		53,541,401
Deferred outflows and inflows of resources, including charges on refunding and associated with pensions which are not financial resources and therefore are not reported in the funds.		
Changes with charges on refundings		2,930,544
Differences between expected and actual experience		
Changes in pension plan assumptions		8,361,902
Differences between expected and actual experience		1,039,575
Difference between projected and actual earnings on pension plan investments		27,811,372
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds		(20,275,361)
Net position of Governmental Activities	\$	261,704,028

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, 2016

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes - local property	\$ 207,506,311	\$ -	\$ -	\$ 11,604,311	\$ 219,110,622
Taxes - income	123,429,876	-	-	-	123,429,876
Taxes - Excise	-	-	10,264,660	-	10,264,660
Taxes - Admissions and Amusement	681,792	-	-	-	681,792
Taxes - Recordation	15,406,637	-	-	-	15,406,637
Taxes - Transfer	5,481,599	-	-	-	5,481,599
Taxes - Hotel/Motel	1,190,544	-	-	-	1,190,544
Taxes - state shared	962,397	-	-	-	962,397
Charges for services	7,344,640	7,335,763	-	5,918,814	20,599,217
Intergovernmental	3,166,775	11,521,347	-	18,853,391	33,541,513
Interest income	428,929	-	2,056,724	19,974	2,505,628
Other income	5,980,629	-	1,083,851	335,897	7,400,377
Total revenues	<u>371,580,131</u>	<u>18,857,110</u>	<u>13,405,235</u>	<u>36,732,387</u>	<u>440,574,863</u>
Expenditures:					
Current:					
Education	179,754,815	14,831,189	-	1,687,010	196,273,015
Public safety	93,457,211	115,742	-	14,755,801	108,328,753
Other general government	25,494,023	-	5,588,295	-	31,082,318
Public facilities	18,539,055	9,904,788	-	-	28,443,843
Financial administration	9,235,420	-	-	-	9,235,420
Community services	3,814,846	6,109	-	17,520,345	21,341,301
Judicial	4,813,405	73,754	-	1,752,574	6,639,733
Planning and growth management	2,718,834	1,185,952	-	123,854	4,028,641
Health	3,100,416	-	-	1,381,617	4,482,033
Economic development	2,202,939	-	-	31,304	2,234,242
Social services	1,003,284	-	-	955,872	1,959,157
Legislative	1,615,709	-	-	10,500	1,626,209
Law	952,254	-	-	-	952,254
Conservation of natural resources	646,436	-	-	-	646,436
Elections	1,171,314	-	-	-	1,171,314
Debt service:					
Principal	-	-	11,527,876	-	11,527,876
Interest	7,003,823	-	3,180,762	-	10,184,584
Total expenditures	<u>355,523,784</u>	<u>26,117,534</u>	<u>20,296,933</u>	<u>38,218,878</u>	<u>440,157,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,056,347</u>	<u>(7,260,424)</u>	<u>(6,891,698)</u>	<u>(1,486,491)</u>	<u>417,734</u>
Other financing sources (uses):					
Issuance of debt - capital lease	6,979,100	-	-	-	6,979,100
Issuance of debt - bonds	-	27,100,000	-	-	27,100,000
Premium on issuance of debt	2,727,531	-	-	-	2,727,531
Transfers in	1,353	2,037,900	-	3,954,154	5,993,407
Transfers out	(6,763,522)	-	-	(109,021)	(6,872,543)
Total other financing sources (uses)	<u>2,944,462</u>	<u>29,137,900</u>	<u>-</u>	<u>3,845,133</u>	<u>35,927,496</u>
Net change in fund balance	19,000,809	21,877,476	(6,891,698)	2,358,642	36,345,230
Fund balance - beginning of year	50,251,868	13,422,595	36,177,986	6,590,400	106,442,849
Fund balance - end of year	<u>\$ 69,252,677</u>	<u>\$ 35,300,071</u>	<u>\$ 29,286,288</u>	<u>\$ 8,949,042</u>	<u>\$ 142,788,078</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, 2016

Net change in fund balance - Governmental Funds	\$	36,345,230
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.		
		(250,850)
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.		
		(5,820,379)
Governmental funds report revenues based on the availability of the funds. However, in the government-wide statements revenues are recorded based on collectibility.		
		4,107,430
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Deferred outflows and inflows of resources related to pensions		18,213,278
Amortization of deferred charges on bond refundings		(315,602)
Compensated absences		(1,180,323)
Net pension liabilities		(9,650,023)
Accrued interest		(321,742)
Net OPEB current year expense		(9,464,177)
		31,662,842
Change in Net Position of Governmental Activities	\$	31,662,842

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type activities			Total
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 200	\$ 2,000	\$ 1,077,436	\$ 1,079,636
Other receivables	6,921,618	758,151	77,829	7,757,598
Notes receivable	-	-	-	-
Due from other funds	23,956,054	19,999,253	8,788,406	52,743,712
Inventory	476,000	-	23,499	499,500
Other current assets	2,812	-	89,452	92,264
Total current assets	<u>31,356,685</u>	<u>20,759,403</u>	<u>10,056,622</u>	<u>62,172,710</u>
Noncurrent assets:				
Net capital assets	198,160,184	18,945,379	21,454,003	238,559,566
Restricted cash and cash equivalents	-	132,309	-	132,309
Total noncurrent assets	<u>198,160,184</u>	<u>19,077,688</u>	<u>21,454,003</u>	<u>238,691,875</u>
Total assets	<u>229,516,868</u>	<u>39,837,092</u>	<u>31,510,624</u>	<u>300,864,585</u>
DEFERRED OUTFLOW OF RESOURCES:				
Charges on bond refundings	769,204	-	380,268	1,149,472
LIABILITIES:				
Current liabilities:				
Accounts payable	3,122,080	473,060	1,159,607	4,754,747
Accrued expenses	1,507,861	30,734	292,462	1,831,058
Due to other funds	-	-	3,768,893	3,768,893
Unearned revenue	432,633	-	301,605	734,238
Current portion of long-term debt				
Bonds payable	6,426,384	26,474	1,055,762	7,508,620
Capital lease obligation	1,061,819	-	618,976	1,680,795
Compensated absences	174,377	25,245	43,803	243,425
Notes payable	741,058	-	-	741,058
Total current liabilities	<u>13,466,211</u>	<u>555,513</u>	<u>7,241,109</u>	<u>21,262,833</u>
Noncurrent liabilities:				
Bonds payable	59,530,869	501,900	13,060,527	73,093,296
Capital lease obligation	4,341,835	-	1,309,200	5,651,035
Compensated absences	1,251,501	236,911	302,994	1,791,406
Landfill post-closure costs	-	7,511,401	2,117,201	9,628,602
Net OPEB obligation	10,096,030	1,655,075	-	11,751,105
Notes payable	7,082,771	-	-	7,082,771
Other liabilities	-	132,309	-	132,309
Total noncurrent liabilities	<u>82,303,006</u>	<u>10,037,596</u>	<u>16,789,922</u>	<u>109,130,524</u>
Total liabilities	<u>95,769,217</u>	<u>10,593,109</u>	<u>24,031,031</u>	<u>130,393,357</u>
NET POSITION:				
Net Investment in capital assets	131,902,092	10,905,604	6,057,206	148,864,902
Unrestricted	2,614,764	18,338,379	1,802,655	22,755,798
Total net position	<u>\$ 134,516,856</u>	<u>\$ 29,243,983</u>	<u>\$ 7,859,861</u>	<u>\$ 171,620,700</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, 2016

	Business-type activities			Total
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	
Operating revenues:				
Charges for services	\$ 36,575,372	\$ 6,753,142	\$ 13,468,143	\$ 56,796,658
Other income	493,857	248	7,798	501,903
Total operating revenues	<u>37,069,229</u>	<u>6,753,390</u>	<u>13,475,941</u>	<u>57,298,561</u>
Operating expenses:				
Personnel services	12,375,989	2,324,716	4,657,777	19,358,482
Utilities	2,756,889	31,688	284,051	3,072,628
Repairs and maintenance	1,086,391	215,936	230,438	1,532,765
Insurance costs	246,250	12,435	60,651	319,336
Indirect costs	492,200	254,000	77,467	823,667
Supplies	1,701,091	148,455	446,694	2,296,241
Contract services	1,707,272	182,025	5,409,916	7,299,213
Other operating costs	650,826	56,303	368,663	1,075,792
Depreciation	8,361,978	671,026	1,100,582	10,133,585
Total operating expenses	<u>29,378,885</u>	<u>3,896,585</u>	<u>12,636,238</u>	<u>45,911,709</u>
Operating income	<u>7,690,344</u>	<u>2,856,805</u>	<u>839,703</u>	<u>11,386,852</u>
Nonoperating revenues (expenses):				
Interest income	40,173	28,926	15,479	84,578
Intergovernmental	1,027,505	-	68,160	1,095,665
Interest expense	(2,370,962)	(19,659)	(383,373)	(2,773,993)
Gain on disposal of capital assets	9,250	-	102,120	111,370
Total nonoperating revenues (losses)	<u>(1,294,034)</u>	<u>9,267</u>	<u>(197,614)</u>	<u>(1,482,380)</u>
Income before transfers	6,396,310	2,866,073	642,089	9,904,472
Transfers in	-	-	1,999,561	1,999,561
Transfers out	-	-	(1,120,425)	(1,120,425)
Change in net position	6,396,310	2,866,073	1,521,224	10,783,607
Net position - beginning of year	128,120,545	26,377,911	6,338,637	160,837,093
Net position - end of year	<u>\$ 134,516,855</u>	<u>\$ 29,243,984</u>	<u>\$ 7,859,861</u>	<u>\$ 171,620,700</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 37,236,760	\$ 6,753,390	\$ 13,426,789	\$ 57,416,939
Cash paid to suppliers	(6,277,827)	(1,210,787)	(5,503,572)	(12,992,186)
Cash paid to employees	(11,900,513)	(2,320,149)	(5,602,147)	(19,822,809)
Net cash from operating activities	<u>19,058,420</u>	<u>3,222,454</u>	<u>2,321,070</u>	<u>24,601,944</u>
Cash flows from investing activities:				
Interest received	40,173	28,926	15,478	84,577
Net cash from investing activities	<u>40,173</u>	<u>28,926</u>	<u>15,478</u>	<u>84,577</u>
Cash flows from noncapital financing activities:				
Intergovernmental	1,027,505	-	68,160	1,095,665
Transfers in (out)	-	-	879,136	879,136
Receipts from interfund loans	(4,290,403)	-	1,196,939	(3,093,464)
Repayments of interfund loans	-	(1,368,726)	-	(1,368,726)
Net cash from noncapital financing activities	<u>(3,262,898)</u>	<u>(1,368,726)</u>	<u>2,144,235</u>	<u>(2,487,389)</u>
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	4,724,000	100,000	2,000,000	6,824,000
Proceeds from new loan	-	-	-	-
Principal payments on bonds payable	(5,797,013)	-	-	(5,797,013)
Principal payments on capital lease obligations	(1,252,361)	(9,028)	(980,767)	(2,242,156)
Principal payments on loans	(732,271)	-	(655,512)	(1,387,783)
Interest paid	(2,370,962)	(19,659)	-	(2,390,621)
Proceeds from disposal of assets	9,250	-	(383,373)	(374,123)
Cash paid for capital expenses	(10,416,338)	(1,938,929)	(4,801,511)	(17,156,778)
Net cash from capital and related financing activities	<u>(15,835,695)</u>	<u>(1,867,616)</u>	<u>(4,821,163)</u>	<u>(22,524,474)</u>
Net increase in cash and cash equivalents	-	15,038	(340,380)	(325,342)
Cash and cash equivalents - beginning of year	200	119,271	1,417,816	1,537,287
Cash and cash equivalents - end of year	<u>\$ 200</u>	<u>\$ 134,309</u>	<u>\$ 1,077,436</u>	<u>\$ 1,211,945</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 7,690,344	\$ 2,856,805	\$ 839,703	\$ 11,386,852
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	8,361,978	671,026	1,100,581	10,133,585
Increase (decrease) in compensation-related liabilities included in long-term debt	699,936	4,758	(76,629)	628,065
Increase in landfill closure liabilities included in long-term debt	-	34,280	-	34,280
(Increase) decrease in other receivables	(386,830)	80,379	50,662	(255,789)
(Increase) decrease in notes receivable	121,729	-	-	121,729
(Increase) decrease in inventories	51,641	-	41,607	93,248
(Increase) decrease in other current assets	(2,812)	-	18,585	15,773
(Increase) decrease in restricted assets	-	(15,038)	-	(15,038)
(Increase) decrease in deferred bond issue costs	262,919	(6,785)	(62,826)	193,308
Increase (decrease) in accounts payable	81,801	(704,878)	348,143	(274,934)
Increase (decrease) in accrued expenses	428,845	4,567	133,564	566,976
Increase (decrease) in other liabilities	192,322	118,076	-	310,398
Increase (decrease) in Net Pension Obligation	-	-	-	-
Increase (decrease) in Net OPEB Obligation	1,123,914	179,263	(23,167)	1,280,010
Increase (decrease) in unearned revenue	432,633	-	(49,152)	383,481
Net cash from by operating activities	<u>\$ 19,058,420</u>	<u>\$ 3,222,454</u>	<u>\$ 2,321,070</u>	<u>\$ 24,601,944</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Borrowing under capital lease	\$ 1,032,900	\$ -	\$ 440,000	\$ 1,472,900

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Pension and OPEB Trust Funds
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 13,567,155
Interest receivable	148,194
Total current assets	13,715,348
Investments at fair value:	
Bond mutual funds	120,243,659
Equity securities	273,167,673
Total investments	393,411,333
Total assets	407,126,681
LIABILITIES:	
Accrued expenses	47,481
NET POSITION RESTRICTED FOR PENSIONS AND OPEB BENEFITS	\$ 407,079,200

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016

	Pension and OPEB Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	\$ 17,643,656
Employee contributions	4,825,981
Total contributions	22,469,637
Investment earnings:	
Interest	15,853,656
Net change in fair value of investments	(10,229,338)
Total investment earnings	5,624,319
Less investment expenses	(1,842,631)
Net investment earnings	3,781,687
Total additions	26,251,325
DEDUCTIONS:	
Benefits paid to members	15,349,421
Administrative costs	102,963
Total deductions	15,452,384
Changes in net position	10,798,941
Net position - beginning of year	396,280,259
Net position - end of year	\$ 407,079,200

See accompanying notes.

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 JUNE 30, 2016

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
ASSETS:			
Cash and cash equivalents	\$ 60,444,375	\$ 1,060,873	\$ 61,505,248
Short-term investments	-	-	-
Accounts receivable	10,200,872	4,391	10,205,263
Inventory	404,435	-	404,435
Other assets	-	34,754	34,754
Capital assets			
Land	17,805,499	-	17,805,499
Construction in progress	7,400,318	-	7,400,318
Land improvements	5,320,135	-	5,320,135
Buildings	284,303,209	-	284,303,209
Machinery and equipment	6,542,613	1,104,639	7,647,252
Total assets	<u>392,421,456</u>	<u>2,204,657</u>	<u>394,626,113</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in pension plan assumptions	2,293,484	-	2,293,484
Difference between projected and actual earnings on pension plan investments	7,652,807	-	7,652,807
Total deferred outflows of resources	<u>9,946,291</u>	<u>-</u>	<u>9,946,291</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>402,367,747</u>	<u>2,204,657</u>	<u>404,572,404</u>
LIABILITIES:			
Accounts payable	8,685,727	3,663	8,689,390
Accrued expenses	25,329,684	161,550	25,491,234
Unearned revenue	3,433,785	-	3,433,785
Other liabilities	3,130,949	-	3,130,949
Non-current liabilities:			
Due within one year	1,305,448	-	1,305,448
Due in more than one year	202,249,032	3,608,818	205,857,850
Total liabilities	<u>244,134,625</u>	<u>3,774,031</u>	<u>247,908,656</u>
DEFERRED INFLOWS OF RESOURCES:			
Changes in pension plan assumptions	1,461,396	-	1,461,396
Differences between expected and actual experience	2,058,827	-	2,058,827
Total deferred inflows of resources	<u>3,520,223</u>	<u>-</u>	<u>3,520,223</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>247,654,848</u>	<u>-</u>	<u>249,967,483</u>
NET POSITION:			
Net investment in capital assets	318,099,647	1,104,639	319,204,286
Restricted for grants	1,505,562	-	1,505,562
Unrestricted (deficit)	(164,892,310)	(2,674,013)	(167,566,323)
Total net position	<u>\$ 154,712,899</u>	<u>\$ (1,569,374)</u>	<u>\$ 153,143,525</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 YEAR ENDED JUNE 30, 2016

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	\$ 413,240,740	\$ 5,834,070	\$ 96,570,092	\$ 13,851,364
Board of Library Trustees for Charles County	6,903,910	161,316	20,184	20,000
Total component units	\$ 420,144,650	\$ 5,995,386	\$ 96,590,276	\$ 13,871,364

General revenues:

- County and state appropriations
- Other income
- Interest and investment earnings
- Miscellaneous
- Loss on disposition of capital assets
- 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

<u>Primary Government</u>		
<u>Board of Education of Charles County, Maryland</u>	<u>Board of Library Trustees for Charles County</u>	<u>Total</u>
\$ (296,985,214)	\$ -	\$ (296,985,214)
-	(6,702,410)	(6,702,410)
<u>(296,985,214)</u>	<u>(6,702,410)</u>	<u>(303,687,624)</u>
275,154,104	6,122,872	281,276,976
-	14,692	14,692
77,596	2,091	79,687
269,113	13,201	282,314
-	-	-
<u>275,500,813</u>	<u>6,152,856</u>	<u>281,653,669</u>
(21,484,401)	(549,554)	(22,033,955)
176,197,300	(1,019,820)	175,177,480
<u>\$ 154,712,899</u>	<u>\$ (1,569,374)</u>	<u>\$ 153,143,525</u>

See accompanying notes.

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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 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 reliable upon Charles County Government approving their annual budget and establishing spending limitations. The County Commissioners are responsible for levying taxes and collecting and distributing the funds to the Board within the entire annual budget process. The Board

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

is unable to issue bonded debt, thus the County can and does to finance Board capital projects. Therefore, the County has the ability to impose their will on the organization, as well as the Board having the potential to impose a financial benefit/burden on the County. The Board of Education is presented as a governmental fund type. The County provided \$166,121,100 in operating funds and \$11,223,015 in capital funding to the Board of Education during fiscal year 2016.

The Board of Library Trustees for Charles County, Maryland (the Library) is a legally separate entity under Maryland state law. The Library's Trustees, a seven member Board, are appointed by the County Commissioners and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the elected County Commissioners. The Library is presented as a governmental fund type. The County provided \$3,511,800 in operating funds to the Library during fiscal year 2016.

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

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

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

B. Basic Financial Statements

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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, 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 Uniform Guidance, 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.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

Fund Financial Statements

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

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

1. Governmental Funds:

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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 County Employees Retirement 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

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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.

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.

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D. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

2. Investments:

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

3. Receivables:

All trade, excise and property tax receivables are reported at fair value. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billings during the month following the close of the fiscal year. Taxes, special assessments, utility charges and accrued interest are deemed collectible in full. Property taxes attach as an enforceable lien when levied on July 1 of each fiscal year. The taxes are payable without interest by September 30.

All property tax revenue is recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes), which states that such revenue is 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.

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- 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.

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

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at estimated fair market value at the date of donation. Normal maintenance and repair costs that do not add to the value of the assets or materially extend assets' lives are not capitalized by the County or the component units.

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

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

	County	Board of Education	Library
Buildings	30 years		
Improvements	10-30 yrs		
Buildings & improvements		30 years	
Land Improvements		10 years	
Leasehold Improvements			15-39 yrs
Water & Sewer systems	30-50 yrs		
Infrastructure	10-50 yrs		
Machinery and Equipment	5-10 yrs	5-10 yrs	7 years
Vehicles	5 years		5 years
Computers and Software	3-5 years		5 years
Other infrastructure	10-50 yrs		
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.

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- 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.
- 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 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. The County’s General Fund is the only fund permitted to report a positive amount.

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

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needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the order of Committed, Assigned, and Unassigned.

10. Compensated Absences:

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

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

11. Long-term Obligations:

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

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

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.

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

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

13. Accounting Estimates:

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

14. Implementation of Applicable New GASB Pronouncements

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

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

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

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

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments was issued in June 2015 with an implementation date for financial statements for periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The County has implemented this standard with our FY2016 report.

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

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

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The County plans to implement this new standard with the FY2017 report.

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GASB Statement No. 79, Certain External Investment Pools and Pool Participants, was issued in December 2015, with an implementation date for financial statements for periods beginning after December 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and their participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Standard also establishes additional note disclosure requirements. The County has implemented this new standard with our FY2016 report.

GASB Statement No. 80, Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14, was recently issued in January 2016, with an implementation date for financial statements for periods beginning after June 15, 2016. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14 for all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39. The County plans to implement any impacts of this new standard with our FY2017 report.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, was recently issued in March 2016, with an implementation date for financial statements for periods beginning after June 15, 2016. This Statement’s objective is to address certain issues that have been raised with the three previous GASB Statements noted. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The County has implemented this new standard with our FY2016 report.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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,

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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, 2016.

B. Deficit Fund Equity

The Recreation Program Fund had a deficit fund balance of \$151,605 as of June 30, 2016. 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 eight years of managing the facility, significant improvements have been achieved in operations. This expected trend will restore operations to a positive fund balance in the near future.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions 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 \$17,096,137 and the bank balances were \$17,803,153. Of the bank balance, \$14,040,604 was covered by Federal depository insurance and \$3,762,549 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 \$16,005.

At year-end, the carrying amount of the Board of Education's deposits was \$27,965,624 and the bank balances were \$38,083,259. 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 \$409,476 and the bank balances were \$453,398. The bank balance was covered by Federal depository insurance, up to statutory limits and collateralized by securities held by the pledging financial institution, for the excess. The amount of cash on hand was \$2,196.

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Investments

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

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

	Total Governmental Funds	Total Fiduciary Funds	Total Enterprise Funds	Total
Cash on hand	\$ 10,729	\$ -	\$ 5,275	\$ 16,004
Deposit accounts	13,476,945	-	1,074,361	14,551,306
Repurchase agreements (sweep)	13,532,902			13,532,902
U.S. government securities				
Treasuries	37,901,733	-	-	37,901,733
Agencies	48,329,739	-	-	48,329,739
Money market	-	13,567,155	-	13,567,155
Certificates of deposit	-	-	-	-
Maryland local government pool	48,079,864	-	-	48,079,864
Bond mutual funds	-	120,243,659	-	120,243,659
Equity securities	-	273,167,673	-	273,167,673
Restricted assets	2,396,517	-	132,309	2,528,826
Total cash and investments	<u>\$ 163,728,429</u>	<u>\$ 406,978,487</u>	<u>\$ 1,211,945</u>	<u>\$ 571,918,861</u>

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

Cash on hand	\$ 1,964
Deposits	25,365,686
Maryland local government pool	<u>35,076,725</u>
Total cash and investments	<u>\$ 60,444,375</u>

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

Cash on hand and deposits	\$ 411,672
Maryland local government pool	<u>649,201</u>
Total cash and investments	<u>\$ 1,060,873</u>

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

	Level 1	Level 2	Level 3	Balance June 30, 2016
Investments by fair value level:				
U.S. government securities: Treasuries	\$ -	\$ 37,901,733	\$ -	\$ 37,901,733
U.S. government securities: Agencies	-	48,329,739	-	48,329,739
Certificates of deposit	-	-	-	-
Bond Mutual funds	120,243,659	-	-	120,243,659
Equity securities	273,167,673	-	-	273,167,673
Restricted assets	-	-	-	-
	<u>393,411,332</u>	<u>86,231,471</u>	<u>-</u>	<u>479,642,803</u>

Cash and Investments carried at amortized cost:

Cash on hand	16,004
Deposit Accounts	14,551,306
Repurchase agreements (sweep)	13,532,902
Money Market	13,567,155
Maryland local government pool	48,079,864
Restricted assets: cash on deposit	<u>2,528,826</u>
Total Cash and Investments at amortized cost:	<u>92,276,057</u>
Total Cash and Investments	<u>\$ 571,918,861</u>

Debt securities (Federal agencies, U.S. Strip Treasuries, Fixed Income funds, U.S. Government Agencies, and corporate bonds) classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or, if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such

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exchange. Such securities are classified within Level 1 of the valuation hierarchy. Mutual funds classified at level 3 are valued using either a discounted cash flow or market comparable technique.

The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The State Treasurer of Maryland exercises administrative oversight responsibility over the MLGIP. Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. A single financial institution, PNC Institutional Investments, is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor semi-annually and provide suggestions to enhance the return on investments. The MLGIP maintains an AAAM credit quality rating from Standard and Poor's and maintains a \$1.00 per share value. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of MLGIP shares.

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

Interest Rate Risk

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

Custodial Credit Risk

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

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Statement of Investment Policies, are applied at the time of each investment. As of June 30, 2016, the County's investments were not exposed to custodial credit risk.

B. Receivables

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

	General	Capital Projects	Debt Service	Water and Sewer Fund	Solid Waste Fund	Non-major Funds	Total
Receivables:							
Interest	\$ 314,758	\$ -	\$ -	\$ 8,827	\$ -	\$ 111	\$ 323,696
Taxes	3,976,503	-	37,291,690	-	-	-	41,268,193
Accounts	28,143,613	2,516,043	-	6,795,224	758,151	4,535,464	42,748,495
Special assessments	-	-	3,575	117,567	-	40,512	161,654
Intergovernmental	-	-	-	-	-	53,259	53,259
Total receivables	<u>\$ 32,434,874</u>	<u>\$ 2,516,043</u>	<u>\$ 37,295,265</u>	<u>\$ 6,921,618</u>	<u>\$ 758,151</u>	<u>\$ 4,629,346</u>	<u>\$ 84,555,297</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)	\$ -	\$ 3,673,967	\$ 3,673,967
Deferred property tax receivable (Debt Service)	-	36,945,644	36,945,644
Deferred income tax reserve	-	12,921,790	12,921,790
Agricultural preservation taxes	-	-	-
Special assessments not yet due (Debt Service)	3,575	-	3,575
School construction impact fees	4,487,265	-	4,487,265
Grant draw-downs prior to meeting all eligibility requirements	205,183	-	205,183
Other unearned revenue	134,588	-	134,588
Total unearned revenue for governmental funds	<u>\$ 4,830,611</u>	<u>\$ 53,541,401</u>	<u>\$ 58,372,012</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

C. Property Taxes Receivable

The County levies a property tax each July 1 on the assessed value of all taxable real property located within the County on that date. Assessed values are established by the Maryland Departments of Assessments and Taxation at assessed market value. A reassessment of all property is required to be completed every three years. The rates of the levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. The real property tax rate for the year ended June 30, 2016 remained constant at \$1.141 per \$100 of assessed value. Property taxes attach as an enforceable lien on the property when levied on July 1 of each year. The taxes are payable without interest by September 30.

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

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 6/30/2016</u>
Hospital 2004	\$ 15,000,000	15 years, 3.04831%	\$ 5,508,806
St. Charles Companies 2004	8,000,000	15 years, 4%-5%	1,906,250
St. Charles Companies 2005	6,000,000	15 years, 5%-5.125%	1,907,500
St. Charles Companies 2006	10,000,000	15 years, 5.125%-8%	3,920,000
St. Charles Companies 2007	3,000,000	15 years, 5.25%-5.75%	1,436,250
St. Charles Companies 2008	3,000,000	15 years, 4.90%-5.25%	1,646,500
St. Charles Companies 2009	2,000,000	15 years, 4%-5.375%	1,201,667
St. Charles Companies 2011	4,000,000	15 years, 2%-4.5%	3,130,000
St. Charles Companies 2012	4,000,000	15 years, 2%-3.25%	3,042,500
St. Charles Companies 2013	3,700,000	15 years, 3%-4%	3,030,000
St. Charles Companies 2015	1,700,000	15 years, 3%-4%	1,643,378
Subtotal: St. Charles Co.'s	<u>45,400,000</u>		<u>22,864,045</u>
CSM 2005	1,000,000	15 years, 3.67%	316,200
Total Notes Receivable	<u>\$ 61,400,000</u>		<u>\$ 28,689,051</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

Bonds issued by the County for St. Charles Companies, the 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 future minimum note payments receivable for the years ended June 30 are as follows:

	UM Charles Regional Medical Center	St. Charles Companies	CSM	Total
2017	\$ 1,236,046	\$ 4,133,881	\$ 86,791	\$ 5,456,718
2018	1,247,234	4,237,655	86,791	5,571,680
2019	1,247,234	4,027,919	86,791	5,361,944
2020	1,247,234	3,316,288	79,559	4,643,081
2021	935,306	2,651,793	-	3,587,099
2022-2026	-	6,951,742	-	6,951,742
2027-2031	-	1,883,281	-	1,883,281
Subtotal	5,913,054	27,202,559	339,933	33,455,546
Less: Interest	404,248	4,338,514	23,733	4,766,495
Total future minimum note payments receivable	<u>\$ 5,508,806</u>	<u>\$ 22,864,045</u>	<u>\$ 316,200</u>	<u>\$ 28,689,051</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

E. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	\$ 77,684,918	\$ 520,856	\$ -	\$ 78,205,774
Construction in progress	<u>52,861,693</u>	<u>11,319,539</u>	<u>3,296,022</u>	<u>60,885,210</u>
Total capital assets, not depreciated	<u>130,546,611</u>	<u>11,840,395</u>	<u>3,296,022</u>	<u>139,090,984</u>
Capital assets, depreciated:				
Land Improvements	14,730,242	839,753	-	15,569,995
Infrastructure	457,702,000	10,570,003	29,048	468,242,956
Buildings and Improvements	166,716,392	686,010	74,744	167,327,658
Machinery and Equipment	53,136,330	6,524,535	1,314,596	58,346,269
Vehicles	<u>24,589,723</u>	<u>593,831</u>	<u>2,535,445</u>	<u>22,648,110</u>
Total capital assets, depreciated	<u>716,874,687</u>	<u>19,214,133</u>	<u>3,953,832</u>	<u>732,134,988</u>
Less: accumulated depreciation for:				
Land Improvements	(4,834,539)	(677,638)	347,659	(5,859,836)
Infrastructure	(214,730,807)	(16,014,986)	(1,775)	(230,744,018)
Buildings and Improvements	(76,105,322)	(4,702,241)	63,417	(80,870,980)
Machinery and Equipment	(29,978,367)	(3,932,957)	(963,770)	(32,947,554)
Vehicles	<u>(19,496,086)</u>	<u>(1,784,434)</u>	<u>(2,502,264)</u>	<u>(18,778,256)</u>
Total accumulated depreciation	<u>(345,145,121)</u>	<u>(27,112,256)</u>	<u>(3,056,733)</u>	<u>(369,200,644)</u>
Total capital assets, depreciated net	<u>371,729,566</u>	<u>(7,898,123)</u>	<u>897,099</u>	<u>362,934,344</u>
Governmental activities, capital assets, net	<u>\$ 502,276,178</u>	<u>\$ 3,942,272</u>	<u>\$ 4,193,121</u>	<u>\$ 502,025,329</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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>61,123,376</u>	<u>13,557,844</u>	<u>1,591,785</u>	<u>73,089,435</u>
Total capital assets, not depreciated	<u>63,297,562</u>	<u>13,557,844</u>	<u>1,591,785</u>	<u>75,263,621</u>
Capital assets, depreciated:				
Land Improvements	14,796,161	-	522,068	14,274,093
Infrastructure	253,952,440	3,172,673	1,539,200	255,585,913
Buildings and Improvements	14,155,421	724,860	156,234	14,724,047
Machinery and Equipment	48,687,317	922,136	2,146,020	47,463,433
Vehicles	<u>5,553,207</u>	<u>793,185</u>	<u>591,645</u>	<u>5,754,747</u>
Total capital assets, depreciated	<u>337,144,546</u>	<u>5,612,854</u>	<u>4,955,167</u>	<u>337,802,233</u>
Less: accumulated depreciation for:				
Land Improvements	(6,983,272)	(336,854)	(403,350)	(6,916,776)
Infrastructure	(135,333,143)	(6,569,362)	(1,539,200)	(140,363,305)
Buildings and Improvements	(6,194,455)	(450,366)	(137,761)	(6,507,060)
Machinery and Equipment	(16,176,938)	(2,436,963)	(2,135,760)	(16,478,141)
Vehicles	<u>(4,474,957)</u>	<u>(340,041)</u>	<u>(573,989)</u>	<u>(4,241,009)</u>
Total accumulated depreciation	<u>(169,162,765)</u>	<u>(10,133,585)</u>	<u>(4,790,060)</u>	<u>(174,506,290)</u>
Total capital assets, depreciated net	<u>167,981,781</u>	<u>(4,520,732)</u>	<u>165,107</u>	<u>163,295,942</u>
Business-type, capital assets, net	<u>\$ 231,279,343</u>	<u>\$ 9,037,113</u>	<u>\$ 1,756,892</u>	<u>\$ 238,559,564</u>
Grand Total, capital assets, net	<u>\$ 733,555,521</u>	<u>12,979,384</u>	<u>5,950,013</u>	<u>740,584,892</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

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

Governmental Activities:

General Government	\$	254
Public Safety		5,002,701
Legislative		6,617
Judicial		100,385
Financial Administration		58,016
Health		158,236
Community Services		599,271
Public Facilities		21,132,794
Education		52,646
Central Services		1,336
Total depreciation expense- Governmental Activities		\$ 27,112,256

Business-Type Activities:

Water and Sewer	\$	8,361,978
Solid Waste		671,026
Environmental Services		684,416
Recreation Programs		329,612
Inspection and Reviews		17,856
SW- Watershed Protection		68,697
Total depreciation expense-Business-type Activities		\$ 10,133,585

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

Construction Commitments

The County has active construction projects as of June 30, 2016. 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	\$ 32,602,170	\$ 33,701,213
Other transportation projects	690,354	3,671,556
General government		
Buildings and improvements	5,501,557	10,412,683
Other general government projects	20,228,049	12,419,861
Water and sewer		
Expansions and improvements	63,284,516	154,611,204
Parks		
Expansions and improvements	9,410,476	7,267,084
Environmental service		
Various environmental service projects	<u>20,315,019</u>	<u>43,336,071</u>
Total	<u>\$152,032,141</u>	<u>\$ 265,419,672</u>

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

Discretely Presented Component Units

Capital asset activity for the Board of Education for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 16,894,675	\$ 1,067,324	\$ (156,500)	\$ 17,805,499
Construction in progress	<u>2,236,508</u>	<u>12,226,590</u>	<u>(7,062,780)</u>	<u>7,400,318</u>
Total capital assets, not depreciated	<u>19,131,183</u>	<u>13,293,914</u>	<u>(7,219,280)</u>	<u>25,205,817</u>
Capital assets, depreciated:				
Buildings	529,516,958	9,551,596	(757,109)	538,311,445
Land Improvements	12,103,397	2,537,496	(22,230)	14,618,663
Furniture and Equipment	<u>30,744,966</u>	<u>1,726,515</u>	<u>(920,272)</u>	<u>31,551,209</u>
Total capital assets, depreciated	<u>572,365,321</u>	<u>13,815,607</u>	<u>(1,699,611)</u>	<u>584,481,317</u>
Less: accumulated depreciation for:				
Buildings	(239,928,006)	(14,597,202)	516,972	(254,008,236)
Land Improvements	(8,490,581)	(829,948)	22,001	(9,298,528)
Furniture and Equipment	<u>(24,076,027)</u>	<u>(1,844,044)</u>	<u>911,475</u>	<u>(25,008,596)</u>
Total accumulated depreciation	<u>(272,494,614)</u>	<u>(17,271,194)</u>	<u>1,450,448</u>	<u>(288,315,360)</u>
Total capital assets, depreciated net	<u>299,870,707</u>	<u>(3,455,587)</u>	<u>(249,163)</u>	<u>296,165,957</u>
Board capital assets, net	<u>\$ 319,001,890</u>	<u>\$ 9,838,327</u>	<u>\$ (7,468,443)</u>	<u>\$ 321,371,774</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

Capital asset activity for the Library for the year ended June 30, 2016, was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, depreciated:				
Furniture and Equipment	\$ 1,957,757	\$ 165,571	\$ -	\$ 2,123,328
Library books and AV material	1,757,596	337,326	(572,820)	1,522,102
Total capital assets, depreciated	<u>3,715,353</u>	<u>502,897</u>	<u>(572,820)</u>	<u>3,645,430</u>
Less: accumulated depreciation	(2,471,556)	(642,055)	572,820	(2,540,791)
Library capital assets, net	<u>\$ 1,243,797</u>	<u>\$ (139,158)</u>	<u>\$ -</u>	<u>\$ 1,104,639</u>

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, 2016, is as follows:

Due (to) from other funds:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
General Fund	\$ (98,436,036)	\$ -
Capital Projects Fund	41,686,025	-
Debt Service Fund	251,192	-
Water and Sewer Fund	-	23,956,054
Solid Waste Fund	-	19,999,253
Other Non-major Funds	<u>7,524,000</u>	<u>5,019,512</u>
Total	<u>\$ (48,974,819)</u>	<u>\$ 48,974,819</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:

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

Transfers Out	Transfers In				Total
	General Fund	Capital Projects Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
General Fund	\$ -	\$ 2,037,900	\$ 3,846,486	\$ 879,136	\$ 6,763,522
Capital Projects Fund	-	-	-	-	-
Non-major Government al Funds	1,353	-	107,668	-	109,021
Solid Waste Fund	-	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	-
Total Transfers In:	\$ 1,353	\$ 2,037,900	\$ 3,954,154	\$ 879,136	\$ 6,872,543

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

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

- Fiscal Year 2013 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$253,472 over five years ending November 2017, including interest at a rate of 1.10%, equipment capitalized at \$2,459,700.
- Fiscal Year 2014 – Various equipment for the General Fund, Golf Course Fund, Inspection Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$657,555 over five years ending August 2018, including interest at a rate of 1.30%, equipment capitalized at \$6,346,800.
- Fiscal Year 2015 – Various equipment for the General Fund, Inspection Fund, Solid Waste Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$851,053 over five years ending September 2019, including interest at a rate of 1.27%, equipment capitalized at \$8,220,700.
- Fiscal Year 2016 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$878,894 over five years ending September 2020, including interest at a rate of 2.24%, equipment capitalized at \$8,452,000.

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	20,431,519	5,895,661
Vehicles	9,374,498	4,143,654
Total capital assets	29,896,923	10,039,315
Less accumulated depreciation:		
Building and Improvements	(61,685)	-
Machinery and equipment	(12,240,605)	(3,456,578)
Vehicles	(6,457,758)	(2,633,437)
Total accumulated depreciation	(18,760,049)	(5,610,160)
Total capital assets, net	\$ 11,136,875	\$ 4,429,156

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2016, were as follows:

	Governmental Activities	Business-type Activities	Total
2017	\$ 3,549,568	\$ 2,049,744	\$ 5,599,312
2018	3,262,068	1,963,932	5,226,000
2019	2,808,569	1,526,495	4,335,064
2020	1,995,445	1,021,849	3,017,294
2021	725,732	749,232	1,474,964
2022-2026	-	547,368	547,368
2027-2031	-	-	-
Subtotal	<u>12,341,382</u>	<u>7,858,620</u>	<u>20,200,002</u>
Interest	<u>(354,426)</u>	<u>(526,790)</u>	<u>(881,216)</u>
Present value of minimum lease payments	<u>\$ 11,986,956</u>	<u>\$ 7,331,830</u>	<u>\$ 19,318,786</u>

H. Long-Term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year ended June 30, 2016, general obligation bonds totaling \$34,700,000 were issued for consolidated public improvement. General obligation bonds are direct obligations and pledge the full faith and credit of the County. In the past, these bonds have been a mix of 10-year and 15-year serial bonds with equal amounts of principal maturing each year. Most recently, the County bonds have also had components with 20-year and 30-year serial bonds.

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/16	Business-type Activities Balance 6/30/16
Consolidated Public Improvement Bonds of 2007	\$ 33,700,000	15 yrs, 3.5% - 5%	1,602,824	1,204,421
Consolidated Public Improvement Bonds of 2007	\$ 16,300,000	10 yrs, 3.5% - 4%	1,915,000	-
Consolidated Public Improvement Bonds (Taxable) of 2007	\$ 3,000,000	15 yrs, 5.25% - 5.75%	215,000	-
Consolidated Public Improvement Bonds of 2008	\$ 25,400,000	15 yrs, 3% - 5%	2,435,653	1,421,269
Consolidated Public Improvement Bonds of 2008	\$ 1,600,000	10 yrs, 3% - 5%	365,000	-
Consolidated Public Improvement Bonds (Taxable) of 2008	\$ 20,000,000	15 yrs, 5% - 5.25%	2,750,000	-
Consolidated Public Improvement Bonds of 2009	\$ 49,640,000	20 yrs, 2% - 4.25%	4,430,107	976,641
Consolidated Public Improvement Bonds of 2009	\$ 900,000	10 yrs, 2% - 4.25%	290,000	-
Consolidated Public Improvement Bonds (Taxable) of 2009	\$ 2,000,000	15 yrs, 4% - 5.375%	405,000	-
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 22,730,000	10 yrs, 2% - 5%	5,263,528	3,968,956
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 2,000,000	10 yrs, 2% - 5%	-	860,000
Consolidated Public Improvement Taxable BAB Bonds of 2010	\$ 11,415,000	5 yrs beg FY21, 4.9% - 5.3%	6,115,178	5,299,822
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 36,960,000	15 yrs, 2% - 5%	34,507,944	1,447,032
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 15,500,000	10 yrs, 2% - 5.3%	11,320,000	-
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 1,325,000	10 yrs, 2% - 5%	-	970,000
Consolidated Public Improvement Bonds (Taxable) of 2011	\$ 4,000,000	15 yrs, 2% - 4.5%	3,355,000	-
Refunding Bonds of Nov 2011	\$ 24,505,000	8 yrs, 4% - 5%	14,905,538	5,734,462
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 40,740,000	15 yrs, 2% - 5%	38,001,841	7,823,523
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 3,000,000	10 yrs, 2% - 5%	-	1,910,000
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 7,500,000	20 yrs, 2% - 5%	-	6,365,000
Consolidated Public Improvement Bonds (Taxable) of 2012	\$ 4,000,000	15 yrs, 2% - 3.25%	3,105,000	-

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/16	Business-type Activities Balance 6/30/16
Consolidated Public Improvement and Refunding Bonds of 2013	\$ 26,805,000	10 yrs, 3% - 5%	17,577,364	11,571,245
Consolidated Public Improvement Bonds of 2013	\$ 6,300,000	10 yrs, 2% - 5%	4,138,889	1,076,111
Consolidated Public Improvement Bonds of 2013	\$ 3,700,000	30 yrs, 3% - 5%	-	3,585,000
Consolidated Public Improvement Bonds of 2013	\$ 14,500,000	21 yrs, 3% - 5%	14,559,308	2,562,962
Consolidated Public Improvement Bonds (Taxable) of 2013	\$ 3,700,000	15 yrs, 3% - 4%	3,255,000	-
Consolidated Public Improvement Bonds of 2014	\$ 17,400,000	15 yrs, 3% - 5%	12,403,592	378,736
Consolidated Public Improvement Bonds of 2014	\$ 14,000,000	10 yrs, 4% - 5%	12,765,000	-
Consolidated Public Improvement Bonds of 2014	\$ 7,600,000	30 yrs, 3% - 5%	-	11,142,672
Consolidated Public Improvement Refunding Bonds of 2015	\$ 21,830,000	15 yrs, 2% - 4%	20,550,986	4,197,491
Consolidated Public Improvement Refunding Bonds of 2015 (Taxable)	\$ 8,595,000	15 yrs, 3% - 4%	8,595,000	-
Consolidated Public Improvement Bonds of 2015	\$ 21,895,000	15 yrs, 3% - 5%	21,514,433	3,537,127
Consolidated Public Improvement Bonds of 2015	\$ 5,800,000	10 yrs, 3% - 5%	5,024,000	776,000
Consolidated Public Improvement Bonds of 2015	\$ 3,800,000	30 yrs, 3% - 5%	-	3,800,000
Consolidated Public Improvement Bonds (Taxable) of 2015	\$ 3,205,000	15 yrs, 3%-3.45%	3,205,000	-
Total bonds outstanding			<u>254,571,187</u>	<u>80,608,469</u>
Loan Description and Year				
FHA Loan 1973	\$ 250,000	40 yrs, 3.649%	23,331	-
USDA Loan	\$ 731,720	35.2 yrs, 4.51%	711,615	-
Community Bank of Chesapeake	\$ 686,670	20.3 yrs, 3.45%	632,131	-
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	\$ 14,767,900	20 yrs, 1.200%	-	7,823,828
Total loans outstanding			<u>1,367,078</u>	<u>7,823,828</u>
Total bonds and loans outstanding			<u>\$ 255,938,265</u>	<u>\$ 88,432,298</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beg Balance	Additions	Reductions	End Balance	Amounts Due in 1 yr
<u>Governmental activities:</u>					
General obligation bonds	252,157,320	29,827,531	(27,413,664)	254,571,187	25,188,667
Notes payable	1,418,832	-	(51,754)	1,367,078	45,338
Capital leases	8,528,693	6,979,100	(3,520,837)	11,986,956	3,689,051
Net Pension obligation	81,671,361	11,094,247	(1,444,224)	91,321,384	-
Net OPEB obligation	78,271,396	9,464,177	-	87,735,573	-
Compensated absences	19,095,038	5,471,336	(4,291,011)	20,275,363	1,457,852
Governmental activities noncurrent liabilities	441,142,639	62,836,391	(36,721,489)	467,257,541	30,380,908
<u>Business-type activities:</u>					
General obligation bonds	80,135,326	8,136,993	(7,663,850)	80,608,469	7,508,620
Notes payable	8,556,098	-	(732,271)	7,823,827	741,058
Capital leases	8,340,406	1,472,900	(2,481,476)	7,331,830	1,680,795
Landfill closure costs	7,477,121	34,280	-	7,511,401	-
Net OPEB obligation	12,588,294	1,280,011	-	13,868,305	-
Compensated absences	2,036,630	921,716	(923,515)	2,034,831	243,425
Business-type activities noncurrent liabilities	119,133,874	11,845,900	(11,801,112)	119,178,663	10,173,898
Total primary government noncurrent liabilities	560,276,516	74,682,290	(48,522,603)	586,436,203	40,554,806
<u>Component units:</u>					
Board of Education	182,162,493	21,391,987	-	203,554,480	1,305,448
Library	3,089,261	519,557	-	3,608,818	218,884

For the governmental activities, compensated absences, net pension obligations, and net other postemployment benefit obligations are generally liquidated by the general fund, certain special revenue funds, and certain business-type enterprise funds.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

The annual requirements to amortize all debt outstanding as of June 30, 2016, including interest of \$74,703,117 and excluding compensated absences, **deferred amounts for bond premiums**, net pension obligations, OPEB obligations 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>	
2017	\$ 28,923,056	\$ 9,461,760	\$ 9,930,473	\$ 3,235,544	\$ 51,550,833
2018	27,390,708	8,294,347	9,866,366	2,865,057	48,416,478
2019	26,977,182	7,196,050	8,950,290	2,513,006	45,636,528
2020	24,354,103	6,110,774	8,554,051	2,169,046	41,187,974
2021	22,824,889	5,086,628	7,437,654	1,843,098	37,192,269
2022-2026	83,796,809	12,802,250	24,524,804	5,677,328	126,801,191
2027-2031	29,370,803	2,028,779	9,785,858	2,606,141	43,791,581
2032-2036	240,947	111,722	3,255,000	1,446,547	5,054,216
2037-2041	129,714	77,929	3,330,000	885,991	4,423,634
2042-2046	162,481	45,162	3,150,000	237,950	3,595,593
2047-2051	114,503	8,008	-	-	122,511
	<u>\$ 244,285,195</u>	<u>\$ 51,223,409</u>	<u>\$ 88,784,496</u>	<u>\$ 23,479,708</u>	<u>\$ 407,772,808</u>

Special Assessment Debt

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

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

I. Restricted Assets

The details of the restricted assets are as follows:

Governmental Activities

Cash and cash equivalents

Inmate account	\$	42,437	
County Attorney escrow		10,037	
SAO Restitution account		19,224	
Lease deposits		10,047	
Business Development Loan Fund		480,291	
Targeted Industry Loan Fund		504,442	
Construction Escrow		<u>1,330,039</u>	
Total cash and cash equivalents	\$		2,396,517

Notes Receivable

Univ. of MD Charles Regional Medical Center	\$	5,508,806	
St. Charles Companies		22,864,045	
College of Southern MD		<u>316,200</u>	
Total notes receivable			<u>28,689,051</u>
Total Governmental Activities			31,085,568

Business-type Activities

Cash and cash equivalents

Landfill Bonds		<u>132,309</u>	
TOTAL PRIMARY GOVERNMENT	\$		<u><u>31,217,878</u></u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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	\$ 1,846,380	\$ -	\$ -	\$ -	\$ 1,846,380
Prepay Items	2,519,065	-	-	-	2,519,065
Long Term Note Receivable	-	-	28,689,051	-	28,689,051
	<u>4,365,445</u>	<u>-</u>	<u>28,689,051</u>	<u>-</u>	<u>33,054,497</u>
<u>Restricted</u>					
Capital Outlay	1,474,000	6,700,412	-	-	8,174,412
Economic Development	10,904	-	-	984,045	994,949
Housing	-	-	-	273,476	273,476
Drug Enforcement	-	-	-	67,392	67,392
Fire and Rescue	-	-	-	92,205	92,205
Planning Programs	-	-	-	1,227,212	1,227,211.6
Animal Control	74,532	-	-	-	74,532
Bond Premium	3,697,137	-	-	-	3,697,137
	<u>5,256,573</u>	<u>6,700,412</u>	<u>-</u>	<u>2,644,330</u>	<u>14,601,315</u>
<u>Committed</u>					
Policy Target	50,715,696	-	-	-	50,715,696
Housing	29,609	-	-	-	29,609
Economic Development	121,500	-	-	-	121,500
Workers Compensation	2,540,392	-	-	-	2,540,392
Public Safety	1,932,845	-	-	-	1,932,845
CIP/Pay-go	270,000	25,767,947	-	-	26,037,947
	<u>55,610,042</u>	<u>25,767,947</u>	<u>-</u>	<u>-</u>	<u>81,377,989</u>
<u>Assigned</u>					
Aging Grants	-	-	-	50,449	50,449
Judicial Grants	-	-	-	70,932	70,932
Capital Outlay	-	-	-	-	-
Transportation	-	-	-	327,059	327,059
Public Safety	-	-	-	633,058	633,058
Housing	205,638	-	-	343,394	549,032
Aging Services	-	-	-	56,346	56,346
Animal Control	-	-	-	95,975	95,975
Drug Enforcement	-	-	-	518,093	518,093
Mental Health	-	-	-	197,607	197,607
Planning programs	-	-	-	40,777	40,777
Cable Franchise	-	-	-	3,971,023	3,971,023
Storm Event Reserve	2,000,000	-	-	-	2,000,000
Health Ins Rate Stabilization	1,415,733	-	-	-	1,415,733
CIP & Operations	399,244	-	-	-	399,244
	<u>4,020,616</u>	<u>-</u>	<u>-</u>	<u>6,304,712</u>	<u>10,325,328</u>
<u>Unassigned</u>					
Other unassigned	-	2,831,713	597,237	-	3,428,950
	<u>\$ -</u>	<u>\$ 2,831,713</u>	<u>\$ 597,237</u>	<u>\$ -</u>	<u>\$ 3,428,950</u>
Total fund balances (deficit)	<u>\$ 69,252,677</u>	<u>\$ 35,300,071</u>	<u>\$ 29,286,288</u>	<u>\$ 8,949,042</u>	<u>\$ 142,788,078</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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, 2016, with no changes from FY2015, a liability of \$1,070,000 (\$747,286 in governmental funds and \$322,714 in business-type funds) was recorded for estimated claims incurred but not yet reported (IBNR), which represents the estimated run-out claims liability should the self-insurance agreement be terminated. Historical experience and actuarial assumptions were the basis used in estimating the liabilities for unpaid claims.

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

Fiscal Year	Beginning of Year	Claims and Changes in Estimates	End of Year
2012	\$ 900,000	\$ 280,000	\$ 1,180,000
2013	\$ 1,180,000	(370,000)	\$ 810,000
2014	810,000	560,000	1,370,000
2015	1,370,000	(300,000)	1,070,000
2016	1,070,000	-	1,070,000

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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, 2016, a budget surplus of \$1,022,862 was recognized and increased assigned fund balance across all funds to offset future plan related costs. The balance for all funds as of June 30, 2016 is \$3,058,565.

In addition, for the first time since becoming self-insured, the County had prepared a Loss Reserve Analysis report as of June 30, 2015. This report was provided to County stakeholders as well as being sent to the Maryland Workers' Compensation Commission. The discounted reserve reported was \$5,401,020, and has been recorded on the County's books in similar fashion as the preceding Health IBNR claims liability. A new report is not scheduled at this time.

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, 2016, which have not resulted in any findings or liabilities. The County does not expect any disallowances of grant expenditures in the future.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

B. Litigation

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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 114. 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.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

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, 2015, the date of the last actuarial valuation:

	<u>Sworn Officers</u>	<u>Correctional Officers</u>	<u>Communications Employees</u>
Active plan members	295	134	44
Retirees and beneficiaries receiving benefits	109	18	8
Disabled, receiving benefits	15	1	-
Vested termination	12	-	-
	<u>431</u>	<u>153</u>	<u>52</u>

Prior to July 1, 1995, the County contracted with an insurance company to provide the guaranteed payment of benefits for retirees of the SORP. Beginning July 1, 1995, the County enacted significant changes in the eligible classes of employees and in the investment policies. Currently, the insurance company has responsibility for payment of benefits only for those employees who retired before July 1, 1995. The funding of continued benefits for those pre-7/1/95 retirees comes from the County, based on quarterly calculations made by the insurance company. Assets held by the insurance company for payment of benefits totaled \$5,037,359 as of June 30, 2016, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2016 totaled \$1,098,706.

Summary of Significant Accounting Policies: Basis of Accounting and Valuation of Investments – The statement of plan net assets and the statement of changes in plan net assets are prepared on the accrual basis of accounting. SORP member contributions are recognized when due. The County’s employer’s contributions are recognized when due and a formal commitment to provide the contributions has been made. Employer-required contributions are calculated by an independent actuarial firm and are paid after formal approval by the County Commissioners. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Market quotations are used for investments traded in an active securities market, and contract values are used for unallocated insurance contracts. Investments are managed by an investment committee which includes an outside investment consultant. The plan is administered by a third-party administrator. Fund assets are held by a custodian. The County does not issue a stand-alone financial report for the Sheriff’s Office Retirement Plan, nor is it included in the report of any other entity.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016**

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, 2016, 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%	5.90%
International Equity	10%	6.80%
Fixed Income	35%	1.10%
Cash	5%	0.00%
Inflation		3.00%
Total	100%	

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 & Correctional 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.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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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% of average compensation for each of first 20 years and 2% thereafter, to a maximum of 80% of average compensation. For Correctional Officers, 2.25% per year to a maximum of 75% of average compensation. For Communications Officers, 2.0% per year to a maximum of 75% of average compensation.

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

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

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

<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%

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

- 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 benefit 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) no benefit until LTD benefits, if any, expire.

Disability must be catastrophic (loss of limb, loss of hearing, blindness).

Communications Dispatchers are not eligible for this benefit.

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

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

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

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

Asset Method – Five-year averaging 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)

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Interest – 7.75% compounded annually. (adopted 7/1/2010)

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			
<u>Age</u>	<u>Years of Service</u>			<u>Age</u>	<u>Years of Service</u>		
	<u>25</u>	<u>30</u>	<u>35</u>		<u>25</u>	<u>30</u>	<u>35</u>
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.

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.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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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

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 – Current unused sick leave balances provided in the census are assumed to increase 60 hours per year for Communications employees, 115 hours per year for Correctional employees, and 145 hours per year for Sworn Officers. (adopted 7/1/2015).

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.

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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, 2016, were as follows (dollar amounts shown in thousands):

Total pension liability	\$	294,276
Plan fiduciary net position		(209,929)
Sheriff's net pension liability	\$	84,347

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation report as of July 1, 2015 rolled forward to June 30, 2016 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 with generational projection 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, 2015 actuarial valuation report.

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

	<u>1% decrease</u> 6.69%	<u>Current</u> <u>Discount Rate</u> 7.69%	<u>1% increase</u> 8.69%
Sheriff's net pension liability	\$ 129,366	\$ 84,347	\$ 47,942

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

At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 582,128	\$ 5,763,814
Changes of assumptions	8,000,351	-
Net difference between projected and actual earnings on pension plan investments	<u>15,690,117</u>	<u>-</u>
Total	<u>\$ 24,272,596</u>	<u>\$ 5,763,814</u>

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

Year ended June 30:	
2017	\$ 4,845,388
2018	4,845,388
2019	4,845,388
2020	3,408,881
2021	563,737
2022	-
Thereafter	-

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Changes in the Sheriff's Net Pension Liability

(Dollar amounts in thousands)	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability (a)	Net Position (b)	Liability (a) - (b)
Balances at 6/30/15	\$ 277,673	204,421	\$ 73,252
Changes for the year:			
Service cost	6,566	-	6,566
Interest	20,983	-	20,983
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(6,916)	-	(6,916)
Changes of assumptions	5,579	-	5,579
Contributions - employer	-	10,590	(10,590)
Contributions - employee	-	2,613	(2,613)
Net Investment Income	-	2,035	(2,035)
Benefit payments, including refunds of member contributions	(9,609)	(9,610)	1
Administrative expense	-	(120)	120
Other	-	-	-
Net Changes	\$ 16,603	\$ 5,508	\$ 11,095
Balances at 6/30/16	\$ 294,276	\$ 209,929	\$ 84,347

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.

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Membership in the plan consisted of the following at July 1, 2015, the last date of the last actuarial valuation:

Active plan members	837
Terminated, entitled to but not yet receiving benefits	182
Retirees and beneficiaries receiving benefits	274
	1,293
	1,293

Summary of Significant Accounting Policies: Basis of Accounting and Investment Valuation – The statement of plan net position and the statement of changes in plan net position 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, 2016, the County fully funded the ARC of \$5,240,332 to the Plan as recommended in the actuarial report as of July 1, 2015. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

Investment Concentrations – At June 30, 2016, the County’s Plan’s net assets were invested in the following types of investments:

Stable Value	14%
Fixed Income	26%
Large Cap Equity	29%
International Equity	11%
Real Estate	6%
Mid Cap Equity	6%
Small Cap Equity	8%

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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 later of a Participant’s 62nd birthday or the completion of 5 years of service; if Service is 20 or greater, the benefit is unreduced at age 60. For participants in the Plan prior to July 1, 1977, there is an elective Normal Retirement Date of 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 Adjustment – Provides for an annual increase in the annuity benefit in proportion to the last annual increase in the Consumer Price Index. This increase shall not be in excess of 4% per year. Effective October 1, 2015, the cost of living adjustment provides for no decrease (with an offset in subsequent years) if the CPI decreases between valuation dates.

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

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

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

For non-public safety participants:

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

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

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

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

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Final average earnings X 2.5% X credited years of service in excess of 20
To a maximum benefit of 65% of final average earnings

For public safety participants:

Final average earnings X 2.0% X credited years of service
To a maximum benefit of 75% of final average earnings

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

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

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

Participation Eligibility – Making employee contributions to the Plan.

Early Eligibility – For non-public safety participants, age 52 with five years of Service. For participants in the plan prior to July 1, 1977, age 50 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, reduced 0.5%/month for the first 60 months and 0.3%/month thereafter for the number of months Annuity Commencement Date precedes Normal Retirement Date; if Service is 20 or greater, actuarial reduction is from age 60. Effective, January 29, 2010, for those participants who have 25 years of service, this reduction is 0.25%/month early. 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.

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

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

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

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

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

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

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

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

For public safety participants:

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

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

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

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

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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, 2016 was made of \$5,240,332. This contribution for the current year was determined as part of the July 1, 2014 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 – 7.5% compounded annually, net of investment and contract fees.

Post Retirement COLA Increases – 2.75% per year increase is assumed.

Inflation – 2.5%

Mortality – The RP-2014 Total Dataset (Adjusted to 2006) with Scale MP-2015 for males and females.

Salary Increases – assumed to increase at an annual rate of 4.00%.

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:

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Sample rates are:

Age	%
25	15.4
35	13.7
45	10.3
55	2.7

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

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

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

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

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

Net Pension Liability – The components of the net pension liability of the County at June 30, 2016, were as follows (dollar amounts in thousands):

Total pension liability	\$ 188,057
Plan fiduciary net position	(181,082)
County's net pension liability	\$ 6,975
Plan fiduciary net position as a percentage of the total pension liability	96.29%

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	<u>1% decrease</u> <u>6.50%</u>	<u>Current</u> <u>Discount Rate</u> <u>7.50%</u>	<u>1% increase</u> <u>8.50%</u>
County's net pension liability	\$ 38,198	\$ 6,975	\$ (18,365)
Annual money-weighted rate of return			12%

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

At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 6,221,261	\$ -
Changes of assumptions	5,742,748	5,381,197
Net difference between projected and actual earnings on pension plan investments	<u>12,121,255</u>	<u>-</u>
Total	<u>\$ 24,085,264</u>	<u>\$ 5,381,197</u>

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

Year ended June 30:	
2017	\$3,649,841
2018	3,649,841
2019	3,649,841
2020	3,649,841
2021	4,104,704
2022	-
Thereafter	-

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

(Dollar amounts in thousands)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/15	\$ 185,300	176,880	\$ 8,420
Changes for the year:			
Service cost	5,902	-	5,902
Interest	13,944	-	13,944
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(12,218)	-	(12,218)
Changes of assumptions	-	-	-
Contributions - employer	-	5,240	(5,240)
Contributions - employee	-	2,179	(2,179)
Net Investment Income	-	1,734	(1,734)
Benefit payments, including refunds of member contributions	(4,871)	(4,870)	(1)
Administrative expense	-	(81)	81
Other	-	-	-
Net Changes	<u>2,757</u>	<u>4,202</u>	<u>(1,445)</u>
Balances at 6/30/16	<u>\$ 188,057</u>	<u>\$ 181,082</u>	<u>\$ 6,975</u>

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

In accordance with Article II, Chapter 54 of the Charles County Code of Public Local Laws of Maryland, a retirement program has been established for qualified active volunteer members of the Charles County volunteer fire companies and volunteer rescue squads and is administered by the Charles County Commissioners. Effective July 1, 2013, any person who has reached the age of sixty and who has completed a minimum of twenty-five years of certified active volunteer service with any Charles County volunteer fire company or rescue squad shall receive benefits of \$10 per year per month. An additional payment of \$2 per month shall be added for each full year of volunteer service in excess of twenty-five years. Seventy-five percent of the volunteer's benefits shall accrue to his or her surviving spouse and shall terminate upon the death or remarriage of the spouse.

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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, 2016 totaled \$813,600 from the 2014/15 tax levy. The County Commissioners were not obligated to fund the plan, only to administer it.

Program assets are held in trust during the year by a custodian. As of June 30, 2016, M&T held the fair value of net assets for the plan benefits in the amount of \$207,544. 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, 2016, BB&T held the fair value of these assets in the amount of \$12,769,656.

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 hour employees permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

	<u>Nationwide</u>	<u>Mass Mutual</u>	<u>Metlife</u>
Participants	221	262	57
Plan Assets	\$17,885,032	\$14,341,135	\$2,970,661
Annual Employee Contribution	\$1,164,803	\$1,220,316	\$206,256

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,

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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, 2016, there were 362 former employees and family members with medical coverage, 438 with dental, and 393 with vision. For the fiscal year ended June 30, 2016, the County incurred and recorded \$2,383,192 in health care expenditures for these participants on the pay-go basis.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 14,922,000
Interest on OPEB obligation	4,157,000
Annual required contribution adjustment	<u>(4,362,822)</u>
Annual OPEB cost (expense)	14,716,178
Pay-go contribution made	(2,414,300)
Trust contribution made	<u>(1,000,000)</u>
Increase in net OPEB obligation	11,301,878
Net OPEB obligation - beginning of year	<u>93,691,935</u>
Net OPEB obligation - end of year	<u><u>\$ 104,993,813</u></u>

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The Library’s pro-rata share of the Net OPEB obligation at the end of the current fiscal year is \$3,389,934.

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

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	430,663	124,041,000	123,610,337	0.3%	73,743,373	167.6%
7/1/10	667,759	134,539,000	133,871,241	0.5%	70,881,361	188.9%
7/1/11	918,197	144,038,000	143,119,803	0.6%	69,875,828	204.8%
7/1/12	1,166,815	155,528,000	154,361,185	0.8%	72,094,844	214.1%
7/1/13	1,667,640	159,034,000	157,366,360	1.0%	75,514,102	208.4%
7/1/14	2,418,661	146,127,000	143,708,339	1.7%	78,112,668	184.0%
7/1/15	3,170,130	157,272,000	154,101,870	2.0%	89,854,000	171.5%
7/1/16	4,172,086	172,243,000 *	168,070,914	2.4%	89,036,105	188.8%

* estimated

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 was as follows:

Fiscal Year Ended	Annual required OPEB Cost	% of Annual required OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 13,791,000	18.93%	\$ 82,881,164
June 30, 2015	13,798,000	21.52%	93,691,935
June 30, 2016	14,656,000	22.88%	104,993,813

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NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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, 2016 was 23 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, 2016 were \$72,180.

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, 2016, approximately 43% of this space remains available for future waste disposal. The County is developing the landfill in sections so that when one section closes another is ready to open. At the close of the fiscal year, the landfill had Phase I, IIA, IIIA, and IIIB open. The \$7,511,401 reported as landfill closure and post-closure care liability at June 30, 2016, 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,

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2016

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 \$34,280.

NOTE 9. SUBSEQUENT EVENTS

On November 29, 2016, the County completed a bond sale transaction for \$32,000,000 million in general obligation bonds. These proceeds are being used, together with funds from other sources, to finance the costs of certain buildings, facilities, equipment and grounds in Charles County. Debt service repayments are scheduled for semi-annually on April 1 and October 1, commencing April 1, 2017.

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
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes - local property	\$ 205,278,400	\$ 205,339,500	\$ 207,506,311	\$ 2,166,811
Taxes - income	111,931,000	112,564,300	123,429,876	10,865,576
Taxes - other local	17,759,400	17,759,400	22,760,573	5,001,173
Taxes - state shared	921,000	921,000	962,397	41,397
Charges for services	7,270,600	7,335,560	7,344,640	9,080
Intergovernmental	2,043,800	3,190,260	3,166,775	(23,485)
Interest income	225,000	225,000	428,929	203,929
Other income	5,356,000	5,408,070	5,980,629	572,559
Total revenues	350,785,200	352,743,090	371,580,131	18,837,041
Expenditures:				
Education	179,848,600	179,848,600	179,754,815	93,785
Public safety	93,460,600	95,891,910	93,457,211	2,434,699
General government (including contingencies)	26,451,600	26,287,250	25,494,023	793,227
Public Works- Facilities	19,081,400	20,066,360	18,539,055	1,527,305
Financial Administration	9,304,400	9,399,950	9,235,420	164,530
Judicial	5,043,300	5,145,590	4,813,405	332,185
Planning and Growth Management	2,789,500	2,812,510	2,718,834	93,676
Community Services	4,034,400	4,068,120	3,814,846	253,274
Health Services	3,140,600	3,140,600	3,100,416	40,184
Economic Development	2,844,700	2,885,050	2,182,939	702,111
Social Services	970,600	1,031,600	1,023,284	8,316
Legislative	1,572,900	1,690,400	1,615,709	74,691
Law	966,400	986,940	952,254	34,686
Conservation of Natural Resources	655,800	660,300	646,436	13,864
Elections	1,214,200	1,214,200	1,171,314	42,886
Debt service				
Interest	7,099,800	7,099,800	7,003,823	95,978
Total expenditures	358,478,800	362,229,180	355,523,784	6,705,396
Excess (deficiency) of revenues over (under) expenditures	(7,693,600)	(9,486,090)	16,056,347	25,542,437
Other financing sources (uses):				
Proceeds from capital lease agreement	6,979,100	6,979,100	6,979,100	-
Premium on debt proceeds	-	-	2,727,531	2,727,531
Transfers in	3,902,500	3,902,500	1,353	(3,901,147)
Transfers out	(7,126,700)	(7,521,450)	(6,763,522)	757,928
Total other financing sources (uses)	3,754,900	3,360,150	2,944,462	(415,688)
Net change in fund balance	(3,938,700)	(6,125,940)	19,000,809	25,126,749
Fund balance - beginning of year	50,251,868	50,251,868	50,251,868	-
Fund balance - end of year	\$ 46,313,168	\$ 44,125,928	\$ 69,252,677	\$ 25,126,749

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 10,590	\$ 10,402	\$ 9,823	\$ 8,425	\$ 7,390	\$ 6,817	\$ 6,964	\$ 5,861	\$ 4,956	\$ 5,263
Contributions in relation to the actuarially determined contribution	10,590	10,402	9,823	8,425	7,390	6,817	6,964	5,861	4,956	5,263
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 30,706	\$ 32,509	\$ 31,270	n/a						
Contributions as a percentage of covered employee payroll	34.49%	32.00%	31.41%	n/a						

Notes to Schedule

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year.

Valuation date: Actuarial valuations are performed every year.

Methods and assumptions used to determine most recent contribution rates:

- Actuarial cost method: Projected Unit Credit
- Amortization method: Level percent of payroll (closed), increasing 3.5% per year.
- Remaining amortization period: Remaining amortization periods range from 16 to 20 years.
- Asset valuation method: 5-year smoothed market.
- Inflation: 3.00%
- Salary increases: 5.00%, including inflation
- Investment rate of return: 7.69%, net of pension plan investment expense, including inflation.
- Retirement age: Rates vary by participant age and service
- Mortality: RP-2000 Blue Collar Mortality tables with generational projection by Scale AA. A five-year set forward is used for post-disability mortality.

Schedule of Changes in the Sheriff's Office Retirement Plan Net Pension Liability & Related Ratios

(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 6,566	\$ 6,534	\$ 4,157
Interest	20,983	19,286	18,491
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(6,916)	815	-
Changes of assumptions	5,579	4,692	(3,864)
Benefit payments, including refunds of member contributions	(9,609)	(8,902)	(7,997)
Net change in total pension liability	<u>16,603</u>	<u>22,425</u>	<u>10,787</u>
Total Pension Liability - beginning	277,673	255,248	244,460
Total Pension Liability - ending (a)	<u>\$ 294,276</u>	<u>\$ 277,673</u>	<u>\$ 255,248</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 10,590	\$ 10,402	\$ 9,823
Contributions - employee	2,614	2,616	2,541
Net Investment Income	2,035	7,785	26,456
Benefit payments, including refunds of member contributions	(9,610)	(8,902)	(7,997)
Administrative expense	(120)	(111)	(76)
Other	-	-	-
Net change in plan fiduciary net position	<u>5,508</u>	<u>11,790</u>	<u>30,747</u>
Plan Fiduciary Net Position - beginning	204,421	192,631	161,883
Plan Fiduciary Net Position - ending (b)	<u>\$ 209,929</u>	<u>\$ 204,421</u>	<u>\$ 192,631</u>
Sheriff's Net Pension Liability - ending (a) - (b)	<u>\$ 84,347</u>	<u>\$ 73,252</u>	<u>\$ 62,617</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	71.34%	73.62%	75.47%
Covered employee payroll *	\$ 30,706	\$ 32,509	\$ 31,270
Sheriff's Net Pension Liability as a percentage of covered employee pensionable payroll	274.69%	225.33%	200.25%
Expected average remaining service years of all participants	6	7	7
Annual money-weighted rate of return	1.5%	4.5%	16.8%

Information for FY2013 and earlier is not available.

Schedule of County's Plan Employer Contributions

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 5,240	\$ 5,627	\$ 5,356	\$ 5,223	\$ 6,055	\$ 5,745	\$ 6,547	\$ 6,170	\$ 5,527	\$ 5,104
Contributions in relation to the actuarially determined contribution	5,240	5,627	5,356	5,223	6,055	5,745	6,547	6,170	5,527	5,104
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 58,330	\$ 57,345	\$54,750	n/a						
Contributions as a percentage of covered employee payroll	8.98%	9.81%	9.78%	n/a						

Notes to Schedule

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

Methods and assumptions used to determine most recent contribution rates:

- Actuarial cost method: Entry Age Normal Actuarial Cost Method
- Amortization method: Changes in assumptions and differences between assumptions and actual experience are recognized over the average remaining years of employment of employees (active and inactive employees, including retirees).
- Asset valuation method: Differences between expected earnings on plan investments and actual investments earnings are recognized over a 5 year period. Changes in benefit terms are recognized immediately.
- Inflation: Assets are valued at contract value with a market value adjustment factor for the Guaranteed Deposit Account Assets, and at market value for Separate Accounts, which is considered the best representation of Fair Value.
- Salary increases: 2.50%
- Investment rate of return: 4.00% including inflation
- Retirement age: 7.50%, net of plan investment expenses and contract fees.
- Mortality: For non-public safety participants, the first day of the month coinciding with or next following the later of a Participant's 62nd birthday or the completion of 5 years of Service; if Service is 20 or greater, the benefit is unredacted at age 60. For Participants in the Plan prior to July 1, 1977, there is an elective Normal Retirement Date of 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.

RP-2014 Total Dataset (Adjusted to 2006) with Scale MP-2015 for males and females

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

(Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 5,902	\$ 5,844	\$ 5,552
Interest	13,944	12,705	11,745
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(12,218)	4,888	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	<u>(4,871)</u>	<u>(4,759)</u>	<u>(4,356)</u>
Net change in total pension liability	2,757	18,678	12,941
Total Pension Liability - beginning	185,300	166,622	153,681
Total Pension Liability - ending (a)	<u><u>\$ 188,057</u></u>	<u><u>\$ 185,300</u></u>	<u><u>\$ 166,622</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 5,240	\$ 5,627	\$ 5,356
Contributions - employee	2,179	2,105	2,011
Net Investment Income	1,734	7,421	22,826
Benefit payments, including refunds of member contributions	(4,870)	(4,759)	(4,357)
Administrative expense	(81)	(88)	(84)
Other	-	-	-
Net change in plan fiduciary net position	<u>4,202</u>	<u>10,306</u>	<u>25,752</u>
Plan Fiduciary Net Position - beginning	176,880	166,574	140,822
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 181,082</u></u>	<u><u>\$ 176,880</u></u>	<u><u>\$ 166,574</u></u>
County's Net Pension Liability - ending (a) - (b)	<u><u>\$ 6,975</u></u>	<u><u>\$ 8,420</u></u>	<u><u>\$ 48</u></u>
Plan Fiduciary Net Position as a percentage of the total pension liability	96.29%	95.46%	99.97%
Covered employee payroll	\$ 58,330	\$ 57,345	\$ 54,750
County's Net Pension Liability as a percentage of covered employee pensionable payroll	11.96%	14.68%	0.09%
Annual money-weighted rate of return	1.7%	5.2%	16.9%

Information for FY2013 and earlier is not available.

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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)	UAAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	430,663	124,041,000	123,610,337	0.3%	73,743,373	167.6%
7/1/10	667,759	134,539,000	133,871,241	0.5%	70,881,361	188.9%
7/1/11	918,197	144,038,000	143,119,803	0.6%	69,875,828	204.8%
7/1/12	1,166,815	155,528,000	154,361,185	0.8%	72,094,844	214.1%
7/1/13	1,667,640	159,034,000	157,366,360	1.0%	75,514,102	208.4%
7/1/14	2,418,661	146,127,000	143,708,339	1.7%	78,112,668	184.0%
7/1/15	3,170,130	157,272,000	154,101,870	2.0%	89,854,000	171.5%
7/1/16	4,172,086	172,243,000 *	168,070,914	2.4%	89,036,105	188.8%

* estimated

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

<u>Fiscal Year Ended</u>	<u>Annual required OPEB Cost</u>	<u>% of Annual required OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 13,791,000	18.93%	\$ 82,881,164
June 30, 2015	13,798,000	21.52%	93,691,935
June 30, 2016	14,656,000	22.88%	104,993,813

Schedules and Combining Statements

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General Fund

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Taxes - Local Property</u>			
Real Property	\$ 179,321,200	\$ 179,656,956	\$ 335,756
Business Personal Property	281,100	260,265	(20,835)
Railroad & Public Utilities	8,297,700	9,044,080	746,380
Ordinary Business Corporation	17,486,500	19,006,919	1,520,419
Payment in Lieu of Tax	2,000,000	2,000,000	-
Penalties and Interest	600,000	275,265	(324,735)
Half-year Billing Fee	17,000	16,144	(856)
Homestead Tax Credit	(63,000)	(64,088)	(1,088)
Low Income Tax Credit	(600,000)	(626,579)	(26,579)
Senior Tax Credit	(250,000)	(283,263)	(33,263)
La Plata Tax Differential	(1,485,000)	(1,521,532)	(36,532)
Indian Head Tax Differential	(122,100)	(124,837)	(2,737)
Agriculture Preservation Credit	(137,600)	(126,770)	10,830
Other Tax Credits	(6,300)	(6,250)	50
Total Taxes - Local Property	205,339,500	207,506,311	2,166,811
<u>Taxes - Income</u>	112,564,300	123,429,876	10,865,576
<u>Taxes - Other Local</u>			
Admission and Amusement	797,200	681,792	(115,408)
Recordation	11,300,000	15,406,637	4,106,637
Transfer Tax	4,683,200	5,481,599	798,399
Hotel / Motel	949,000	1,190,544	241,544
Heavy Equipment Tax	30,000	-	(30,000)
Total Taxes - Other Local	17,759,400	22,760,573	5,001,173
<u>Taxes - State Shared</u>			
Highway User	921,000	962,397	41,397
Total Taxes - State Shared	921,000	962,397	41,397
<u>Charges for Services</u>			
Licenses and Permits			
Alcohol Licenses	177,800	211,437	33,637
Electrical Permits	20,400	22,079	1,679
Traders Licenses	225,800	226,666	866
Civil Marriage Licenses	44,100	36,285	(7,815)
Protective Inspection Licenses	84,700	82,056	(2,644)
Building Permits	133,000	179,534	46,534
Plumbing Permits	63,800	59,565	(4,235)
Occupancy Permits	15,000	14,157	(843)
Park Facilities Permits	107,100	110,874	3,774
Trailer Occupancy Permits	47,000	44,340	(2,660)
Other Licenses and Permits	115,100	119,048	3,948
subtotal	1,033,800	1,106,040	72,240

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2016

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Charges for Services (continued)</u>			
Service Charges			
Soil Conservation Plan Fee	23,400	29,636	6,236
Indirect Cost Revenue	1,007,600	975,459	(32,141)
Plat Review & Processing	82,000	77,329	(4,671)
Special Exception Fees	18,500	37,357	18,857
Bail Bond Fees	50,000	63,615	13,615
EMS Billing Fees	1,285,100	1,346,815	61,715
School Allocation Extension Fees	15,000	3,350	(11,650)
Forest Conservation Fees	22,000	14,953	(7,047)
Site Development Plan Application	30,500	29,715	(785)
Mosquito Control Fees	75,000	64,109	(10,891)
Deeds & Tax Verification Fees	77,000	102,645	25,645
Advertising Fees	37,700	32,831	(4,869)
Custodial Fees	346,400	346,400	-
Animal Shelter Boarding Fees	30,100	25,052	(5,048)
False Alarm Registration Fees	269,000	279,158	10,158
Sheriff Fees	428,800	468,208	39,408
Sheriff Pay Phone Commission	172,400	135,528	(36,872)
Detention Center Room and Board	142,000	125,843	(16,157)
Federal Inmate Operating	-	216	216
Local 911 Fees	1,080,000	1,094,875	14,875
Park Entrance Fees	50,000	46,754	(3,246)
Food and Drink Sales	80,900	61,540	(19,360)
Outdoor Sports Programs Fees	339,160	322,044	(17,116)
Other Fees	639,200	555,167	(84,033)
subtotal	6,301,760	6,238,600	(63,160)
Total Charges for Services	7,335,560	7,344,640	9,080
<u>Intergovernmental</u>			
Federal Grants			
FEMA			
HIDTA Grant			
Miscellaneous Grants	1,072,400	1,131,530	59,130
subtotal	1,072,400	1,131,530	59,130

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2016

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Intergovernmental (continued)</u>			
State Grants			
Aid for Police Protection	1,175,200	1,172,994	(2,206)
Aid for Inmate Operations	177,000	190,530	13,530
Jury Fee Reimbursement	102,000	102,280	280
Soil Conservation	55,600	56,707	1,107
Other State Grants	104,560	77,818	(26,742)
subtotal	<u>1,614,360</u>	<u>1,600,329</u>	<u>(14,031)</u>
Animal Shelter			
Calvert County	201,400	173,966	(27,434)
St. Mary's County	302,100	260,950	(41,150)
subtotal	<u>503,500</u>	<u>434,916</u>	<u>(68,584)</u>
Total Intergovernmental	<u>3,190,260</u>	<u>3,166,775</u>	<u>(23,485)</u>
<u>Interest Income</u>			
MLGIP	60,000	136,949	76,949
US Government Agencies	21,000	155,050	134,050
CD's & Other Interest	144,000	136,930	(7,070)
Total Interest Income	<u>225,000</u>	<u>428,929</u>	<u>203,929</u>
<u>Other Income</u>			
Rent			
Courthouse Rent	924,500	878,279	(46,221)
Water Tower Rental	254,000	276,751	22,751
Office Space	86,600	134,851	48,251
Post Office	8,000	8,500	500
Other Rent	3,700	3,628	(72)
subtotal	<u>1,276,800</u>	<u>1,302,010</u>	<u>25,210</u>
Fines and Forfeitures			
False Alarm Fines	258,500	262,890	4,390
Alcoholic Beverage Fines	9,700	17,175	7,475
State Shared Fines	12,200	14,015	1,815
County Parking Fines	5,000	8,926	3,926
Red Light Camera Fines	1,734,300	2,002,531	268,231
Speed Camera Fines	1,400,000	1,351,773	(48,228)
Building Permit Fines	29,100	30,946	1,846
Other Fines	17,200	19,400	2,200
subtotal	<u>3,466,000</u>	<u>3,707,656</u>	<u>241,656</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2016

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Other Income (continued)</u>			
Non-Recurring Revenue	-	373	373
Worker's Compensation	100,000	207,501	107,501
Miscellaneous	315,270	519,425	204,155
Gain (Loss) on Fixed Assets	250,000	243,664	(6,336)
Total Other Income	5,408,070	5,980,629	572,559
Total Revenues	352,743,090	371,580,131	18,837,041
<u>Other Financing Sources:</u>			
Proceeds from capital lease agreement	6,979,100	6,979,100	-
Proceeds from Bonds	-	-	-
Premium on debt proceeds	-	2,727,531	2,727,531
Bond Proceeds from debt refunding	-	-	-
Transfers In			
Special Revenue Funds	1,400,000	1,353	(1,398,647)
Capital Projects Funds	2,502,500	-	(2,502,500)
subtotal	3,902,500	1,353	(3,901,147)
Total other financing sources	10,881,600	9,707,984	(1,173,616)
Total Revenues and Other Financing Sources	\$ 363,624,690	\$ 381,288,115	\$ 17,663,425

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Education</u>			
Board of Education	\$ 166,121,100	\$ 166,121,100	\$ -
College of Southern Maryland	9,710,300	9,710,300	-
Library	3,983,600	3,894,415	89,185
Other	33,600	29,000	4,600
Total Education	179,848,600	179,754,815	93,785
<u>Public Safety</u>			
Sheriff's Office			
Sheriff	59,719,220	58,958,790	760,430
Detention Center	18,110,770	17,182,870	927,900
Automated Enforcement Unit	2,024,790	1,784,525	240,265
Fingerprinting Service	217,780	231,559	(13,779)
subtotal	80,072,560	78,157,743	1,914,817
Emergency Services			
Administration	341,980	336,187	5,793
False Alarm Reduction Unit	167,290	165,366	1,924
Communications	3,749,840	3,574,830	175,010
Emergency Management	1,378,150	1,376,847	1,304
Tactical Response	171,500	166,327	5,173
Career EMS	8,116,620	7,937,668	178,952
Animal Control	748,270	731,514	16,756
Animal Shelter	823,400	721,192	102,208
subtotal	15,497,050	15,009,929	487,121
Volunteer Fire & EMS	13,700	13,767	(67)
Security	144,050	132,392	11,658
Safety	164,550	143,380	21,170
Total Public Safety	95,891,910	93,457,211	2,434,699
<u>General Government</u>			
Debt Service	16,288,400	17,436,210	(1,147,810)
Central Services	9,906,220	8,057,813	1,848,407
Contingencies	92,630	-	92,630
Total General Government	26,287,250	25,494,023	793,227
<u>Public Works- Facilities</u>			
Administration	774,810	787,825	(13,015)
Buildings & Trades	7,900,380	6,847,550	1,052,830
Parks & Grounds	4,833,850	4,582,437	251,413
Vehicle Maintenance	997,150	953,660	43,490
Roads	5,560,170	5,367,582	192,588
Total Public Works- Facilities	20,066,360	18,539,055	1,527,305

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2016

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Financial Administration</u>			
Fiscal & Administrative Services			
Administration	265,760	263,429	2,331
Budget	428,140	429,339	(1,199)
Accounting	1,119,850	1,117,364	2,486
Purchasing	415,430	408,473	6,957
Information Technology	2,654,960	2,559,512	95,448
Treasury	1,186,790	1,168,750	18,040
subtotal	<u>6,070,930</u>	<u>5,946,867</u>	<u>124,063</u>
Liquor Board	245,620	253,293	(7,673)
Human Resources	812,500	789,033	23,467
Retiree Fringe	2,270,900	2,246,226	24,674
Total Financial Administration	<u>9,399,950</u>	<u>9,235,420</u>	<u>164,530</u>
<u>Judicial</u>			
State's Attorney's Office	3,883,770	3,628,752	255,018
Circuit Court	1,208,420	1,132,504	75,916
Orphan's Court	53,400	52,150	1,250
Total Judicial	<u>5,145,590</u>	<u>4,813,405</u>	<u>332,185</u>
<u>Planning & Growth Management</u>			
Administration	258,480	255,321	3,159
Planning	1,523,950	1,465,322	58,628
Inspection & Enforcement	350,490	349,688	802
Codes & Permits	437,040	406,617	30,423
Resource & Infrastructure Mgmt	242,550	241,887	663
Total Planning & Growth Mgmt	<u>2,812,510</u>	<u>2,718,834</u>	<u>93,676</u>
<u>Community Services</u>			
Administration	513,440	482,031	31,409
Aging Services	1,510,300	1,476,097	34,203
Recreation	1,607,310	1,458,470	148,840
Housing Authority	437,070	398,249	38,821
Total Community Services	<u>4,068,120</u>	<u>3,814,846</u>	<u>253,274</u>
<u>Health Services</u>			
	<u>3,140,600</u>	<u>3,100,416</u>	<u>40,184</u>
<u>Economic Development</u>			
Economic Development Department	1,765,370	1,313,341	452,029
Tourism	911,380	661,298	250,082
Other	208,300	208,300	-
Total Economic Development	<u>2,885,050</u>	<u>2,182,939</u>	<u>702,111</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2016

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Social Services</u>	1,031,600	1,023,284	8,316
<u>Legislative</u>			
County Commissioners	505,380	485,414	19,966
County Administrator	1,185,020	1,130,295	54,725
Total Legislative	1,690,400	1,615,709	74,691
<u>Law - County Attorney</u>	986,940	952,254	34,686
<u>Conservation of Natural Resources</u>			
Weed Control	15,700	11,906	3,794
Resource Conservation & Development	18,500	11,104	7,396
University of MD Extension	241,900	239,664	2,236
Soil Conservation	384,200	383,762	438
Total Conservation	660,300	646,436	13,864
<u>Elections</u>	1,214,200	1,171,314	42,886
<u>Debt service</u>			
Interest	7,099,800	7,003,823	95,978
 Total expenditures	 362,229,180	 355,523,784	 6,705,396
<u>Other financing uses:</u>			
Defeased Bonds	-	-	-
Transfers out			
Capital Projects	2,037,900	2,037,900	-
Special Revenue Funds	4,440,950	3,846,486	594,464
Debt Service Fund	-	-	-
Enterprise Funds	1,042,600	879,136	163,464
subtotal	7,521,450	6,763,522	757,928
Total other financing uses	7,521,450	6,763,522	757,928
Total Expenditures and Other Financing Uses	<u>\$ 369,750,630</u>	<u>\$ 362,287,306</u>	<u>\$ 7,463,324</u>

Special Revenue Funds

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

Judicial Grants-	Established to track grant funds which support improvement in the quality of justice in state and local courts, and foster innovative, efficient solutions to common issues faced by all courts. Child Support programs are operated within this fund through a combined effort from the State's Attorney's Office and the Circuit Court.
Transportation Grants-	Established to support the County's public transportation systems designed for the general public, senior citizens, people with physical or mental disabilities, and medical assistance. Operating revenues are primarily supported with Federal and State grants with matching funds from the County.
Housing Assistance Funds-	Established to fund programs that provide low income housing assistance through Federal grants, provided by the U.S. Department of Housing and Urban Development (HUD) and Portability agreements with other jurisdictions.
Agricultural Preservation Fund-	Established to track and fund land preservation efforts. An agricultural transfer tax is assessed on land that has a change of use from agricultural to residential or commercial. The County also receives Tobacco Land Preservation Funds.
Fire and Rescue Funds-	Established to fund the various volunteer fire stations and rescue squads, this fund is financed by a County-wide Fire and Rescue property tax and a State of Maryland Amoss grant.
Cable Franchise Fund-	A cooperative effort between County Government, the public school system, the local community college, and the library system. Government access channels for Charles County are made possible through franchise agreements with local cable TV providers which generate revenue from a franchise fee assessed on monthly cable TV bills.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2016

ASSETS:		Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs	Public Safety Grants	Community Development Grants	Housing Assistance
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,952
Investments	-	-	-	-	-	-	-	-	-
Other receivables	95,552	3,359	455,437	1,663,809	44,820	202,266	99,259	18,664	191,590
Due (to) from other funds	-	-	-	-	1,600	-	-	-	-
Other assets	-	-	-	2,128	-	-	-	-	-
Restricted assets	-	-	-	-	984,734	-	-	-	-
Total assets	\$ 95,552	\$ 3,359	\$ 455,437	\$ 1,665,937	\$ 1,031,154	\$ 202,266	\$ 99,259	\$ 501,207	

LIABILITIES AND FUND BALANCE:		Accounts payable	Accrued expenditures	Deferred revenue	Due to other funds	Other liabilities	Total liabilities
Accounts payable	\$ 3,425	\$ -	\$ 67,282	\$ 1,013,568	\$ 2,288	\$ 27,651	\$ 95,524
Accrued expenditures	-	-	-	-	-	-	-
Deferred revenue	-	-	500	9,614	44,820	53,550	-
Due to other funds	51,350	3,359	387,655	315,695	-	121,065	99,259
Other liabilities	-	-	-	-	-	-	-
Total liabilities	\$ 54,775	\$ 3,359	\$ 455,437	\$ 1,338,878	\$ 47,108	\$ 202,266	\$ 95,524

Fund balance:		Nonspendable fund balance	Restricted fund balance	Committed fund balance	Assigned fund balance	Unassigned fund balance	Total fund balance
Nonspendable fund balance	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	984,045	-	-	273,476
Committed fund balance	-	-	-	-	-	-	-
Assigned fund balance	40,777	-	-	327,059	-	-	132,207
Unassigned fund balance	-	-	-	-	-	-	-
Total fund balance	\$ 40,777	\$ -	\$ -	\$ 984,045	\$ 327,059	\$ 984,045	\$ 405,683
Total liabilities and fund balance	\$ 95,552	\$ 3,359	\$ 455,437	\$ 1,665,937	\$ 1,031,154	\$ 202,266	\$ 501,207

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2016

ASSETS:	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue	Law Library
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100
Investments	-	1,283	41,371	-	-	-	-	9,625
Other receivables	217,676	355,717	-	113,634	591,224	1,227,212	2,672,777	70,379
Due (to) from other funds	-	-	-	-	-	-	-	629
Other assets	-	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-	-
Total assets	\$ 217,676	\$ 357,000	\$ 41,371	\$ 113,634	\$ 591,224	\$ 1,227,212	\$ 2,672,777	\$ 80,733

LIABILITIES AND FUND BALANCE:

LIABILITIES:	Accounts payable	Accrued expenditures	Deferred revenue	Due to other funds	Other liabilities	Total liabilities
Accounts payable	\$ 6,489	\$ 549	\$ -	\$ 5,359	\$ 5,739	\$ (1,415)
Accrued expenditures	-	-	24,936	9,249	-	-
Deferred revenue	-	-	16,435	-	-	-
Due to other funds	-	-	-	3,051	-	2,581,987
Other liabilities	-	-	-	-	-	2,580,572
Total liabilities	6,489	549	41,371	17,659	5,739	9,802

Fund balance:

Nonspendable fund balance	-	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	67,392	1,227,212	92,205	-
Committed fund balance	-	-	-	-	-	-	-	-
Assigned fund balance	211,187	356,452	-	95,975	518,093	-	-	70,932
Unassigned fund balance	-	-	-	-	-	-	-	-
Total fund balance	211,187	356,452	-	95,975	585,485	1,227,212	92,205	70,932
Total liabilities and fund balance	\$ 217,676	\$ 357,000	\$ 41,371	\$ 113,634	\$ 591,224	\$ 1,227,212	\$ 2,672,777	\$ 80,733

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Tourism Grants	Aging 40 fund	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 291,052
Investments	-	-	-	-	-	-	-	-
Other receivables	27,891	164,912	94,438	11,916	467,059	877,987	271,870	4,551,517
Due (to) from other funds	-	11,909	-	274,707	-	3,136,031	-	8,864,456
Other assets	-	-	-	-	-	-	-	2,757
Restricted assets	-	-	-	-	-	-	-	984,734
Total assets	\$ 27,891	\$ 176,820	\$ 94,438	\$ 286,623	\$ 467,059	\$ 4,014,017	\$ 271,870	\$ 14,694,516

ASSETS:

	Accounts payable	Accrued expenditures	Deferred revenue	Due to other funds	Other liabilities	Total liabilities
Accounts payable	\$ -	\$ 48,303	\$ 13,809	\$ 10,017	\$ 193,652	\$ 42,994
Accrued expenditures	-	-	-	-	-	-
Deferred revenue	-	78,069	-	-	38,513	-
Due to other funds	-	-	24,283	-	37,287	-
Other liabilities	-	-	-	-	-	256,176
Total liabilities	27,891	126,372	38,092	10,017	269,452	42,994
						271,870
						1,560,730
						259,252
						1,340,455
						2,585,038
						5,745,474

LIABILITIES AND FUND BALANCE:

Liabilities:

	Nonspendable fund balance	Restricted fund balance	Committed fund balance	Assigned fund balance	Unassigned fund balance	Total fund balance	Total liabilities and fund balance
Nonspendable fund balance	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	-	-	2,644,330
Committed fund balance	-	-	-	-	-	-	-
Assigned fund balance	-	-	-	56,346	197,607	3,971,023	6,304,712
Unassigned fund balance	-	-	-	-	-	-	-
Total fund balance	-	-	-	56,346	197,607	3,971,023	8,949,042
Total liabilities and fund balance	\$ 27,891	\$ 176,820	\$ 94,438	\$ 286,623	\$ 467,059	\$ 4,014,017	\$ 14,694,516

Fund balance:

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs	Public Safety Grants	Community Development Grants	Housing Assistance
REVENUES:								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	44,547	-	-	1,159,671	-	-	-	398,450
Intergovernmental	-	31,526	1,301,175	3,221,921	-	760,435	168,193	9,627,522
Interest income	-	-	-	-	4,873	-	-	-
Other income	-	-	-	155,000	23,750	11,523	-	35,524
Total revenues	44,547	31,526	1,301,175	4,536,593	28,623	771,958	168,193	10,061,496
EXPENDITURES:								
Education	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,337,584	-	-
Community services	-	-	-	7,162,663	-	-	78,260	9,912,405
Judicial	-	-	1,677,560	-	-	-	-	-
Planning & growth mgmt.	68,117	43,766	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	3,413	-	-	-
Social services	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	-	-	-	-
Total expenditures	68,117	43,766	1,677,560	7,162,663	3,413	1,337,584	78,260	9,912,405
Excess (deficiency) of revenues over (under) expenditures	(23,570)	(12,240)	(376,386)	(2,626,070)	25,210	(565,625)	89,933	149,090
Other financing sources:								
Transfers in	-	(1,353)	376,386	2,648,116	-	565,625	-	107,944
Transfers out	-	(1,353)	-	-	-	-	(89,933)	-
Net change in fund balance	(23,570)	(13,593)	-	22,046	25,210	-	-	257,034
Fund balance - beginning of year	64,347	13,593	-	305,013	958,835	-	-	148,649
Fund balance - end of year	\$ 40,777	\$ -	\$ -	\$ 327,059	\$ 984,045	\$ -	\$ -	\$ 405,683

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, 2016

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue	Law Library
REVENUES:								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,971	\$ 11,592,340	\$ -
Charge for services	-	179,961	-	73,599	341,570	-	-	67,294
Intergovernmental	338,469	-	171,263	-	71,203	-	337,295	-
Interest income	-	-	14	-	23	-	15,064	-
Other income	-	11,975	-	17,169	1,810	-	-	588
Total revenues	338,469	191,936	171,278	90,768	414,606	11,971	11,944,698	67,883
EXPENDITURES:								
Education	-	-	-	-	-	-	-	-
Public safety	-	191,434	-	89,869	198,044	-	12,005,187	-
Community services	195,739	-	171,278	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	75,014
Planning & growth mgmt.	-	-	-	-	-	11,971	-	-
Health	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	10,500	-	-	-
Total expenditures	195,739	191,434	171,278	89,869	208,544	11,971	12,005,187	75,014
Excess (deficiency) of revenues over (under) expenditures	142,730	502	-	900	206,062	-	(60,489)	(7,132)
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	3,000
Transfers out	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	3,000
Net change in fund balance	142,730	502	-	900	206,062	-	(60,489)	(4,132)
Fund balance - beginning of year	68,457	355,950	-	95,075	379,423	1,227,212	152,694	75,064
Fund balance - end of year	\$ 211,187	\$ 356,452	\$ -	\$ 95,975	\$ 585,485	\$ 1,227,212	\$ 92,205	\$ 70,932

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, 2016

	Tourism Grants	Aging 40 fund	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
REVENUES:								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,604,311
Charge for services	-	-	153,248	1,180	64,304	3,434,989	-	5,918,814
Intergovernmental	27,891	514,423	261,218	88,000	1,336,727	-	596,131	18,853,391
Interest income	-	-	-	-	-	-	-	19,974
Other income	-	61,449	-	-	14,870	-	2,239	335,898
Total revenues	27,891	575,872	414,466	89,180	1,415,901	3,434,989	598,370	36,732,388
EXPENDITURES:								
Education	-	-	-	-	-	1,687,010	-	1,687,010
Public safety	-	-	-	126,230	-	-	807,453	14,755,801
Community services	-	-	-	-	-	-	-	17,520,345
Judicial	-	-	-	-	-	-	-	1,752,574
Planning & growth mgmt.	-	-	-	-	-	-	-	123,854
Health	-	-	-	-	-	-	-	1,381,617
Economic development	27,891	-	-	-	1,381,617	-	-	31,304
Social services	-	553,435	402,437	-	-	-	-	955,872
Legislative	-	-	-	-	-	-	-	10,500
Total expenditures	27,891	553,435	402,437	126,230	1,381,617	1,687,010	807,453	38,218,878
Excess (deficiency) of revenues over (under) expenditures	-	22,437	12,029	(37,050)	34,283	1,747,979	(209,083)	(1,486,489)
Other financing sources:								
Transfers in	-	-	-	44,000	-	-	209,083	3,954,154
Transfers out	-	-	-	-	-	(17,735)	-	(109,021)
	-	-	-	44,000	-	(17,735)	209,083	3,845,133
Net change in fund balance	-	22,437	12,029	6,950	34,283	1,730,244	-	2,358,644
Fund balance - beginning of year	-	28,012	44,317	269,656	163,324	2,240,779	-	6,590,400
Fund balance - end of year	\$ -	\$ 50,449	\$ 56,346	\$ 276,606	\$ 197,607	\$ 3,971,023	\$ -	\$ 8,949,044

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Enterprise Funds

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

Recreation Programs Fund-

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

Environmental Services Fund-

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

Inspections and Review Fund-

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

Vending Machines Fund-

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

Stormwater – Watershed Protection Fund-

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 OTHER PROPRIETARY FUNDS
 JUNE 30, 2016

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ -	\$ 914,582	\$ -	\$ 162,854	\$ -	\$ 1,077,436
Other receivables	-	3,371	25,527	-	48,931	77,829
Due (to) from other funds	4,345,127	-	1,907,773	57,687	2,477,819	8,788,406
Inventory	-	23,499	-	-	-	23,499
Other current assets	-	89,452	-	-	-	89,452
Total current assets	4,345,127	1,030,905	1,933,300	220,541	2,526,750	10,056,622
Noncurrent assets:						
Net capital assets	49,105	6,683,392	2,311,807	-	12,409,698	21,454,003
Total noncurrent assets	49,105	6,683,392	2,311,807	-	12,409,698	21,454,003
Total assets	4,394,232	7,714,297	4,245,107	220,541	14,936,448	31,510,624
DEFERRED OUTFLOW OF RESOURCES:						
Charges on Bond Refundings	-	315,963	-	-	64,305	380,268
LIABILITIES:						
Current liabilities:						
Accounts payable	116,614	68,838	278,974	68	695,113	1,159,607
Accrued expenses	10,740	18,932	36,588	-	226,203	292,462
Due to other funds	-	3,768,893	-	-	-	3,768,893
Unearned revenue	1,160	300,445	-	-	-	301,605
Current portion of long-term debt/liabilities						
Bonds payable	-	628,525	2,760	-	424,478	1,055,762
Capital lease obligations	25,676	-	588,218	-	5,082	618,976
Compensated absences	23,483	2,795	13,190	-	4,336	43,803
Notes payable	-	-	-	-	-	-
Total current liabilities	177,672	4,788,427	919,729	68	1,355,212	7,241,109
Noncurrent liabilities:						
Bonds payable	-	3,182,045	47,158	-	9,831,325	13,060,527
Net bond issue premiums	39,545	-	1,267,110	-	2,544	1,309,200
Capital lease obligation	115,566	25,376	138,520	-	23,532	302,994
Compensated absences	1,114,299	186,017	754,813	-	62,071	2,117,201
Net OPEB obligation	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total noncurrent liabilities	1,269,410	3,393,438	2,207,601	-	9,919,473	16,789,922
Total liabilities	1,447,083	8,181,865	3,127,330	68	11,274,685	24,031,031
NET POSITION:						
Net investment in capital assets	(16,116)	3,188,786	411,108	-	2,473,427	6,057,206
Unrestricted	2,963,265	(3,340,391)	706,668	220,473	1,252,640	1,802,655
Total net position	\$ 2,947,150	\$ (151,605)	\$ 1,117,777	\$ 220,473	\$ 3,726,067	\$ 7,859,861

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 OTHER PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Operating revenues:						
Charge for services	\$ 4,205,493	\$ 2,829,030	\$ 4,491,840	\$ 132,555	\$ 1,809,225	\$ 13,468,143
Other income	-	7,798	-	-	-	7,798
Total operating revenue	4,205,493	2,836,828	4,491,840	132,555	1,809,225	13,475,941
Operating expenses:						
Personnel services	1,766,454	1,200,281	1,361,473	-	329,569	4,657,777
Utilities	1,348	263,969	18,734	-	-	284,051
Repairs and maintenance	2,079	133,733	94,626	-	-	230,438
Insurance costs	4,232	47,733	8,686	-	-	60,651
Indirect costs	30,167	-	35,700	-	11,600	77,467
Supplies	27,477	267,758	149,855	-	1,604	446,694
Contract services	1,693,754	467,491	2,208,128	-	1,040,544	5,409,916
Other operating costs	2,330	46,749	73,079	107,085	139,419	368,663
Depreciation	17,856	329,612	684,416	-	68,697	1,100,582
Total operating expenses	3,545,696	2,757,326	4,634,697	107,085	1,591,433	12,636,237
Operating income (loss)	659,797	79,502	(142,857)	25,469	217,792	839,704
Nonoperating revenues (expenses)						
Interest income	-	-	10,968	-	4,510	15,479
Intergovernmental	-	68,160	-	-	-	68,160
Interest expense	5,252	4,478	(28,288)	-	(364,815)	(383,373)
Gain (Loss) on disposal of capital assets	-	-	102,120	-	-	102,120
Total nonoperating revenue (expenses)	5,252	72,638	84,800	-	(360,305)	(197,616)
Income (loss) before transfers	665,049	152,140	(58,057)	25,469	(142,513)	642,088
Transfers in	9,674	1,603,308	-	-	386,579	1,999,561
Transfers out	-	(1,120,425)	-	-	-	(1,120,425)
Capital transfer	-	-	-	-	-	-
Change in net position	674,723	635,022	(58,057)	25,469	244,066	1,521,223
Net position - beginning of year	2,272,427	(786,627)	1,175,833	195,003	3,482,001	6,338,637
Net position - end of year	\$ 2,947,150	\$ (151,606)	\$ 1,117,776	\$ 220,472	\$ 3,726,067	\$ 7,859,859

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 OTHER PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,205,493	\$ 2,787,676	\$ 4,491,840	\$ 132,555	\$ 1,809,225	\$ 13,426,789
Cash paid to suppliers	(600,032)	(1,451,512)	(2,426,632)	(107,082)	(918,314)	(5,503,572)
Cash paid to employees	(2,760,161)	(1,274,399)	(1,371,112)	-	(196,475)	(5,602,147)
Net cash provided by (used in) operating activities	845,300	61,765	694,096	25,473	694,436	2,321,070
Cash flows from investing activities:						
Interest received	-	-	10,968	-	4,510	15,478
Net cash provided by investing activities	-	-	10,968	-	4,510	15,478
Cash flows from noncapital financing activities:						
Intergovernmental	-	68,160	-	-	-	68,160
Transfers in (out)	9,674	482,883	-	-	386,579	879,136
Receipts from interfund loans	(378,090)	(489,636)	625,483	1,004	1,438,178	1,196,939
Repayment of interfund loans	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(368,416)	61,407	625,483	1,004	1,824,757	2,144,235
Cash flows from capital and related financing activities:						
Proceeds from issuance of bonds	-	-	-	-	2,000,000	2,000,000
Proceeds from new loans	-	-	-	-	-	-
Principal payments on bonds payable	-	(623,980)	(2,049)	-	(354,738)	(980,767)
Principal payments on capital lease obligations	(25,457)	-	(625,028)	-	(5,027)	(655,512)
Interest paid	5,252	4,478	(28,288)	-	(364,815)	(383,373)
Proceeds from disposal of assets	-	-	-	-	-	-
Cash (paid) received for capital expenses	(456,679)	129,473	(675,182)	-	(3,799,123)	(4,801,511)
Net cash used in capital and related financing activities	(476,884)	(490,029)	(1,330,547)	-	(2,523,703)	(4,821,163)
Net increase (decrease) in cash and cash equivalents	-	(366,857)	-	26,477	-	(340,380)
Cash and cash equivalents - beginning of year	-	1,281,439	-	136,377	-	1,417,816
Cash and cash equivalents - end of year	\$ -	\$ 914,582	\$ -	\$ 162,854	\$ -	\$ 1,077,436

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (continued)
 OTHER PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	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)	\$ 659,797	\$ 79,502	\$ (142,857)	\$ 25,469	\$ 217,792	\$ 839,704
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	17,856	329,612	684,416	-	68,697	1,100,582
Increase (decrease) in compensation-related liabilities included in long-term debt	10,068	(73,806)	(8,497)	-	(4,394)	(76,629)
(Increase) decrease in other receivables	-	18,861	4,533	-	27,268	50,662
(Increase) decrease in inventories	-	41,607	-	-	-	41,607
(Increase) decrease in other current assets	-	18,585	-	-	-	18,585
(Increase) decrease in restricted assets	-	-	-	-	-	-
(Increase) decrease in deferred bond issue costs	-	(13,884)	2,160	-	(51,102)	(62,826)
Increase (decrease) in accounts payable	47,056	(23,508)	49,739	3	274,853	348,143
Increase (decrease) in accrued expenses	(2,471)	(312)	(1,141)	-	137,488	133,564
Increase (decrease) in other liabilities	0	0	0	-	-	-
Increase (decrease) in Net Pension Obligation	0	0	0	-	-	-
Increase (decrease) in Net OPEB Obligation	112,995	(265,740)	105,744	-	23,834	(23,167)
Increase (decrease) in deferred revenue	0	(49,152)	-	-	-	(49,152)
Net cash provided by operating activities	<u>\$ 845,301</u>	<u>\$ 61,766</u>	<u>\$ 694,097</u>	<u>\$ 25,472</u>	<u>\$ 694,436</u>	<u>\$ 2,321,071</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	\$ -	\$ -	\$ 440,000	\$ -	\$ -	\$ 440,000
Capital asset transfer	-	-	-	-	-	-

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Fiduciary & Trust Funds

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	County's Pension	Sheriff's Pension	OPEB Trust Funds	LOSAP Funds	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 4,911,653	\$ 4,275,871	\$ 4,172,086	\$ 207,544	\$ 13,567,155
Interest receivable	-	148,194	-	-	148,194
Total current assets	<u>4,911,653</u>	<u>4,424,065</u>	<u>4,172,086</u>	<u>207,544</u>	<u>13,715,348</u>
Investments at fair value:					
Bond mutual funds	46,797,539	73,446,121	-	-	120,243,659
Equity securities	128,221,305	131,866,558	-	13,079,810	273,167,673
Total investments	<u>175,018,844</u>	<u>205,312,678</u>	<u>-</u>	<u>13,079,810</u>	<u>393,411,333</u>
Total assets	<u>179,930,497</u>	<u>209,736,743</u>	<u>4,172,086</u>	<u>13,287,354</u>	<u>407,126,681</u>
LIABILITIES:					
Accrued expenses	<u>(45,111)</u>	<u>(2,370)</u>	<u>-</u>	<u>-</u>	<u>(47,481)</u>
NET POSITION HELD FOR PENSIONS AND OPEB BENEFITS	<u>\$ 179,885,386</u>	<u>\$ 209,734,373</u>	<u>\$ 4,172,086</u>	<u>\$ 13,287,354</u>	<u>\$ 407,079,200</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2016

	County's Pension	Sheriff's Pension	OPEB Trust Funds	LOSAP Funds	Total
ADDITIONS:					
Contributions:					
Employer contributions	\$ 5,240,332	\$ 10,589,724	\$ 1,000,000	\$ 813,600	\$ 17,643,656
Employee contributions	2,179,128	2,646,853	-	-	4,825,981
Total contributions	7,419,460	13,236,577	1,000,000	813,600	22,469,637
Investment earnings:					
Interest, Dividends, Gains	4,729,852	10,610,148	2,187	511,469	15,853,656
Net change in fair value of investments	(1,599,113)	(7,792,257)	-	(837,968)	(10,229,338)
Total investment earnings	3,130,739	2,817,891	2,187	(326,499)	5,624,319
Less investment expenses	(1,003,861)	(838,770)	-	-	(1,842,631)
Net investment earnings	2,126,878	1,979,122	2,187	(326,499)	3,781,688
Total additions	9,546,338	15,215,698	1,002,187	487,101	26,251,325
DEDUCTIONS:					
Benefits paid to members	4,870,855	9,609,963	-	868,603	15,349,421
Administrative costs	12,765	17,000	231	72,967	102,963
Total deductions	4,883,620	9,626,963	231	941,570	15,452,384
Changes in net position	4,662,718	5,588,736	1,001,956	(454,470)	10,798,941
Net position - beginning of year	175,222,668	204,145,637	3,170,130	13,741,824	396,280,259
Net position - end of year	\$ 179,885,386	\$ 209,734,373	\$ 4,172,086	\$ 13,287,354	\$ 407,079,200

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Statistical Section

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

Financial Trends-	Tables 1 through 4 contain trend information that may assist the reader in assessing the County’s current financial performance by placing it in historical perspective
Revenue Capacity-	Tables 5 through 8 contain information that may assist the reader in assessing the viability of the County’s most significant local revenue source, property taxes
Debt Capacity-	Tables 9 through 12 present information that may assist the reader in analyzing the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future
Demographic & Economic Indicators-	Tables 13 and 14 offer information that may assist the reader in understanding the environment within which the County’s financial activities take place
Operating Information-	Tables 15 through 17 contain service and infrastructure indicators that may assist the reader in understanding how the information in the County’s financial statements relates to the services and the activities it performs

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

Net Position by Component

Charles County, Maryland

Table 1

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Net Investment in capital assets	\$ 217,932,805	\$ 255,344,078	\$ 277,293,967	\$ 286,447,650	\$ 299,008,922
Restricted	37,214,570	32,866,628	21,011,767	21,247,016	25,905,459
Unrestricted	33,992,522	(6,033,159)	(22,968,759)	(34,262,144)	(43,531,325)
Total governmental activities net position	<u>\$ 289,139,897</u>	<u>\$ 282,177,547</u>	<u>\$ 275,336,975</u>	<u>\$ 273,432,522</u>	<u>\$ 281,383,056</u>
Business-type activities					
Net Investment in capital assets	\$ 97,968,074	\$ 100,098,580	\$ 109,407,466	\$ 101,483,715	\$ 108,354,734
Restricted	-	-	-	-	-
Unrestricted	21,641,262	19,036,528	14,695,223	22,920,560	14,910,933
Total business-type activities net position	<u>\$ 119,609,336</u>	<u>\$ 119,135,108</u>	<u>\$ 124,102,689</u>	<u>\$ 124,404,275</u>	<u>\$ 123,265,667</u>
Primary government					
Net Investment in capital assets	\$ 315,900,879	\$ 355,442,658	\$ 386,701,433	\$ 387,931,365	\$ 407,363,656
Restricted	37,214,570	32,866,628	21,011,767	21,247,016	25,905,459
Unrestricted	55,633,784	13,003,369	(8,273,536)	(11,341,584)	(28,620,392)
Total primary government activities net position	<u>\$ 408,749,233</u>	<u>\$ 401,312,655</u>	<u>\$ 399,439,664</u>	<u>\$ 397,836,797</u>	<u>\$ 404,648,723</u>

2012	2013	2014	2015	2016
\$ 302,756,883	\$ 288,603,104	\$ 303,818,811	\$ 347,192,029	\$ 362,533,718
74,707,854	79,871,134	43,877,572	51,199,624	67,034,990
(59,993,417)	(77,922,303)	(90,496,735)	(168,350,468)	(167,864,680)
<u>\$ 317,471,320</u>	<u>\$ 290,551,935</u>	<u>\$ 257,199,648</u>	<u>\$ 230,041,185</u>	<u>\$ 261,704,028</u>
\$ 104,852,725	\$ 107,008,981	\$ 115,327,060	\$ 130,853,925	\$ 148,864,902
-	-	-	-	-
21,119,627	26,418,067	23,842,789	29,983,168	22,755,798
<u>\$ 125,972,352</u>	<u>\$ 133,427,048</u>	<u>\$ 139,169,849</u>	<u>\$ 160,837,093</u>	<u>\$ 171,620,700</u>
\$ 407,609,608	\$ 395,612,085	\$ 419,145,871	\$ 478,045,954	\$ 511,398,621
74,707,854	79,871,134	43,877,572	51,199,624	67,034,990
(38,873,790)	(51,504,236)	(66,653,946)	(138,367,300)	(145,108,882)
<u>\$ 443,443,672</u>	<u>\$ 423,978,983</u>	<u>\$ 396,369,497</u>	<u>\$ 390,878,278</u>	<u>\$ 433,324,728</u>

Changes in Net Position

Charles County, Maryland

Table 2

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
Legislative	\$ 1,331,325	\$ 2,027,389	\$ 2,080,510	\$ 1,939,759
Judicial	3,931,506	4,198,286	11,545,466	9,589,759
Law	790,215	869,395	894,366	896,496
General government	1,885,753	13,591,909	9,410,135	11,602,410
Elections	738,503	808,229	706,269	535,401
Public safety	77,007,397	87,502,195	95,921,812	92,357,073
Planning and growth management	4,245,235	4,036,674	5,883,572	3,736,711
Health	7,440,758	8,160,231	8,697,964	9,228,755
Social services	1,828,759	1,943,168	1,848,488	1,833,744
Community services	15,857,477	18,734,675	19,108,464	20,239,786
Public facilities	24,251,462	31,504,139	14,534,181	16,646,652
Economic development	1,571,550	1,623,306	1,504,604	1,280,857
Education	166,363,198	191,557,369	167,950,725	172,482,312
Conservation of natural resources	561,820	590,681	611,869	554,157
Interest expense on long term debt	9,279,460	10,264,554	11,100,155	10,922,423
Total governmental activities	317,084,418	377,412,201	351,798,583	353,846,295
Business-type activities:				
Water and sewer	28,686,214	25,226,246	23,617,745	25,146,157
Inspection and review	3,251,479	3,424,829	3,062,354	3,370,382
County parks	957,450	946,765	980,132	867,498
Recreation	3,927,976	3,495,983	3,185,403	3,045,137
Solid waste	3,278,830	3,383,287	3,557,332	3,577,336
Environmental services	3,082,082	3,108,793	3,342,339	3,312,126
SW-Watershed Protection	-	-	-	-
Vending machines	102,465	118,637	92,185	129,239
Total business-type activities	43,286,496	39,704,540	37,837,489	39,447,874
Total primary government expenses	\$ 360,370,914	\$ 417,116,741	\$ 389,636,072	\$ 393,294,169
Program revenues				
Governmental activities:				
Charges for services				
Judicial	\$ 179,082	\$ 254,840	\$ 79,083	\$ 73,114
General government	11,232,430	10,753,735	2,222,486	1,574,048
Elections	7,046	6,504	-	-
Public safety	17,203,036	7,286,631	5,769,229	6,054,547
Planning and growth management	694,038	723,722	1,214,746	2,466,319
Health	28,130	47,861	38,362	215,169
Community services	2,007,430	881,080	1,605,410	1,889,243
Public facilities	508,650	641,037	809,628	652,970
Education	-	-	1,732,026	2,032,142
Operating grants and contributions	23,366,365	22,157,042	30,172,818	31,457,586
Capital grants and contributions	144,757	10,133,515	4,556,436	3,631,898
Total governmental activities program revenues	55,370,964	52,885,967	48,200,224	50,047,036
Business-type activities:				
Charges for services				
Water and sewer	20,513,212	23,179,800	23,215,291	24,940,407
Solid waste management	4,310,368	3,863,111	3,771,529	4,583,739
Environmental services	3,054,939	3,210,401	3,275,175	3,565,524
Other activities	7,608,922	6,986,131	5,983,167	5,697,562
Operating grants and contributions	-	-	-	-
Capital grants and contributions	720,580	771,580	922,555	1,039,983
Total business-type activities program revenues	36,208,021	38,011,023	37,167,718	39,827,216
Total primary government program revenues	\$ 91,578,985	\$ 90,896,990	\$ 85,367,942	\$ 89,874,252
Net (expense)/revenue				
Governmental activities	\$ (261,713,455)	\$ (324,526,235)	\$ (303,598,358)	\$ (303,799,258)
Business-type activities	(7,078,474)	(1,693,516)	(669,773)	379,340
Total primary government net expense	\$ (268,791,929)	\$ (326,219,751)	\$ (304,268,131)	\$ (303,419,918)

	2011	2012	2013	2014	2015	2016
\$	1,440,487	\$ 1,204,649	\$ 1,551,235	\$ 1,574,092	\$ 1,591,134	\$ 1,691,498
	5,523,977	4,533,124	4,888,044	6,068,613	6,370,123	6,567,844
	1,225,112	1,083,290	908,978	1,014,904	1,150,014	952,254
	1,762,747	24,082,988	23,631,662	18,616,355	17,066,637	17,912,929
	1,004,415	882,927	906,424	817,455	1,024,458	1,171,314
	92,757,414	102,882,389	96,495,382	105,607,477	103,043,579	106,250,693
	2,842,458	4,586,880	4,184,430	7,176,186	4,973,410	4,026,177
	5,580,675	4,514,298	4,847,001	5,439,898	3,130,059	3,415,892
	1,888,397	1,970,383	1,949,313	1,822,933	2,007,057	1,979,157
	21,022,903	22,425,245	22,506,200	22,763,192	21,025,812	20,637,588
	31,111,042	22,261,400	29,976,910	30,516,513	28,045,011	52,083,282
	618,852	1,283,074	1,517,839	1,811,898	8,905,067	2,214,242
	171,972,269	163,377,207	184,524,571	200,352,487	181,938,370	185,562,444
	568,366	585,556	580,319	631,591	637,079	646,436
	11,485,900	9,987,993	10,529,272	10,363,586	10,414,044	10,506,320
	<u>350,805,014</u>	<u>365,661,403</u>	<u>388,997,580</u>	<u>414,577,180</u>	<u>391,321,854</u>	<u>415,618,071</u>
	30,073,573	27,143,056	28,479,435	29,372,054	29,908,251	31,741,194
	3,104,577	3,166,989	3,078,141	3,179,558	3,437,782	3,540,445
	-	-	-	-	-	-
	3,635,017	3,710,602	3,674,793	3,807,971	3,666,849	2,752,848
	3,515,373	4,678,951	3,977,028	3,953,044	4,172,509	3,916,243
	3,403,209	3,521,933	3,980,290	3,335,642	4,199,268	4,560,865
	-	-	-	1,578,702	1,620,185	1,956,248
	105,366	141,609	113,497	136,198	133,993	107,085
	<u>43,837,115</u>	<u>42,363,140</u>	<u>43,303,184</u>	<u>45,363,169</u>	<u>47,138,837</u>	<u>48,574,928</u>
\$	<u>394,642,129</u>	<u>\$ 408,024,543</u>	<u>\$ 432,300,764</u>	<u>\$ 459,940,349</u>	<u>\$ 438,460,691</u>	<u>\$ 464,192,999</u>
\$	54,133	\$ 69,879	\$ 66,023	\$ 70,674	\$ 94,845	\$ -
	1,708,149	1,657,043	1,741,205	1,914,465	1,963,170	5,956,531
	-	-	-	-	-	-
	6,005,879	4,665,257	4,292,250	4,229,891	4,269,225	4,067,307
	1,435,941	2,063,713	3,925,544	4,308,924	3,031,874	7,847,985
	256,361	129,025	104,592	104,944	116,274	64,109
	1,978,318	2,322,769	2,738,086	2,806,040	2,824,839	1,775,673
	3,178,265	569,207	602,675	655,933	671,589	887,612
	2,379,379	2,600,740	2,930,153	3,084,088	3,260,599	-
	20,480,647	20,111,640	19,400,382	21,110,010	30,284,579	32,236,242
	3,802,171	3,899,944	2,387,219	1,971,553	2,964,335	1,305,271
	<u>41,279,243</u>	<u>38,089,217</u>	<u>38,188,129</u>	<u>40,256,522</u>	<u>49,481,329</u>	<u>54,140,730</u>
	26,011,549	26,766,118	31,848,681	31,716,428	34,245,914	36,575,372
	5,450,318	6,255,357	5,266,566	5,310,180	5,974,573	6,753,142
	3,858,445	3,942,562	3,906,046	3,594,313	4,090,322	4,491,840
	6,102,542	6,328,711	7,546,979	9,565,882	10,326,766	8,976,303
	-	817,240	964,026	974,083	1,020,251	990,409
	1,011,461	-	-	-	12,040,000	105,256
	<u>42,434,316</u>	<u>44,109,989</u>	<u>49,532,298</u>	<u>51,160,886</u>	<u>67,697,826</u>	<u>57,892,323</u>
\$	<u>83,713,559</u>	<u>\$ 82,199,206</u>	<u>\$ 87,720,427</u>	<u>\$ 91,417,408</u>	<u>\$ 117,179,155</u>	<u>\$ 112,033,053</u>
\$	(309,525,771)	\$ (327,572,186)	\$ (350,809,451)	\$ (374,320,658)	\$ (341,840,525)	\$ (361,477,341)
	(1,402,800)	1,746,848	6,229,114	5,797,717	20,558,989	9,317,395
\$	<u>(310,928,571)</u>	<u>\$ (325,825,338)</u>	<u>\$ (344,580,337)</u>	<u>\$ (368,522,941)</u>	<u>\$ (321,281,536)</u>	<u>\$ (352,159,946)</u>

Continued

Changes in Net Position

Charles County, Maryland

Table 2

Last Ten Fiscal Years

(accrual basis of accounting)

Continued

	2007	2008	2009	2010
<u>General revenues and other changes in net position</u>				
Governmental activities:				
Taxes				
Local property taxes	\$ 144,342,192	\$ 161,343,642	\$ 181,396,190	\$ 190,131,537
Other local	34,687,130	20,522,655	15,240,771	15,417,825
Income taxes	80,001,338	82,610,436	71,838,853	85,784,762
State highway user taxes	9,489,506	9,142,897	8,077,769	437,492
Other income	2,699,439	3,661,909	4,209,764	5,695,002
Interest and investment earnings	10,614,025	8,914,827	5,471,445	3,898,008
Unrestricted grants and contributions	-	-	-	-
Miscellaneous	3,501,055	1,072,491	10,024,646	-
Transfers	527,370	515,496	498,348	530,182
Extraordinary loss tornado, net of income rec	-	-	-	-
Total governmental activities	<u>285,862,055</u>	<u>287,784,352</u>	<u>296,757,785</u>	<u>301,894,805</u>
Business-type activities:				
Other income	513,511	310,906	454,841	376,834
Interest and investment earnings	753,005	453,435	157,074	75,594
Miscellaneous	3,326,300	970,448	5,523,787	-
Transfers	(527,370)	(515,496)	(498,348)	(530,182)
Total business-type activities	<u>4,065,446</u>	<u>1,219,293</u>	<u>5,637,354</u>	<u>(77,754)</u>
Total primary government	<u>\$ 289,927,501</u>	<u>\$ 289,003,645</u>	<u>\$ 302,395,139</u>	<u>\$ 301,817,053</u>
<u>Change in net position</u>				
Governmental activities	\$ 24,148,600	\$ (36,741,883)	\$ (6,840,573)	\$ (1,904,453)
Net Restatement				
Business-type activities	(3,013,028)	(474,223)	4,967,581	301,586
Total primary government	<u>\$ 21,135,572</u>	<u>\$ (37,216,106)</u>	<u>\$ (1,872,992)</u>	<u>\$ (1,602,867)</u>

	2011	2012	2013	2014	2015	2016
\$	193,939,891	\$ 196,368,356	\$ 200,484,806	\$ 211,634,597	\$ 216,073,564	\$ 223,238,990
	17,875,503	16,105,317	20,612,134	22,154,294	30,960,062	33,987,630
	97,544,231	97,179,582	90,885,261	98,827,341	115,479,944	126,886,692
	631,126	473,872	852,425	881,979	931,891	-
	3,806,510	11,269,786	8,396,717	6,479,338	12,303,303	7,400,379
	3,468,006	3,339,228	3,077,153	3,282,490	2,531,265	2,505,628
	-	-	-	-	-	-
	-	-	-	-	-	-
	211,038	214,743	(418,430)	(368,300)	(464,468)	(879,135)
	-	-	-	-	-	-
	<u>317,476,305</u>	<u>324,950,884</u>	<u>323,890,066</u>	<u>342,891,739</u>	<u>377,815,561</u>	<u>393,140,184</u>
	389,597	1,119,570	743,229	457,308	464,358	501,903
	76,761	63,882	63,923	68,239	59,994	84,575
	-	-	-	-	-	-
	(211,038)	(214,743)	418,430	368,300	464,468	879,135
	<u>255,320</u>	<u>968,709</u>	<u>1,225,582</u>	<u>893,847</u>	<u>988,820</u>	<u>1,465,613</u>
\$	<u>317,731,625</u>	<u>325,919,593</u>	<u>325,115,648</u>	<u>343,785,586</u>	<u>378,804,381</u>	<u>394,605,797</u>
\$	7,950,534	\$ (2,621,302)	\$ (26,919,385)	\$ (31,428,919)	\$ 35,975,036	\$ 31,662,843
	(1,147,480)	2,715,557	7,454,696	6,691,564	(63,014,064)	-
	<u>(1,147,480)</u>	<u>2,715,557</u>	<u>7,454,696</u>	<u>6,691,564</u>	<u>21,547,809</u>	<u>10,783,008</u>
\$	<u>6,803,054</u>	<u>94,255</u>	<u>(19,464,689)</u>	<u>(24,737,355)</u>	<u>(5,491,219)</u>	<u>42,445,851</u>

Fund Balances of Governmental Funds

Charles County, Maryland
 Table 3
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General fund				
Reserved	\$ 2,513,359	\$ 2,341,477	\$ 2,851,067	\$ 2,531,035
Unreserved	70,845,770	52,384,223	44,465,708	38,654,138
Total general fund	\$ 73,359,129	\$ 54,725,700	\$ 47,316,775	\$ 41,185,173
All other governmental funds				
Reserved	\$ 53,723,542	\$ 36,092,369	\$ 28,330,900	\$ 19,849,362
Unreserved, reported in:				
Capital projects	11,526,070	5,445,932	3,163,028	6,465,890
Debt service	(2,329,831)	(569,350)	(1,409,944)	-
Other Governmental	-	-	-	-
Total all other governmental funds	\$ 62,919,781	\$ 40,968,951	\$ 30,083,984	\$ 26,315,252

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
General fund						
Nonspendable fund balance	\$ 1,805,165	\$ 2,257,418	\$ 1,853,656	\$ 1,604,951	\$ 2,156,136	\$ 4,365,445
Restricted fund balance	699,770	3,896,913	6,830,594	4,032,708	5,301,900	5,256,573
Committed fund balance	27,022,596	31,526,041	32,556,833	33,350,360	38,288,776	55,610,042
Assigned fund balance	8,806,694	3,867,530	4,248,921	4,197,363	3,482,661	4,020,616
Unassigned fund balance	2,050,076	3,959,025	2,897,380	1,022,395	1,022,395	-
Total general fund	\$ 40,384,301	\$ 45,506,927	\$ 48,387,384	\$ 44,207,777	\$ 50,251,868	\$ 69,252,677
All other governmental funds						
Capital projects						
Nonspendable fund balance	-	-	-	-	-	-
Restricted fund balance	\$ 20,588,415	\$ 32,353,125	\$ 24,145,449	\$ 5,532,042	\$ 13,850,238	\$ 6,700,412
Committed fund balance	-	-	-	-	-	25,767,947
Assigned fund balance	17,963,717	17,279,026	20,688,549	-	-	-
Unassigned fund balance	-	-	-	(2,931,828)	(427,643)	2,831,713
Debt service						
Nonspendable fund balance	-	44,767,231	44,985,067	41,125,212	36,649,518	28,689,051
Restricted fund balance	209,544	-	-	-	-	-
Committed fund balance	-	-	-	-	-	-
Assigned fund balance	-	-	-	-	-	-
Unassigned fund balance	-	(3,122,548)	(5,228,617)	(5,038,043)	(471,532)	597,237
Other Governmental						
Nonspendable fund balance	-	-	-	-	-	-
Restricted fund balance	342,347	1,246,450	436,018	876,867	2,412,224	2,644,330
Committed fund balance	-	-	-	3,715,000	-	-
Assigned fund balance	6,136,690	5,225,045	6,158,631	3,198,683	4,178,176	6,304,712
Unassigned fund balance	-	-	-	-	-	-
Total all other governmental funds	\$ 45,240,713	\$ 97,748,329	\$ 91,185,097	\$ 46,477,933	\$ 56,190,981	\$ 73,535,402

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

Changes in Fund Balances of Governmental Funds
 Charles County, Maryland
 Table 4
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes:										
Local property	\$ 144,342,192	\$ 161,343,642	\$ 181,396,190	\$ 190,131,537	\$ 194,125,205	\$ 196,270,291	\$ 200,484,806	\$ 211,634,597	\$ 211,791,533	\$ 219,110,622
Income	80,001,338	81,823,096	82,314,487	86,513,316	92,049,627	97,179,582	99,440,598	99,513,353	109,709,956	123,429,876
Other local	34,687,130	20,522,655	15,240,771	15,417,825	17,875,503	16,105,317	20,612,134	22,154,294	30,860,062	33,025,233
State shared	9,489,506	9,142,897	8,077,769	437,769	631,126	473,872	852,425	881,979	931,891	962,397
Changes for services	26,028,921	19,496,339	13,470,970	13,705,262	13,806,742	14,077,633	16,400,528	17,174,959	16,232,415	20,589,217
Intergovernmental	28,035,871	41,170,868	34,729,254	35,089,484	22,052,057	24,011,584	21,787,601	22,377,063	33,248,914	33,541,513
Interest income	10,614,025	8,914,827	5,471,445	3,888,008	3,460,692	3,339,228	3,077,153	3,282,490	2,531,265	2,505,628
Other income	2,699,443	3,661,909	4,209,764	6,947,293	7,403,236	11,269,786	8,396,717	6,479,338	12,303,303	7,400,378
Total revenues	\$ 335,898,426	\$ 346,076,232	\$ 344,910,650	\$ 352,140,216	\$ 351,404,188	\$ 362,727,293	\$ 371,051,962	\$ 383,498,073	\$ 417,709,339	\$ 440,574,864
Expenditures										
Education	159,729,820	179,059,944	159,990,086	164,204,676	163,571,345	161,897,688	188,950,057	202,287,835	192,397,107	196,273,015
Public safety	79,956,523	83,927,644	92,314,203	87,835,915	87,884,735	92,640,243	94,272,991	101,742,806	103,994,700	108,328,753
Other general government	16,694,340	18,628,434	18,948,924	19,227,970	17,876,622	17,024,330	17,712,335	19,184,620	23,391,485	31,082,318
Public facilities	51,163,301	71,238,410	44,349,363	28,524,687	31,753,661	27,993,471	26,598,031	33,140,813	28,737,956	28,443,843
Financial administration	7,385,324	8,061,548	9,500,759	8,016,417	7,794,237	7,938,619	7,961,432	8,514,244	8,838,756	9,235,420
Community services	20,115,284	19,337,221	18,932,221	20,707,531	21,371,151	21,322,388	21,906,992	21,705,280	21,761,226	21,341,301
Judicial	5,173,562	5,852,295	11,445,678	9,549,790	5,335,421	4,479,661	4,805,217	6,086,489	6,475,100	6,639,733
Planning and growth management	5,945,043	6,833,946	5,852,025	3,796,263	3,645,761	4,579,928	4,173,750	7,162,964	4,973,410	4,028,641
Health services	5,946,557	6,894,108	7,185,740	8,158,197	4,476,139	4,352,999	3,726,711	4,281,981	4,322,514	4,482,033
Economic development	1,552,596	1,645,300	1,472,393	1,295,704	595,342	1,283,074	1,515,966	1,791,817	8,896,249	2,214,242
Social services	1,828,759	1,943,168	1,848,488	1,833,744	1,971,360	1,970,383	1,949,313	1,822,933	2,007,057	1,979,157
Legislative	1,196,965	1,804,515	1,972,696	1,820,205	1,317,066	1,372,856	1,456,063	1,478,484	1,626,299	1,626,299
Law	781,485	824,957	880,247	884,268	1,281,988	1,083,290	878,998	991,003	1,150,014	952,254
Conservation of natural resources	549,096	593,574	602,244	551,419	560,986	585,556	579,761	629,894	637,079	646,436
Elections	738,503	813,294	706,011	535,143	1,010,575	882,927	911,170	820,332	1,028,910	1,171,314
Debt service:										
Principal	8,413,950	10,122,812	11,166,700	11,243,409	11,543,633	16,488,429	12,628,435	13,969,954	17,851,976	11,527,876
Interest	9,279,460	10,264,554	11,100,155	10,922,423	11,485,800	10,231,477	10,529,272	10,363,586	10,318,581	10,184,584
Total expenditures	\$ 376,063,567	\$ 427,847,725	\$ 398,317,933	\$ 379,107,761	\$ 373,675,922	\$ 375,727,319	\$ 400,556,495	\$ 435,975,035	\$ 438,352,565	\$ 440,157,129
Excess (deficiency) of revenues over (under) expenditures	(40,165,140)	(81,771,493)	(53,407,283)	(26,967,545)	(22,271,735)	(13,000,027)	(29,504,534)	(52,476,963)	(20,643,227)	417,735
Other financing sources (uses):										
Issuance of debt	40,114,600	40,048,292	33,619,000	15,621,497	36,900,000	19,929,500	22,729,200	3,958,490	33,239,500	34,079,100
Premium on issuance of debt	1,033,133	623,446	1,504,644	1,358,311	3,214,979	9,169,214	5,740,278	-	6,739,644	2,727,531
Bond Proceeds from debt refunding	-	-	11,200,097	4,853,935	17,985,000	37,257,552	16,031,904	-	26,597,764	-
Deceased Bonds	-	-	(11,728,871)	(5,276,540)	(18,495,286)	(40,051,360)	(18,261,194)	-	(29,712,075)	-
Transfers in	12,157,059	17,360,153	10,517,473	17,012,208	7,806,015	10,195,181	4,639,176	6,127,899	10,770,318	5,993,407
Transfers out	(11,629,690)	(16,844,657)	(10,019,125)	(16,482,026)	(8,173,831)	(9,980,438)	(5,057,606)	(6,496,199)	(11,234,786)	(6,872,543)
Total other financing sources	41,675,102	41,187,234	35,093,218	17,087,385	39,236,878	26,519,650	25,821,759	3,590,191	36,400,366	35,927,496
Extraordinary loss from natural disasters, net of income	-	-	-	-	-	(1,909,773)	(3,682,775)	(48,886,772)	15,757,139	36,345,231
Net change in fund balances	\$ 1,509,962	\$ (40,584,259)	\$ (18,314,065)	\$ (9,880,160)	\$ 16,965,143	\$ 11,609,850	\$ (3,682,775)	\$ (48,886,772)	\$ 15,757,139	\$ 36,345,231
Debt service as a percentage of noncapital expenditures	5.465%	5.194%	6.300%	6.284%	6.193%	7.389%	5.742%	5.619%	7.110%	4.930%

Assessed Value and Estimated Actual Value of Taxable Property

Charles County, Maryland
Table 5
Last Ten Fiscal Years

Fiscal Year Ending June 30	Real Property			Business Personal Property	Railroads & Public Utilities	Ordinary Business Corporations	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Full Year	1/4	1/2, 3/4 Yr.							
2007	12,264,927,064	323,758,657	202,471,100	7,464,250	202,471,100	672,024,330	13,470,645,401	1.14	13,470,645,401	100.00%
2008	14,947,505,231	233,312,629	187,147,270	7,285,360	187,147,270	661,521,380	16,036,771,870	1.14	16,036,771,870	100.00%
2009	17,572,236,940	185,557,591	195,176,080	5,640,570	195,176,080	808,399,180	18,767,010,361	0.96	18,767,010,361	100.00%
2010	18,848,560,018	161,648,430	205,119,670	5,233,180	205,119,670	802,289,680	20,022,850,978	0.96	20,022,850,978	100.00%
2011	17,815,986,983	99,737,589	263,545,620	7,900,630	263,545,620	785,847,980	18,973,018,802	0.96	18,973,018,802	100.00%
2012	16,565,423,239	138,407,890	256,991,160	8,284,230	256,991,160	693,247,980	17,662,354,499	1.00	17,662,354,499	100.00%
2013	15,767,175,406	131,283,908	267,162,220	8,190,160	267,162,220	681,889,120	16,855,700,814	1.05	16,855,700,814	100.00%
2014	15,384,968,244	131,670,190	285,422,960	7,712,830	285,422,960	631,661,420	16,441,435,644	1.14	16,441,435,644	100.00%
2015	15,406,621,549	210,168,374	304,401,370	7,504,070	304,401,370	621,082,550	16,549,777,913	1.14	16,549,777,913	100.00%
2016	15,692,752,105	169,790,559	317,477,720	9,183,690	317,477,720	645,642,220	16,834,846,294	1.14	16,834,846,294	100.00%

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

Property Tax Rates for Direct and Overlapping Governments ¹

Charles County, Maryland

Table 6

Last Ten Fiscal Years

(Per \$100 of Assessed Value)

Fiscal Year	General County (Including Education)	Fire and Rescue Tax	State	Town of La Plata	Town of Indian Head
2007	0.9620	0.064	0.112	0.24	0.29
2008	0.9620	0.064	0.112	0.24	0.29
2009	0.9620	0.064	0.112	0.24	0.28
2010	0.9620	0.064	0.112	0.25	0.28
2011	0.9620	0.064	0.112	0.24	0.27
2012	1.0025	0.064	0.112	0.24	0.27
2013	1.0527	0.064	0.112	0.23	0.26
2014	1.1410	0.064	0.112	0.23	0.26
2015	1.1410	0.064	0.112	0.23	0.26
2016	1.1410	0.064	0.112	0.19	0.25

¹ Information Source: Charles County Treasurer's Office

Principal Taxpayers

Charles County, Maryland
Table 7

Ten Leading Taxpayers
(For period ending June 30, 2016)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes¹</u>
NRG Energy, Inc. (formerly GenOn Mid-Atlantic LLC)	\$ 528,235,890 ²	3.14%	\$ 13,376,512
Southern Maryland Electric Cooperative	146,485,430	0.87%	4,178,497
Charles Mall Company LTD Partnership	141,150,000	0.84%	1,610,522
SCG Atlas Westchester, LLC	75,970,600	0.45%	866,825
Dominion Cove Point LNG, LP	61,927,790	0.37%	1,766,490
Madison Waldorf, LLC	55,795,400	0.33%	636,626
SVF Waldorf LLC	47,340,700	0.28%	540,157
Verizon Maryland Inc.	39,697,550	0.24%	1,132,373
Washington Gas Light Company	27,963,360	0.17%	797,655
Potomac Electric Power Company	22,463,450	0.13%	640,770
	<u>\$ 1,147,030,170</u>	<u>6.81%</u>	<u>\$ 25,546,425</u>
Total Taxable Assessed Value		<u>\$ 16,834,846,294²</u>	

Ten Leading Taxpayers
(For period ending June 30, 2007)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes¹</u>
Mirant Mid-Atlantic	\$ 553,517,076	4.11%	\$ 11,977,003
Charles Mall Company LTD Partnership	123,000,000	0.91%	1,183,260
Southern Maryland Electric Cooperative	85,603,210	0.64%	2,058,757
Verizon Maryland, Inc	61,485,230	0.46%	1,478,720
CW Waldorf Retail LTD Partnership	37,250,600	0.28%	358,351
Charles Developers LTD Partnership	36,016,200	0.27%	346,476
Waldorf Shoppers' World	26,687,400	0.20%	256,733
Potomac Electric Power Company	19,670,080	0.15%	473,065
Washington Gas Light Company	19,442,500	0.14%	467,592
AT&T Communications	10,498,080	0.08%	252,479
	<u>\$ 973,170,376</u>	<u>7.22%</u>	<u>\$ 18,852,436</u>
Total Taxable Assessed Value		<u>\$ 13,470,645,401³</u>	

Source: Maryland State Department of Assessment and Taxation/Charles County Treasurer's Office
¹ 2016 Based on County Tax of \$2.85 per \$100 assessed and 2007 Based on County Tax of \$2.40 per \$100 assessed
² FY16 Total Assessed Value.
³ FY07 Total Assessed Value.

Property Tax Levies and Collections ¹

Charles County, Maryland

Table 8

Fiscal Year Ending June 30	Total Tax Levy Local Property ²	Collected within the Fiscal Year of the Levy		Collection In Subsequent Years	Total Collections To Date		Outstanding Delinquent Tax
		Amount	Percent		Amount	Percent	
2007	140,772,121	139,930,512	99.40%	772,403	139,999,718	99.45%	69,206
2008	165,599,544	164,805,575	99.52%	676,167	164,923,377	99.59%	117,802
2009	194,249,210	190,150,738	97.89%	3,830,236	190,418,974	98.03%	268,236
2010	206,470,878	205,523,547	99.54%	677,002	205,793,876	99.67%	270,329
2011	197,305,606	196,393,396	99.54%	590,179	196,715,427	99.70%	322,031
2012	190,760,517	190,062,217	99.63%	453,087	190,307,430	99.76%	245,213
2013	192,660,818	191,842,717	99.58%	550,223	192,110,595	99.71%	267,878
2014	202,699,932	201,517,315	99.42%	904,997	201,794,935	99.55%	277,620
2015	203,588,665	202,252,138	99.34%	729,232	202,859,433	99.64%	607,296
2016	207,718,986	206,927,720	99.62%	-	206,927,720	99.62%	791,266

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

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

Ratios of Outstanding Debt by Type

Charles County, Maryland
 Table 9
 Last Ten Fiscal Years

Fiscal Year Ending June 30	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Capital Lease Obligation	Notes Payable	General Obligation Bonds	Capital Lease Obligation	Notes Payable			
2007	\$ 235,896,259	\$ 4,112,261	\$ 2,614,352	\$ 48,173,744	\$ 6,838,341	\$ 13,402,972	\$ 311,037,929	5.60%	2,209.64
2008	250,841,807	5,178,942	2,146,167	53,663,193	6,219,175	13,826,797	331,876,081	5.57%	2,327.13
2009	258,422,307	5,332,288	1,657,574	55,677,693	6,554,467	13,031,157	340,675,486	5.58%	2,324.62
2010	254,017,418	4,098,080	1,147,685	67,866,923	6,330,031	12,222,126	345,682,263	5.40%	2,350.21
2011	266,620,586	2,458,503	615,570	65,355,700	5,620,873	11,399,375	352,070,607	5.27%	2,360.83
2012	266,372,697	2,255,985	60,261	77,652,832	5,078,844	10,701,223	362,121,842	5.08%	2,368.36
2013	266,505,077	2,568,681	51,540	78,892,837	4,956,754	9,994,694	362,969,583	5.06%	2,345.57
2014	244,022,652	4,063,959	1,452,874	74,667,734	7,760,059	9,279,686	341,246,964	4.36%	2,205.19
2015	252,157,320	8,528,693	1,418,832	80,135,326	8,340,406	8,556,098	359,136,675	not available	not available
2016	254,571,190	11,986,956	1,367,078	80,608,468	7,331,830	7,823,827	363,689,349	not available	not available

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

Ratios of General Bonded Debt Outstanding

Charles County, Maryland

Table 10

Last Ten Fiscal Years

Fiscal Year Ending June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Fund ¹	Total	Percentage of Estimated Actual Taxable Value of Property ²	Per Capita ³
2007	\$ 311,037,929	\$ (2,329,831)	\$ 313,367,760	2.33%	2,235.64
2008	331,876,081	(569,350)	332,445,431	2.07%	2,361.72
2009	340,675,486	(1,409,943)	342,085,429	1.82%	2,398.71
2010	254,017,418	139,071	253,878,347	1.27%	1,732.35
2011	352,070,607	209,544	351,861,063	1.85%	2,392.21
2012	362,121,842	41,644,683 ⁴	320,477,159	1.81%	2,148.98
2013	362,969,583	39,756,450	323,213,133	1.92%	2,113.89
2014	341,246,964	36,087,169	305,159,795	1.86%	1,971.99
2015	359,136,675	36,177,986	322,958,689	1.95%	2,068.68
2016	363,689,349	29,286,288	334,403,061	1.99%	Not available

1 Restricted for debt service principal payments.

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

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

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

Direct and Overlapping Governmental Activities Debt

Charles County, Maryland

Table 11

Jurisdiction	Total Debt Outstanding	Assessed Valuation ¹	% of Assessed Valuation to Countywide Total	Estimated Share of Total Direct & Overlapping Debt
<u>Direct</u>				
Charles County	\$ 267,925,224	\$ 15,778,300,949	94%	\$ 251,453,695
<u>Overlapping</u>				
La Plata	299,340	876,972,264	5%	13,976,024
Indian Head	66,953	179,573,081	1%	2,861,798
Total Overlapping Debt	366,293	1,056,545,345	6%	16,837,822
Countywide Total	\$ 268,291,517	\$ 16,834,846,294	100%	\$ 268,291,517

1 Countywide Total matches that of Table 5

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

Legal Debt Margin Information

Charles County, Maryland

Table 12

Last Ten Fiscal Years

This Table is not applicable to Charles County as a Code Home Rule form of Government within the State of Maryland, we have no statutory limit on our general obligation and revenue bond debt.

Demographic and Economic Statistics

Charles County, Maryland

Table 13

Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ³	Median Age	School ⁴ Enrollment	Unemployment Rate ²
2007	140,169	\$ 5,558,659	\$ 33,572	35	25,797	2.90%
2008	140,764	5,955,286	42,103	37	25,843	3.60%
2009	142,612	6,101,304	42,899	35	25,861	6.20%
2010	146,551	6,405,224	43,542	35	25,897	6.60%
2011	147,086	6,677,709	44,778	36	25,955	6.00%
2012	149,130	7,132,795	47,365	37	25,870	6.00%
2013	152,900	7,176,139	46,945	37	25,717	6.00%
2014	154,747	7,827,453	50,582	37	25,524	6.00%
2015	156,118	Not available	Not available	37	25,413	5.40%
2016	Not available	Not available	Not available	38	25,471	4.50%

1 U.S. Census Bureau, 2005 - 2009 and 2011 - 2015 population figures are estimated

2 Bureau of Labor Statistics

3 Bureau of Economic Analysis

4 Charles Co. Board of Education, Student Services

Principal Employers

Charles County, Maryland

Table 14

Fiscal Year 2016		
Employer	Number of Employees ¹	Percentage of Total County Employment
Charles County Board of Education	3,631	4.65%
Naval Department of Defense at Indian Head	2,945	3.77%
Charles County Government	1,637	2.10%
UM Charles Regional Medical Center	696	0.89%
College of Southern Maryland	550	0.70%
The Facchina Group of Companies	519	0.67%
Naval Support Facility Indian Head Contractors	482	0.62%
Southern Maryland Electric Cooperative	458	0.59%
BJ's Wholesale Club	452	0.58%
Target	400	0.51%
McDonald's	396	0.51%
Safeway	391	0.50%
Wal-Mart/Sam's Club	338	0.43%
Genesis Health Care	278	0.36%
Sage Point Senior Living Services	275	0.35%
Waldorf Ford	250	0.32%
Total	13,698	
Total County Employment ²	78,022	

Fiscal Year 2007		
Employer	Number of Employees ¹	Percentage of Total County Employment
Indian Head Naval Surface Warfare Center	3,407	4.70%
Charles County Board of Education	3,036	4.19%
Charles County Government	1,300	1.79%
Facchina Construction	900	1.24%
College of Southern Maryland	850	1.17%
Civista Medical Center	800	1.10%
Wal-Mart	665	0.92%
Reliable Contracting	500	0.69%
Chaney Enterprises Headquarters	500	0.69%
Southern Maryland Electric Cooperative	480	0.66%
Macy's	360	0.50%
SAIC-AOT Headquarters	280	0.39%
Sears	260	0.36%
Target	253	0.35%
Automated Graphics	240	0.33%
Southern Maryland Oil	240	0.33%
Total	14,071	
Total County Employment ²	72,466	

¹ Economic Development Department as of June 2016 and December 2005.

² "State of Maryland, Civilian Labor Force, Employment and Unemployment by Place of Residence, March 2016 and December 2006." Maryland Department of Labor, Licensing and Regulation.

Full-time Equivalent County Employees by Function

Charles County, Maryland

Table 15

Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>County Commissioner's</u>	5	5	5	5	5	5	5	5	5
<u>Governmental Departments</u>									
Animal Control Services	22	22	22	20	20	20	20	20	20
Central Services	0	0	0	0	0	0	0	0	0
Community Services	60	63	61	50	52	56	54	55	55
County Commissioner's Office Staff	25	27	30	20	19	20	21	24	22
County Attorney's Office	10	10	10	9	9	10	10	10	10
Economic Development	5	5	5	2	5	6	6	6	9
Emergency Services	112	114	113	113	113	115	117	122	122
Fiscal and Administrative Services	71	72	72	63	66	66	67	71	72
Human Resources	8	9	8	7	7	8	8	8	8
Planning & Growth Mgmt	76	80	75	63	63	65	66	66	66
Public Works	349	333	324	302	300	299	302	308	313
Recreation, Parks & Tourism	139	130	127	116	118	118	121	123	123
Subtotal County Departments	877	864	847	764	772	783	790	812	819
<u>Other Agencies</u>									
Circuit Court	23	23	23	22	23	22	22	22	23
Detention Center	160	160	160	151	156	156	156	156	156
Sheriff's Office	465	473	472	463	462	468	484	488	485
Soil Conservation	6	6	6	5	5	5	5	5	5
State's Attorney Office	31	31	31	30	31	37	46	55	55
TOTAL	1567	1563	1544	1440	1454	1475	1508	1543	1547

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

Source: Charles County Budget Office

Operating Indicators by Function

Charles County, Maryland

Table 16

Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety									
1 Sheriff's Calls for Service	174,306	187,000	207,842	216,701	230,390	235,371	253,292	258,591	271,363
Emergency Response Team Responses	585	629	1,078	1,423	1,435	1,309	1,164	1,312	1,188
Bookings	12,535	12,669	12,088	11,814	12,164	11,308	10,706	11,106	10,890
Drug Screening	1,117	1,072	1,404	1,360	1,298	1,054	932	653	692
Red Light Camera Citations Issued	18,334	18,727	13,773	13,385	10,065	12,319	11,388	25,858	27,603
Animal Control Calls for Service	9,219	11,390	3,293	5,898	6,034	5,910	5,646	7,053	6,157
Animal Shelter Population	10,704	10,729	11,150	12,085	11,195	11,120	10,049	9,134	8,730
Alarm System Registrations	13,359	14,351	15,434	16,762	17,924	19,194	20,350	21,801	23,570
False Alarm Calls	7,778	8,133	7,842	8,251	8,215	7,821	7,952	8,324	8,477
EMS Responses	12,192	12,314	12,480	11,032	11,008	11,903	12,290	13,188	14,143
911 Calls Received	68,384	67,383	67,965	69,141	74,674	74,866	73,182	72,231	78,790
Community Services									
Public Transit Routes	14	14	13	14	14	14	14	14	15
Service Miles	853,753	1,019,086	1,037,999	999,941	1,103,191	1,225,954	1,171,946	1,150,000	1,227,005
Senior Program Participation	8,785	6,255	3,639	3,726	3,726	3,768	3,701	4,041	4,233
Public Facilities									
Square Footage Maintained	924,335	936,575	941,235	1,001,235	1,004,000	1,034,200	1,034,260	1,044,460	1,285,246
Preventative Maintenance Performed	356	392	430	480	488	298	395	852	937
Athletic Leagues Maintained	56	57	59	68	73	69	68	69	69
Scheduled Games	7,433	7,523	7,680	7,721	8,139	8,399	7,929	8,051	8,115
Vehicle Maintenance Work Orders	5,948	5,899	5,743	5,667	5,572	5,276	5,044	5,601	5,378
Lane Miles Maintained	1,507	1,540	1,559	1,597	1,597	1,600	1,625	1,662	1,672
Water and Sewer									
Billing Invoices per year	111,938	117,497	115,540	118,329	120,893	121,578	123,434	129,034	129,222
New Accounts Set Up	791	506	419	474	446	511	547	572	550
Meters Read	111,938	117,497	115,540	118,329	120,893	121,578	123,434	129,034	129,222
Holding Tank Program Gallons Pumped	837,500	516,350	509,850	482,340	398,100	395,750	395,600	317,500	610,707
County Park Operations									
Rounds of Golf	30,255	30,200	30,059	30,490	25,500	27,583	28,412	26,105	27,700
Season Passes	180	207	198	177	131	125	102	101	90
Solid Waste Management									
1 Recycled Tons	56,243	48,654	58,451	51,537	52,575	77,537	74,966	81,133	77,936
1 Recycle Curbside Collection Tons	2,708	2,885	2,900	3,100	3,200	3,074	3,295	5,500	6,506
Landfill Tons	59,319	57,404	54,420	74,581	85,762	90,354	73,195	75,277	84,963

1 Based on Calendar Year

Source: Charles County Budget Book published annually

Capital Asset Statistics by Function

Charles County, Maryland

Table 17

Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Buildings	23	25	25	23	24	24	26	28	30	30
Vehicles	282	295	302	293	267	245	244	250	254	256
Public Safety										
Sheriff Stations	6	7	7	7	6	7	7	7	7	7
Detention Centers	2	2	2	2	2	2	2	2	2	2
Sheriff Patrol Vehicles	361	413	422	425	462	472	463	456	474	469
Other Sheriff Vehicles	13	15	16	17	18	17	16	14	14	15
K-9 Dogs	11	14	14	15	11	12	11	12	13	12
Mobile Communications Center	1	1	1	1	1	1	1	1	1	1
Emergency Operations Vehicles	11	16	16	17	18	18	18	18	18	18
Hazmat Vehicles	5	7	5	5	5	5	5	5	5	5
Animal Control Vehicles	9	10	9	8	8	9	9	11	9	11
Community Services										
Transportation Service Vehicles	36	38	36	33	36	37	37	38	41	40
Senior / Community Centers	4	4	4	4	4	4	4	4	4	4
Community Centers	9	9	9	9	9	9	9	9	9	9
Pools	5	5	5	5	5	5	5	5	6	6
Public Facilities										
Buildings	8	8	8	8	8	8	8	8	8	8
Roadways (miles)	1,507	1,540	1,559	1,597	1,597	1,600	1,625	1,662	1,672	1,700
Heavy Equipment	20	26	31	32	27	28	30	33	32	37
Water and Sewer										
Buildings	18	18	17	17	17	17	17	17	17	17
Wastewater Treatment Plants	7	7	7	7	7	7	7	7	7	7
Pump Stations	56	50	57	57	57	56	56	56	55	55
Wells	81	62	67	67	65	65	65	65	66	66
Heavy Equipment	15	17	16	17	14	15	18	19	22	24
Vehicles	93	81	92	87	76	86	102	109	116	117
Meters	107,321	113,354	111,397	113,858	116,883	117,546	119,214	124,394	124,580	125,000
County Park Operations										
Parks	26	27	29	29	29	30	30	31	33	33
Park Acreage	2,536	3,228	3,336	3,349	3,349	3,483	3,483	3,767	4,061	4,061
Golf Course	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Concession Buildings	6	8	8	8	8	9	9	9	9	9
Vehicles	3	3	3	3	3	3	3	3	2	2
Recreation Programs										
Recreation/ Sports Centers	2	2	2	2	2	2	2	2	2	2
Solid Waste Management										
Buildings	6	6	6	6	6	6	6	6	6	6
Recycling Stations with Buildings	3	3	3	3	3	3	3	3	3	3
Heavy Equipment	29	28	27	26	21	21	22	30	29	28
Vehicles	34	39	38	34	26	35	34	33	35	36

Source: Charles County Budget Book and Risk Management

Charles County Commissioners



PREPARED BY:

Charles County Government
Department of Fiscal & Administrative Services
David M. Eicholtz, Director
William G. DeAtley, Chief of Accounting
P.O. Box 2150 • 200 Baltimore Street • La Plata, Maryland 20646
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Mission Statement: The mission of the Charles County Government is to provide our citizens the highest quality of service possible in a timely, efficient, and courteous manner. To achieve this goal, our government must be operated in an open and accessible atmosphere, be based on comprehensive long- and short-term planning, and have an appropriate managerial organization tempered by fiscal responsibility. We support and encourage efforts to grow a diverse workplace.

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

Equal Opportunity Employer: It is the policy of Charles County to provide equal employment opportunity to all persons regardless of race, color, sex, age, national origin, religious or political affiliation or opinion, disability, marital status, sexual orientation, genetic information, gender identity or expression, or any other status protected by law.