



CHARLES COUNTY, MARYLAND

**Financial Statements and Supplemental Schedules
Together with Report of Independent Public Accountants**

For the Year Ended June 30, 2013

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Charles County, Maryland
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The County Commissioners of Charles County
La Plata, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Charles County, Maryland (the County), as of and for the year ended June 30, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of revenues, expenditures, and changes in fund balance budget to actual – general fund, as required by the Governmental Accounting Standards Board, 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 and the schedule of revenues, expenditures, and changes in fund balance budget to actual – general fund 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 schedule of revenues, expenditures, and changes in fund balance budget to actual – general fund and combining and individual fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

SB & Company, LLC

Hunt Valley, Maryland
October 30, 2013

Management's Discussion and Analysis

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, 2013. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 17), and the accompanying notes to those financial statements (beginning on page 34).

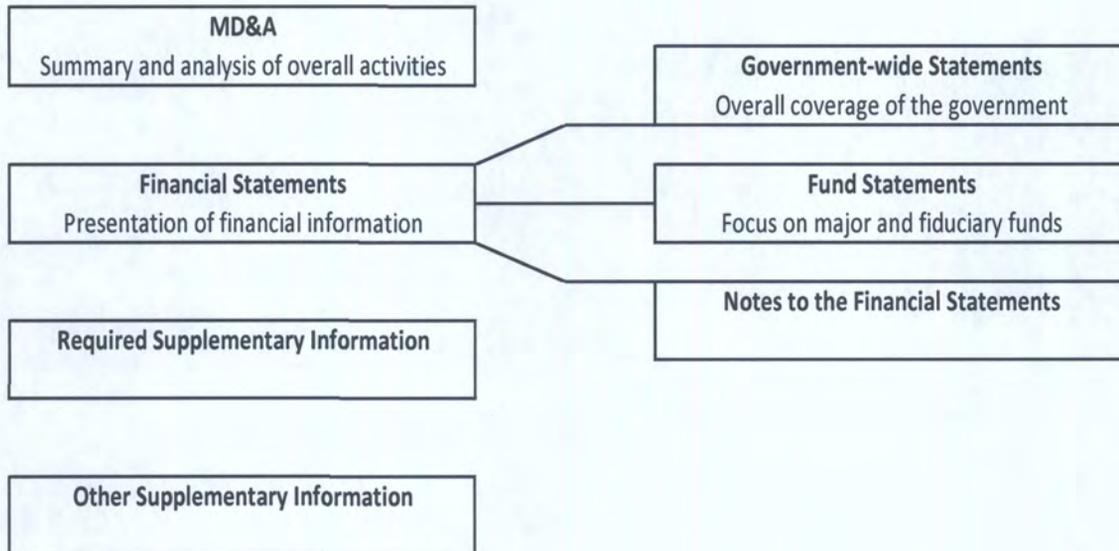
Financial Highlights

- The government-wide net position of Charles County exceeded liabilities at the close of the current fiscal year by \$424 million (*net position*).
- The County's change in net position was a decrease of \$19.5 million.
- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balances of \$139.6 million, a decrease of \$3.7 million from the prior year as stated on page 22. Approximately 33% of this total amount is classified as Non-spendable fund balance, or \$46.8 million. The majority of the total is classified as Restricted, Committed or Assigned fund balance, or \$95.1 million.
- For FY2013, the total Fund Balance for the General Fund equaled \$48.4 million, as shown on page 20. Of that total, \$32.6 million is represented as Committed Fund Balance, including the Fund Balance Policy Target of \$27.3 million. The County's Fund Balance Policy sets a goal to maintain a reserve of 8% of operating revenues. Unassigned fund balance for the General Fund was \$2.9 million or less than 1% of General Fund expenditures as of June 30, 2013.
- The County maintains a long-term financial plan that calls for the reinvestment of fund balance over the course of the next five years of approximately \$1.5 million to fund capital projects, another \$3.5 million to fund debt service associated with new schools, and \$2.9 million to stabilize future health care costs. These amounts are reflected in the General Fund Restricted and Assigned Fund Balance reserves.

Overview of the Financial Statements

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

Financial Statement Presentation



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

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

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

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

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

The government-wide financial statements include not only the operations of Charles County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Charles County, Maryland, and the Board of Library Trustees for Charles County, Maryland (component units). The financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 17-19 of this report.

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

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

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

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

Charles County Government maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation in the governmental fund financial statements. The governmental fund financial statements can be found on pages 20-23 of this report.

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

Proprietary fund financial statements provide the same type of information as the government-

wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and Solid Waste Fund, which are considered major funds of the County. The remaining four enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 24-26 of this report.

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

Notes to the financial statements. The notes provide additional information that is essential to developing a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-94 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 96-99 of this report.

Other supplementary information. Other supplementary information includes the Combining Balance Sheet and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance for other non-major governmental funds. Also presented here are the Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position, and the Combining Statement of Cash Flows for the other non-major proprietary funds. These reports can be found on pages 102-112 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 \$424 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, \$395.6 million (93%), 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 (18%) represents resources that are subject to external restrictions on how they may be used.

Net Position
June 30, 2013 and 2012
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 216,412	\$ 217,897	\$ 54,104	\$ 47,945	\$ 270,516	\$ 265,842
Capital assets, net of depreciation	457,209	459,940	198,022	193,982	655,231	653,922
Total assets	<u>673,621</u>	<u>677,837</u>	<u>252,126</u>	<u>241,927</u>	<u>925,747</u>	<u>919,764</u>
Non-current liabilities	345,779	332,793	112,171	109,620	457,950	442,413
Other liabilities	37,291	27,573	6,528	6,335	43,819	33,908
Total liabilities	<u>383,070</u>	<u>360,366</u>	<u>118,699</u>	<u>115,955</u>	<u>501,769</u>	<u>476,321</u>
Net position:						
Net investment in capital assets	288,603	302,757	107,009	104,853	395,612	407,610
Restricted net position	79,871	74,707	-	-	79,871	74,707
Unrestricted net position	(77,922)	(59,993)	26,418	21,119	(51,504)	(38,874)
Total net position	<u>\$ 290,552</u>	<u>\$ 317,471</u>	<u>\$ 133,427</u>	<u>\$ 125,972</u>	<u>\$ 423,979</u>	<u>\$ 443,443</u>

Changes in Net Position
Years ended June 30, 2013 and 2012
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Program revenues:						
Charges for services	\$ 16,400	\$ 14,077	\$ 48,568	\$ 43,293	\$ 64,968	\$ 57,370
Operating grants	19,400	20,112	964	817	20,364	20,929
Capital grants	2,387	3,899	-	-	2,387	3,899
General revenues:						
Property taxes	200,484	196,368	-	-	200,484	196,368
Other taxes	112,350	113,758	-	-	112,350	113,758
Other	11,474	14,611	808	1,183	12,282	15,794
Total revenues	<u>362,495</u>	<u>362,825</u>	<u>50,340</u>	<u>45,293</u>	<u>412,835</u>	<u>408,118</u>
Program expenses:						
General government	23,632	24,083	-	-	23,632	24,083
Public safety	96,495	102,882	-	-	96,495	102,882
Education	184,524	163,377	-	-	184,524	163,377
Judicial	4,888	4,533	-	-	4,888	4,533
Health	4,847	4,514	-	-	4,847	4,514
Social services	1,949	1,970	-	-	1,949	1,970
Community services	22,506	22,425	-	-	22,506	22,425
Economic development	1,517	1,283	-	-	1,517	1,283
Public facilities	29,977	22,261	-	-	29,977	22,261
Water and sewer	-	-	28,479	27,143	28,479	27,143
Solid Waste	-	-	3,977	4,679	3,977	4,679
Other	18,661	18,333	10,847	10,541	29,508	28,874
Total expenses	<u>388,996</u>	<u>365,661</u>	<u>43,303</u>	<u>42,363</u>	<u>432,299</u>	<u>408,024</u>
Excess(deficit) before transfers	(26,501)	(2,836)	7,037	2,930	(19,464)	94
Net transfers	(418)	215	418	(215)	-	-
Change in net position	<u>(26,919)</u>	<u>(2,621)</u>	<u>7,455</u>	<u>2,715</u>	<u>(19,464)</u>	<u>94</u>
Net position - beginning of year	<u>317,471</u>	<u>320,092</u>	<u>125,972</u>	<u>123,257</u>	<u>443,443</u>	<u>443,349</u>
Net position - end of year	<u>\$ 290,552</u>	<u>\$ 317,471</u>	<u>\$ 133,427</u>	<u>\$ 125,972</u>	<u>\$ 423,979</u>	<u>\$ 443,443</u>

Overall, the financial position of Charles County decreased nearly 2.5% compared to FY2012. As shown on the table on page 8, total revenues increased from \$408.1 million in FY2012 to \$412.8 million in FY2013. Property taxes increased by \$4.1 million, while other taxes decreased by \$1.4 million. Program expenses increased from \$408 million in FY2012 to \$432 million in FY2013.

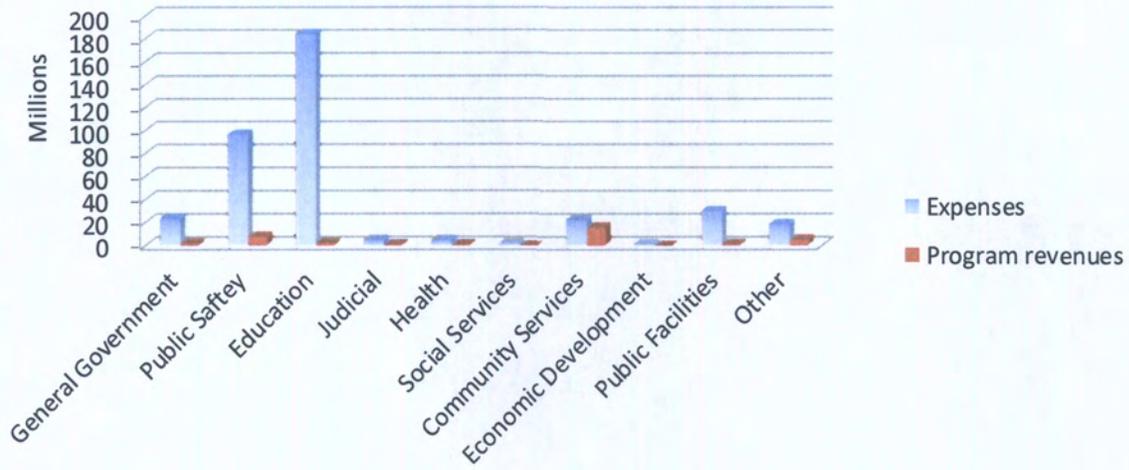
Governmental activities. To aid in the understanding of the Statement of Activities (pages 18-19), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expenses)/Revenue and Changes in Net Position. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues, or if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

A decrease in net position of \$19.5 million was experienced when all funds are combined, as indicated on page 8. Total expenditures of \$432 million were partially offset by program related service fees, grants, and other contributions of nearly \$87.7 million. The remaining \$344.3 million in expenditures were primarily funded through non-program revenue sources, primarily property and income taxes.

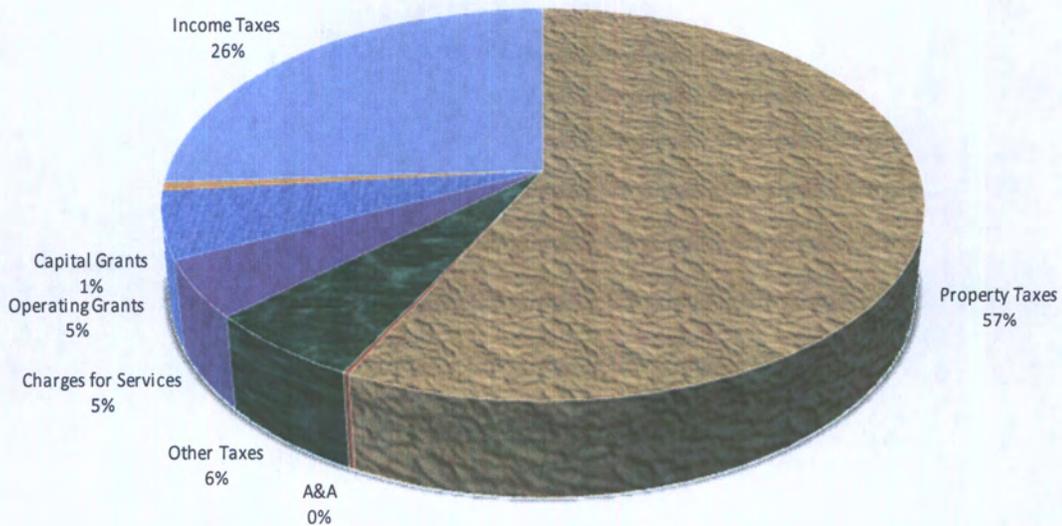
Governmental-type activities, as expected, operated at a \$350.8 million loss, primarily due to Education and Public Safety. As depicted in the bar chart below, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately \$270.2 million in non-program revenue.

The County operates many programs on a fee for service basis (business-type activities) in order to help keep the burden on the taxpayer down. Business-type activities account for \$43.3 million of the total \$432 million expended, or approximately 10% of the total, and finished the fiscal year with an operating gain of \$7.5 million.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2013)



General Governmental Revenues by Source - Governmental Activities (Year Ended June 30, 2013)

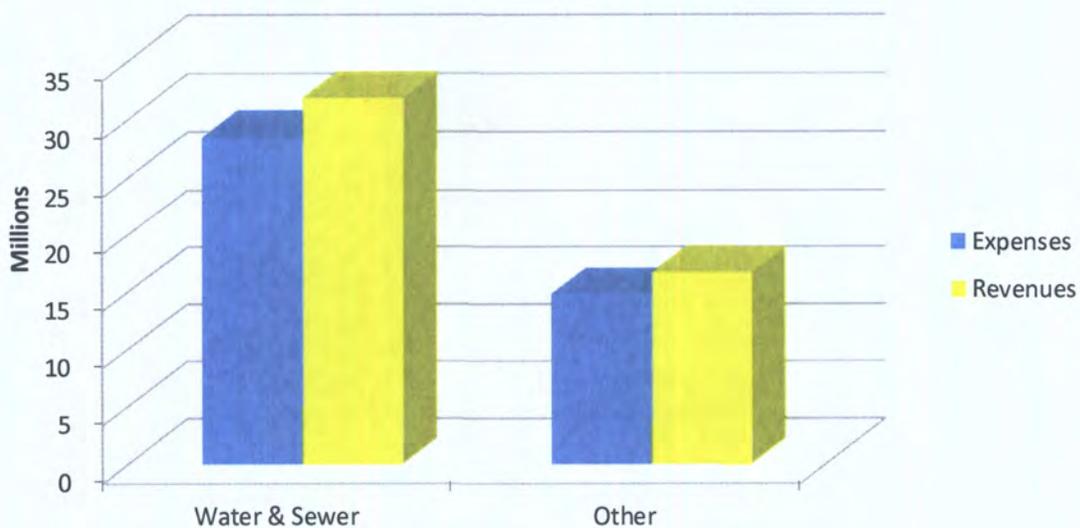


Business-type activities. The Water and Sewer Fund is considered a major fund for reporting purposes. In Fiscal Year 2011, the user fee rate structure was adjusted to a tiered method. For Fiscal Year 2013, the rates increased for each tier. The residential rate for water is \$2.83 for the first 18,000 gallons, an increase of sixteen cents. The residential rate for water is \$5.66 from 18,001 to 24,000 gallons, an increase of thirty-two cents. The residential rate for water is \$8.49 for 24,000 gallons and above, an increase of forty-eight cents. The residential sewer rate is \$6.07, an increase of twenty-four cents, and is capped at 24,000 gallons. The commercial/multi-family rate for water is \$3.62, up seventeen cents, and sewer is \$6.07 per 1,000 gallons, an increase of twenty-four 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 FY2012. The County is about to begin 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 \$75 assessed on each improved property in the County. This was increased by \$1 compared to FY2012. Additional revenue is generated from the sale of recyclable materials.

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



Financial Analysis of the County's Funds

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved 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 \$139.6 million, a decrease of \$3.7 million in comparison with the prior year. The general fund increased by \$2.9 million and the capital projects fund decreased \$4.8 million for the fiscal year. The debt service decreased \$1.9 million while the special revenue funds increased \$0.1 million. The County's governmental fund balances as of June 30, 2013 includes General Fund reserves of \$1.8 million for inventory and Capital Project reserves of \$44.9 million with the balance of funds as indicated on page 68. The governmental fund balances of the County that are committed or assigned and the largest components include (1) \$2.9 million for health insurance, (2) \$3.5 million for infrastructure, and (3) \$27.3 million as the policy target for bond rating. The un-assigned fund balance for the County at year end was \$2.9 million. This amount can be used for non-recurring items, emergencies or to offset potential State budget cuts in FY13 and beyond.

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 \$8.7 million, and the committed fund balance, including the policy target, was \$32.6 million. The assigned fund balance for specific purposes was \$4.2 million, and the un-assigned fund balance was \$2.9 million for a total fund balance of \$48.4 million.

The Capital Project Fund experienced a decrease of \$4.8 million during the current fiscal year. The County issues debt annually to fund multi-year capital projects, therefore, a fluctuation in fund balance is to be expected as the use of the bond proceeds will occur during a future fiscal year.

The County's Debt Service Fund balance decreased by \$1.9 million during the current fiscal year as a result of a payment on a contractual agreement that was expected to be received in Fiscal Year 2012, but has been delayed to be received prior to the end of Fiscal Year 2014.

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 \$7.5 million. The unrestricted net position for the County's Solid Waste Fund was \$19.6 million. Unrestricted net position of all proprietary funds was \$26.4 million. There was a total increase in net position for all proprietary funds in the amount of \$7.5 million. Other factors concerning the finances of all these funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The FY2013 General Fund Operating Budget was adopted at \$325 million. Budget amendments approved during the year equaled \$2 million increasing the budget to an amended total of \$327 million. The Budget provided funds to the local Board of Education exceeding the State mandated "Maintenance-of-Effort" by \$4.4 million in order to fund salary increases. New State legislation required an increase in public school funding in order to pay for teachers' pension in the amount of \$3.9 million.

The FY2013 Operating Budget was adopted 6% greater than the FY2012 Budget. A rebound in our second largest revenue source, Income Tax, helped to offset the effects of lower property assessments, however, the improved income tax revenue was not sufficient to fund the demands on the operating budget, therefore, a property tax rate increase of 5% was approved. Although a Fund Balance appropriation of \$5.5 million was approved to balance the budget, favorable budget savings eliminated the need for the use of Fund Balance. As a result, instead of a Fund Balance decrease of \$5.5 million, an increase of approximately \$2.9 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, 2013, amounts to \$655.2 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 slightly less than 1% (a less than 1% decrease for governmental activities and a 2% increase for business-type activities).

Capital Assets
(net of depreciation)
June 30, 2013 and 2012
(amounts are presented in thousands)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land (not depreciated)	\$ 69,085	\$ 62,733	\$ 2,174	\$ 2,174	\$ 71,259	\$ 64,907
Construction in progress (not depreciated)	76,132	84,477	45,692	46,396	121,824	130,873
Land improvements	8,321	8,479	8,514	8,874	16,835	17,353
Infrastructure	189,070	187,174	100,196	98,132	289,266	285,306
Buildings and improvements	88,227	91,403	8,921	9,401	97,148	100,804
Machinery and equipment	22,270	21,378	32,140	28,510	54,410	49,888
Vehicles	4,104	4,296	385	495	4,489	4,791
Total	<u>\$ 457,209</u>	<u>\$ 459,940</u>	<u>\$ 198,022</u>	<u>\$ 193,982</u>	<u>\$ 655,231</u>	<u>\$ 653,922</u>

Additional information on the County's capital assets can be found in Note 3 on pages 54-58 of this report.

Long-term debt. At the end of the current fiscal year, the County had notes and bonds outstanding of \$335 million, which are backed by the full faith and credit of the County.

Outstanding Debt
General Obligation Bonds and Notes Payable
June 30, 2013 and 2012
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 250,991	\$ 254,043	\$ 73,819	\$ 72,962	\$ 324,810	\$ 327,005
Notes payable	51	60	9,994	10,701	10,045	10,761
Total	<u>\$ 251,042</u>	<u>\$ 254,103</u>	<u>\$ 83,813</u>	<u>\$ 83,663</u>	<u>\$ 334,855</u>	<u>\$ 337,766</u>

The County's total debt during the current fiscal year decreased by \$2.9 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 resulting in rapid pay down of debt, has provided the County with the ability to issue new debt without a large negative fiscal impact. During the year, the County issued slightly over \$55 million of general obligation bonds, of which \$3.7 million was Taxable Bonds. The bond issue included \$28.2 million in new money to finance various capital projects and nearly \$26.8 million in bonds to refund existing debt.

The County continues to maintain an "Aa1" rating from Moody's Investors Service and an "AAA" from Fitch Investors Service. Standard & Poor's Ratings Services raised its rating on Charles County, Md.'s general obligation (GO) debt one notch to 'AA+' from 'AA'. According to the press release issued by Standard & Poors, "the upgrade reflects our assessment of, what we consider, the county's strong and stable economy that participates in Washington's regional economy and consistently strong financial performance, including the maintenance of, what we view as, strong reserves, including a committed fund balance at 8% of operating expenditures, according to county policy."

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County has also enacted public local laws authorizing the issuance of general obligation bonds. The County currently has \$183,691,100 of general obligation bond authority.

State statutes limit the amount of general obligation debt a governmental entity may issue for water, sewer, and solid waste infrastructure to ten percent of its total assessed valuation. This debt is typically backed first by revenue bonds from the various enterprise funds and secondly by the full faith and credit of the County. The current debt limitation for Charles County is \$1.8 billion, which significantly exceeds the County's current outstanding general obligation debt related to revenue bonds. Additional information on the County's long-term debt can be found in Note 3 on pages 62-66 of this report.

Economic Factors and Next Year's Budgets and Rates

- The FY2014 General Fund Budget was adopted at \$339,071,600, representing a 4% increase compared to FY2013.
- In FY2014, the County's largest revenue source, Property Tax, was budgeted at \$201 million, representing an increase of 4% compared to the FY2013 Adopted Budget. The second largest revenue source, Income Tax, was adopted at \$106 million, an 8% increase compared to the FY2013 Adopted Budget. Other revenues combined are budgeted \$800 thousand more than the FY2013 budget. A Fund Balance appropriation of \$2.9 million was also approved to balance the budget representing \$2.6 million less than FY2013.
- The County experienced a decline in property tax assessments due to a general decline in the real estate market. In an effort to offset decreasing assessments and maintain essential services such as public safety and education, the tax rate was increased by eight cents representing a 7% increase in the property tax rate.
- Income tax revenue was budgeted 8% more than FY2013 due to better than expected results from FY2013 and the local tax rate increased from 2.9% to 3.03% of Maryland taxable income effective January 1, 2014.
- Expense budgets increased in total by 6% compared to the FY2013 Budget. The largest increase in expenditures is \$7.9 million for the Sheriff's Office. The additional funding provides for pay increases including a back step for Sworn Officers, adequately funds the annual pension contribution, and adds ten (10) new officers to the work force. The Board of Education received the second largest increase in expenditures. The County exceeded the State mandated funding requirement for the public school education system known as the "Maintenance of Effort", by \$4.8 million which includes \$2 million for non-recurring costs. Funding for the Board of Education will be used for salary increases, a summer reading academy, key staff for the new St. Charles High School (opening in August 2014), contractual expenses for school nurses, and technology infrastructure. For FY2014, the shift in teachers' pension from the State to the Counties went from 50% to 65%, an increase of \$1 million.

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

Requests for Information

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

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

Please visit our website at www.charlescountymd.gov

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS:				
Cash and cash equivalents	\$ 16,511,198	\$ 1,240,206	\$ 17,751,404	\$ 56,553,335
Short-term investments	104,072,060	-	104,072,060	-
Other receivables	45,717,261	14,719,906	60,437,167	15,450,096
Notes receivable	-	166,223	166,223	-
Excise tax receivable	35,648,619	-	35,648,619	-
Taxes receivable	3,184,568	-	3,184,568	-
Internal balances	(36,881,008)	36,881,008	-	-
Inventory	1,798,527	870,086	2,668,613	808,933
Other current assets	74,415	119,438	193,853	9,559,816
Restricted assets	46,286,880	107,023	46,393,903	-
Capital assets, net of accumulated depreciation:				
Land	69,085,580	2,174,186	71,259,766	16,849,675
Construction in progress	76,131,693	45,691,962	121,823,655	44,369,611
Land improvements	8,321,440	8,513,573	16,835,013	3,816,982
Infrastructure	189,069,572	100,196,262	289,265,834	-
Buildings and improvements	88,227,531	8,921,184	97,148,715	220,395,827
Machinery and equipment	22,270,088	32,139,886	54,409,974	7,829,587
Vehicles	4,103,572	385,445	4,489,017	-
Total assets	<u>673,621,996</u>	<u>252,126,387</u>	<u>925,748,383</u>	<u>375,633,862</u>
LIABILITIES:				
Accounts payable	15,834,450	4,073,370	19,907,820	13,609,244
Accrued expenses	5,126,449	1,270,330	6,396,779	24,185,799
Unearned revenue	3,453,455	310,648	3,764,103	3,599,293
Other liabilities	12,876,952	874,239	13,751,191	103,222
Noncurrent liabilities:				
Due within one year	25,958,465	7,742,495	33,700,960	1,936,504
Due in more than one year	319,820,289	104,428,257	424,248,546	130,112,178
Total liabilities	<u>383,070,060</u>	<u>118,699,339</u>	<u>501,769,399</u>	<u>173,546,240</u>
NET POSITION:				
Net Investment in capital assets	288,603,104	107,008,981	395,612,085	289,965,575
Restricted for:				
Capital projects	33,520,037	-	33,520,037	-
Debt service	39,756,449	-	39,756,449	-
Cable franchise	4,683,320	-	4,683,320	-
Public housing	616,734	-	616,734	-
Public safety	914,546	-	914,546	-
Mental health	156,253	-	156,253	-
Transportation	154,311	-	154,311	-
Judicial	28,556	-	28,556	-
Aging services	40,928	-	40,928	-
Unrestricted	<u>(77,922,303)</u>	<u>26,418,067</u>	<u>(51,504,236)</u>	<u>(87,877,953)</u>
Total net position	<u>\$ 290,551,935</u>	<u>\$ 133,427,048</u>	<u>\$ 423,978,983</u>	<u>\$ 202,087,622</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Legislative	\$ 1,551,235	\$ -	\$ -	\$ -
Judicial	4,888,044	66,023	1,024,128	-
Law	908,978	-	-	-
General government	23,631,662	1,741,205	593,126	-
Elections	906,424	-	-	-
Public safety	96,495,382	4,292,250	3,573,749	109,110
Planning and growth management	4,184,430	3,925,544	109,660	1,289,586
Health	4,847,001	104,592	979,460	-
Social services	1,949,313	-	-	-
Community services	22,506,200	2,738,086	13,078,361	-
Public facilities	29,976,910	602,675	-	988,523
Economic development	1,517,839	-	41,898	-
Education	184,524,571	2,930,153	0	-
Conservation of natural resources	580,319	-	-	-
Interest expense on long term debt	10,529,272	-	-	-
Total governmental activities	388,997,580	16,400,528	19,400,382	2,387,219
Business-type activities:				
Water and sewer	28,479,435	31,848,681	894,387	-
Inspection and review	3,078,141	3,939,144	-	-
Recreation	3,674,793	3,453,014	69,639	-
Solid waste	3,977,028	5,266,566	-	-
Environmental services	3,980,290	3,906,046	-	-
Vending machines	113,497	154,821	-	-
Total business-type activities	43,303,184	48,568,272	964,026	-
Total primary government	\$ 432,300,764	\$ 64,968,800	\$ 20,364,408	\$ 2,387,219
COMPONENT UNITS:				
Board of Education of Charles County, Maryland	\$ 375,527,798	\$ 6,813,555	\$ 88,496,076	\$ 35,146,401
Board of Library Trustees for Charles County	6,765,421	170,968	14,318	-
Total component units	\$ 382,293,219	\$ 6,984,523	\$ 88,510,394	\$ 35,146,401

General revenues:
Taxes:
Local property taxes
Local taxes - Excise
Local taxes - Admissions & Amusement
Local taxes - Recordation
Local taxes - Hotel/Motel
Local taxes - Heavy Equipment
Income taxes
State shared revenue - Unrestricted
County and state appropriations
Other income
Interest and investment earnings
Net transfers
Total general revenues and transfers

Change in net position

Net position - beginning of year

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
\$ (1,551,235)	\$ -	\$ (1,551,235)	\$ -
(3,797,893)	-	(3,797,893)	-
(908,978)	-	(908,978)	-
(21,297,331)	-	(21,297,331)	-
(906,424)	-	(906,424)	-
(88,520,273)	-	(88,520,273)	-
1,140,359	-	1,140,359	-
(3,762,949)	-	(3,762,949)	-
(1,949,313)	-	(1,949,313)	-
(6,689,753)	-	(6,689,753)	-
(28,385,712)	-	(28,385,712)	-
(1,475,941)	-	(1,475,941)	-
(181,594,417)	-	(181,594,417)	-
(580,319)	-	(580,319)	-
(10,529,272)	-	(10,529,272)	-
<u>(350,809,451)</u>	<u>-</u>	<u>(350,809,451)</u>	<u>-</u>
-	4,263,633	4,263,633	-
-	861,003	861,003	-
-	(152,140)	(152,140)	-
-	1,289,538	1,289,538	-
-	(74,244)	(74,244)	-
-	41,324	41,324	-
-	<u>6,229,114</u>	<u>6,229,114</u>	<u>-</u>
<u>(350,809,451)</u>	<u>6,229,114</u>	<u>(344,580,337)</u>	<u>-</u>
-	-	-	(245,071,766)
-	-	-	(6,580,135)
-	-	-	<u>(251,651,901)</u>
200,484,806	-	200,484,806	-
7,647,637	-	7,647,637	-
796,989	-	796,989	-
11,104,089	-	11,104,089	-
987,960	-	987,960	-
75,459	-	75,459	-
90,885,261	-	90,885,261	-
852,425	-	852,425	-
-	-	-	269,956,222
8,396,717	743,229	9,139,946	119,314
3,077,153	63,923	3,141,076	46,190
(418,430)	418,430	-	-
<u>323,890,066</u>	<u>1,225,582</u>	<u>325,115,648</u>	<u>270,121,726</u>
(26,919,385)	7,454,696	(19,464,689)	18,607,512
317,471,320	125,972,352	443,443,672	183,480,110
<u>\$ 290,551,935</u>	<u>\$ 133,427,048</u>	<u>\$ 423,978,983</u>	<u>\$ 202,087,622</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 16,034,724	\$ -	\$ -	\$ 476,474	\$ 16,511,198
Investments	104,072,060	-	-	-	104,072,060
Other receivables	39,635,944	2,220,472	5,448	3,855,397	45,717,261
Excise tax receivable	-	-	35,648,619	-	35,648,619
Taxes receivable	3,184,568	-	-	-	3,184,568
Due from other funds	-	57,986,618	-	7,938,891	65,925,509
Inventory	1,798,527	-	-	-	1,798,527
Other assets	71,165	-	-	3,250	74,415
Restricted assets	1,301,813	-	44,985,067	-	46,286,880
Total assets	\$ 166,098,801	\$ 60,207,090	\$ 80,639,134	\$ 12,274,012	\$ 319,219,037
LIABILITIES AND FUND BALANCES:					
Accounts payable	\$ 2,443,721	\$ 12,172,722	\$ -	\$ 1,218,007	\$ 15,834,450
Accrued expenditures	1,618,782	-	-	-	1,618,782
Unearned revenue	7,537,170	3,200,370	35,639,369	132,946	46,509,855
Due to other funds	96,038,805	-	5,243,315	1,524,397	102,806,517
Other liabilities	8,763,776	-	-	2,804,013	11,567,789
Payable from restricted assets	1,309,163	-	-	-	1,309,163
Total liabilities	117,711,417	15,373,092	40,882,684	5,679,363	179,646,556
Fund balances:					
Nonspendable fund balance	1,853,656	-	44,985,067	-	46,838,723
Restricted fund balance	6,830,594	24,145,449	-	436,018	31,412,061
Committed fund balance	32,556,833	-	-	-	32,556,833
Assigned fund balance	4,248,921	20,688,549	-	6,158,631	31,096,101
Unassigned fund balance	2,897,380	-	(5,228,617)	-	(2,331,237)
Total fund balances	48,387,384	44,833,998	39,756,450	6,594,649	139,572,481
Total liabilities & fund balances	\$ 166,098,801	\$ 60,207,090	\$ 80,639,134	\$ 12,274,012	\$ 319,219,037

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total Governmental Fund Balance	\$	139,572,481
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		457,209,476
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		(266,505,077)
Loans and notes payable		(51,540)
Capital leases payable		(2,568,681)
Health insurance claims		(513,449)
Net pension obligation		(346,284)
Accrued interest		(2,994,218)
Net OPEB obligation		(59,551,374)
Unearned revenue		43,056,400
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds		(16,755,799)
Net position of Governmental Activities	\$	290,551,935

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, 2013

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes - local property	\$ 188,561,693	\$ -	\$ -	\$ 11,923,113	\$ 200,484,806
Taxes - income	99,440,598	-	-	-	99,440,598
Taxes - Excise	-	-	7,647,637	-	7,647,637
Taxes - Admissions and Amusement	796,989	-	-	-	796,989
Taxes - Recordation	11,104,089	-	-	-	11,104,089
Taxes - Hotel/Motel	987,960	-	-	-	987,960
Taxes - Heavy Equipment	75,459	-	-	-	75,459
Taxes - state shared	852,425	-	-	-	852,425
Charges for services	6,737,678	3,518,837	-	6,144,013	16,400,528
Intergovernmental	2,265,595	2,387,219	-	17,134,787	21,787,601
Interest income	184,262	-	2,885,276	7,615	3,077,153
Other income	4,327,308	-	3,700,824	368,585	8,396,717
Total revenues	<u>315,334,056</u>	<u>5,906,056</u>	<u>14,233,737</u>	<u>35,578,113</u>	<u>371,051,962</u>
Expenditures:					
Current:					
Education	167,007,793	20,794,570	-	1,147,694	188,950,057
Public safety	79,332,921	117,168	-	14,822,902	94,272,991
Other general government	17,712,335	-	-	-	17,712,335
Public facilities	16,024,421	10,573,610	-	-	26,598,031
Financial administration	7,961,432	-	-	-	7,961,432
Community services	3,606,418	-	-	18,300,574	21,906,992
Judicial	3,334,375	76,650	-	1,394,192	4,805,217
Planning and growth management	2,372,813	1,215,980	-	584,957	4,173,750
Health	2,576,978	-	-	1,149,733	3,726,711
Economic development	1,474,068	-	-	41,898	1,515,966
Social services	1,104,772	-	-	844,541	1,949,313
Legislative	1,448,563	-	-	7,500	1,456,063
Law	878,998	-	-	-	878,998
Conservation of natural resources	579,761	-	-	-	579,761
Elections	911,170	-	-	-	911,170
Debt service:					
Principal	-	-	12,628,435	-	12,628,435
Interest	7,035,737	-	3,493,535	-	10,529,272
Total expenditures	<u>313,362,555</u>	<u>32,777,979</u>	<u>16,121,970</u>	<u>38,293,991</u>	<u>400,556,495</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,971,501</u>	<u>(26,871,923)</u>	<u>(1,888,233)</u>	<u>(2,715,878)</u>	<u>(29,504,534)</u>
Other financing sources (uses):					
Issuance of debt	1,729,200	21,000,000	-	-	22,729,200
Premium on issuance of debt	5,740,278	-	-	-	5,740,278
Bond Proceeds from debt refunding	16,031,904	-	-	-	16,031,904
Defeased Bonds	(18,261,194)	-	-	-	(18,261,194)
Transfers in	350,000	1,100,000	-	3,189,176	4,639,176
Transfers out	(4,681,232)	(26,230)	-	(350,144)	(5,057,606)
Total other financing sources (uses)	<u>908,956</u>	<u>22,073,770</u>	<u>-</u>	<u>2,839,032</u>	<u>25,821,759</u>
Net change in fund balance	2,880,457	(4,798,153)	(1,888,233)	123,154	(3,682,775)
Fund balance - beginning of year	45,506,927	49,632,151	41,644,683	6,471,495	143,255,256
Fund balance - end of year	<u>\$ 48,387,384</u>	<u>\$ 44,833,998</u>	<u>\$ 39,756,450</u>	<u>\$ 6,594,649</u>	<u>\$ 139,572,481</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, 2013

Net change in fund balance - Governmental Funds	\$	(3,682,775)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
		(2,730,230)
Governmental funds report costs associated with the issuance of debt as revenues and expenditures. However, in the government-wide statements, these revenues and expenses are amortized in the statement of activities.		
		(4,507,611)
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.		
		1,922,860
Governmental funds report revenues based on the availability of the funds. However, in the government-wide statements revenues are recorded based on collectibility.		
		(7,812,454)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Amortization of deferred charges		1,322,580
Compensated absences		(2,381,280)
Self-Insurance Claims - IBNR		309,363
Net pension obligation		14,183
Accrued interest		805,593
Net OPEB current year expense		(10,179,614)
		(10,179,614)
Change in Net Position of Governmental Activities	\$	(26,919,385)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type activities			Total
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 200	\$ 2,000	\$ 1,238,006	\$ 1,240,206
Other receivables	12,245,607	618,424	1,855,875	14,719,906
Notes receivable	166,223	-	-	166,223
Due from other funds	16,442,725	20,459,730	4,336,519	41,238,974
Inventory	816,981	-	53,105	870,086
Other current assets	4,347	-	115,091	119,438
Total current assets	<u>29,676,083</u>	<u>21,080,154</u>	<u>7,598,596</u>	<u>58,354,833</u>
Noncurrent assets:				
Net capital assets	173,522,751	10,489,648	14,010,099	198,022,498
Restricted assets	-	107,023	-	107,023
Total noncurrent assets	<u>173,522,751</u>	<u>10,596,671</u>	<u>14,010,099</u>	<u>198,129,521</u>
Total assets	<u>203,198,834</u>	<u>31,676,825</u>	<u>21,608,695</u>	<u>256,484,354</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	3,308,808	182,368	582,194	4,073,370
Accrued expenses	1,101,868	21,707	146,755	1,270,330
Due to other funds	-	-	4,357,967	4,357,967
Unearned revenue	-	-	310,648	310,648
Current portion of long-term debt	6,840,354	38,390	863,751	7,742,495
Total current liabilities	<u>11,251,030</u>	<u>242,465</u>	<u>6,261,315</u>	<u>17,754,810</u>
Noncurrent liabilities:				
Other liabilities	767,216	107,023	-	874,239
Bonds payable	57,511,693	-	10,098,240	67,609,933
Net deferred bond issue premiums	4,694,909	(2,302)	380,957	5,073,564
Long-term debt	10,405,733	7,049,867	319,581	17,775,181
Net pension obligation	89,714	13,510	24,234	127,458
Net OPEB obligation	6,811,279	1,081,717	1,583,701	9,476,697
Capital lease obligation	4,323,805	-	41,619	4,365,424
Total noncurrent liabilities	<u>84,604,349</u>	<u>8,249,815</u>	<u>12,448,332</u>	<u>105,302,496</u>
Total liabilities	<u>95,855,379</u>	<u>8,492,280</u>	<u>18,709,647</u>	<u>123,057,306</u>
NET POSITION:				
Net Investment in capital assets	99,847,134	3,629,116	3,532,731	107,008,981
Unrestricted	7,496,321	19,555,429	(633,683)	26,418,067
Total net position	<u>\$ 107,343,455</u>	<u>\$ 23,184,545</u>	<u>\$ 2,899,048</u>	<u>\$ 133,427,048</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, 2013

	Business-type activities			Total
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	
Operating revenues:				
Charges for services	\$ 31,848,681	\$ 5,266,566	\$ 11,453,025	\$ 48,568,272
Other income	690,591	-	52,638	743,229
Total operating revenues	32,539,272	5,266,566	11,505,663	49,311,501
Operating expenses:				
Personnel services	11,104,247	2,114,182	4,803,772	18,022,201
Utilities	2,539,999	35,233	325,777	2,901,009
Repairs and maintenance	1,446,524	226,051	267,146	1,939,721
Insurance costs	216,003	11,105	60,374	287,482
Indirect costs	421,500	228,600	20,800	670,900
Supplies	2,144,104	220,192	659,038	3,023,334
Contract services	1,005,281	130,758	3,539,407	4,675,446
Other operating costs	146,981	413,810	418,510	979,301
Depreciation	7,078,830	595,470	583,745	8,258,045
Total operating expenses	26,103,469	3,975,401	10,678,569	40,757,439
Operating income	6,435,803	1,291,165	827,094	8,554,062
Nonoperating revenues (expenses):				
Interest income	35,919	17,694	10,310	63,923
Intergovernmental	894,387	-	69,639	964,026
Interest expense	(2,375,966)	(1,627)	(168,152)	(2,545,745)
Total nonoperating revenues (losses)	(1,445,660)	16,067	(88,203)	(1,517,796)
Income before transfers	4,990,143	1,307,232	738,891	7,036,266
Transfers in	-	-	418,430	418,430
Transfers out	-	-	-	-
Change in net position	4,990,143	1,307,232	1,157,321	7,454,696
Net position - beginning of year	102,353,312	21,877,313	1,741,727	125,972,352
Net position - end of year	\$ 107,343,455	\$ 23,184,545	\$ 2,899,048	\$ 133,427,048

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 42,420,300	\$ 5,295,487	\$ 10,480,189	\$ 58,195,976
Cash paid to suppliers	(6,106,596)	(585,380)	(4,602,885)	(11,294,861)
Cash paid to employees	(10,922,330)	(2,120,962)	(4,836,284)	(17,879,576)
Net cash from operating activities	<u>25,391,374</u>	<u>2,589,145</u>	<u>1,041,020</u>	<u>29,021,539</u>
Cash flows from investing activities:				
Interest received	35,919	17,694	10,310	63,923
Net cash from investing activities	<u>35,919</u>	<u>17,694</u>	<u>10,310</u>	<u>63,923</u>
Cash flows from noncapital financing activities:				
Intergovernmental	894,387	-	69,639	964,026
Transfers in (out)	-	-	418,430	418,430
Receipts from interfund loans	(12,808,626)	(2,113,256)	293,991	(14,627,891)
Repayments of interfund loans	-	-	(80,200)	(80,200)
Net cash from noncapital financing activities	<u>(11,914,239)</u>	<u>(2,113,256)</u>	<u>701,860</u>	<u>(13,325,635)</u>
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	8,859,948	-	5,081,860	13,941,808
Proceeds from new loan	705,500	-	25,000	730,500
Principal payments on bonds payable	(10,552,555)	-	(4,129,002)	(14,681,557)
Principal payments on capital lease obligations	(737,179)	(29,341)	(86,070)	(852,590)
Principal payments on loans	(706,529)	-	-	(706,529)
Interest paid	(2,375,966)	(1,627)	(168,152)	(2,545,745)
Proceeds from disposal of assets	-	-	-	-
Cash paid for capital expenses	(8,706,273)	(462,615)	(2,412,478)	(11,581,366)
Net cash from capital and related financing activities	<u>(13,513,054)</u>	<u>(493,583)</u>	<u>(1,688,842)</u>	<u>(15,695,479)</u>
Net increase in cash and cash equivalents	-	-	64,348	64,348
Cash and cash equivalents - beginning of year	200	2,000	1,173,658	1,175,858
Cash and cash equivalents - end of year	<u>\$ 200</u>	<u>\$ 2,000</u>	<u>\$ 1,238,006</u>	<u>\$ 1,240,206</u>

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 6,435,803	\$ 1,291,165	\$ 827,094	\$ 8,554,062
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	7,078,830	595,470	583,745	8,258,045
Increase (decrease) in compensation-related liabilities included in long-term debt	134,183	16,410	(21,014)	129,579
Increase in landfill closure liabilities included in long-term debt	-	328,912	-	328,912
(Increase) decrease in other receivables	9,845,301	28,921	(999,982)	8,874,240
(Increase) decrease in notes receivable	36,410	-	-	36,410
(Increase) decrease in inventories	(340,458)	-	(2,710)	(343,168)
(Increase) decrease in other current assets	(1,824)	18,253	(981)	15,448
(Increase) decrease in restricted assets	-	(3,091)	-	(3,091)
(Increase) decrease in deferred bond issue costs	(308,971)	628	173,921	(134,422)
Increase (decrease) in accounts payable	1,007,601	122,105	248,509	1,378,215
Increase (decrease) in accrued expenses	47,734	(6,780)	(14,471)	26,483
Increase (decrease) in other liabilities	308,971	3,091	-	312,062
Increase (decrease) in Net Pension Obligation	(5,524)	(1,304)	(2,532)	(9,360)
Increase (decrease) in Net OPEB Obligation	1,154,001	195,365	274,933	1,624,299
Increase (decrease) in deferred revenue	(683)	-	(25,492)	(26,175)
Net cash from by operating activities	<u>\$ 25,391,374</u>	<u>\$ 2,589,145</u>	<u>\$ 1,041,020</u>	<u>\$ 29,021,539</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Borrowing under capital lease	705,500	-	25,000	730,500

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

		Pension and OPEB Trust Funds
<hr/>		
ASSETS:		
Current assets:		
Cash and cash equivalents	\$	7,905,302
Interest receivable		96,923
		<hr/>
Total current assets		8,002,225
		<hr/>
Investments at fair value:		
Bond mutual funds		81,912,786
Equity securities		224,142,037
		<hr/>
Total investments		306,054,823
		<hr/>
Total assets		314,057,048
LIABILITIES:		
Accrued expenses		51,042
		<hr/>
NET POSITION:		
Held in trust for pension benefits and OPEB benefits	\$	314,006,006
		<hr/> <hr/>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2013

	Pension and OPEB Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	\$ 14,939,706
Employee contributions	4,293,413
Total contributions	19,233,119
Investment earnings:	
Interest	13,709,449
Net change in fair value of investments	24,443,341
Total investment earnings	38,152,790
Less investment expenses	(1,514,953)
Net investment earnings	36,637,837
Total additions	55,870,956
DEDUCTIONS:	
Benefits paid to members	11,972,603
Administrative costs	78,612
Total deductions	12,051,215
Changes in net position	43,819,741
Net position - beginning of year	270,186,265
Net position - end of year	\$ 314,006,006

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 JUNE 30, 2013

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
ASSETS:			
Cash and cash equivalents	\$ 56,323,860	\$ 229,475	\$ 56,553,335
Accounts receivable	15,435,145	14,951	15,450,096
Inventory	808,933	-	808,933
Other assets	9,489,359	70,457	9,559,816
Capital assets			
Land	16,849,675	-	16,849,675
Construction in progress	44,369,611	-	44,369,611
Land improvements	3,816,982	-	3,816,982
Buildings	220,395,827	-	220,395,827
Machinery and equipment	5,802,863	2,026,724	7,829,587
Total assets	<u>373,292,255</u>	<u>2,341,607</u>	<u>375,633,862</u>
LIABILITIES:			
Accounts payable	13,590,019	19,225	13,609,244
Accrued expenses	24,079,814	105,985	24,185,799
Unearned revenue	3,598,293	1,000	3,599,293
Other liabilities	103,222	-	103,222
Non-current liabilities:			
Due within one year	1,936,504	-	1,936,504
Due in more than one year	127,831,031	2,281,147	130,112,178
Total liabilities	<u>171,138,883</u>	<u>2,407,357</u>	<u>173,546,240</u>
NET POSITION:			
Net investment in capital assets	287,938,851	2,026,724	289,965,575
Unrestricted (deficit)	(85,785,479)	(2,092,474)	(87,877,953)
Total net position	<u>\$ 202,153,372</u>	<u>\$ (65,750)</u>	<u>\$ 202,087,622</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 YEAR ENDED JUNE 30, 2013

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	\$ 375,527,798	\$ 6,813,555	\$ 88,496,076	\$ 35,146,401
Board of Library Trustees for Charles County	6,765,421	170,968	14,318	-
Total component units	\$ 382,293,219	\$ 6,984,523	\$ 88,510,394	\$ 35,146,401

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

Primary Government		
Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
\$ (245,071,766)	\$ -	\$ (245,071,766)
-	(6,580,135)	(6,580,135)
(245,071,766)	(6,580,135)	(251,651,901)
263,147,297	6,808,925	269,956,222
-	152,047	152,047
45,711	479	46,190
116,283	3,031	119,314
-	(14,360)	(14,360)
263,309,291	6,950,122	270,259,413
18,237,525	369,987	18,607,512
183,915,847	(435,737)	183,480,110
\$ 202,153,372	\$ (65,750)	\$ 202,087,622

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

school system. Management of the County's schools is under the control of the Board of Education, with the final decision-making authority held by the State Board of Education. The members of the Board of Education are elected by the residents of Charles County every four years. The Board of Education is financially accountable to the Charles County Government because the Board of Education's annual budget is subject to approval of the elected County Commissioners. The Board of Education is presented as a governmental fund type. The County provided \$153,957,200 in operating funds and \$18,929,117 in capital funding to the Board of Education during fiscal year 2013.

The Board of Library Trustees for Charles County, Maryland (the Library) is a legally separate entity under Maryland state law. The Library's Trustees are appointed by the Governor of Maryland and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the elected County Commissioners. The Library is presented as a governmental fund type. The County provided \$3,273,500 in operating funds to the Library during fiscal year 2013.

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

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

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

B. Basic Financial Statements

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Government-wide Statements

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

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

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Fund Financial Statements

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

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

1. Governmental Funds:

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

2. Proprietary Funds:

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

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

3. Fiduciary Funds:

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

C. Basis of Accounting and Measurement Focus

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

Basis of Accounting

a. **Accrual Basis** – Both governmental and business type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

b. **Modified Accrual Basis** – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. “Measurable” means knowing or able to reasonably estimate the amount. “Available” means collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end. Property taxes, income taxes, highway user taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences, claims and judgements, are recorded only when due.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Measurement Focus

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

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

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

D. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

2. Investments:

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

3. Receivables:

All trade, excise and property tax receivables are reported at fair value. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal

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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 deferred revenues, or unearned revenue.

4. Inter-fund Transactions:

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

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

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due (to) from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances” and are eliminated.

5. Inventories:

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

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6. Prepaid Items:

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

7. Restricted Assets:

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

8. Capital Assets:

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

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

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

<u>Charles County Government</u>	
Buildings	30 years
Improvements	10 -30 years
Water and sewer systems	30 -50 years
Infrastructure	10 -50 years
Machinery and equipment	5 -10 years
Vehicles	5 years
Computers and software	3 – 5 years
Other infrastructure	10 -50 years
 <u>The Board of Education</u>	
Buildings and improvements	30 years
Land improvements	10 years
Furniture and equipment	5 -10 years
 <u>The Library</u>	
Leasehold improvements	15 -39 years
Furniture and equipment	7 years
Vehicles and Computer Equipment	5 years
Books and audio visual materials	3 years

9. Net Position/Fund Equity:

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

- a. Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

- b. Restricted net position – consists of items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

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

- a. Non-spendable Fund Balance – this classification reports governmental funds that are not spendable in the current form, such as inventory and prepaid items, or due to a legal or contractual requirement that they maintain intact.
- b. Restricted Fund Balance - this classification reports amounts that are restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external parties such as creditors, grantors, contributors, or laws and regulations of other governments.
- c. Committed Fund Balance – this category reports amounts that are self-imposed limitations that are set in place prior to the end of the reporting period. The limitation is imposed by County formal action which is enacted by the 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 their intent for use by the County’s intent to be used for specific purposes, but are not restricted nor committed. The authority for assigning fund balance is expressed by the Board of County Commissioner’s or their designee.
- e. Un-assigned Fund Balance – this classification reports the residual net resources.

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

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

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

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annual leave, compensatory time, and sick pay benefits. Upon separation of service with the County, non-critical employees are reimbursed for accumulated annual leave up to a maximum of 45 days and accumulated compensatory time up to 240 hours. Sworn Officers, Corrections Officers, and certain critical employees of the Sheriff's Office are reimbursed for accumulated annual leave up to a maximum of 720 hours. Sworn Officers can be reimbursed for up to 480 hours of compensatory time. There is no liability recorded for unpaid accumulated sick leave since the County does not have a policy to pay any of these amounts when employees separate from service.

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

11. Long-term Obligations:

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

In the fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. 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 New GASB Pronouncements

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The County implemented this new requirement for these Fiscal Year 2013 audited financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The County implemented this new requirement for these Fiscal Year 2013 audited financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, provides financial reporting guidance to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred

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outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reports as assets and liabilities as outflows or resources (expenses or expenditures) or inflows of resources (revenues). The County intends to implement the new requirements for the Fiscal Year 2014 financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, which is an amendment of GASB Statement No. 25, is effective for periods beginning after June 15, 2013. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, is effective for periods beginning after June 15, 2014, however earlier application is encouraged. Both of these statements are a result of a comprehensive review of the existing standards and aim to improve the accounting and financial reporting of State and local governments for pensions. GASB Statement No. 67 does not apply to Charles County as the details of our pension plans are published annually within the audited financial statements and thus, the County intends to implement the new requirements for GASB Statement No. 68 with the Fiscal Year 2015 financial statements.

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, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2013.

B. Deficit Fund Equity

The Recreation Fund had a deficit fund balance of \$884,294 as of June 30, 2013. The deficit fund balance is primarily the cumulative result of operations from an indoor recreation

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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 five years of managing the facility, significant improvements have been achieved in operations, including a gain for the past fiscal year.

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 \$19,144,350 and the bank balances were \$20,273,343. Of the bank balance, \$9,959,270 was covered by Federal depository insurance and \$10,314,073 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. The various amounts of cash on hand were \$15,890.

At year-end, the carrying amount of the Board of Education's deposits was \$25,844,197 and the bank balances were \$38,078,116. 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 \$169,613 and the bank balances were \$188,917. The bank balance was covered by Federal depository insurance. The amount of cash on hand was \$1,905.

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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 365 days. Statutes also authorize the County's Chief of Treasury to invest in a local government investment pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used.

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

	Total Governmental Funds	Total Fiduciary Funds	Total Enterprise Funds	Total
Cash on hand	\$ 9,230	\$ -	\$ 6,660	\$ 15,890
Deposit Accounts	16,501,968		1,233,546	17,735,515
U.S. government securities				
Treasuries	12,983,754	-	-	-
Agencies	21,972,841	-	-	21,972,841
Money Market	1,000,599	7,905,302	-	8,905,901
Certificates of deposit	18,000,000	-	-	18,000,000
Maryland local government pool	50,114,866	-	-	50,114,866
Bond mutual funds	-	81,912,786	-	81,912,786
Equity securities	-	224,142,037	-	224,142,037
Restricted assets	1,301,813	-	107,023	1,408,836
Total cash and investments	<u>\$ 121,885,071</u>	<u>\$ 313,960,125</u>	<u>\$ 1,347,229</u>	<u>\$ 424,208,673</u>

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

Cash on hand	\$ 1,000
Deposits	25,844,197
Maryland local government investment pool	33,069,618
Total cash and investments	<u>\$ 58,914,815</u>

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

Cash on hand and deposits	\$ 171,518
Maryland local government investment pool	57,957
Total cash and investments	<u>\$ 229,475</u>

The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The State Treasurer of Maryland exercises administrative

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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*. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of MLGIP shares.

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses stemming from rising interest rates, the County's investment policy prohibits the investment of operating funds in securities maturing more than 365 days from the date of purchase.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counter party or the counter party's trust department or agent, but not in the government's name. The County's policy relating to credit risk of investments require that securities underlying all certificates of deposit, repurchase agreements and reverse repurchase agreements have a market value of at least 102 percent of the cost plus accrued interest of the investment. County policies also require that a third party custodian hold investments securities and the collateral underlying all investments, in the government's name. The County's Chief of Treasury recognizes investment diversification as an important safeguard of County assets. Investment instruments, investment maturities, and financial institutions doing business with the County shall be diversified in such a way to insure that there is no concentration of risk in any of these categories. These diversification standards, as outlined in the County's Joint Statement of Investment Policies, are applied at the time of each investment. As of June 30, 2013, the County's investments were not exposed to custodial credit risk.

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B. Receivables

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

	General	Capital Projects	Debt Service	Water and Sewer Fund	Solid Waste Fund	Non-major Funds	Total
Receivables:							
Interest	\$ 120,408	\$ -	\$ -	\$ 8,524	\$ -	\$ -	\$ 128,932
Taxes	16,272,010	-	35,648,619	-	-	-	51,920,629
Accounts	34,983,431	2,220,472	-	12,253,256	618,424	5,553,527	55,629,110
Special assessments	-	-	5,448	150,050	-	-	155,498
Intergovernmental	-	-	-	-	-	157,745	157,745
Total receivables	\$ 51,375,849	\$ 2,220,472	\$ 35,654,067	\$ 12,411,830	\$ 618,424	\$ 5,711,272	\$ 107,991,914

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:

	Unearned	Unavailable	Total
Delinquent property taxes receivable (General Fund)	\$ -	\$ 3,035,692	\$ 3,035,692
Deferred property taxes receivable (Debt Service)	-	35,633,922	35,633,922
Deferred income tax reserve	-	4,380,998	4,380,998
Agricultural preservation taxes	6,250	-	6,250
Special assessments not yet due (Debt Service)	-	5,788	5,788
School construction impact fees	3,200,370	-	3,200,370
Grant draw-downs prior to meeting all eligibility requirements	117,310	-	117,310
Other unearned revenue	129,525	-	129,525
Total unearned revenue for governmental funds	\$ 3,453,455	\$ 43,056,400	\$ 46,509,855

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C. Property Taxes Receivable

The County levies a property tax each July 1 on the assessed value of all taxable real property location within the County on that date. Assessed values are established by the Maryland Departments of Assessments and Taxation at assessed market value. A reassessment of all property is required to be completed every three years. The rates of the levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. The real property tax rate was increased during the year ended June 30, 2013 from \$1.0025 to \$1.057 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 6/30/2013</u>
Hospital 2004	\$ 15,000,000	15 years, 3.04831%	\$ 8,599,332
St. Charles Companies 2004	8,000,000	15 years, 4%-5%	3,655,000
St. Charles Companies 2005	6,000,000	15 years, 5%-5.125%	3,078,750
St. Charles Companies 2006	10,000,000	15 years, 5.125%-8%	5,962,500
St. Charles Companies 2007	3,000,000	15 years, 5.25%-5.75%	2,028,750
St. Charles Companies 2008	3,000,000	15 years, 4.90%-5.25%	2,160,375
St. Charles Companies 2009	2,000,000	15 years, 4%-5.375%	1,531,667
St. Charles Companies 2011	4,000,000	15 years, 2%-4.5%	3,790,000
St. Charles Companies 2012	4,000,000	15 years, 2%-3.25%	3,783,750
St. Charles Companies 2013	3,700,000	15 years, 3%-4%	3,700,000
Subtotal: St. Charles Co.'s	43,700,000		29,690,792
So. MD Baseball LLC 2008	9,248,200	15 years, 4.90%-5.25%	6,165,465
CSM 2005	1,000,000	15 years, 3.67%	529,478
Total Notes Receivable	\$ 68,948,200		\$ 44,985,067

Bonds issued by the County for St. Charles Companies, Southern MD Baseball Club LLC, College of Southern Maryland, and the University of Maryland-Charles Regional Medical Center are secured by Bond Repayment Agreements, Letters of Credit, and by the full faith and credit of

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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 year ended June 30, 2013 are as follows:

	UM Charles Regional Medical Center	St. Charles Companies	So. MD Baseball	CSM	Total
2014	\$ 1,247,234	\$ 4,076,839	\$ 500,000	\$ 86,791	\$ 5,910,864
2015	1,247,234	3,990,965	769,000	86,791	6,093,990
2016	1,112,981	3,954,718	894,000	86,791	6,048,490
2017	1,247,234	3,997,836	894,000	86,791	6,225,861
2018	1,247,234	4,086,512	894,000	86,790	6,314,536
2019-2023	3,429,773	12,704,650	4,864,000	166,371	21,164,794
2024-2028	-	4,206,778	-	-	4,206,778
Subtotal	<u>9,531,690</u>	<u>37,018,298</u>	<u>8,815,000</u>	<u>600,326</u>	<u>55,965,314</u>
Less: Interest	<u>932,358</u>	<u>7,327,506</u>	<u>2,649,535</u>	<u>70,848</u>	<u>10,980,247</u>
Total future minimum note payments receivable	<u>\$ 8,599,332</u>	<u>\$ 29,690,792</u>	<u>\$ 6,165,465</u>	<u>\$ 529,478</u>	<u>\$ 44,985,067</u>

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E. Capital Assets

Capital asset activity for the year ended June 30, 2013 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	\$ 62,732,829	\$ 6,352,751	\$ -	\$ 69,085,580
Construction in progress	<u>84,476,901</u>	<u>12,636,881</u>	<u>20,982,090</u>	<u>76,131,693</u>
Total capital assets, not depreciated	<u>147,209,730</u>	<u>18,989,633</u>	<u>20,982,090</u>	<u>145,217,273</u>
Capital assets, depreciated:				
Land Improvements	11,598,047	385,620	-	11,983,667
Infrastructure	363,651,759	13,999,087	-	377,650,847
Buildings and Improvements	154,220,490	1,109,740	-	155,330,230
Machinery and Equipment	42,848,370	3,705,140	111,081	46,442,429
Vehicles	<u>22,375,757</u>	<u>1,554,697</u>	<u>1,348,559</u>	<u>22,581,895</u>
Total capital assets, depreciated	<u>594,694,423</u>	<u>20,754,284</u>	<u>1,459,640</u>	<u>613,989,067</u>
Less: accumulated depreciation for:				
Land Improvements	(3,119,517)	(542,710)	-	(3,662,227)
Infrastructure	(176,477,554)	(12,103,721)	-	(188,581,275)
Buildings and Improvements	(62,817,866)	(4,284,832)	-	(67,102,698)
Machinery and Equipment	(21,469,953)	(2,804,852)	(102,463)	(24,172,341)
Vehicles	<u>(18,079,557)</u>	<u>(1,747,325)</u>	<u>(1,348,559)</u>	<u>(18,478,323)</u>
Total accumulated depreciation	<u>(281,964,447)</u>	<u>(21,483,439)</u>	<u>(1,451,023)</u>	<u>(301,996,863)</u>
Total capital assets, depreciated net	<u>312,729,976</u>	<u>(729,155)</u>	<u>8,617</u>	<u>311,992,203</u>
Governmental activities, capital assets, net	<u>\$ 459,939,706</u>	<u>\$ 18,260,477</u>	<u>\$ 20,990,707</u>	<u>\$ 457,209,476</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Business Type Activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not depreciated:				
Land	\$ 2,174,186	\$ -	\$ -	\$ 2,174,186
Construction in progress	46,395,412	10,715,021	11,418,470	45,691,963
Total capital assets, not depreciated	<u>48,569,598</u>	<u>10,715,021</u>	<u>11,418,470</u>	<u>47,866,149</u>
Capital assets, depreciated:				
Land Improvements	14,786,658	\$ -	-	14,786,658
Infrastructure	216,227,134	8,149,368	506,020	223,870,481
Buildings and Improvements	14,155,422	\$ -	-	14,155,422
Machinery and Equipment	39,232,497	5,263,177	16,211	44,479,463
Vehicles	4,625,864	95,537	78,845	4,642,556
Total capital assets, depreciated	<u>289,027,575</u>	<u>13,508,082</u>	<u>601,076</u>	<u>301,934,580</u>
Less: accumulated depreciation for:				
Land Improvements	(5,912,842)	(360,245)	-	(6,273,086)
Infrastructure	(118,095,051)	(5,579,167)	-	(123,674,219)
Buildings and Improvements	(4,754,132)	(480,107)	-	(5,234,240)
Machinery and Equipment	(10,722,425)	(1,633,362)	(16,211)	(12,339,576)
Vehicles	(4,130,792)	(205,164)	(78,845)	(4,257,110)
Total accumulated depreciation	<u>(143,615,241)</u>	<u>(8,258,045)</u>	<u>(95,056)</u>	<u>(151,778,231)</u>
Total capital assets, depreciated net	<u>145,412,333</u>	<u>5,250,036</u>	<u>506,020</u>	<u>150,156,349</u>
Business-type, capital assets, net	<u>\$ 193,981,931</u>	<u>\$ 15,965,058</u>	<u>\$ 11,924,491</u>	<u>\$ 198,022,498</u>
Grand Total, capital assets, net	<u>\$ 653,921,637</u>	<u>\$ 34,225,535</u>	<u>\$ 32,915,198</u>	<u>\$ 655,231,974</u>

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

Governmental Activities:

General Government	\$	1,015
Public Safety		3,546,974
Legislative		112,253
Judicial		66,361
Financial Administration		92,930
Health		161,043
Community Services		958,236
Public Facilities		16,496,953
Education		47,674

Total depreciation expense- Governmental Activities	\$	<u>21,483,439</u>
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Business-Type Activities:

Water and Sewer	\$	7,078,830
Solid Waste		595,470
Environmental Services		192,309
Recreation Programs		324,157
Inspection and Reviews		38,598
Golf Course		28,681

Total depreciation expense-Business-type Activities	\$	<u>8,258,045</u>
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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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Construction Commitments

The County has active construction projects as of June 30, 2013. 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	\$ 31,889,777	\$ 18,059,985
Other transportation projects	632,879	801,171
General government		
Buildings and improvements	19,492,425	3,824,545
Other general government projects	7,399,082	5,552,838
Water and sewer		
Expansions and improvements	40,163,275	74,790,125
Parks		
Expansions and improvements	5,746,166	3,773,484
Environmental service		
Various environmental service projects	<u>4,450,332</u>	<u>21,509,148</u>
Total	<u>\$ 109,773,936</u>	<u>\$ 128,311,296</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, 2013

Discretely Presented Component Units

Capital asset activity for the Board of Education for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 16,849,701	\$ -	\$ (26)	\$ 16,849,675
Construction in progress	<u>14,261,931</u>	<u>34,703,209</u>	<u>(4,595,529)</u>	<u>44,369,611</u>
Total capital assets, not depreciated	<u>31,111,632</u>	<u>34,703,209</u>	<u>(4,595,555)</u>	<u>61,219,286</u>
Capital assets, depreciated:				
Buildings	428,478,354	7,143,732	-	435,622,086
Land Improvements	9,270,930	1,760,587	(3,542)	11,027,975
Furniture and Equipment	<u>27,610,046</u>	<u>717,696</u>	<u>(740,957)</u>	<u>27,586,785</u>
Total capital assets, depreciated	<u>465,359,330</u>	<u>9,622,015</u>	<u>(744,499)</u>	<u>474,236,846</u>
Less: accumulated depreciation for:				
Buildings	(203,902,071)	(11,324,188)	-	(215,226,259)
Land Improvements	(6,698,579)	(515,956)	3,542	(7,210,993)
Furniture and Equipment	<u>(20,786,275)</u>	<u>(1,721,241)</u>	<u>723,594</u>	<u>(21,783,922)</u>
Total accumulated depreciation	<u>(231,386,925)</u>	<u>(13,561,385)</u>	<u>727,136</u>	<u>(244,221,174)</u>
Total capital assets, depreciated net	<u>233,972,405</u>	<u>(3,939,370)</u>	<u>(17,363)</u>	<u>230,015,672</u>
Board capital assets, net	<u>\$ 265,084,037</u>	<u>\$ 30,763,839</u>	<u>\$ (4,612,918)</u>	<u>\$ 291,234,958</u>

Capital asset activity for the Library for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciated:				
Furniture and Equipment	\$ 1,078,682	\$ 834,063	\$ (63,412)	\$ 1,849,333
Library books and AV material	<u>1,229,248</u>	<u>551,254</u>	<u>(238,629)</u>	<u>1,541,873</u>
Total capital assets, depreciated	2,307,930	1,385,317	(302,041)	3,391,206
Less: accumulated depreciation	(1,003,232)	(648,931)	(287,681)	(1,364,482)
Library capital assets, depreciated, net	<u>\$ 1,304,698</u>	<u>\$ 736,386</u>	<u>\$ (14,360)</u>	<u>\$ 2,026,724</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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F. Inter-fund Receivables, Payables, and Transfers

The General Fund is the main fund used to collect, invest, and disburse monies for governmental and proprietary funds. This creates temporary inter-fund balances. The composition of inter-fund balances as of June 30, 2013, is as follows:

Due (to) from other funds:	Governmental Activities	Business-type Activities
General Fund	\$ (96,038,805)	\$ -
Capital Projects Fund	57,986,618	-
Debt Service Fund	(5,243,315)	-
Water and Sewer Fund	-	16,442,725
Solid Waste Fund	-	20,459,730
Other Non-major Funds	6,414,494	(21,447)
Total	\$ (36,881,008)	\$ 36,881,008

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

Transfers Out	Transfers In				Total
	General Fund	Capital Projects Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
General Fund	\$ -	\$ 1,100,000	\$ 3,162,802	\$ 418,430	\$ 4,681,232
Capital Projects Fund	-	-	26,230	-	26,230
Non-major Governmental Funds	350,000	-	144	-	350,144
Total					
Transfers In:	\$ 350,000	\$ 1,100,000	\$ 3,189,176	\$ 418,430	\$ 5,057,606

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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G. Leases

Capital Leases

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

- Fiscal Year 2007 – Meter Replacement Lease for the Water and Sewer Fund – semiannual payments starting at \$132,965 and increasing to \$396,605 over fifteen years ending February 2022, including interest at a rate of 4.14%, various components expended at \$5,862,900.
- Fiscal Year 2008 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$214,240 over five years ending August 2012, including interest at a rate of 3.72%, equipment capitalized at \$2,000,000.
- Fiscal Year 2008 – Public Safety Portable Radios – semiannual payments of \$98,905 over five years ending January 2013, including interest at a rate of 3.50%, equipment capitalized at \$900,160.
- Fiscal Year 2009 – Various equipment for the General Fund, Water and Sewer Fund, Inspection Fund, and the Environmental Service Fund – semiannual payments of \$330,929 over five years ending September 2013, including interest at a rate of 3.65%, equipment capitalized at \$3,000,000.
- Fiscal Year 2010 – Various equipment for the General Fund, Golf Course Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$120,512 thru FY13 except for a scheduled payment of \$378,268 in October 2011. Over the remaining period, scheduled payments of \$22,557 ending October 2014, including interest at a rate of 3.30%, equipment capitalized at \$1,102,600.
- Fiscal Year 2012 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service fund – semiannual payments of \$160,212 over five years ending July 2016, including interest at a rate of 1.65%, equipment capitalized at \$1,531,700.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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- 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.

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	10,041,096	2,254,106
Vehicles	5,986,249	2,709,123
Total capital assets	<u>16,118,251</u>	<u>4,963,229</u>
Less accumulated depreciation:		
Building and Improvements	(52,595)	-
Machinery and equipment	(8,731,792)	(1,880,870)
Vehicles	(4,788,741)	(2,352,284)
Total accumulated depreciation	<u>(13,573,128)</u>	<u>(4,233,154)</u>
Total capital assets, net	<u>\$ 2,545,124</u>	<u>\$ 730,075</u>

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2013, were as follows:

	Governmental Activities	Business-type Activities	Total
2014	\$ 831,102	\$ 807,999	\$ 1,639,101
2015	592,210	707,945	1,300,155
2016	574,999	717,574	1,292,573
2017	465,693	706,577	1,172,270
2018	178,194	620,765	798,959
2019-2023	-	2,283,999	2,283,999
Subtotal	<u>2,642,198</u>	<u>5,844,859</u>	<u>8,487,057</u>
Interest	<u>(73,517)</u>	<u>(888,105)</u>	<u>(961,622)</u>
Present value of minimum lease payments	<u>\$ 2,568,681</u>	<u>\$ 4,956,754</u>	<u>\$ 7,525,435</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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H. Long-Term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year ended June 30, 2013, general obligation bonds totaling \$55,005,000 were issued for consolidated public improvement, of which \$3,700,000 were taxable.

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

Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/13	Business-type Activities Balance 6/30/13
Consolidated Public Improvement and Refunding Bonds of 2004	\$ 41,270,000	15 yrs, 2% - 4%	\$ 6,314,426	\$ 641,141
Consolidated Public Improvement and Refunding Bonds of 2004	31,500,000	10 yrs, 2% - 4%	154,433	-
Consolidated Public Improvement Bonds (Taxable) of 2004	8,000,000	15 yrs, 4% - 5%	565,000	-
Consolidated Public Improvement and Refunding Bonds of 2005	52,550,000	15 yrs, 3% - 4.5%	1,763,651	1,301,349
Consolidated Public Improvement and Refunding Bonds of 2005	10,160,000	10 yrs, 3% - 4.5%	2,420,000	-
Consolidated Public Improvement Bonds (Taxable) of 2005	6,000,000	15 yrs, 5% - 5.125%	830,000	-
Consolidated Public Improvement Bonds of 2006	26,880,000	15 yrs, 4% - 5%	4,560,678	714,322
Consolidated Public Improvement Bonds of 2006	16,120,000	10 yrs, 4% - 5%	5,450,000	-
Consolidated Public Improvement Bonds (Taxable) of 2006	10,000,000	15 yrs, 5.125% - 8%	2,045,000	-
Consolidated Public Improvement Bonds of 2007	33,700,000	15 yrs, 3.5% - 4%	4,912,309	3,772,691
Consolidated Public Improvement Bonds of 2007	16,300,000	10 yrs, 3.5% - 4%	7,245,000	-
Consolidated Public Improvement Bonds (Taxable) of 2007	3,000,000	15 yrs, 5.75% - 5.51%	800,000	-
Consolidated Public Improvement Bonds of 2008	25,400,000	15 yrs, 3% - 5%	5,101,771	3,048,229
Consolidated Public Improvement Bonds of 2008	1,600,000	10 yrs, 3% - 5%	865,000	-

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Consolidated Public Improvement Bonds (Taxable) of 2008	\$20,000,000	15 yrs, 5% - 5.25%	\$ 14,695,000	\$ -
Consolidated Public Improvement Bonds of 2009	49,640,000	20 yrs, 2% - 4.25%	28,027,674	6,972,326
Consolidated Public Improvement Bonds of 2009	900,000	10 yrs, 2% - 4.25%	560,000	-
Consolidated Public Improvement Bonds (Taxable) of 2009	2,000,000	15 yrs, 4% - 5.375%	1,570,000	-
Consolidated Public Improvement and Refunding Bonds of 2010	22,730,000	10 yrs, 2% - 5%	10,436,002	6,633,998
Consolidated Public Improvement and Refunding Bonds of 2010	2,000,000	10 yrs, 2% - 5%	-	1,445,000
Consolidated Public Improvement Taxable BAB Bonds of 2010	11,415,000	5 yrs, 5% - 5.3%	6,115,178	5,299,822
Consolidated Public Improvement and Refunding Bonds of 2011	36,960,000	16 yrs, 2% - 4%	35,385,000	1,575,000
Consolidated Public Improvement and Refunding Bonds of 2011	15,500,000	10 yrs, 2% - 4%	15,500,000	-
Consolidated Public Improvement and Refunding Bonds of 2011	1,325,000	10 yrs, 2% - 4%	-	1,325,000
Consolidated Public Improvement Bonds (Taxable) of 2011	4,000,000	15 yrs, 2% - 4.5%	4,000,000	-
Refunding Bonds of Nov 2011	24,505,000	8 yrs, 4% - 5%	17,255,932	7,249,068
Consolidated Public Improvement and Refunding Bonds of 2012	40,740,000	15 yrs, 2% - 5%	33,710,481	5,824,519
Consolidated Public Improvement and Refunding Bonds of 2012	3,000,000	10 yrs, 2% - 5%	-	2,710,000
Consolidated Public Improvement and Refunding Bonds of 2012	7,500,000	20 yrs, 2% - 5%	-	7,165,000
Consolidated Public Improvement Bonds (Taxable) of 2012	4,000,000	15 yrs, 2% - 3.25%	3,845,000	-
Consolidated Public Improvement and Refunding Bonds of 2013	14,500,000	15 yrs, 3% - 5%	12,300,000	2,200,000
Consolidated Public Improvement and Refunding Bonds of 2013	33,105,000	10 yrs, 2% - 5%	20,863,192	12,241,808
Consolidated Public Improvement and Refunding Bonds of 2013	3,700,000	30 yrs, 3% - 5%	-	3,700,000
Consolidated Public Improvement Bonds (Taxable) of 2013	3,700,000	15 yrs, 3% - 4%	3,700,000	-
Total bonds outstanding			<u>\$ 250,990,727</u>	<u>\$ 73,819,273</u>
<hr/>				
Loan Description and Year				
FHA Loan 1973	250,000	40 yrs, 3.649%	51,540	-
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	14,767,900	20 yrs, 1.200%	-	9,994,694
Total loans outstanding			<u>51,540</u>	<u>9,994,694</u>
Total bonds and loans outstanding			<u>\$ 251,042,266</u>	<u>\$ 83,813,967</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Advanced Refunding and Defeased Debt

On February 26, 2013, the County committed to a refunding issue for \$26,805,000 in general obligation bonds to defease \$26,810,000 in outstanding debt maturities of the County's Consolidated Public Improvement Bonds of 2003, 2005 & 2007. In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2013, the amount of defeased debt outstanding but removed from the financial statements amounted to \$26,810,000. As a result of this refunding, the County achieved a net present value savings of \$631,284.

On June 18, 2013, the County committed to issue \$28,200,000 in general obligation bonds, \$3,700,000 were Taxable Bonds, and \$24,500,000 were new money tax exempt bonds. The new money portion of \$24,500,000 was used to finance certain capital projects in the County.

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Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 254,043,374	\$ 36,863,192	\$ (39,915,839)	\$ 250,990,727	\$ 24,032,248
Plus deferred amounts for bond premiums	18,427,541	4,854,421	(1,884,476)	21,397,486	-
Less deferred loss on refunding	(4,334,763)	-	374,995	(3,959,768)	-
Less deferred bond issue costs	<u>(1,763,455)</u>	<u>(346,813)</u>	<u>186,901</u>	<u>(1,923,368)</u>	<u>-</u>
Total bonds payable	266,372,697	41,370,800	(41,238,420)	266,505,077	24,032,248
Notes payable	60,261	-	(8,721)	51,540	9,068
Capital leases	2,255,985	1,729,200	(1,416,504)	2,568,681	644,352
Net Pension obligation	360,466	-	(14,182)	346,284	-
Net OPEB obligation	49,371,755	10,179,619	-	59,551,374	-
Compensated absences	<u>14,374,520</u>	<u>2,390,181</u>	<u>(8,902)</u>	<u>16,755,799</u>	<u>1,272,797</u>
Governmental activities noncurrent liabilities	<u>332,795,684</u>	<u>55,669,800</u>	<u>(42,686,730)</u>	<u>345,778,754</u>	<u>25,958,465</u>
<u>Business-type activities:</u>					
General obligation bonds	72,961,626	18,141,808	(17,284,161)	73,819,273	6,209,339
Plus deferred amounts for bond premiums	5,783,334	2,624,950	(582,281)	7,826,003	-
Less deferred loss on refunding	(210,622)	-	57,800	(152,822)	-
Less deferred bond issue costs	<u>(881,506)</u>	<u>(2,317,061)</u>	<u>598,949</u>	<u>(2,599,617)</u>	<u>-</u>
Total bonds payable	77,652,832	18,449,697	(17,209,693)	78,892,837	6,209,339
Notes payable	10,701,223	-	(706,529)	9,994,694	715,008
Capital leases	5,078,844	730,500	(852,590)	4,956,754	591,330
Landfill closure costs	6,518,856	(328,912)	-	6,189,944	-
Net Pension obligation	136,818	-	(9,360)	127,458	-
Net OPEB obligation	7,852,398	1,624,299	-	9,476,697	-
Compensated absences	<u>1,678,947</u>	<u>202,900</u>	<u>(7,300)</u>	<u>1,874,547</u>	<u>226,820</u>
Business-type activities noncurrent liabilities	<u>109,619,918</u>	<u>20,678,484</u>	<u>(18,785,472)</u>	<u>111,512,931</u>	<u>7,742,497</u>
Total primary government noncurrent liabilities	<u>\$ 442,415,601</u>	<u>\$ 76,348,283</u>	<u>\$ (61,472,202)</u>	<u>\$ 457,291,683</u>	<u>\$ 33,700,962</u>
<u>Component units:</u>					
Board of Education	\$ 111,332,608	\$ 18,434,927	\$ -	\$ 129,767,535	\$ 1,936,504
Library	\$ 182,637	\$ 28,632	\$ -	\$ 211,269	\$ 211,269

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

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The annual requirements to amortize all debt outstanding as of June 30, 2013, including interest of \$88,785,808 and excluding compensated absences, net pension obligation, OPEB obligation and landfill closure costs, are as follows:

Year ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 26,957,827	\$ 9,975,331	\$ 7,558,023	\$ 3,210,292	\$ 47,701,473
2015	24,497,998	9,317,437	8,023,383	3,099,480	44,938,298
2016	23,740,958	8,445,541	7,806,731	2,791,982	42,785,212
2017	22,228,893	7,298,374	7,933,501	2,478,258	39,939,026
2018	20,721,912	6,344,702	7,890,371	2,157,318	37,114,303
2019-2023	90,704,311	18,953,052	31,971,864	6,532,432	148,161,659
2024-2028	41,291,948	4,629,185	12,398,949	2,218,345	60,538,427
2029-2033	3,467,100	119,767	3,197,900	725,452	7,510,219
2034-2038	-	-	775,000	331,594	1,106,594
2039-2043	-	-	985,000	152,522	1,137,522
2044-2048	-	-	230,000	4,744	234,744
	<u>\$ 253,610,947</u>	<u>\$ 65,083,389</u>	<u>\$ 88,770,722</u>	<u>\$ 23,702,419</u>	<u>\$ 431,167,477</u>

Conduit Debt

Charles County Government has issued five economic development revenue bonds for the express purpose of providing capital financing for specific third parties that are not a part of the Charles County's financial reporting entity. These bonds neither constitute an indebtedness nor do they represent a pledge of the full faith and credit of the Charles County Government and are not reported as liabilities on the accompanying financial statements. Of these five issues, three of them have been satisfied or paid in full. For the two issues remaining, the aggregate principal amount outstanding at June 30, 2013 is \$714,080.

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, 2013

I. Restricted Assets

The details of the restricted assets are as follows:

Governmental Activities

Cash and cash equivalents

Inmate account	\$ 40,007
County Attorney escrow	10,031
SAO Restitution account	13,093
Lease deposits	10,039
Construction Escrow	<u>1,228,643</u>

Total cash and cash equivalents	\$ 1,301,813
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Notes Receivable

Civista	\$ 8,599,332
St. Charles Companies	29,690,792
So. MD Baseball LLC	6,165,465
College of Southern MD	<u>529,478</u>

Total notes receivable	<u>44,985,067</u>
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Total Governmental Activities	46,286,880
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Business-type Activities

Cash and cash equivalents

Landfill Bonds	<u>107,023</u>
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TOTAL PRIMARY GOVERNMENT	<u><u>\$ 46,393,903</u></u>
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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 1,798,527	\$ -	\$ -	\$ -	\$ 1,798,527
Prepay Items	55,128	-	-	-	55,128
Long Term Note Receivable	-	-	44,985,067	-	44,985,067
	<u>1,853,655</u>	<u>-</u>	<u>44,985,067</u>	<u>-</u>	<u>46,838,722</u>
<u>Restricted</u>					
Capital Outlay	801,579	24,145,449	-	-	24,947,028
Economic Development	585,088	-	-	-	585,088
Housing	-	-	-	331,454	331,454
Public Safety	-	-	-	86,604	86,604
Fire and Rescue	-	-	-	17,960	17,960
Animal Control	71,114	-	-	-	71,114
Bond Premium	5,372,813	-	-	-	5,372,813
	<u>6,830,594</u>	<u>24,145,449</u>	<u>-</u>	<u>436,018</u>	<u>31,412,061</u>
<u>Committed</u>					
Policy Target	27,271,541	-	-	-	27,271,541
Housing	217,383	-	-	-	217,383
Public Safety	30,000	-	-	-	30,000
CIP/Pay-go	1,515,000	-	-	-	1,515,000
Infrastructure	3,522,909	-	-	-	3,522,909
	<u>32,556,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,556,833</u>
<u>Assigned</u>					
Aging Grants	-	-	-	12,262	12,262
Judicial Grants	-	-	-	28,556	28,556
Capital Outlay	-	20,688,549	-	-	20,688,549
Transportation	-	-	-	154,312	154,312
Public Safety	-	-	-	417,219	417,219
Housing	164,646	-	-	285,280	449,926
Aging Services	-	-	-	28,666	28,666
Animal Control	-	-	-	51,619	51,619
Drug Enforcement	-	-	-	341,144	341,144
Mental Health	-	-	-	156,253	156,253
Cable Franchise	-	-	-	4,683,320	4,683,320
Health Ins Rate Stabilization	2,871,104	-	-	-	2,871,104
CIP & Operations	1,213,172	-	-	-	1,213,172
	<u>4,248,922</u>	<u>20,688,549</u>	<u>-</u>	<u>6,158,631</u>	<u>31,096,102</u>
<u>Unassigned</u>					
Other unassigned	2,897,380	-	(5,228,617)	-	(2,331,237)
Total fund balances (deficit)	<u>\$ 48,387,384</u>	<u>\$ 44,833,998</u>	<u>\$ 39,756,450</u>	<u>\$ 6,594,649</u>	<u>\$ 139,572,481</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 officials 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, 2013, a liability of \$810,000 (\$513,449 in governmental funds and \$296,551 in business-type funds) was recorded for estimated claims incurred but not yet reported (IBNR), which represents the estimated run-out claims liability should the self-insurance agreement be terminated. Historical experience and actuarial assumptions were the basis used in estimating the liabilities for unpaid claims.

Self-Insured Worker's Compensation

The County chose to be self-insured for employer worker's compensation as of the beginning of the fiscal year 2013. Based on employer costs and employee claims for the fiscal year ending June 30, 2013, a budget surplus of \$1,112,600 was recognized and assigned as fund balance within the General Fund to offset future plan related costs.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>End of Year</u>
2011	\$ 1,080,000	(\$180,000)	\$ 900,000
2012	900,000	280,000	1,180,000
2013	1,180,000	(370,000)	810,000

Other insurance

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

NOTE 5. COMMITMENTS AND CONTINGENCIES

A. Contingencies Under Grant Provisions

The County participates in federal and state assisted programs and is a recipient of several grants. These programs and grants are subject to financial and compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as a result of these audits is not believed to be material. The County has experienced audits of a few programs during the year ended June 30, 2013, 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
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B. Litigation

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 91. 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

COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Funds</u>	<u>LOSAP Funds</u>	<u>Total</u>
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 3,445,343	\$ 2,490,801	\$ 1,667,640	\$ 301,518	\$ 7,905,302
Interest receivable	-	96,923	-	-	96,923
Total current assets	<u>3,445,343</u>	<u>2,587,724</u>	<u>1,667,640</u>	<u>301,518</u>	<u>8,002,225</u>
Investments at fair value:					
Bond mutual funds	27,315,426	54,597,360	-	-	81,912,786
Equity securities	<u>107,893,125</u>	<u>104,325,148</u>	<u>-</u>	<u>11,923,764</u>	<u>224,142,037</u>
Total investments	<u>135,208,551</u>	<u>158,922,508</u>	<u>-</u>	<u>11,923,764</u>	<u>306,054,823</u>
Total assets	138,653,894	161,510,232	1,667,640	12,225,282	314,057,048
LIABILITIES:					
Accrued expenses	<u>(44,080)</u>	<u>(6,962)</u>	<u>-</u>	<u>-</u>	<u>(51,042)</u>
NET POSITION:					
Held in trust for pension benefits	<u>\$ 138,609,814</u>	<u>\$ 161,503,270</u>	<u>\$ 1,667,640</u>	<u>\$ 12,225,282</u>	<u>\$ 314,006,006</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2013

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Funds</u>	<u>LOSAP Funds</u>	<u>Total</u>
ADDITIONS:					
Contributions:					
Employer contributions	\$ 5,246,499	\$ 8,425,007	\$ 500,000	\$ 768,200	\$ 14,939,706
Employee contributions	1,893,733	2,399,680	-	-	4,293,413
Total contributions	<u>7,140,232</u>	<u>10,824,687</u>	<u>500,000</u>	<u>768,200</u>	<u>19,233,119</u>
Investment earnings:					
Interest, Dividends, Gains	5,605,839	7,959,965	921	142,724	13,709,449
Net change in fair value of investments	<u>12,549,001</u>	<u>10,870,603</u>	<u>-</u>	<u>1,023,737</u>	<u>24,443,341</u>
Total investment earnings	18,154,840	18,830,568	921	1,166,461	38,152,790
Less investment expenses	<u>(759,595)</u>	<u>(755,358)</u>	<u>-</u>	<u>-</u>	<u>(1,514,953)</u>
Net investment earnings	<u>17,395,245</u>	<u>18,075,210</u>	<u>921</u>	<u>1,166,461</u>	<u>36,637,837</u>
Total additions	<u>24,535,477</u>	<u>28,899,897</u>	<u>500,921</u>	<u>1,934,661</u>	<u>55,870,956</u>
DEDUCTIONS:					
Benefits paid to members	3,992,832	7,247,717	-	732,054	11,972,603
Administrative costs	<u>10,242</u>	<u>12,928</u>	<u>96</u>	<u>55,346</u>	<u>78,612</u>
Total deductions	<u>4,003,074</u>	<u>7,260,645</u>	<u>96</u>	<u>787,400</u>	<u>12,051,215</u>
Changes in net position	20,532,403	21,639,252	500,825	1,147,261	43,819,741
Net position - beginning of year	<u>118,077,411</u>	<u>139,864,018</u>	<u>1,166,815</u>	<u>11,078,021</u>	<u>270,186,265</u>
Net position - end of year	<u>\$ 138,609,814</u>	<u>\$ 161,503,270</u>	<u>\$ 1,667,640</u>	<u>\$ 12,225,282</u>	<u>\$ 314,006,006</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2012, the date of the last actuarial valuation:

	Sworn Officers	Correctional Officers	Communications Employees
Active plan members	287	149	40
Retirees and beneficiaries receiving benefits	94	9	8
Disabled, receiving benefits	15	-	-
Vested termination	6	-	-
	<u>402</u>	<u>158</u>	<u>48</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 \$5,015,690 as of June 30, 2013, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2012 totaled \$1,183,637.

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

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

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

Investment Concentrations – At June 30, 2013, net assets were invested in fixed income mutual funds (35%) and Equity mutual funds (65%).

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

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

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

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

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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Average Compensation – Three year average of base pay on July 1.

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

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

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

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

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

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

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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Non-Line of Duty Disability – 5 years of service is required for this benefit. For Total and Permanent, a percentage of final 3 years average earnings, based on a percentage disability as determined by the Disability Review Board, subject to:

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

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

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

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

Communications Dispatchers are not eligible for this benefit.

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.

Annual Pension Cost and Net Pension Obligation – The annual pension cost for the year ended June 30, 2013 was equal to the amount of the Annual Required Contribution of \$8,425,007. There was no net pension obligation at June 30, 2013. The Annual Required Contribution for the current year was determined as part of the July 1, 2012 actuarial valuation. The actuarial assumptions and methods include:

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Interest – 7.75% compounded annually. (8% in prior valuation)

Post-Retirement COLA Increases – 3% compounded annually, no limit.

Mortality – RP-2000 Blue Collar Mortality. A five-year set-forward is used for post-disability mortality.

Salary Increases – 2% first 2 years, 5% thereafter; compounded annually. (5.5% for all years in prior valuation)

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

These factors are based on Blue Collar Male Mortality at 8%. 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	6.03%	15.45%
35	5.26%	13.72%
45	3.35%	10.33%

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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The turnover rates for those with 10-15 years of service are assumed to be 50% of those with 0-10 years of service. The rates for those with more than 15 years of service are assumed to be 10% of the base rates for the Deputy Sheriff's and 37.5% of the base rates for the Correctional and Communications Employees.

Retirement –

Sheriff's hired prior to 7/1/1986

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

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

Sheriff's hired after to 7/1/1986

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

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

Corrections & Communications

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

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

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

Military Service – Actual service.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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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. The \$95,000 was added with the 2008 valuation.

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 service 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.

The July 2011 valuation determines the cost for fiscal year 2013.

The valuation cost is also the GASB 27 pension expense. The actuary believes that there is no past or current Net Pension Obligation (NPO).

The salary provided is as of July 1, 2012. It is assumed to be the salary for the next 12 months and not part of the accrued benefit when measuring projected benefits.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
 SHERIFF'S OFFICE RETIREMENT PLAN

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage of</u> <u>ARC</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2004	\$ 4,100,000	100%	\$ -
6/30/2005	4,150,000	100%	-
6/30/2006	4,451,597	100%	-
6/30/2007	5,263,564	100%	-
6/30/2008	4,955,872	100%	-
6/30/2009	5,861,072	100%	-
6/30/2010	6,964,201	100%	-
6/30/2011	6,817,196	100%	-
6/30/2012	7,390,446	100%	-
6/30/2013	8,425,007	100%	-

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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SCHEDULE OF FUNDING PROGRESS
SHERIFF'S OFFICE RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Deputy Sheriffs						
7/1/04	\$ 63,700,221	\$ 82,011,919	\$ 18,311,698	77.7%	\$ 13,438,004	136.3%
7/1/05	71,281,359	91,951,068	20,669,709	77.5%	14,195,503	145.6%
7/1/06*	80,364,953	99,525,770	19,160,817	80.7%	15,923,523	120.3%
7/1/06	80,364,953	100,619,352	20,254,399	79.9%	15,923,523	127.2%
7/1/07**	90,764,831	108,715,685	17,950,854	83.5%	16,900,338	106.2%
7/1/07	90,764,831	111,427,411	20,662,580	81.5%	16,900,338	122.3%
7/1/08	98,067,749	121,806,238	23,738,489	80.5%	18,653,670	127.3%
7/1/09	104,966,686	128,639,635	23,672,949	81.6%	19,245,648	123.0%
7/1/10	108,062,149	137,307,331	29,245,182	78.7%	19,205,628	152.3%
7/1/11	114,289,962	149,856,138	35,566,176	76.3%	19,353,984	183.8%
7/1/12	121,811,486	166,590,491	44,779,005	73.1%	21,212,284	211.1%
Corrections Officers						
7/1/04	\$ 7,322,494	\$ 9,220,494	\$ 1,898,000	79.4%	\$ 4,612,304	41.2%
7/1/05	8,536,271	10,885,333	2,349,062	78.4%	5,219,549	45.0%
7/1/06*	9,974,590	12,679,170	2,704,580	78.7%	6,086,937	44.4%
7/1/06	9,974,590	12,841,699	2,867,109	77.7%	6,086,937	47.1%
7/1/07	11,894,146	14,773,914	2,879,768	80.5%	6,898,253	41.7%
7/1/08	13,315,300	17,613,334	4,298,034	75.6%	7,834,547	54.9%
7/1/09	15,073,431	19,618,794	4,545,363	76.8%	8,062,697	56.4%
7/1/10	16,414,905	22,163,811	5,748,906	74.1%	8,144,022	70.6%
7/1/11	18,593,033	24,902,764	6,309,731	74.7%	8,110,710	77.8%
7/1/12	20,564,119	26,367,772	5,803,653	78.0%	8,462,459	68.6%
Communications Employees						
7/1/04	\$ 2,674,056	\$ 3,180,222	\$ 506,166	84.1%	\$ 1,145,301	44.2%
7/1/05	2,998,522	3,496,802	498,280	85.8%	1,175,771	42.4%
7/1/06*	3,353,839	3,982,409	628,570	84.2%	1,481,266	42.4%
7/1/06	3,353,839	4,027,929	674,090	83.3%	1,481,266	45.5%
7/1/07	3,854,388	4,518,778	664,390	85.3%	1,698,330	39.1%
7/1/08	4,243,211	5,352,606	1,109,395	79.3%	1,948,764	56.9%
7/1/09	4,646,894	5,496,181	849,287	84.5%	1,956,033	43.4%
7/1/10	4,883,743	5,849,245	965,502	83.5%	2,025,663	47.7%
7/1/11	5,254,696	6,508,011	1,253,315	80.7%	1,949,646	64.3%
7/1/12	5,599,334	7,063,509	1,464,175	79.3%	1,911,686	76.6%
Total						
7/1/04	\$ 73,696,771	\$ 94,412,635	\$ 20,715,864	78.1%	\$ 19,195,609	107.9%
7/1/05	82,816,152	106,333,203	23,517,051	77.9%	20,590,823	114.2%
7/1/06*	93,693,382	116,187,349	22,493,967	80.6%	23,491,726	95.8%
7/1/06	93,693,382	117,488,980	23,795,598	79.7%	23,491,726	101.3%
7/1/07**	106,513,365	128,008,377	21,495,012	83.2%	25,496,921	84.3%
7/1/07	106,513,365	130,720,103	24,206,738	81.5%	25,496,921	94.9%
7/1/08	115,626,260	144,772,178	29,145,918	79.9%	28,436,981	102.5%
7/1/09***	117,768,804	153,754,610	35,985,806	76.6%	29,264,378	123.0%
7/1/09	124,687,011	153,754,610	29,067,599	81.1%	29,264,378	99.3%
7/1/10	129,360,797	165,320,387	35,959,590	78.2%	29,375,313	122.4%
7/1/11	138,137,691	181,266,913	43,129,222	76.2%	29,414,340	146.6%
7/1/12	147,974,939	200,021,772	52,046,833	74.0%	31,586,429	164.8%

Note: *Before mortality change.

**Before plan change.

***Before change to five year Smoothing Method.

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B. County Employees Retirement Plan

Plan Description – The County Employees Retirement Plan (the County Plan) is a single-employer defined benefit pension plan, established in accordance with Article 25, section 3(g) of the Annotated Code of Maryland. The County Commissioners have the power and authority to establish and amend the benefit provisions of the County Plan. All full-time employees not otherwise eligible for the SORP are eligible to participate in the plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are also provided.

Membership in the plan consisted of the following at July 1, 2012, the last date of the last actuarial valuation:

Active plan members	775
Terminated, entitled to but not yet receiving benefits	146
Retirees and beneficiaries receiving benefits	239
	<u>1,160</u>

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

Contributions and Reserves – The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Active non-public safety plan members are required to contribute 4% of their base earnings to the Plan and no contributions are required after 31 years of credited service. Public safety plan members are required to contribute 7% of their base earnings. Base earnings are the employee’s earnings as of the first day of the County’s fiscal year. Earnings for contribution purposes are adjusted only once annually, on July 1. The County normally makes employer contributions annually as actuarially determined. For the year ended June 30, 2013, the County fully funded the ARC of \$5,246,499 to the Plan as recommended in the actuarial report as of

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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July 1, 2012. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

Investment Concentrations – At June 30, 2013, the County’s Plan’s net assets were invested in the following types of investments:

Guaranteed Deposit	19%
Fixed Income - Domestic	20%
Large Cap Stock	30%
International Stock - Blend	12%
Special Equity - Real Estate Fund	5%
Mid Cap Stock	6%
Small Cap Stock	8%

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

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

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

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

Form of Annuity – Modified cash refund.

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

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

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

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

For non-public safety participants:

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

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

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

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

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

To a maximum benefit of 65% of final average earnings

For public safety participants:

Final average earnings X 2.0% X credited years of service

To a maximum benefit of 75% of final average earnings

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

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

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

Participation Eligibility – Making employee contributions to the Plan.

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

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

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

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

Employee Contributions

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

Interest Credited – 5% per annum

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

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

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

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

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

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

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
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For public safety participants:

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

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

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

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

Eligibility (C): Death while receiving disability benefits.

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

Annual Pension Cost and Net Pension Obligation – The annual pension cost for the year ended June 30, 2013 was slightly less than the Annual Required Contribution made of \$5,246,499, as shown in the historical chart that follows. As a result, the net pension obligation at June 30, 2013 was decreased to a balance of \$473,741. The Annual Required Contribution for the current year was determined as part of the July 1, 2011 actuarial valuation. The actuarial assumptions and methods included:

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

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

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

Post Retirement COLA Increases – 2.75% compounded annually.

Inflation – 2.5%

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

Salary Increases – 4.5% compounded annually.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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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:

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

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

Sample rates are:

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 \$50,000.

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

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

Calculation of Net Pension Obligation (NPO)

Annual Required Contribution	\$ 5,246,499
Interest on NPO	38,540
Annual Required Contribution Adjustment	<u>(62,083)</u>
Annual Pension Cost	5,222,956
Contribution made	<u>(5,246,499)</u>
Change in NPO	(23,543)
NPO Beginning of Year	<u>497,284</u>
NPO End of Year (6/30/13)	<u><u>\$ 473,741</u></u>

SCHEDULE OF EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT PLAN

<u>Fiscal Year</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net Pension</u>
<u>Ending</u>	<u>Pension Cost</u>	<u>Annual</u>	<u>Obligation</u>
		<u>Pension Cost</u>	
		<u>Contribution</u>	
6/30/2011	\$5,744,949	100.4%	\$ 521,072
6/30/2012	6,054,995	100.4%	497,284
6/30/2013	5,222,956	100.5%	473,741

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SCHEDULE OF FUNDING PROGRESS
COUNTY EMPLOYEES RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
(a)	(b)	(b - a)	(a / b)	(c)	((b-a)/c)	
6/30/04	\$ 49,323,829 **	\$ 55,688,894	\$ 6,365,065	88.6%	\$ 27,278,917	23.3%
6/30/05	54,479,225 **	66,420,831	11,941,606	82.0%	31,571,806	37.8%
6/30/06	62,164,097 **	79,752,141	17,588,044	77.9%	37,819,645	46.5%
6/30/07	73,598,316 **	91,470,194	17,871,878	80.5%	41,645,118	42.9%
6/30/08	84,890,274 **	105,247,008	20,356,734	80.7%	44,697,536	45.5%
6/30/09	90,444,095 **	115,830,778	25,386,683	78.1%	44,478,995	57.1%
6/30/10	107,512,136 **	130,111,643	22,599,507	82.6%	41,506,048	54.4%
6/30/11	117,535,957 **	132,661,815	15,125,858	88.6%	40,461,488	37.4%
6/30/12	126,255,246 **	141,184,288	14,929,042	89.4%	40,508,415	36.9%

Notes:

* includes contributions received in July of that year if applicable to the plan year.

** based on a 5-year smoothed market method effective July 1, 2000.

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

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

The contributions for this plan have historically not been actuarially determined. For the fiscal year and future, the plan was funded from the revenue derived from one cent of the fire and rescue tax levied by the County in accordance with Section 123 of the Article noted above. Contributions made to the program for the year ended June 30, 2013 totaled \$768,200 from the 2012/13 tax levy. The County Commissioners were not obligated to fund the plan, only to administer it.

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Program assets are held in trust during the year by a custodian. As of June 30, 2013, M&T held the fair value of net assets for the plan benefits in the amount of \$301,518. 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, 2013, BB&T held the fair value of these assets in the amount of \$11,923,764.

NOTE 7. OTHER EMPLOYMENT BENEFITS

A. Deferred Compensation Plan

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

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

	Nationwide	Mass Mutual	Metlife	Total
Participants	170	233	50	453
Plan Assets	\$ 12,445,234	\$ 10,844,812	\$ 1,368,069	\$ 24,658,115
Annual Employee Contribution	759,109	855,059	181,949	1,796,117

B. Other Post-Employment Benefits (OPEB)

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

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

Years of Service	% Paid by County
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, 2013, there were 315 former employees and family members with medical coverage, 362 with dental, and 343 with vision. For the fiscal year ended June 30, 2012, the County incurred and recorded \$1,732,274 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	\$	14,194,000
Interest on OPEB obligation		2,477,000
Annual required contribution adjustment		(2,408,000)
Annual OPEB cost (expense)		14,263,000
Pay-go contribution made		(1,732,274)
Trust contribution made		(500,000)
Increase in net OPEB obligation		12,030,726
Net OPEB obligation - beginning of year		59,067,223
Net OPEB obligation - end of year	\$	71,097,949

The Library's pro-rata share of the Net OPEB obligation at the end of the current fiscal year is \$2,069,878.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS

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

* 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, 2013 was as follows:

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

Actuarial Methods and Assumptions

These notes to the financial statements disclose that (1) actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and (2) actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. In the effective June 30, 2013 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, 2013 was 26 years.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013 were \$69,185.

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, 2013, approximately 57% of this space remains available for future waste disposal. The County is developing the landfill in sections so that when one section closes another is ready to open. At the close of the fiscal year, the landfill had Phase I, IIA, and IIIA open. The \$6,847,768 reported as landfill closure and post-closure care liability at June 30, 2013, represents the cumulative amount reported to date of the estimated capacity of the sections that have been opened. The County will recognize the remaining estimated cost of closure and post-closure care as the remaining phases and capacity is filled. The actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County has established a sinking fund reserve for landfill closure costs through the implementation of the user fee rates at the landfill. The County estimates the capacity of the landfill and the future date to begin closure with the assistance of computer models. Construction costs are estimated and a rate is adopted during the budget process to ensure funds are available when needed. Landfill closure costs recognized during the year amounted to \$328,912.

REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY (NON GAAP) TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes - local property	\$ 193,462,400	\$ 193,462,400	\$ 188,561,693	\$ (4,900,707)
Taxes - income	98,113,000	98,113,000	99,440,598	1,327,598
Taxes - other local	12,350,000	12,800,000	12,964,497	164,497
Taxes - state shared	854,000	854,000	852,425	(1,575)
Charges for services	7,424,500	7,459,830	6,737,678	(722,152)
Intergovernmental	1,720,800	2,018,990	2,265,595	246,605
Interest income	400,000	400,000	184,262	(215,738)
Other income	3,673,300	4,811,310	4,327,308	(484,002)
Total revenues	317,998,000	319,919,530	315,334,056	(4,585,474)
Expenditures:				
Education	166,910,100	167,165,100	167,007,793	157,307
Public safety	81,147,900	82,292,910	79,332,921	2,959,989
General government (including contingencies)	17,808,100	18,171,090	17,712,335	458,755
Public facilities	17,068,700	17,292,120	16,024,421	1,267,699
Financial administration	8,199,400	8,293,190	7,961,432	331,758
Judicial	3,662,200	3,633,400	3,334,375	299,025
Planning and growth management	2,417,600	2,419,040	2,372,813	46,227
Community services	3,710,700	3,729,880	3,606,418	123,462
Health services	3,092,900	3,092,900	2,576,978	515,922
Economic development	1,801,370	1,816,530	1,474,068	342,462
Social services	1,015,830	1,140,350	1,104,772	35,578
Legislative	1,474,600	1,478,010	1,448,563	29,447
Law	887,900	889,990	878,998	10,992
Conservation of natural resources	597,400	597,400	579,761	17,639
Elections	991,500	991,500	911,170	80,330
Debt service				
Interest	6,851,400	6,851,400	7,035,737	(184,337)
Total expenditures	317,637,600	319,854,810	313,362,555	6,492,255
Excess (deficiency) of revenues over (under) expenditures	360,400	64,720	1,971,501	1,906,781
Other financing sources (uses):				
Proceeds from capital lease agreement	1,729,200	1,729,200	1,729,200	-
Premium on debt proceeds	-	-	5,740,278	5,740,278
Bond Proceeds from debt refunding	-	-	16,031,904	16,031,904
Defeased Bonds	-	-	(18,261,194)	(18,261,194)
Transfers in	350,000	350,000	350,000	-
Transfers out	(7,436,300)	(7,620,350)	(4,681,232)	2,939,118
Total other financing sources (uses)	(5,357,100)	(5,541,150)	908,956	6,450,106
Net change in fund balance	(4,996,700)	(5,476,430)	2,880,457	8,356,887
Fund balance - beginning of year	45,506,927	45,506,927	45,506,927	-
Fund balance - end of year	\$ 40,510,227	\$ 40,030,497	\$ 48,387,384	\$ 8,356,887

See report of independent public accountants.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF FUNDING PROGRESS
SHERIFF'S OFFICE RETIREMENT PLAN

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)
Deputy Sheriffs						
7/1/08	\$ 98,067,749	\$ 121,806,238	\$ 23,738,489	80.5%	\$ 18,653,670	127.3%
7/1/09	104,966,686	128,639,635	23,672,949	81.6%	19,245,648	123.0%
7/1/10	108,062,149	137,307,331	29,245,182	78.7%	19,205,628	152.3%
7/1/11	114,289,962	149,856,138	35,566,176	76.3%	19,353,984	183.8%
7/1/12	121,811,486	166,590,491	44,779,005	73.1%	21,212,284	211.1%
Corrections Officers						
7/1/08	\$ 13,315,300	\$ 17,613,334	\$ 4,298,034	75.6%	\$ 7,834,547	54.9%
7/1/09	15,073,431	19,618,794	4,545,363	76.8%	8,062,697	56.4%
7/1/10	16,414,905	22,163,811	5,748,906	74.1%	8,144,022	70.6%
7/1/11	18,593,033	24,902,764	6,309,731	74.7%	8,110,710	77.8%
7/1/12	20,564,119	26,367,772	5,803,653	78.0%	8,462,459	68.6%
Communications Employees						
7/1/08	\$ 4,243,211	\$ 5,352,606	\$ 1,109,395	79.3%	\$ 1,948,764	56.9%
7/1/09	4,646,894	5,496,181	849,287	84.5%	1,956,033	43.4%
7/1/10	4,883,743	5,849,245	965,502	83.5%	2,025,663	47.7%
7/1/11	5,254,696	6,508,011	1,253,315	80.7%	1,949,646	64.3%
7/1/12	5,599,334	7,063,509	1,464,175	79.3%	1,911,686	76.6%
Total						
7/1/08	\$ 115,626,260	\$ 144,772,178	\$ 29,145,918	79.9%	\$ 28,436,981	102.5%
7/1/09***	117,768,804	153,754,610	35,985,806	76.6%	29,264,378	123.0%
7/1/09	124,687,011	153,754,610	29,067,599	81.1%	29,264,378	99.3%
7/1/10	129,360,797	165,320,387	35,959,590	78.2%	29,375,313	122.4%
7/1/11	138,137,691	181,266,913	43,129,222	76.2%	29,414,340	146.6%
7/1/12	147,974,939	200,021,772	52,046,833	74.0%	31,586,429	164.8%

Note ***Before change to five year Smoothing Method.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SHERIFF'S OFFICE RETIREMENT PLAN

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage of</u> <u>ARC</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2008	\$ 4,955,872	100%	\$ -
6/30/2009	5,861,072	100%	-
6/30/2010	6,964,201	100%	-
6/30/2011	6,817,196	100%	-
6/30/2012	7,390,446	100%	-
6/30/2013	8,425,007	100%	-

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF FUNDING PROGRESS
COUNTY EMPLOYEES RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	((b-a)/c)
6/30/08	\$ 84,890,274	\$ 105,247,008	\$ 20,356,734	80.7%	\$ 44,697,536	45.5%
6/30/09	90,444,095	115,830,778	25,386,683	78.1%	44,478,995	57.1%
6/30/10	107,512,136	130,111,643	22,599,507	82.6%	41,506,048	54.4%
6/30/11	117,535,957	132,661,815	15,125,858	88.6%	40,461,488	37.4%
6/30/12	126,255,246	141,184,288	14,929,042	89.4%	40,508,415	36.9%
6/30/13	138,706,536	153,214,899 **	14,508,363 **	90.5%	n/a	n/a

Notes:

* includes contributions received in July of that year if applicable to the plan year.

** estimated

SCHEDULE OF EMPLOYER CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT PLAN

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u>	<u>Percentage of</u> <u>Annual</u> <u>Pension Cost</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2011	\$5,744,949	100.4%	\$ 521,072
6/30/2012	6,054,995	100.4%	497,284
6/30/2013	5,222,956	100.5%	473,741

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

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

* estimated

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

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

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OTHER SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants	Housing Assistance
ASSETS:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 476,374
Investments	-	-	-	-	-	-
Other receivables	-	444,591	1,764,297	235,127	90,000	100,972
Due (to) from other funds	-	-	-	-	-	87,635
Other assets	-	3,250	-	-	-	-
Restricted assets	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 447,841</u>	<u>\$ 1,764,297</u>	<u>\$ 235,127</u>	<u>\$ 90,000</u>	<u>\$ 664,981</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts payable	\$ -	\$ 95,096	\$ 839,938	\$ 4,364	\$ -	\$ 51,387
Accrued expenditures	-	-	-	-	-	-
Deferred revenue	-	411	25,503	3,542	-	-
Due to other funds	-	352,334	744,544	227,221	90,000	-
Other liabilities	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>447,841</u>	<u>1,609,985</u>	<u>235,127</u>	<u>90,000</u>	<u>51,387</u>
Fund balance:						
Nonspendable fund balance	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	-	331,454
Committed fund balance	-	-	-	-	-	-
Assigned fund balance	-	-	154,312	-	-	282,140
Unassigned fund balance	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>154,312</u>	<u>-</u>	<u>-</u>	<u>613,594</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 447,841</u>	<u>\$ 1,764,297</u>	<u>\$ 235,127</u>	<u>\$ 90,000</u>	<u>\$ 664,981</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Other receivables	-	1,110	42,890	8,508	-
Due (to) from other funds	5,195	330,201	-	52,074	342,884
Other assets	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	<u>\$ 5,195</u>	<u>\$ 331,311</u>	<u>\$ 42,890</u>	<u>\$ 60,582</u>	<u>\$ 342,884</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ 2,055	\$ 332	\$ -	\$ 7,365	\$ 1,740
Accrued expenditures	-	-	-	-	-
Deferred revenue	-	-	31,179	227	-
Due to other funds	-	-	11,711	-	-
Other liabilities	-	-	-	1,371	-
Total liabilities	<u>2,055</u>	<u>332</u>	<u>42,890</u>	<u>8,963</u>	<u>1,740</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	-	-	-	86,604
Committed fund balance	-	-	-	-	-
Assigned fund balance	3,140	330,979	-	51,619	254,540
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>3,140</u>	<u>330,979</u>	<u>-</u>	<u>51,619</u>	<u>341,144</u>
Total liabilities and fund balance	<u>\$ 5,195</u>	<u>\$ 331,311</u>	<u>\$ 42,890</u>	<u>\$ 60,582</u>	<u>\$ 342,884</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ 100	\$ -	\$ -
Investments	-	-	-	-	-
Other receivables	-	-	5,459	-	58,633
Due (to) from other funds	6,250	2,827,438	28,926	-	52,756
Other assets	-	-	-	-	-
Restricted assets	-	-	-	-	-
Total assets	<u>\$ 6,250</u>	<u>\$ 2,827,438</u>	<u>\$ 34,485</u>	<u>\$ -</u>	<u>\$ 111,389</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ -	\$ 6,837	\$ 5,929	\$ -	\$ 49,759
Accrued expenditures	-	-	-	-	-
Deferred revenue	6,250	-	-	-	49,368
Due to other funds	-	-	-	-	-
Other liabilities	-	2,802,641	-	-	-
Total liabilities	<u>6,250</u>	<u>2,809,478</u>	<u>5,929</u>	<u>-</u>	<u>99,127</u>
Fund balance:					
Nonspendable fund balance	-	-	-	-	-
Restricted fund balance	-	17,960	-	-	-
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	28,556	-	12,262
Unassigned fund balance	-	-	-	-	-
Total fund balance	<u>-</u>	<u>17,960</u>	<u>28,556</u>	<u>-</u>	<u>12,262</u>
Total liabilities and fund balance	<u>\$ 6,250</u>	<u>\$ 2,827,438</u>	<u>\$ 34,485</u>	<u>\$ -</u>	<u>\$ 111,389</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING BALANCE SHEET (continued)
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
ASSETS:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 476,474
Investments	-	-	-	-	-	-
Other receivables	28,478	10,384	197,052	751,844	116,051	3,855,396
Due (to) from other funds	14,206	166,220	44,004	3,981,102	-	7,938,891
Other assets	-	-	-	-	-	3,250
Restricted assets	-	-	-	-	-	-
Total assets	\$ 42,684	\$ 176,604	\$ 241,056	\$ 4,732,946	\$ 116,051	\$ 12,274,011
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts payable	\$ 14,018	\$ 3,760	\$ 77,495	\$ 49,626	\$ 8,306	\$ 1,218,007
Accrued expenditures	-	-	-	-	-	-
Deferred revenue	-	-	7,308	-	9,158	132,946
Due to other funds	-	-	-	-	98,587	1,524,397
Other liabilities	-	-	-	-	-	2,804,012
Total liabilities	14,018	3,760	84,803	49,626	116,051	5,679,362
Fund balance:						
Nonspendable fund balance	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	-	436,018
Committed fund balance	-	-	-	-	-	-
Assigned fund balance	28,666	172,844	156,253	4,683,320	-	6,158,631
Unassigned fund balance	-	-	-	-	-	-
Total fund balance	28,666	172,844	156,253	4,683,320	-	6,594,649
Total liabilities and fund balance	\$ 42,684	\$ 176,604	\$ 241,056	\$ 4,732,946	\$ 116,051	\$ 12,274,011

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants	Housing Assistance
REVENUES:						
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	-	-	861,602	-	-	1,758,831
Intergovernmental	58,156	1,024,128	3,111,890	851,565	150,000	8,771,756
Interest income	295	-	-	-	-	45
Other income	-	826	198,002	7,360	-	6,609
Total revenues	58,451	1,024,954	4,171,494	858,925	150,000	10,537,241
EXPENDITURES:						
Education	-	-	-	-	-	-
Public safety	-	-	-	1,289,038	-	-
Community services	-	-	6,342,031	-	150,000	11,292,923
Judicial	-	1,318,376	-	-	-	-
Planning & growth mgmt.	58,451	-	-	-	-	-
Health	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Legislative	-	-	-	-	-	-
Total expenditures	58,451	1,318,376	6,342,031	1,289,038	150,000	11,292,923
Excess (deficiency) of revenues over (under) expenditures	-	(293,422)	(2,170,537)	(430,113)	-	(755,682)
Other financing sources:						
Transfers in	-	293,422	2,281,675	430,113	-	-
Transfers out	-	-	-	-	-	-
	-	293,422	2,281,675	430,113	-	-
Net change in fund balance	-	-	111,138	-	-	(755,682)
Fund balance - beginning of year	-	-	43,174	-	-	1,369,276
Fund balance - end of year	\$ -	\$ -	\$ 154,312	\$ -	\$ -	\$ 613,594

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, 2013

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	-	191,765	-	71,623	74,666
Intergovernmental	254,417	-	91,069	-	80,945
Interest income	-	-	16	-	75
Other income	-	20,785	-	27,014	47,296
Total revenues	254,417	212,550	91,085	98,637	202,982
EXPENDITURES:					
Education	-	-	-	-	-
Public safety	-	338,740	-	95,386	215,554
Community services	424,535	-	91,085	-	-
Judicial	-	-	-	-	-
Planning & growth mgmt.	-	-	-	-	-
Health	-	-	-	-	-
Economic development	-	-	-	-	-
Social services	-	-	-	-	-
Legislative	-	-	-	-	7,500
Total expenditures	424,535	338,740	91,085	95,386	223,054
Excess (deficiency) of revenues over (under) expenditures	(170,118)	(126,190)	-	3,251	(20,072)
Other financing sources:					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(144)
	-	-	-	-	(144)
Net change in fund balance	(170,118)	(126,190)	-	3,251	(20,216)
Fund balance - beginning of year	173,258	457,169	-	48,368	361,360
Fund balance - end of year	\$ 3,140	\$ 330,979	\$ -	\$ 51,619	\$ 341,144

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, 2013

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
REVENUES:						
Taxes - local property	\$ 471,852	\$ 11,451,261	\$ -	\$ -	\$ -	\$ -
Charge for services	-	-	66,023	-	200	117,453
Intergovernmental	-	245,820	-	41,898	492,932	206,297
Interest income	-	7,184	-	-	-	-
Other income	-	-	976	-	56,609	-
Total revenues	471,852	11,704,265	66,999	41,898	549,741	323,750
EXPENDITURES:						
Education	-	-	-	-	-	-
Public safety	-	12,028,652	-	-	-	-
Community services	-	-	-	-	-	-
Judicial	-	-	75,816	-	-	-
Planning & growth mgmt.	526,506	-	-	-	-	-
Health	-	-	-	-	-	-
Economic development	-	-	-	41,898	-	-
Social services	-	-	-	-	544,379	300,162
Legislative	-	-	-	-	-	-
Total expenditures	526,506	12,028,652	75,816	41,898	544,379	300,162
Excess (deficiency) of revenues over (under) expenditures	(54,654)	(324,387)	(8,817)	-	5,362	23,588
Other financing sources:						
Transfers in	54,654	-	3,000	-	-	-
Transfers out	-	-	-	-	-	-
	54,654	-	3,000	-	-	-
Net change in fund balance	-	(324,387)	(5,817)	-	5,362	23,588
Fund balance - beginning of year	-	342,347	34,373	-	6,900	5,078
Fund balance - end of year	\$ -	\$ 17,960	\$ 28,556	\$ -	\$ 12,262	\$ 28,666

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, 2013

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
REVENUES:					
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ 11,923,113
Charge for services	30,932	40,765	2,930,153	-	6,144,013
Intergovernmental	88,000	979,460	-	686,454	17,134,787
Interest income	-	-	-	-	7,615
Other income	122	209	-	2,777	368,585
Total revenues	119,054	1,020,434	2,930,153	689,231	35,578,113
EXPENDITURES:					
Education	-	-	1,147,694	-	1,147,694
Public safety	110,219	-	-	745,313	14,822,902
Community services	-	-	-	-	18,300,574
Judicial	-	-	-	-	1,394,192
Planning & growth mgmt.	-	-	-	-	584,957
Health	-	1,149,733	-	-	1,149,733
Economic development	-	-	-	-	41,898
Social services	-	-	-	-	844,541
Legislative	-	-	-	-	7,500
Total expenditures	110,219	1,149,733	1,147,694	745,313	38,293,991
Excess (deficiency) of revenues over (under) expenditures	8,835	(129,299)	1,782,459	(56,082)	(2,715,878)
Other financing sources:					
Transfers in	44,000	-	26,230	56,082	3,189,176
Transfers out	-	-	(350,000)	-	(350,144)
	44,000	-	(323,770)	56,082	2,839,032
Net change in fund balance	52,835	(129,299)	1,458,689	-	123,154
Fund balance - beginning of year	120,009	285,552	3,224,631	-	6,471,495
Fund balance - end of year	\$ 172,844	\$ 156,253	\$ 4,683,320	\$ -	\$ 6,594,649

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 OTHER PROPRIETARY FUNDS
 JUNE 30, 2013

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ -	\$ 1,118,823	\$ -	\$ 119,183	\$ 1,238,006
Other receivables	-	12,436	1,843,439	-	1,855,875
Due (to) from other funds	1,509,996	483,944	2,293,033	49,546	4,336,519
Inventory	-	53,105	-	-	53,105
Other current assets	-	115,091	-	-	115,091
Total current assets	1,509,996	1,783,399	4,136,472	168,729	7,598,596
Noncurrent assets:					
Net capital assets	16,083	7,813,585	6,180,431	-	14,010,099
Restricted assets	-	-	-	-	-
Total noncurrent assets	16,083	7,813,585	6,180,431	-	14,010,099
Total assets	1,526,079	9,596,984	10,316,903	168,729	21,608,695
LIABILITIES:					
Current liabilities:					
Accounts payable	84,478	41,714	456,002	-	582,194
Accrued expenses	6,478	53,746	86,530	-	146,754
Due to other funds	-	4,357,967	-	-	4,357,967
Unearned revenue	5,000	305,648	-	-	310,648
Current portion of long-term debt	40,812	519,778	303,162	-	863,752
Total current liabilities	136,768	5,278,853	845,694	-	6,261,315
Noncurrent liabilities:					
Bonds payable	-	4,679,368	5,418,872	-	10,098,240
Net bond issue premiums	-	76,540	304,417	-	380,957
Long-term debt	103,074	90,313	126,194	-	319,581
Net pension obligation	11,145	5,105	7,984	-	24,234
Net OPEB obligation	765,850	350,731	467,120	-	1,583,701
Capital lease obligation	-	368	41,251	-	41,619
Total noncurrent liabilities	880,069	5,202,425	6,365,838	-	12,448,332
Total liabilities	1,016,837	10,481,278	7,211,532	-	18,709,647
NET POSITION:					
Net Investment in capital assets	(5,345)	2,547,130	990,946	-	3,532,731
Unrestricted	514,587	(3,431,424)	2,114,425	168,729	(633,683)
Total net position	\$ 509,242	\$ (884,294)	\$ 3,105,371	\$ 168,729	\$ 2,899,048

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 OTHER PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Operating revenues:					
Charge for services	\$ 3,939,144	\$ 3,453,014	\$ 3,906,046	\$ 154,821	\$ 11,453,025
Other income	-	47,638	5,000	-	52,638
Total operating revenue	<u>3,939,144</u>	<u>3,500,652</u>	<u>3,911,046</u>	<u>154,821</u>	<u>11,505,663</u>
Operating expenses:					
Personnel services	1,518,718	1,883,069	1,401,985	-	4,803,772
Utilities	2,744	304,966	18,067	-	325,777
Repairs and maintenance	1,940	157,731	107,475	-	267,146
Insurance costs	3,485	43,900	12,989	-	60,374
Indirect costs	20,800	-	-	-	20,800
Supplies	14,837	399,887	244,314	-	659,038
Contract services	1,471,494	401,440	1,666,473	-	3,539,407
Other operating costs	4,106	111,478	189,429	113,497	418,510
Depreciation	38,598	352,838	192,309	-	583,745
Total operating expenses	<u>3,076,722</u>	<u>3,655,309</u>	<u>3,833,041</u>	<u>113,497</u>	<u>10,678,569</u>
Operating income (loss)	<u>862,422</u>	<u>(154,657)</u>	<u>78,005</u>	<u>41,324</u>	<u>827,094</u>
Nonoperating revenues (expenses)					
Interest income	-	104	10,206	-	10,310
Intergovernmental	-	69,639	-	-	69,639
Interest expense	(1,419)	(19,484)	(147,249)	-	(168,152)
Total nonoperating revenue (expenses)	<u>(1,419)</u>	<u>50,259</u>	<u>(137,043)</u>	<u>-</u>	<u>(88,203)</u>
Income (loss) before transfers	861,003	(104,398)	(59,038)	41,324	738,891
Transfers in	-	418,430	-	-	418,430
Transfers out	-	-	-	-	-
Change in net position	861,003	314,032	(59,038)	41,324	1,157,321
Net position - beginning of year	(351,761)	(1,198,326)	3,164,409	127,405	1,741,727
Net position - end of year	<u>\$ 509,242</u>	<u>\$ (884,294)</u>	<u>\$ 3,105,371</u>	<u>\$ 168,729</u>	<u>\$ 2,899,048</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS
 OTHER PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Cash flows from operating activities:					
Cash received from customers	\$ 3,941,525	\$ 3,466,503	\$ 2,917,340	\$ 154,821	\$ 10,480,189
Cash paid to suppliers	(1,390,597)	(1,397,817)	(1,700,974)	(113,497)	(4,602,885)
Cash paid to employees	(1,528,632)	(1,876,344)	(1,431,308)	-	(4,836,284)
Net cash provided by (used in) operating activities	<u>1,022,296</u>	<u>192,342</u>	<u>(214,942)</u>	<u>41,324</u>	<u>1,041,020</u>
Cash flows from investing activities:					
Interest received	-	104	10,206	-	10,310
Net cash provided by investing activities	<u>-</u>	<u>104</u>	<u>10,206</u>	<u>-</u>	<u>10,310</u>
Cash flows from noncapital financing activities:					
Intergovernmental	-	69,639	-	-	69,639
Transfers in (out)	-	418,430	0	-	418,430
Receipts from interfund loans	(979,187)	-	1,283,404	(10,226)	293,991
Repayment of interfund loans	-	(80,200)	-	-	(80,200)
Net cash provided by (used in) noncapital financing activities	<u>(979,187)</u>	<u>407,869</u>	<u>1,283,404</u>	<u>(10,226)</u>	<u>701,860</u>
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds	-	2,815,822	2,266,038	-	5,081,860
Proceeds from new loans	-	-	25,000	-	25,000
Principal payments on bonds payable	-	(3,354,958)	(774,044)	-	(4,129,002)
Principal payments on capital lease obligations	(41,690)	(6,971)	(37,409)	-	(86,070)
Interest paid	(1,419)	(19,484)	(147,249)	-	(168,152)
Cash (paid) received for capital expenses	-	(1,474)	(2,411,004)	-	(2,412,478)
Net cash used in capital and related financing activities	<u>(43,109)</u>	<u>(567,065)</u>	<u>(1,078,668)</u>	<u>-</u>	<u>(1,688,842)</u>
Net increase (decrease) in cash and cash equivalents	-	33,250	-	31,098	64,348
Cash and cash equivalents - beginning of year	-	1,085,573	-	88,085	1,173,658
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 1,118,823</u>	<u>\$ -</u>	<u>\$ 119,183</u>	<u>\$ 1,238,006</u>

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 862,422	\$ (154,657)	\$ 78,005	\$ 41,324	\$ 827,094
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	38,598	352,838	192,309	-	583,745
Increase (decrease) in compensation-related liabilities included in long-term debt	(3,918)	15,485	(32,581)	-	(21,014)
(Increase) decrease in other receivables	-	(6,276)	(993,706)	-	(999,982)
(Increase) decrease in inventories	-	(2,710)	-	-	(2,710)
(Increase) decrease in other current assets	-	(981)	-	-	(981)
(Increase) decrease in deferred bond issue costs	-	-	173,921	-	173,921
Increase (decrease) in accounts payable	12,418	(26,723)	262,814	-	248,509
Increase (decrease) in accrued expenses	(8,969)	(8,760)	3,258	-	(14,471)
Increase (decrease) in Net Pension Obligation	(2,870)	(398)	736	-	(2,532)
Increase (decrease) in Net OPEB Obligation	122,234	52,397	100,302	-	274,933
Increase (decrease) in deferred revenue	2,381	(27,873)	-	-	(25,492)
Net cash provided by operating activities	<u>\$ 1,022,296</u>	<u>\$ 192,342</u>	<u>\$ (214,942)</u>	<u>\$ 41,324</u>	<u>\$ 1,041,020</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Borrowing under capital lease	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000