



CHARLES COUNTY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017



CHARLES COUNTY, MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

Prepared by:

Department of Fiscal and Administrative Services

Charles County, Maryland

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Director of Fiscal & Administrative Services

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Chief of Accounting

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County Administrator

www.charlescountymd.gov

Charles County, Maryland

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Introductory Section



CHARLES COUNTY GOVERNMENT
Office of the County Administrator

Michael D. Mallinoff, Esq., ICMA-CM
County Administrator

Phone	301-645-0553
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December 27, 2017

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

The Comprehensive Annual Financial Report of Charles County, Maryland for the Fiscal Year ended June 30, 2017, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that Charles County annually issue a report of its financial condition and that this report be audited by an independent firm of licensed Certified Public Accountants. Responsibility for the accuracy of the County's financial records, including all required disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of Charles County Government. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

The County's financial statements have been audited by SB & Company, LLC, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurances that the financial statements of the County for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the year ended June 30, 2017, are fairly presented in conformity with U.S. generally accepted accounting principles.

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

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

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

Profile of the Charles County Government

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

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

The County serves a population of approximately 157,705 as of 7/1/16 and provides a full range of municipal services enacted by statute or charter. These include public safety, education, sanitation, transportation, public health, social services, recreation, public improvements, planning and zoning, and administrative services. The three incorporated municipalities within the County are La Plata, Indian Head and Port Tobacco. These entities are independent of the County and, as such, are not included in this report.

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

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

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

Budget. The annual budget serves as the foundation for the County's financial planning and control. The County Commissioners are required to adopt a final budget no later than June 30th of the current fiscal year. The budget is prepared by fund, function and department. Department heads may make inter-category transfers up to \$2,000 within a department, with approval by the Fiscal & Administrative Services Director. Transfers between \$2,001 and \$15,000 require the approval of the County Administrator, between \$15,001 and \$35,000 require the approval of the President of the County Commissioners and transfers over \$35,000 require the majority approval of the full Board of Commissioners. Transfers between departments require the special approval of the County Administrator or the Board of Commissioners depending on the dollar amount. Approval authority for an increase or decrease to total budget up to \$15,000 is delegated to the President of the County Commissioners, and in excess of \$15,000 requires majority approval of the Board of Commissioners.

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

Economic Condition and Outlook

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

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

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

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

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

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

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

As indicated in the following table, employment in the County increased from 40,623 in 2012 to 42,902 in 2016, a gain of 2,279 jobs and a 5.6% increase in total employment. The majority of the jobs gained in this timeframe were in the private sector Industry category.

Five-Year Employment Statistics Persons Employed by Industry						
	2012	2013	2014	2015	2016	% Change '12 to '16
GOVERNMENT						
Federal	2,271	2,224	2,168	2,205	2,276	0.2%
State	626	565	571	577	557	-11.0%
Local	6,708	6,749	6,826	6,796	6,822	1.7%
Subtotal	9,605	9,538	9,565	9,578	9,655	0.5%
INDUSTRY						
Services, Transportation, Communication & Utilities	27,074	27,144	27,452	28,181	28,158	4.0%
Construction	3,265	3,480	3,503	3,612	4,419	35.3%
Manufacturing	650	605	655	649	635	-2.3%
Other	29	32	35	44	35	20.7%
Subtotal	31,018	31,261	31,645	32,486	33,247	7.2%
Total	40,623	40,799	41,210	42,064	42,902	5.6%

Source: Maryland Department of Labor, Licensing and Regulation.

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

Average Annual Unemployment Rate

	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Calvert County	6.3%	5.9%	5.7%	5.1%	4.0%	3.8%
Charles County	6.5	6.3	6.2	5.5	4.5	4.2
Frederick County	6.3	5.9	5.7	5.0	3.9	3.7
Montgomery County	5.4	5.2	5.1	4.5	3.4	3.3
Prince George's County	7.5	7.2	6.8	6.0	4.8	4.4
St. Mary's County	6.2	6.1	5.8	5.2	4.3	4.1
State of Maryland	7.3	6.9	6.6	5.8	4.7	4.3
United States ¹	8.9	8.1	7.4	6.2	5.3	4.9

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

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

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

Charles County has experienced continued increase in population each year. The Census of 1990 showed the County's population at 101,154. The 2000 Census put the County's population at 121,204. The Census of 2010 puts the County's population at 146,551. The increase from 1990 to 2010 is 44.9%. The 2016 Census estimates the County's population at 157,705. It is projected that population growth within the County will continue at a steady but moderate rate. By the year 2020, Charles County's population is estimated to reach over 169,000.

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

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

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

starts after June 30, 2003, payable over a 10 year period. The County may issue general obligation bonds to finance water systems, sewerage systems, solid waste disposal systems and solid waste acceptance systems in the Waldorf Taxing District One, the Mattawoman Special Taxing District Number Two, and Special Taxing District Number Three.

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

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

In Fiscal Year 2017, the County held a bond sale in November for \$32.0 million. The County's debt service levels have remained well below the legal debt margin for the past several years as a direct result of the extensive financial planning that is conducted from both a capital and operating budget perspective. The Commissioner's target debt ceiling limit of 8% provides a sturdy framework from which to make long-term financial decisions.

Major Initiatives. The County's Fiscal Year 2018 budget continued to reflect long-range goals of achieving the Fiscal Year 2016-2018 goals stated below to improve the overall quality of life in Charles County. The County's annual Budget Book provides additional detail at the departmental level on efforts to achieve the following stated goals:

- Transformational Government
 - Management Best Practices
 - Automation and Technology
 - Customer Service
 - Transparency
- Promote Quality of Life and Resources
 - Optimize Cultural Heritage and Historic Assets
 - Promote Community Wellness

- Establish a Cohesive, Sustainable Community through Collaboration
 - Transportation
 - Sustainable and Equitable Growth
 - Engaged Workforce
- Governance Leadership
 - Transparency
 - High-Performance, Data Driven Government
 - Financial Stewardship
 - Legislation

Also, as part of strengthening the County's position, several major economic development projects are currently underway. St. Charles Energy Center is a 725 megawatt natural gas-fired, combined-cycle power plant developed by Competitive Power Ventures (CPV) which commenced operations in February 2017. This facility creates high-paying jobs and involves significant private investment, yielding commercial tax revenue to the county. The center employs 24 people with above-average annual salaries and approximately 700 construction jobs were created at the peak of construction. With construction costs of roughly \$500 million, the center will be one of Charles County's largest taxpayers. A development agreement between the County and CPV includes a long-term payment in lieu of taxes schedule which, when combined with reclaimed water sales and other fees, exceeds \$100 million in revenue to the county over a 20-year period.

In the fall 2015, the federal government acquired a 15-acre site in White Plains to construct a newly built, 90,000-square-foot Army Reserves training facility. Construction costs will exceed \$20 million. Site work began in summer 2017. With an 18-month construction schedule, the facility will be fully operational in late 2018 or early 2019. Once open, the facility will create 60 to 70 new, full-time equivalent jobs in Charles County. Seventeen units in the 99th Army Reserve Group will train at the facility, with approximately 200 reservists each of 37 weekends per year. This will stimulate significant local spending at hotels, restaurants, and other establishments.

Greenberg Gibbons announced in the fall 2016 the acquisition of Waldorf Station, a proposed 145-acre, mixed-use project in Waldorf. Waldorf Station is planned to include approximately 260,000 square feet of retail and commercial use space, 700 apartments, and 100 townhomes. Greenberg Gibbons plans to develop the site into an open-air, mixed-use development, and will lease and manage the property bringing quality shops and restaurants to the region.

In the summer 2017, Lennar Corporation, the county's second largest homebuilder, announced it had acquired the majority of the remaining undeveloped land in St. Charles. Approximately 2,400 acres of land planned for up to 7,000 entitled residential home sites over 20 years. This purchase is one of the largest acquisitions in the state of Maryland in recent history. The acquisition results in a new partnership between Charles County and the new developer working to improve standards and development guidelines in the planned unit development and make St. Charles more pedestrian-friendly with enhancements such as sidewalks and bike paths. A development

agreement between Lennar and the County will include funding paid on a per unit basis as permits are issued.

In summary, the Fiscal Year 2018 economic outlook for the County is stable. Operating revenues should increase approximately 3.3%. Property Taxes are expected to increase 3% and Income Tax revenue is budgeted to increase 3%. Recordation Tax and Transfer Taxes are budgeted to increase 1.5%.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Charles County, Maryland for its comprehensive annual financial report for the year ended June 30, 2016. This is the fifteenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principle in the United States of America and applicable legal requirements.

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

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

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

Respectfully submitted,



David M. Eicholtz
Director of Fiscal & Administrative Services



William G. DeAtley
Chief of Accounting

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Government Finance Officers Association

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

Presented to

**Charles County Government
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrell

Executive Director/CEO

**CHARLES COUNTY, MARYLAND
GOVERNMENTAL ORGANIZATION
CERTAIN ELECTED AND APPOINTED OFFICIALS
As of June 30, 2017**

CERTAIN ELECTED OFFICIALS

President, County Commissioners
County Commissioners

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

County Sheriff

Troy D. Berry

CERTAIN ADMINISTRATIVE OFFICIALS

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

Michael D. Mallinoff, Esq., ICMA-CM
Deborah E. Hall, CPA
Rhonda L. Weaver, Esq.
David M. Eicholtz
Steven Kaii-Ziegler
William D. Stephens
William A. Shreve, Sr.
Eileen B. Minnick
Dina M. Barclay (Acting Director)
Paul M. Rensted
Darrell A. Brown

Independent Public Accountant

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

Bond Counsel

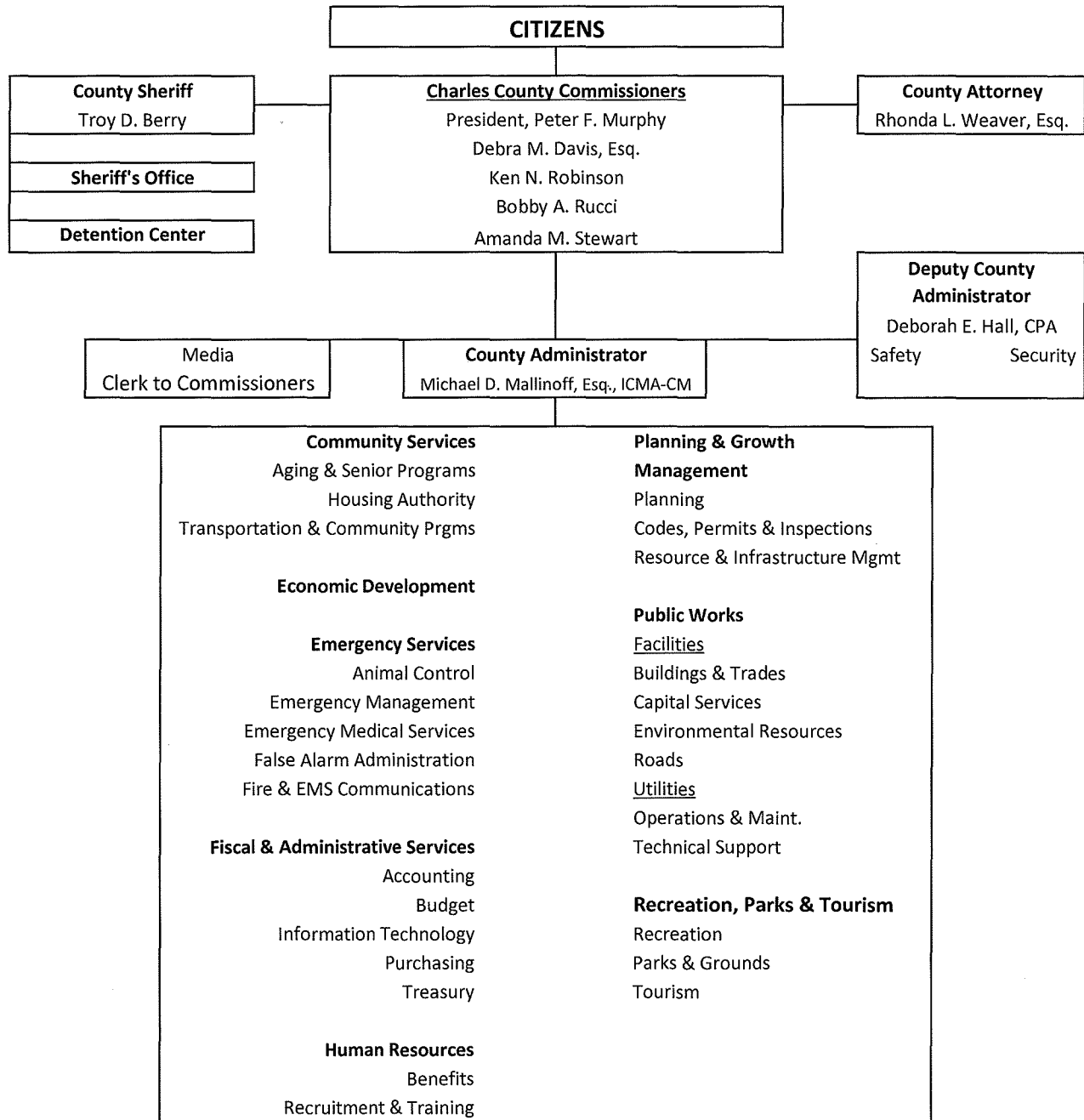
McGuire Woods LLP
7 Saint Paul Street, Suite 100
Baltimore, MD 21201

Financial Advisor

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

CHARLES COUNTY GOVERNMENT ORGANIZATIONAL CHART

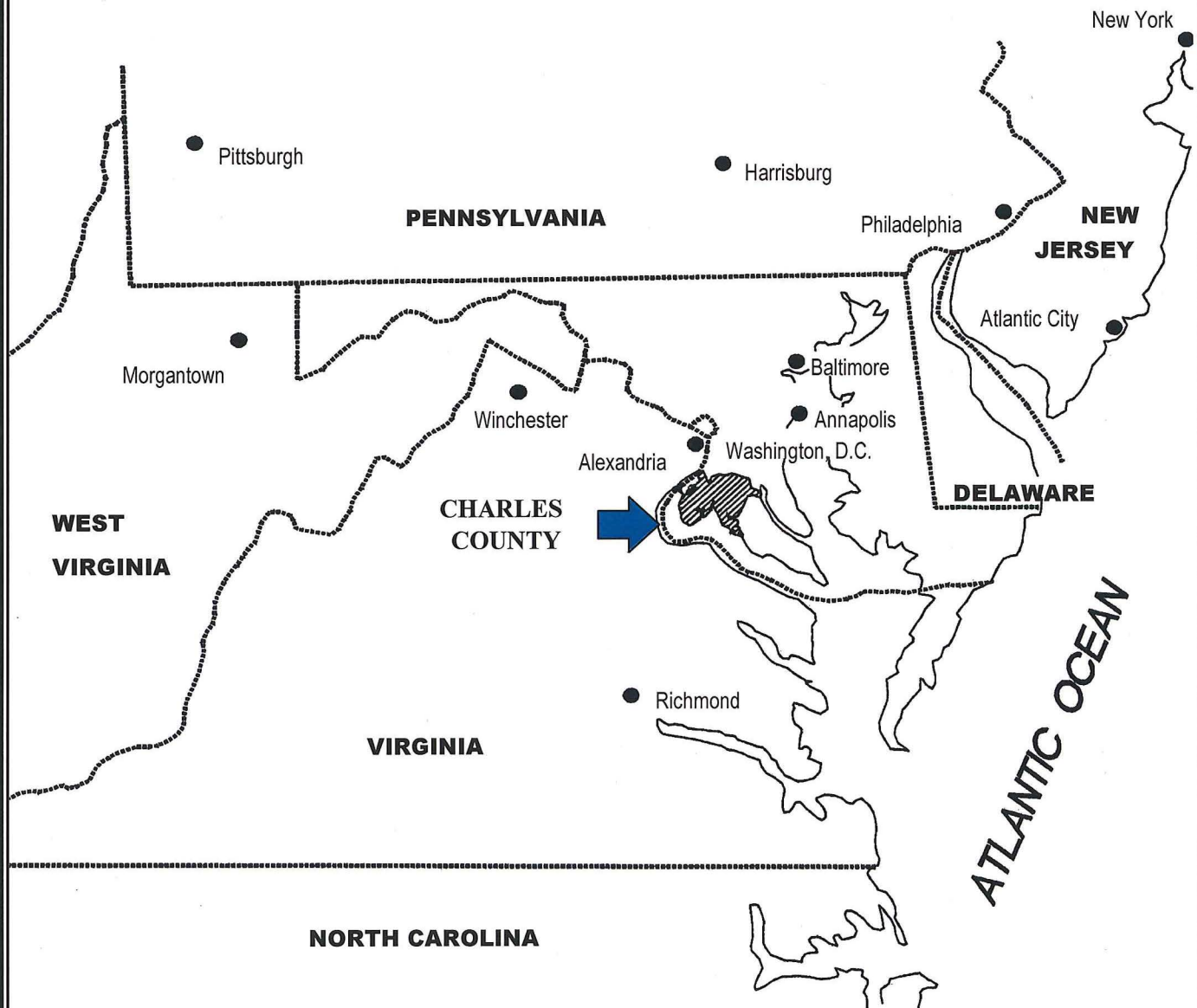
As of June 30, 2017



Other agencies which receive County funding

Public Schools	Board of Fire & Rescue	State's Attorney	Department of Social Services
Community College	Election Board	Circuit Court	University of MD Extension
Libraries	Health Department	Orphan's Court	Soil Conservation

CHARLES COUNTY LOCATION MAP



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

Charles County Government

Our Mission

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

Our Vision

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

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Financial Section



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The County Commissioners of Charles County
La Plata, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County Commissioners of Charles County, Maryland (the County), as of and for the year ended June 30, 2017, 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, 2017, 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.



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Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Hunt Valley, Maryland
December 27, 2017

SB & Company, LLC

Management's Discussion and Analysis (MD&A)

Our discussion and analysis of the financial performance of The County Commissioners of Charles County, Maryland provides an overview of the County's financial activities for the Fiscal Year ended June 30, 2017. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 37), and the accompanying notes to those financial statements (beginning on page 57).

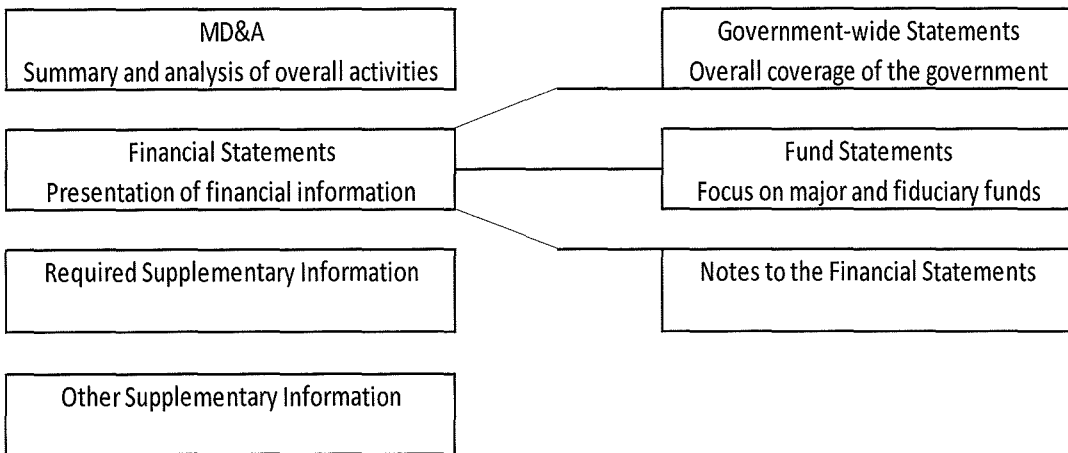
Financial Highlights

- The government-wide assets of Charles County exceeded liabilities at the close of the current fiscal year by \$428.9 million (*net position*).
- The County's statement of activities change in net position was a decrease of \$4.4 million.
- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balance of \$153.6 million, an increase of \$10.8 million from the prior year as stated on page 42. Approximately 18% of this total amount is classified as Non-spendable fund balance, or \$26.9 million. The majority of the total is classified as Restricted, Committed or Assigned fund balance, or \$121.8 million.
- For Fiscal Year 2017, the total Fund Balance for the General Fund equaled \$77.8 million, as shown on page 40. Of that total, \$63.2 million is represented as Committed Fund Balance, including the Fund Balance Policy Target of \$55.9 million. The County's Fund Balance Policy sets a goal to maintain a minimum reserve of 8% of operating revenues.
- A General Fund balance appropriation of \$6.5 million was approved during the course of the year, however favorable expense budget savings negated the use of Fund Balance. In addition, there was greater than budget revenues primarily from collections of Recordation Tax and Transfer Taxes of \$4.2 million. As a result, instead of a Fund Balance decrease of \$6.5 million, an increase of approximately \$8.6 million was experienced.

Overview of the Financial Statements

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

Financial Statement Presentation



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

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

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

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

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

The government-wide financial statements include not only the operations of Charles County Government itself (known as the primary government), but also the legally separate organizations of

the Board of Education of Charles County, Maryland, and the Board of Library Trustees for Charles County, Maryland (component units). The financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 37-39 of this report.

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

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

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

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

Charles County Government maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation in the governmental fund financial statements. The governmental fund financial statements can be found on pages 40-43 of this report.

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

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

provide separate information for the Water and Sewer Fund and Solid Waste Fund, which are considered major funds of the County. The remaining five enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 44-47 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds include four fund types - pension trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any investment trust funds or private-purpose trusts. The three trust funds maintained by the County are the Sheriff's Office Retirement Plan, the County Employees Retirement Plan, and the Other Post Employment Benefit (OPEB) Trust plan. The single agency fund that the County maintains is the Volunteer Emergency Services Length of Services Awards Program (LOSAP) plan. The fiduciary fund financial statements can be found on pages 48-49 of this report.

Notes to the financial statements. The notes provide additional information that is essential to developing a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 57-117 of this report.

Required supplementary information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information that is not considered a part of the financial statements. Included in this section is a budgetary comparison for the General Fund, which demonstrates compliance with the annually adopted budget. This information can be found on pages 121-128 of this report.

Other supplementary information. Other supplementary information includes the Combining Balance Sheet and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance for non-major governmental funds. Also, presented here are the Combining Statement of Net Position, the Combining Statement of Revenues, Expenses, and Changes in Net Position, and the Combining Statement of Cash Flows for the non-major proprietary funds. Lastly, the Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position are presented. These reports can be found on pages 132-155 of this report.

Government-wide Financial Analysis

As noted earlier, trend analysis of net position may serve as a useful indicator of a government's financial position. In Charles County, assets exceeded liabilities by \$428.9 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, \$501.4 million, reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets

themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (16%) represents resources that are subject to external restrictions on how they may be used.

Net Position
As of June 30, 2017 and 2016
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 236,997	\$ 224,624	\$ 67,686	\$ 58,536	\$ 304,683	\$ 283,160
Capital assets, net of depreciation	487,178	502,025	253,985	238,560	741,163	740,585
Total assets	<u>724,175</u>	<u>726,649</u>	<u>321,671</u>	<u>297,096</u>	<u>1,045,846</u>	<u>1,023,745</u>
Deferred Outflows of						
Resources	48,292	51,288	-	1,149	48,292	52,437
Total Assets and Deferred						
Outflows of Resources	<u>772,467</u>	<u>777,937</u>	<u>321,671</u>	<u>298,245</u>	<u>1,094,138</u>	<u>1,076,182</u>
Non-current liabilities	472,912	467,258	123,929	119,172	596,841	586,430
Other liabilities	27,997	37,831	7,484	7,452	35,481	45,283
Total liabilities	<u>500,908</u>	<u>505,089</u>	<u>131,413</u>	<u>126,624</u>	<u>632,322</u>	<u>631,713</u>
Deferred Inflows of						
Resources	32,858	11,145	-	-	32,858	11,145
Total Liabilities and Deferred						
Inflows of Resources	<u>533,766</u>	<u>516,234</u>	<u>131,413</u>	<u>126,624</u>	<u>665,179</u>	<u>642,858</u>
Net position:						
Net investment in capital assets	345,034	362,534	156,383	148,865	501,417	511,399
Restricted	69,515	67,035	-	-	69,515	67,035
Unrestricted	<u>(175,848)</u>	<u>(167,865)</u>	<u>33,875</u>	<u>22,756</u>	<u>(141,973)</u>	<u>(145,109)</u>
Total net position	<u>\$ 238,701</u>	<u>\$ 261,704</u>	<u>\$ 190,258</u>	<u>\$ 171,621</u>	<u>\$ 428,959</u>	<u>\$ 433,325</u>

Changes in Net Position
Years ended June 30, 2017 and 2016
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues:						
Charges for services	\$ 17,360	\$ 20,599	\$ 58,549	\$ 56,797	\$ 75,909	\$ 77,396
Operating grants & contributions	20,443	32,236	1,058	990	21,501	33,226
Capital grants & contributions	3,617.1	1,305	4.9	105	3,622.0	1,411
General revenues:						
Property taxes	234,671	223,239	-	-	234,671	223,239
Other taxes	152,380	160,874	-	-	152,380	160,874
Other	9,053	9,906	12,699	587	21,751	10,493
Total revenues	<u>437,523</u>	<u>448,160</u>	<u>72,311</u>	<u>58,480</u>	<u>509,834</u>	<u>506,640</u>
Program expenses:						
General government	19,547	17,913	-	-	19,547	17,913
Public safety	120,942	106,251	-	-	120,942	106,251
Education	186,841	185,562	-	-	186,841	185,562
Judicial	6,939	6,568	-	-	6,939	6,568
Health	4,300	3,416	-	-	4,300	3,416
Social services	2,268	1,959	-	-	2,268	1,959
Community services	20,694	20,638	-	-	20,694	20,638
Recreation, Parks & Tourism	7,667	-	-	-	7,667	-
Economic development	1,958	2,234	-	-	1,958	2,234
Public facilities	70,661	52,083	-	-	70,661	52,083
Water and sewer	-	-	35,515	31,741	35,515	31,741
Solid waste	-	-	4,854	3,916	4,854	3,916
Other	17,968	18,994	14,045	12,917	32,013	31,911
Total expenses	<u>459,784</u>	<u>415,618</u>	<u>54,416</u>	<u>48,575</u>	<u>514,199</u>	<u>464,192</u>
Excess(deficit) before transfers	(22,261)	32,542	17,896	9,905	(4,365)	42,448
Net transfers	<u>(742)</u>	<u>(879)</u>	<u>742</u>	<u>879</u>	<u>-</u>	<u>-</u>
Change in net position	(23,003)	31,663	18,637	10,784	(4,365)	42,448
Net position - beginning of year	<u>261,704</u>	<u>230,041</u>	<u>171,621</u>	<u>160,837</u>	<u>433,325</u>	<u>390,878</u>
Net position - end of year	<u>\$ 238,701</u>	<u>\$ 261,704</u>	<u>\$ 190,258</u>	<u>\$ 171,621</u>	<u>\$ 428,959</u>	<u>\$ 433,326</u>

Overall, the financial position of Charles County decreased nearly 1% compared to Fiscal Year 2016. As shown on the table on page 25, total revenues increased from \$506.6 million in Fiscal Year 2016 to \$509.8 million in Fiscal Year 2017. Property taxes increased by \$11.4 million. The County's Other taxes decreased by \$8.5 million due to decreases in Excise Tax and Income Tax revenue. Program expenses increased from \$464.2 million in FY2016 to \$514.2 million in Fiscal Year 2017. A decrease in net position of \$4.4 million was experienced when all funds are combined, as indicated on page 25.

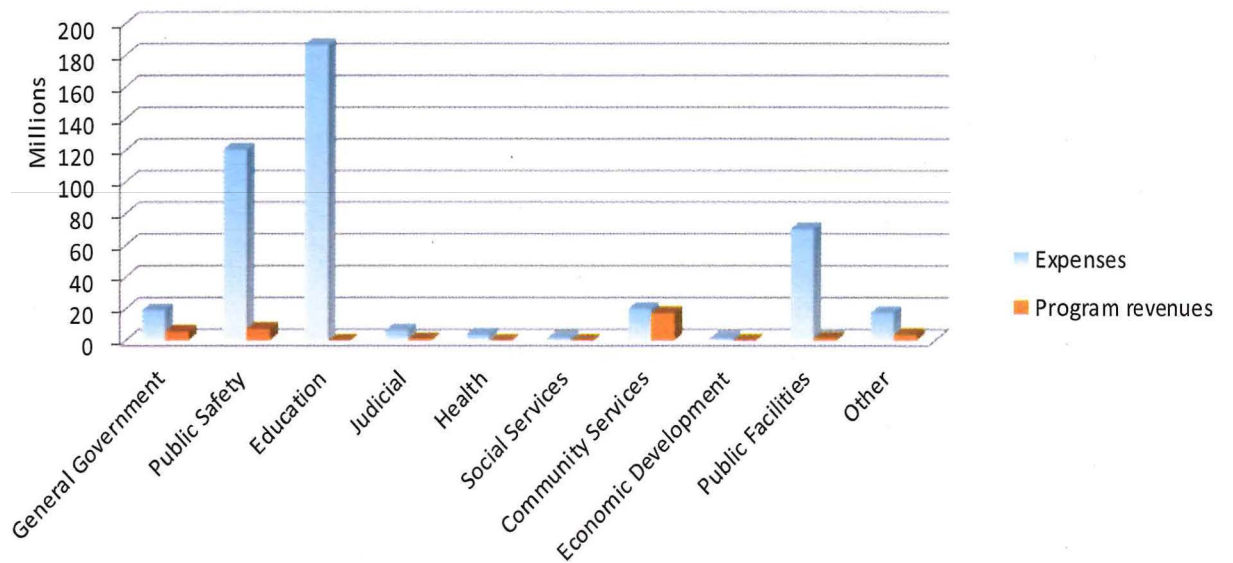
To aid in the understanding of the Statement of Activities (pages 38-39), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expenses)/Revenue and Changes in Net Position. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues, or if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

A decrease in overall net position of \$4.4 million was experienced, as indicated on page 25. Total expenditures of \$514.2 million were partially offset by program related service fees, grants, and other contributions of \$101.0 million. The remaining \$413.2 million in expenditures were primarily funded through non-program revenue sources, primarily property and income taxes.

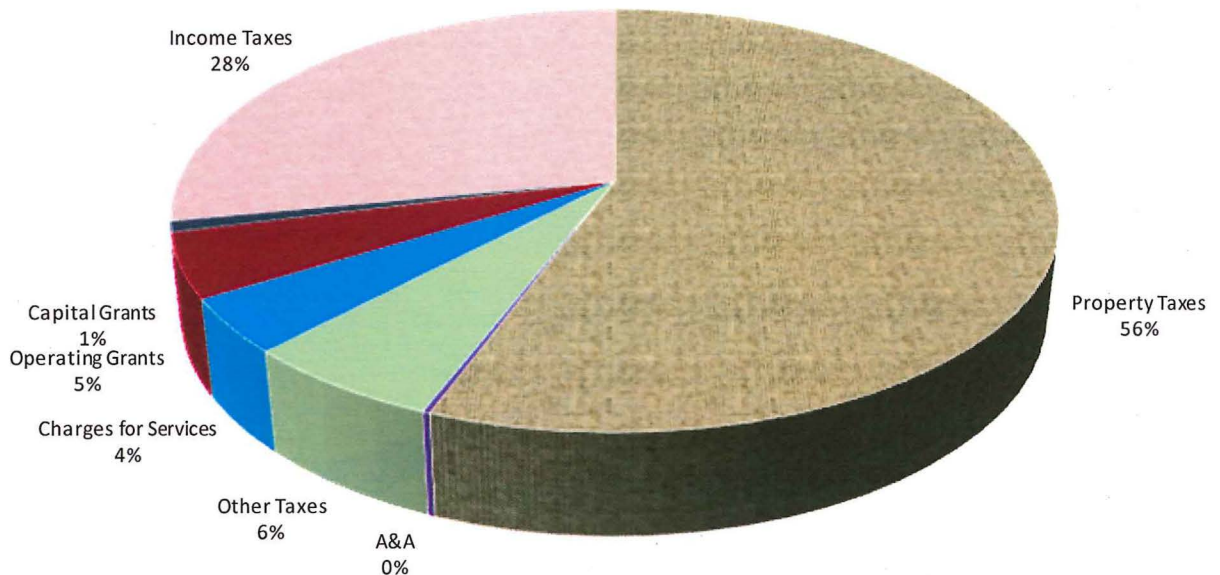
Governmental activities. Governmental-type activities, as expected, operated at a \$418.4 million loss, primarily due to Education and Public Safety. As depicted in the bar chart on the next page, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately \$300.0 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 \$54.4 million of the total \$514.2 million expended, or approximately 10% of the total, and finished the fiscal year with an operating gain of \$18.6 million.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2017)



General and Program Governmental Revenues by Source - Governmental Activities (Year Ended June 30, 2017)



Business-type activities. The Water and Sewer Fund is considered a major fund for reporting purposes. The user fee rate structure is a tiered method. For Fiscal Year 2017, the rates increased for each tier. The residential rate for water is \$3.60 for the first 18,000 gallons, an increase of 27 cents. The residential rate for water is \$7.20 from 18,001 to 24,000 gallons, an increase of 54 cents. The residential rate for water is \$10.80 for 24,000 gallons and above, an increase of 81 cents. The residential sewer rate is \$7.13, and is capped at 24,000 gallons. The commercial/multi-family rate for water is \$4.50, up 32 cents, and sewer is \$7.13 per 1,000 gallons.

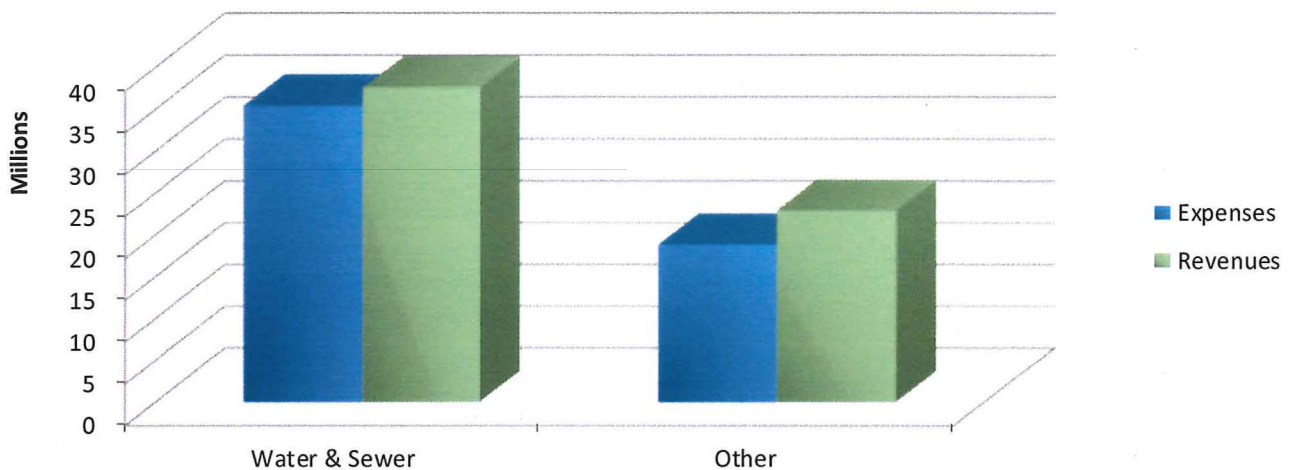
The Solid Waste Fund is considered a major fund for reporting purposes. The County owns and operates a landfill. The primary source of revenue is derived from tipping fees. The fee of \$75 per ton for commercial and residential refuse was increased by \$5 compared to Fiscal Year 2016. The County has opened the fourth expansion of the existing landfill site to accommodate local County waste.

In conjunction with the landfill operation, the County also operates recycling and environmental programs. The recycling operation helps keep reusable items out of the landfill, thus extending the life, which, in turn, defrays the cost of the landfill and defers the need for additional sites. The recycling and environmental programs are funded by an annual user fee of \$99 assessed on each improved property in the County. This was increased by eleven dollars compared to Fiscal Year 2016.

On May 2, 2012, the Governor signed into law a requirement that the ten most populated jurisdictions in Maryland establish a watershed protection and restoration program and a stormwater remediation fee by July 1, 2013 (State Law (2012 Session – HB 987)). The main purpose of the program and fee is to provide a funding source to address requirements of the County's stormwater management permit, issued by the Maryland Department of the Environment. The County was already funding part of these expenditures through a stormwater component of the Environmental Service fee, as mentioned above. The fee established for Fiscal Year 2017 was \$39, an increase of four dollars compared to Fiscal Year 2016. The fee is charged annually to each improved property within the County. The Maryland legislature passed SB 863, the Watershed Protection and Restoration Program, that placed governance on counties and municipalities to regulate their own stormwater fee starting in Fiscal Year 2016.

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

Business-type Summary - Expenses and Revenues



Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$153.6 million, an increase of \$10.8 million in comparison with the prior year. The general fund increased by \$8.6 million primarily due to expenditure savings. The special revenue funds increased by \$1.5 million. This was attributed, primarily to the Cable Franchise Fund, as indicated on pages 144-146. The County's governmental fund balances as of June 30, 2017 includes General Fund reserves of \$1.8 million for inventory and Capital Project reserves of \$6.2 million for capital outlay with the balance of funds as indicated on page 93. The governmental fund balances of the County that are committed or assigned and the largest components include \$3.8 million for worker's compensation insurance and \$55.9 million as the policy target for bond rating.

The General Fund is the chief operating fund of the Charles County Government. At the end of the current fiscal year, non-spendable and restricted fund balance was \$4.2 million, and the committed fund balance, including the policy target, was \$63.2 million. The assigned fund balance for specific purposes was \$5.7 million, while the unassigned fund balance was \$4.7 million, for a total fund balance of \$77.8 million.

The Capital Project Fund experienced an increase of \$3.1 million during the current fiscal year. The County issues debt annually to fund multi-year capital projects, therefore, a fluctuation in fund

balance is to be expected as bond proceeds are used.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$9.8 million. The unrestricted net position for the County's Solid Waste Fund was \$22.0 million. Unrestricted net position of all proprietary funds was \$33.8 million. There was a total increase in net position for all proprietary funds in the amount of \$18.6 million.

General Fund Budgetary Highlights

The Fiscal Year 2017 General Fund Operating Budget was adopted at \$375.5 million. Budget amendments approved during the year equaled \$4.4 million, increasing the budget to an amended total of \$379.9 million. The Budget provided funds to the local Board of Education exceeding the State mandated "Maintenance-of-Effort" by \$4.0 million to support salary raises for teachers and other public school employees.

A General Fund balance appropriation of \$6.5 million was approved during the course of the year, however favorable expense budget savings negated the use of Fund Balance. In addition, there was greater than budget revenues primarily from collections of Recordation Tax and Transfer Taxes of \$4.2 million. As a result, instead of a Fund Balance decrease of \$6.5 million, an increase of approximately \$8.6 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, 2017, amounts to \$741.2 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 just under 1% (a less than 3% decrease for governmental activities and a 6.5% increase for business-type activities).

Capital Assets
(net of depreciation)
June 30, 2017 and 2016
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Land (not depreciated)	\$ 80,880	\$ 78,206	\$ 2,174	\$ 2,174	\$ 83,054	\$ 80,380
Construction in progress (not depreciated)	53,822	60,885	87,858	73,089	141,680	133,974
Land improvements	12,659	9,710	7,035	7,357	19,695	17,067
Infrastructure	224,382	237,499	118,081	115,223	342,463	352,722
Buildings and improvements	86,187	86,456	7,835	8,217	94,022	94,673
Machinery and equipment	22,982	25,399	29,494	30,985	52,476	56,384
Vehicles	6,265	3,870	1,509	1,514	7,774	5,384
Total	<u>\$ 487,178</u>	<u>\$ 502,025</u>	<u>\$ 253,985</u>	<u>\$ 238,559</u>	<u>\$ 741,163</u>	<u>\$ 740,584</u>

Additional information on the County's capital assets can be found in Note 3 on pages 77-82 of this report.

Long-term debt. At the end of the current fiscal year, the County had notes and bonds outstanding of \$340.4 million, which are backed by the full faith and credit of the County.

Outstanding Debt
General Obligation Bonds and Notes Payable
June 30, 2017 and 2016
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 248,962	\$ 254,571	\$ 84,333	\$ 80,608	\$ 333,295	\$ 335,179
Notes payable	13	1,367	7,083	7,824	7,096	9,191
Total	<u>\$ 248,975</u>	<u>\$ 255,938</u>	<u>\$ 91,416</u>	<u>\$ 88,432</u>	<u>\$ 340,391</u>	<u>\$ 344,370</u>

The County's total debt during Fiscal Year 2017 decreased by \$3.9 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 results in a rapid pay down of debt and has provided the County with the ability to issue new debt without a large negative fiscal impact.

The County recently announced that all three major national bond rating agencies have reaffirmed the County's strong bond ratings for second consecutive year. Charles County has held the "AAA", the highest possible, from S&P Global Ratings (formerly Standard and Poor's) since 2015. Moody's Investors Service has assigned the "Aaa" rating since 2016. Fitch Ratings has rated the County as "AAA" since 2010. S&P Global Ratings stated Charles County's budgetary performance is strong, while Moody's evaluation cited the "Aaa" rating is based on the ongoing expansion of the county's large tax base and growing revenue streams resulting in consistently favorable operating performance and stable reserves.

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County may also authorize the issuance of general obligation and revenue bonds by enacting public local laws. There is no statutory limit on the amount of general obligation or revenue bonds that may be authorized by the County Commissioners. As of the end of Fiscal Year 2017, the County currently has \$201,743,100 of general obligation bond authority.

State statutes limit the amount of general obligation debt a governmental entity may issue for water, sewer, and solid waste infrastructure to ten percent of its total assessed valuation. This debt is typically backed first by revenue bonds from the various enterprise funds and second by the full faith and credit of the County. The current water, sewer, and solid waste debt limitation for Charles County is \$1.7 billion, which significantly exceeds the County's current outstanding general obligation debt related to revenue bonds. Additional information on the County's long-term debt can be found in Note 3 on pages 85-89 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Fiscal Year 2018 General Fund Budget was adopted at \$391,452,100, representing a 4.2% increase compared to FY2017.
- In Fiscal Year 2018, the County's largest revenue source, Property Tax, was budgeted at \$218.8 million, representing an increase of 3.4% compared to the Fiscal Year 2017 Adopted Budget. The second largest revenue source, Income Tax, was adopted at \$124.2 million, a 3% increase compared to the Fiscal Year 2017 Adopted Budget. Recordation and Transfer taxes were budgeted to increase by 1.5% in comparison to Fiscal Year 2017. A Fund Balance appropriation of \$4.3 million was also approved to balance the budget representing a slight increase over the adopted FY2017 use of Fund Balance.
- The County experienced a slight increase in property tax assessments and held constant the property tax rates.
- The local Income Tax rate remained the same at 3.03% of Maryland taxable income.
- Expense budgets increased in total by 4.3% compared to the Fiscal Year 2017 Budget. Our largest budget priority, Public Education, will be receiving \$4.7 million more than

the Maintenance of Effort level required by law. The Board of Education (BOE) will receive \$175.5 million, \$5 million more than Fiscal Year 2017 which includes funding to support salary raises for teacher and other public schools employees; as well as to assist in funding new English language learners and Special Education positions. The Sheriff's Office and related functions will receive a total funding of \$87.2 million, a 5.5% increase compared to Fiscal Year 2017 to support hiring one additional narcotics officer to address the opioid crisis, capital/equipment purchases, and a salary increase for staff. Our steady and consistent funding in the police force clearly has helped in our fight against crime and provides for a safer community. Other highlights include, the Department of Emergency Services being approved for five new Emergency Medical Service (EMS) employees, to improve public safety services in underserved areas of the county, a 6% overall county department budget increase which includes salary raises for eligible employees and capital/equipment purchases to improve operating efficiencies, and the Department of Health will receive additional funding to address the opioid crisis which includes two peer recovery specialist positions. The Fiscal Year 2018 budget will maintain the county's fund balance reserve within policy limits of 8-15% of total budgeted operating revenues.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2018.

Requests for Information

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

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

Please visit our website at www.charlescountymd.gov

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Basic Financial Statements

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
ASSETS:				
Cash and cash equivalents	\$ 14,134,275	\$ 755,689	\$ 14,889,964	\$ 61,505,248
Short-term investments	172,195,378	-	172,195,378	-
Other receivables	35,137,813	7,909,328	43,047,141	10,205,263
Excise tax receivable	40,264,465	-	40,264,465	-
Taxes receivable	4,451,293	-	4,451,293	-
Internal balances	(58,337,645)	58,337,645	-	-
Inventory	1,826,336	497,052	2,323,388	404,435
Other current assets	805,259	97,824	903,083	34,754
Restricted assets:				
Restricted cash and cash equivalents	2,186,571	88,411	2,274,982	-
Restricted notes receivable	24,333,551	-	24,333,551	-
Capital assets, net of accumulated depreciation:				
Land	80,879,939	2,174,186	83,054,125	17,805,499
Construction in progress	53,821,919	87,857,819	141,679,738	7,400,318
Land improvements	12,659,457	7,035,149	19,694,606	5,320,135
Infrastructure	224,381,870	118,080,980	342,462,850	-
Buildings and improvements	86,187,094	7,834,530	94,021,624	284,303,209
Machinery and equipment	22,981,914	29,494,085	52,475,999	7,647,252
Vehicles	6,265,323	1,508,566	7,773,889	-
Total assets	<u>724,174,812</u>	<u>321,671,264</u>	<u>1,045,846,076</u>	<u>394,626,113</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Charges on bond refundings	2,664,589	-	2,664,589	-
Changes in pension plan assumptions	18,476,826	-	18,476,826	2,293,484
Differences between expected and actual experience	6,268,257	-	6,268,257	-
Difference between projected and actual earnings on pension plan investments	20,882,607	-	20,882,607	7,652,807
Total deferred outflows	<u>48,292,279</u>	<u>-</u>	<u>48,292,279</u>	<u>9,946,291</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>772,467,091</u>	<u>321,671,264</u>	<u>1,094,138,355</u>	<u>404,572,404</u>
LIABILITIES:				
Accounts payable	6,286,005	4,149,836	10,435,841	8,689,390
Accrued expenses	13,304,531	2,009,643	15,314,174	25,491,234
Unearned revenue	4,359,084	1,236,385	5,595,469	3,433,785
Other liabilities	4,047,129	88,411	4,135,540	3,130,949
Noncurrent liabilities:				
Due within one year	30,008,811	10,347,163	40,355,974	1,305,448
Due in more than one year	442,902,843	113,581,787	556,484,630	205,857,850
Total liabilities	<u>500,908,403</u>	<u>131,413,224</u>	<u>632,321,627</u>	<u>247,908,656</u>
DEFERRED INFLOWS OF RESOURCES:				
Changes in Pension plan assumptions	4,866,006	-	4,866,006	1,461,396
Differences between expected and actual experience	12,247,052	-	12,247,052	2,058,827
Difference between projected and actual earnings on pension plan investments	15,744,611	-	15,744,611	-
Total deferred inflows	<u>32,857,669</u>	<u>-</u>	<u>32,857,669</u>	<u>3,520,223</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>533,766,072</u>	<u>131,413,224</u>	<u>665,179,296</u>	<u>251,428,879</u>
NET POSITION:				
Net Investment in capital assets	345,033,818	156,383,005	501,416,823	319,204,286
Restricted for grants	-	-	-	1,505,562
Restricted for:				
Capital projects	32,195,851	-	32,195,851	-
Debt service	26,846,633	-	26,846,633	-
Cable franchise	5,797,325	-	5,797,325	-
Public housing	317,802	-	317,802	-
Public safety	1,633,506	-	1,633,506	-
Conservation of natural resources	1,227,212	-	1,227,212	-
Economic development	878,388	-	878,388	-
Mental health	221,782	-	221,782	-
Transportation	206,508	-	206,508	-
Judicial	60,079	-	60,079	-
Aging services	117,670	-	117,670	-
Planning	12,136	-	12,136	-
Unrestricted	<u>(175,847,690)</u>	<u>33,875,032</u>	<u>(141,972,658)</u>	<u>(167,566,323)</u>
Total net position	<u>\$ 238,701,019</u>	<u>\$ 190,258,037</u>	<u>\$ 428,959,056</u>	<u>\$ 153,143,525</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Legislative	\$ 1,704,530	\$ 68,314	\$ -	\$ -
Judicial	6,938,558	-	1,286,980	7,482
Law	894,539	48,105	-	-
General government	19,547,217	5,875,101	35,633	48,262
Elections	1,288,076	-	-	-
Public safety	120,941,630	3,930,289	3,702,442	118,649
Planning and growth management	3,514,652	3,880,674	10,185	-
Health	4,299,942	60,573	-	-
Social services	2,267,949	-	-	-
Community services	20,693,915	1,900,772	14,159,693	1,667,579
Recreation, Parks & Tourism	7,667,205	1,082,031	909,604	748,349
Public facilities	70,661,386	514,099	223,238	1,026,768
Economic development	1,957,525	-	56,604	-
Education	186,840,966	-	-	-
Conservation of natural resources	650,295	-	58,784	-
Interest expense on long term debt	9,915,666	-	-	-
Total governmental activities	459,784,050	17,359,957	20,443,163	3,617,089
Business-type activities:				
Water and sewer	35,515,466	36,673,156	985,848	4,947
Inspection and review	3,875,427	3,990,462	-	-
Recreation	3,135,252	2,762,020	60,391	-
Solid waste	4,854,293	7,704,446	-	-
Environmental services	4,813,704	5,241,286	12,000	-
SW-Watershed Protection	2,053,754	2,033,628	-	-
Vending machines	167,146	144,290	-	-
Total business-type activities	54,415,042	58,549,288	1,058,238	4,947
Total primary government	\$ 514,199,092	\$ 75,909,245	\$ 21,501,401	\$ 3,622,036
COMPONENT UNITS:				
Board of Education of Charles County, Maryland	\$ 421,350,274	\$ 5,967,686	\$ 100,483,593	\$ 13,999,452
Board of Library Trustees for Charles County	7,359,039	105,436	62,116	-
Total component units	\$ 428,709,313	\$ 6,073,122	\$ 100,545,709	\$ 13,999,452

General revenues:

Taxes:

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

State shared revenue - Unrestricted

County and state appropriations

Other income

Interest and investment earnings

Net transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

See accompanying notes.

Net (Expenses)Revenues and Changes in Net Position				
Primary Government				
Governmental Activities	Business- type Activities	Total	Component Units	
\$ (1,636,216)	\$ -	\$ (1,636,216)	\$ -	-
(5,644,097)	-	(5,644,097)	-	-
(846,434)	-	(846,434)	-	-
(13,588,221)	-	(13,588,221)	-	-
(1,288,076)	-	(1,288,076)	-	-
(113,190,250)	-	(113,190,250)	-	-
376,208	-	376,208	-	-
(4,239,369)	-	(4,239,369)	-	-
(2,267,949)	-	(2,267,949)	-	-
(2,965,871)	-	(2,965,871)	-	-
(68,897,281)	-	(68,897,281)	-	-
(1,900,922)	-	(1,900,922)	-	-
(186,840,966)	-	(186,840,966)	-	-
(591,511)	-	(591,511)	-	-
(9,915,666)	-	(9,915,666)	-	-
(418,363,842)	-	(413,436,621)	-	-
-	2,148,485	2,148,485	-	-
-	115,035	115,035	-	-
-	(312,841)	(312,841)	-	-
-	2,850,153	2,850,153	-	-
-	439,582	439,582	-	-
-	(20,126)	(20,126)	-	-
-	(22,856)	(22,856)	-	-
-	5,197,431	5,197,431	-	-
(418,363,842)	5,197,431	(408,239,189)	-	-
-	-	-	(300,899,543)	-
-	-	-	(7,191,487)	-
-	-	-	(308,091,030)	-
234,670,748	-	234,670,748	-	-
8,309,823	-	8,309,823	-	-
892,398	-	892,398	-	-
15,836,572	-	15,836,572	-	-
6,982,932	-	6,982,932	-	-
1,324,307	-	1,324,307	-	-
118,080,824	-	118,080,824	-	-
952,802	-	952,802	-	-
-	-	-	288,972,732	-
5,900,262	12,571,254	18,471,516	2,370,488	-
3,152,433	126,385	3,278,817	188,493	-
(742,266)	742,266	-	-	-
395,360,833	13,439,905	408,800,739	291,531,713	-
(23,003,009)	18,637,336	(4,365,673)	(16,559,317)	-
261,704,028	171,620,700	433,324,728	153,143,525	-
\$ 238,701,019	\$ 190,258,037	\$ 428,959,055	\$ 136,584,208	-

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 13,961,898	\$ -	\$ -	\$ 172,377	\$ 14,134,275
Investments	172,195,378	-	-	-	172,195,378
Other receivables	27,031,692	3,296,361	3,178	4,806,582	35,137,813
Excise tax receivable	-	-	40,264,465	-	40,264,465
Taxes receivable	4,451,293	-	-	-	4,451,293
Due from other funds	-	41,704,918	2,500,983	9,492,743	53,698,645
Inventory	1,826,336	-	-	-	1,826,336
Other assets	798,121	-	-	7,137	805,259
Restricted assets					
Restricted cash and cash equivalents	1,310,606	-	-	875,965	2,186,571
Restricted notes receivable	-	-	24,333,551	-	24,333,551
Total assets	\$ 221,575,324	\$ 45,001,280	\$ 67,102,177	\$ 15,354,804	\$ 349,033,586
LIABILITIES AND FUND BALANCES:					
Accounts payable	\$ 2,095,565	\$ 2,681,520	\$ -	\$ 1,508,920	\$ 6,286,005
Accrued expenditures	2,278,695	-	-	180,983	2,459,678
Unearned revenue	132,352	3,919,255	3,178	304,298	4,359,084
Due to other funds	110,696,461	-	-	1,339,828	112,036,289
Other liabilities	2,499,373	-	-	1,547,756	4,047,129
Payable from restricted assets	1,500,248	-	-	-	1,500,248
Total liabilities	119,202,694	6,600,776	3,178	4,881,784	130,688,433
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	24,507,016	-	40,252,366	-	64,759,382
Fund balances:					
Nonspendable fund balance	2,612,616	-	24,333,551	-	26,946,166
Restricted fund balance	1,571,097	6,204,653	-	3,800,507	11,576,256
Committed fund balance	63,196,702	29,334,330	-	-	92,531,032
Assigned fund balance	5,713,044	2,861,521	2,513,082	6,672,514	17,760,161
Unassigned fund balance	4,772,156	-	-	-	4,772,156
Total fund balances	77,865,614	38,400,504	26,846,633	10,473,021	153,585,771
Total liabilities & fund balances	\$ 221,575,324	\$ 45,001,280	\$ 67,102,177	\$ 15,354,805	\$ 349,033,585

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total Governmental Fund Balance	\$ 153,585,771
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	487,177,516
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	(248,961,935)
Loans and notes payable	(13,235)
Capital leases payable	(11,603,309)
Health insurance claims	(679,556)
Worker's Compensation claims	(5,401,020)
Net pension liabilities	(88,552,360)
Accrued interest	(3,264,029)
Net OPEB obligation	(101,609,024)
Unavailable revenue	64,759,382
Deferred outflows and inflows of resources, including charges on refunding and associated with pensions which are not financial resources and therefore are not reported in the funds.	
Changes with charges on refundings	2,664,589
Differences between expected and actual experience	
Changes in pension plan assumptions	13,610,820
Differences between expected and actual experience	(5,978,795)
Difference between projected and actual earnings on pension plan investments	5,137,996
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds	<u>(22,171,791)</u>
Net position of Governmental Activities	<u>\$ 238,701,019</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes - Local property	\$ 210,805,080	\$ -	\$ -	\$ 11,967,757	\$ 222,772,838
Taxes - Income	119,349,494	-	-	-	119,349,494
Taxes - Excise	-	-	8,309,823	-	8,309,823
Taxes - Admissions and Amusement	892,398	-	-	-	892,398
Taxes - Recordation	15,836,572	-	-	-	15,836,572
Taxes - Transfer	6,982,932	-	-	-	6,982,932
Taxes - Hotel/Motel	1,324,307	-	-	-	1,324,307
Taxes - State shared	952,802	-	-	-	952,802
Charges for services	7,965,892	3,442,383	-	5,951,682	17,359,957
Intergovernmental	2,263,509	2,909,654	-	18,887,089	24,060,252
Interest income	1,058,240	-	2,059,593	34,600	3,152,433
Other income	5,542,970	-	398	356,892	5,900,260
Total revenues	372,974,196	6,352,037	10,369,814	37,198,020	426,894,066
Expenditures:					
Current:					
Education	184,550,730	10,348,311	-	1,790,199	196,689,241
Public safety	94,309,291	624,167	-	14,708,565	109,642,022
Other general government	25,111,742	-	41,589	-	25,153,331
Public facilities	13,565,433	13,133,066	-	-	26,698,499
Financial administration	9,614,243	2,062	-	-	9,616,305
Community services	1,983,852	-	-	18,175,793	20,159,645
Recreation, Parks and Tourism	7,376,534	446,423	-	-	7,822,957
Judicial	5,294,582	102,787	-	1,617,049	7,014,417
Planning and growth management	2,802,159	1,415,112	-	100,311	4,317,582
Health	3,296,155	-	-	1,890,382	5,186,537
Economic development	1,769,510	1,061	-	186,954	1,957,525
Social services	1,149,719	-	-	1,118,230	2,267,949
Legislative	1,677,413	-	-	13,044	1,690,457
Law	894,539	-	-	-	894,539
Conservation of natural resources	650,295	-	-	-	650,295
Elections	1,288,076	-	-	-	1,288,076
Debt service:					
Principal	-	-	10,026,845	-	10,026,845
Interest	7,298,925	-	2,741,035	-	10,039,960
Total expenditures	362,633,195	26,072,989	12,809,469	39,600,528	441,116,181
Excess (deficiency) of revenues over (under) expenditures	10,341,000	(19,720,952)	(2,439,655)	(2,402,507)	(14,222,116)
Other financing sources (uses):					
Issuance of debt - capital lease	3,342,500	-	-	-	3,342,500
Issuance of debt - bonds	-	19,945,000	-	-	19,945,000
Premium on issuance of debt	-	2,474,574	-	-	2,474,574
Transfers in	1,317,439	1,719,250	-	3,944,221	6,980,910
Transfers out	(6,388,002)	(1,317,439)	-	(17,735)	(7,723,177)
Total other financing sources (uses)	(1,728,063)	22,821,385	-	3,926,486	25,019,809
Net change in fund balance	8,612,937	3,100,433	(2,439,655)	1,523,979	10,797,693
Fund balance - beginning of year	69,252,677	35,300,071	29,286,288	8,949,042	142,788,078
Fund balance - end of year	\$ 77,865,614	\$ 38,400,504	\$ 26,846,633	\$ 10,473,021	\$ 153,585,771

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, 2017

Net change in fund balance - Governmental Funds	\$ 10,797,693
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	13,315,310
However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(28,163,122)
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.	7,346,743
Governmental funds report revenues based on the availability of the funds. However, in the government-wide statements revenues are recorded based on collectibility.	11,217,981
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Deferred outflows and inflows of resources related to pensions	(24,442,828)
Amortization of deferred charges on bond refundings	(265,955)
Compensated absences	(1,896,430)
Health Self-Insurance Claims - IBNR	67,730
Net pension liabilities	2,769,024
Accrued interest	124,297
Net OPEB current year expense	(13,873,451)
Change in Net Position of Governmental Activities	<u>\$ (23,003,009)</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 200	\$ 2,000	\$ 753,489	\$ 755,689
Other receivables	7,012,630	806,769	89,929	7,909,328
Notes receivable	-	-	-	-
Due from other funds	28,465,067	23,830,300	9,597,410	61,892,776
Inventory	468,401	-	28,650	497,052
Other current assets	1,236	-	96,588	97,824
Total current assets	35,947,534	24,639,069	10,566,066	71,152,669
Noncurrent assets:				
Net capital assets	209,080,927	19,244,492	25,659,894	253,985,312
Restricted cash and cash equivalents	-	88,411	-	88,411
Total noncurrent assets	209,080,927	19,332,903	25,659,894	254,073,723
Total assets	245,028,461	43,971,972	36,225,960	325,226,392
DEFERRED OUTFLOW OF RESOURCES:				
Charges on bond refundings	-	-	-	-
LIABILITIES:				
Current liabilities:				
Accounts payable	2,736,814	454,483	958,539	4,149,836
Accrued expenses	1,527,893	30,045	451,706	2,009,643
Due to other funds	-	-	3,555,131	3,555,131
Unearned revenue	865,167	-	371,218	1,236,385
Current portion of long-term debt				
Bonds payable	6,853,261	31,851	550,848	7,435,960
Capital lease obligation	1,190,640	-	727,832	1,918,472
Compensated absences	175,387	23,622	43,771	242,780
Notes payable	749,951	-	-	749,951
Total current liabilities	14,099,111	540,000	6,659,046	21,298,157
Noncurrent liabilities:				
Bonds payable	59,140,428	576,090	17,180,928	76,897,446
Capital lease obligation	3,343,438	-	763,346	4,106,784
Compensated absences	1,281,212	186,762	299,669	1,767,643
Landfill post-closure costs	-	8,499,188	2,491,567	10,990,755
Net OPEB obligation	11,581,782	1,904,557	-	13,486,339
Notes payable	6,332,820	-	-	6,332,820
Other liabilities	-	88,411	-	88,411
Total noncurrent liabilities	81,679,680	11,255,008	20,735,510	113,670,198
Total liabilities	95,778,791	11,795,009	27,394,556	134,968,356
NET POSITION:				
Net investment in capital assets	139,411,426	10,137,363	6,834,217	156,383,005
Unrestricted	9,838,244	22,039,600	1,997,187	33,875,032
Total net position	\$ 149,249,670	\$ 32,176,963	\$ 8,831,404	\$ 190,258,037

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Operating revenues:				
Charges for services	\$ 36,673,156	\$ 7,704,446	\$ 14,171,686	\$ 58,549,288
Other income	12,554,230	3,144	13,883	12,571,257
Total operating revenues	49,227,386	7,707,590	14,185,569	71,120,545
Operating expenses:				
Personnel services	12,718,127	2,235,255	5,007,443	19,960,825
Utilities	3,075,806	35,906	297,107	3,408,819
Repairs and maintenance	935,461	203,217	303,110	1,441,788
Insurance costs	258,947	12,545	58,235	329,727
Indirect costs	555,200	269,600	90,995	915,795
Supplies	1,834,907	168,677	431,557	2,435,142
Contract services	2,163,653	1,130,034	5,407,204	8,700,891
Other operating costs	3,129,985	92,835	769,737	3,992,556
Depreciation	8,538,519	688,683	1,203,814	10,431,017
Total operating expenses	33,210,604	4,836,754	13,569,202	51,616,561
Operating income	16,016,781	2,870,836	616,367	19,503,984
Nonoperating revenues (expenses):				
Interest income	30,100	79,683	16,601	126,385
Intergovernmental	990,795	-	72,391	1,063,185
Interest expense	(2,306,296)	(17,539)	(476,082)	(2,799,917)
Gain on disposal of capital assets	1,435	-	-	1,435
Total nonoperating revenues (losses)	(1,283,966)	62,144	(387,091)	(1,608,912)
Income before transfers	14,732,815	2,932,980	229,277	17,895,072
Transfers in	-	-	742,266	742,266
Transfers out	-	-	-	-
Change in net position	14,732,815	2,932,980	971,543	18,637,338
Net position - beginning of year	134,516,855	29,243,983	7,859,861	171,620,699
Net position - end of year	\$ 149,249,670	\$ 32,176,963	\$ 8,831,404	\$ 190,258,037

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 49,568,908	\$ 7,707,590	\$ 14,255,182	\$ 71,531,680
Cash paid to suppliers	(9,498,512)	(787,473)	(6,342,938)	(16,628,923)
Cash paid to employees	(12,668,274)	(2,235,944)	(4,845,913)	(19,750,131)
Net cash from operating activities	27,402,122	4,684,173	3,066,331	35,152,626
Cash flows from investing activities:				
Interest received	30,100	79,683	16,601	126,384
Net cash from investing activities	30,100	79,683	16,601	126,384
Cash flows from noncapital financing activities:				
Intergovernmental	990,795	-	72,391	1,063,186
Transfers in (out)	-	-	742,266	742,266
Receipts from interfund loans	(4,508,113)	-	(1,017,145)	(5,525,258)
Repayments of interfund loans	-	(3,831,047)	-	(3,831,047)
Net cash from noncapital financing activities	(3,517,318)	(3,831,047)	(202,488)	(7,550,853)
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	7,000,000	99,000	4,956,000	12,055,000
Principal payments on bonds payable	(6,170,550)	(26,474)	-	(6,197,024)
Principal payments on capital lease obligations	(1,240,776)	-	(1,053,909)	(2,294,685)
Principal payments on loans	(741,058)	-	(700,498)	(1,441,556)
Interest paid	(2,306,296)	(17,539)	-	(2,323,835)
Proceeds from disposal of assets	1,435	-	(476,082)	(474,647)
Cash paid for capital expenses	(20,457,659)	(987,796)	(5,929,902)	(27,375,357)
Net cash from capital and related financing activities	(23,914,904)	(932,809)	(3,204,391)	(28,052,104)
Net increase (decreases) in cash and cash equivalents	-	-	(323,947)	(323,947)
Cash and cash equivalents - beginning of year	200	90,411	1,077,436	1,168,047
Cash and cash equivalents - end of year	\$ 200	\$ 90,411	\$ 753,489	\$ 844,100

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	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	\$ 16,016,781	\$ 2,870,836	\$ 616,367	\$ 19,503,984
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	8,538,519	688,683	1,203,814	10,431,017
Increase (decrease) in compensation-related liabilities included in long-term debt	720,240	(50,149)	2,288	672,379
Increase in landfill closure liabilities included in long-term debt	-	987,787	-	987,787
(Increase) decrease in other receivables	(91,012)	(48,618)	(12,100)	(151,730)
(Increase) decrease in inventories	7,599	-	(5,151)	2,448
(Increase) decrease in other current assets	1,576	-	(7,136)	(5,560)
(Increase) decrease in restricted assets	-	43,898	-	43,898
(Increase) decrease in deferred bond issue costs	656,267	(112,660)	100,462	644,069
Increase (decrease) in accounts payable	(385,266)	(18,577)	574,152	170,309
Increase (decrease) in accrued expenses	19,132	(689)	149,653	168,096
Increase (decrease) in other liabilities	-	74,178	-	74,178
Increase (decrease) in Net OPEB Obligation	1,485,752	249,482	374,367	2,109,601
Increase (decrease) in unearned revenue	432,534	-	69,613	502,147
Net cash from by operating activities	<u>\$ 27,402,122</u>	<u>\$ 4,684,173</u>	<u>\$ 3,066,331</u>	<u>\$ 35,152,626</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Borrowing under capital lease	\$ 3,712,000	\$ -	\$ 263,500	\$ 3,975,500

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017

	Pension and OPEB Trust Funds
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 15,014,522
Interest receivable	156,004
Total current assets	15,170,525
Investments at fair value:	
Bond mutual funds	135,462,100
Equity securities	310,304,723
Total investments	445,766,823
Total assets	460,937,348
LIABILITIES:	
Accrued expenses	60,786
NET POSITION RESTRICTED FOR PENSIONS AND OPEB BENEFITS	\$ 460,876,562

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017

	Pension and OPEB Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	\$ 16,644,827
Employee contributions	5,111,948
Total contributions	<u>21,756,775</u>
Investment earnings:	
Interest	15,988,475
Net change in fair value of investments	34,437,108
Total investment earnings	<u>50,425,583</u>
Less investment expenses	<u>(2,030,756)</u>
Net investment earnings	<u>48,394,827</u>
Total additions	<u>70,151,603</u>
DEDUCTIONS:	
Benefits paid to members	16,257,597
Administrative costs	<u>96,643</u>
Total deductions	<u>16,354,240</u>
Changes in net position	53,797,363
Net position - beginning of year	<u>407,079,199</u>
Net position - end of year	<u><u>\$ 460,876,562</u></u>

See accompanying notes.

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 YEAR ENDED JUNE 30, 2017

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
ASSETS:			
Cash and cash equivalents	\$ 63,134,968	\$ 1,126,523	\$ 64,261,491
Short-term investments	-	-	-
Accounts receivable	5,443,914	15,518	5,459,432
Inventory	323,006	-	323,006
Other assets	-	54,070	54,070
Capital assets			
Land	17,805,499	-	17,805,499
Construction in progress	7,554,440	-	7,554,440
Land improvements	6,818,193	-	6,818,193
Buildings	285,131,114	-	285,131,114
Machinery, furniture and equipment	6,560,776	965,554	7,526,330
Total assets	<u>392,771,910</u>	<u>2,161,665</u>	<u>394,933,575</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in pension plan assumptions	1,553,651	-	1,553,651
Difference between projected and actual earnings on pension plan investments	2,522,463	-	2,522,463
Total deferred outflows of resources	<u>4,076,114</u>	<u>-</u>	<u>4,076,114</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>396,848,024</u>	<u>2,161,665</u>	<u>399,009,689</u>
LIABILITIES:			
Accounts payable	7,469,841	32,417	7,502,258
Accrued expenses	25,504,163	175,849	25,680,012
Unearned revenue	3,831,514	965	3,832,479
Other liabilities	2,406,332	-	2,406,332
Non-current liabilities:			
Due within one year	1,172,445	-	1,172,445
Due in more than one year	211,358,767	4,235,308	215,594,075
Total liabilities	<u>251,743,062</u>	<u>4,444,539</u>	<u>256,187,601</u>
DEFERRED INFLOWS OF RESOURCES:			
Changes in pension plan assumptions	1,282,091	-	1,282,091
Differences between expected and actual experience	4,955,789	-	4,955,789
Total deferred inflows of resources	<u>6,237,880</u>	<u>-</u>	<u>6,237,880</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>257,980,942</u>	<u>4,444,539</u>	<u>262,425,481</u>
NET POSITION:			
Net investment in capital assets	322,448,567	965,554	323,414,121
Restricted for grants	573,453	-	573,453
Unrestricted (deficit)	(184,154,938)	(3,248,428)	(187,403,366)
Total net position	<u>\$ 138,867,082</u>	<u>\$ (2,282,874)</u>	<u>\$ 136,584,208</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 YEAR ENDED JUNE 30, 2017

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	\$ 421,350,274	\$ 5,967,686	\$ 100,483,593	\$ 13,999,452
Board of Library Trustees for Charles County	7,359,039	105,436	62,116	-
Total component units	\$ 428,709,313	\$ 6,073,122	\$ 100,545,709	\$ 13,999,452

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
\$ (300,899,543)	\$ -	\$ (300,899,543)
-	(7,191,487)	(7,191,487)
(300,899,543)	(7,191,487)	(308,091,030)
282,542,779	6,429,953	288,972,732
-	24,828	24,828
181,633	6,860	188,493
2,329,314	16,346	2,345,660
-	-	-
285,053,726	6,477,987	291,531,713
(15,845,817)	(713,500)	(16,559,317)
154,712,899	(1,569,374)	153,143,525
\$ 138,867,082	\$ (2,282,874)	\$ 136,584,208

See accompanying notes.

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

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 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. GASB has further clarified additional considerations with GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB No. 14*.

The Board of Education of Charles County, Maryland (the Board of Education) is a legally separate organization created by Maryland state law to operate the County's public school system. Management of the County's schools is under the control of the Board of Education, with the final decision-making authority held by the State Board of Education. The members of the Board of Education are elected by the residents of Charles County every four years. The Board of Education is financially reliable upon Charles County Government approving their annual budget and establishing spending limitations. The County Commissioners are responsible for levying

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

taxes and collecting and distributing the funds to the Board within the entire annual budget process. The Board is unable to issue bonded debt, thus the County can and does to finance Board capital projects. Therefore, the County has the ability to impose their will on the organization, as well as the Board having the potential to impose a financial benefit/burden on the County. The Board of Education is presented as a governmental fund type. The County provided \$170,474,500 in operating funds and \$9,826,826 in capital funding to the Board of Education during fiscal year 2017.

The Board of Library Trustees for Charles County, Maryland (the Library) is a legally separate entity under Maryland state law. The Library's Trustees, a seven member Board, are appointed by the County Commissioners and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the elected County Commissioners. The Library is presented as a governmental fund type. The County provided \$3,597,840 in operating funds to the Library during fiscal year 2017.

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

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

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

B. Basic Financial Statements

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

Government-wide Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

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 through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function of a business-type activity. The operating grants column indicates operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.), which are not properly included among program revenues.

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

Fund Financial Statements

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

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

1. Governmental Funds:

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

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

2. Proprietary Funds:

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

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

3. Fiduciary Funds:

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

The County's fiduciary and pension trust funds account for the retirement benefits for the Charles County, Maryland Sheriff's Office Retirement Plan, the County Employees Retirement Plan, the Volunteer Fireman/EMS Associations LOSAP plan, and the OPEB Trust plan. Since, by definition, these assets are held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. They are presented in the fiduciary fund financial statements.

C. Basis of Accounting and Measurement Focus

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

Basis of Accounting

- a. **Accrual Basis** – Both governmental and business type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of

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related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Measurement Focus

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

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

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

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D. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

2. Investments:

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

3. Receivables:

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

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

4. Inter-fund Transactions:

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

- a. Transactions for services rendered or facilities provided – these transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
- b. Transactions to reimburse a fund for expenditures made by it or for the benefit of another fund – these transactions are recorded as expenditures in the disbursing fund and as reductions of expenditures in the receiving fund.

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- c. Transactions to shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them – these transactions are recorded as transfers in and out.

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

5. Inventories:

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

6. Prepaid Items:

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

7. Restricted Assets:

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

8. Capital Assets:

Capital assets are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an original, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed by the County and at an estimated historical cost if donated or contributed. Both the Board of Education and Library (component units) define capital assets as assets having an initial individual cost of more than \$1,000 and estimated useful life in excess of one year. For the Library, books and audio visual materials with a useful life greater than one year are capitalized and are valued and depreciated using the group method. For the primary government and component units, donated capital assets are recorded

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

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

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

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

9. Net Position/Fund Equity:

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

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

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- b. Restricted net position – consists of items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County’s policy to use restricted amounts first and then unrestricted amounts as they are

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

10. Compensated Absences:

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

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

11. Long-term Obligations:

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

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

12. Revenues, Expenditures, and Expenses:

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

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

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

13. Accounting Estimates:

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

14. Implementation of Applicable New GASB Pronouncements

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans was issued in June 2015, with an implementation date for financial statements for periods beginning after June 15, 2016. This Statement replaces Statements No. 43 and 57. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statements No. 25, 43, and 50. The County has implemented the impacts of this standard with this Fiscal Year 2017 report.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, issued in June 2015 with an implementation date for periods beginning after June 15, 2017. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The County fully expects to implement the impacts of this new standard with our Fiscal Year 2018 report, which shall have a material effect on the financial statements.

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

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

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The County has implemented this new standard with this Fiscal Year 2017 report.

GASB Statement No. 80, Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14, was recently issued in January 2016, with an implementation date for financial statements for periods beginning after June 15, 2016. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14 for all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39. The County implemented this new standard with our Fiscal Year 2017 report with no material impacts.

GASB Statement No. 84, Fiduciary Activities, was most recently issued in January 2017, with an implementation date for financial statements for periods beginning after December 15, 2018. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom the fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The County plans to implement any impacts of this new standard with our Fiscal Year 2020 report.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds of the County, except the four pension trust funds. However, a legal budget is adopted only for the General Fund. Thus, the budgetary financial statement included in this report as required supplementary information does not include our Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Proprietary Funds or the Fiduciary Funds.

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The basis for budgeting is the modified accrual basis. All annual appropriations lapse at fiscal year-end. Project-length budgets are adopted for the Capital Projects Fund which is projected in five year increments.

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the program level. However, with proper approval by the County Commissioners, as stated in the County's Budget Policies and Delegated Authorities, last modified on March 11, 2014, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2017.

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 types specified in the State Finance and Procurement Article, Section 6-202. The County's Chief of Treasury is charged with the responsibility for selecting depositories and investing idle funds as directed by the State and County Codes. The Chief of Treasury is further restricted as to the types of deposits and investments in accordance with the County's investment policy. Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

Cash Deposits

At year-end, the carrying amount of the County's deposits was \$17,164,946 and the bank balances were \$18,611,424. Of the bank balance, \$15,347,831 was covered by Federal depository insurance and \$3,263,792 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. The various amounts of cash on hand were \$16,055.

At year-end, the carrying amount of the Board of Education's deposits was \$32,400,211 and the bank balances were \$35,524,768. 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 \$258,833 and the bank balances was \$315,106. The bank balance was covered by Federal depository insurance, up to statutory limits and collateralized by securities held by the pledging financial institution, for the excess. The amount of cash on hand was \$2,228.

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Investments

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

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

	Total Governmental Funds	Total Fiduciary Funds	Total Enterprise Funds	Total
Cash on hand	\$ 10,779	\$ -	\$ 5,275	\$ 16,054
Deposit accounts	14,123,495	-	750,414	14,873,909
Repurchase agreements (sweep)	13,605,499			13,605,499
U.S. government securities				
Treasuries	45,967,858	-	-	45,967,858
Agencies	60,699,831	-	-	60,699,831
Money market	-	15,014,522	-	15,014,522
Certificates of deposit	-	-	-	-
Maryland local government pool	51,922,191	-	-	51,922,191
Bond mutual funds	-	120,243,659	-	120,243,659
Equity securities	-	273,167,673	-	273,167,673
Restricted assets	2,186,571	-	88,411	2,274,982
Total cash and investments	<u>\$ 188,516,224</u>	<u>\$ 408,425,854</u>	<u>\$ 844,100</u>	<u>\$ 597,786,177</u>

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

Cash on hand	\$ 4,203
Deposits	29,720,460
Money market mutual funds	8,512,480
Maryland local government pool	<u>24,897,825</u>
Total cash and investments	<u>\$ 63,134,968</u>

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

Cash on hand and deposits	\$ 261,061
Maryland local government pool	<u>865,462</u>
Total cash and investments	<u>\$ 1,126,523</u>

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

	Level 1	Level 2	Level 3	Balance June 30, 2017
Investments by fair value level:				
U.S. government securities: Treasuries	\$ -	\$ 45,967,858	\$ -	\$ 45,967,858
U.S. government securities: Agencies	-	60,699,831	-	60,699,831
Certificates of deposit	-	-	-	-
Bond Mutual funds	120,243,659	-	-	120,243,659
Equity securities	273,167,673	-	-	273,167,673
Restricted assets	-	-	-	-
	<u>393,411,332</u>	<u>106,667,689</u>	<u>-</u>	<u>500,079,021</u>

Cash and Investments carried at amortized cost:

Cash on hand	16,054
Deposit Accounts	14,873,909
Repurchase agreements (sweep)	13,605,499
Money Market	15,014,522
Maryland local government pool	51,922,191
Restricted assets: cash on deposit	<u>2,274,982</u>
Total Cash and Investments at amortized cost:	<u>97,707,157</u>
Total Cash and Investments	<u>\$ 597,786,177</u>

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

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

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

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

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

Interest Rate Risk

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

Custodial Credit Risk

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

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Statement of Investment Policies, are applied at the time of each investment. As of June 30, 2017, the County's investments were not exposed to custodial credit risk.

B. Receivables

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

	General	Capital Projects	Debt Service	Water and Sewer Fund	Solid Waste Fund	Non-major Funds	Total
Receivables:							
Interest	\$ 566,827	\$ -	\$ -	\$ 3,987	\$ -	\$ 165	\$ 570,979
Taxes	4,763,126	-	40,264,465	-	-	-	45,027,591
Accounts	26,100,501	3,296,361	-	6,916,739	806,769	4,693,419	41,813,789
Special assessments	-	-	3,178	91,904	-	36,025	131,107
Intergovernmental	52,531	-	-	-	-	166,902	219,433
Total receivables	<u>\$ 31,482,985</u>	<u>\$ 3,296,361</u>	<u>\$ 40,267,643</u>	<u>\$ 7,012,630</u>	<u>\$ 806,769</u>	<u>\$ 4,896,511</u>	<u>\$ 87,762,899</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ -	\$ 4,353,896	\$ 4,353,896
Deferred property tax receivable (Debt Service)	-	40,252,366	40,252,366
Deferred income tax reserve	-	11,653,120	11,653,120
Advanced PILOT payment	-	8,500,000	8,500,000
Special assessments not yet due (Debt Service)	3,178	-	3,178
School construction impact fees	3,919,255		3,919,255
Grant draw-downs prior to meeting all eligibility requirements	40,473	-	40,473
Other unearned revenue	396,178	-	396,178
Total unearned revenue for governmental funds	<u>\$ 4,359,084</u>	<u>\$ 64,759,382</u>	<u>\$ 69,118,466</u>

C. Property Taxes Receivable

The County levies a property tax each July 1 on the assessed value of all taxable real property located within the County on that date. Assessed values are established by the Maryland Departments of Assessments

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and Taxation at assessed market value. A reassessment of all property is required to be completed every three years. The rates of the levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. The real property tax rate for the year ended June 30, 2017 remained constant at \$1.141 per \$100 of assessed value. Property taxes attach as an enforceable lien on the property when levied on July 1 of each year. The taxes are payable without interest by September 30.

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

D. Tax Abatements

Charles County has two Payment in Lieu of Tax (PILOT) agreements with two of our largest business personal property taxpayers. As a result of negotiations, each agreement replaces the official process of an annual assessment from the State Department of Taxation that would result in a County tax bill. In return, the County and taxpayer know a stated amount due for the term of the agreement.

The first PILOT agreement for the County was executed on December 13, 2011, with CPV Maryland, LLC. This endeavor took many years of the regulatory process, permitting, and ultimately, construction of a natural gas power plant in Charles County. The commercial operation date of February 14, 2017, began the agreement's payment schedule that has a term of 20 years. The plant utilizes treated reclaimed water from a major sewer treatment plant owned by the County, which resulted in revenue collected in the amount of \$466,412 for Fiscal Year 2017. The revenue from treated reclaimed water was a major influence in providing tax relief to CPV, as well as, a stimulus for the local economy.

The second PILOT, executed on March 28, 2017, is between Charles County and GenOn Mid-Atlantic, LLC. The original term of this agreement is for 5 years. These negotiations mutually benefits both parties by ending several years of litigation in the tax courts that has been previously disclosed under such section located on page 93 of this report.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated¹</u>
PILOT Agreements	
CPV Maryland, LLC	\$ 1,278,776
GenOn Mid-Atlantic, LLC	\$ 1,059,527

¹ These amounts are estimated from County records based on preliminary information shared by the local SDAT office. The prior process could have resulted in subsequent changes in values that impacted the final tax billing sent out and paid to the County.

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E. 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 6/30/2017</u>
Hospital 2004	\$ 15,000,000	15 years, 3.04831%	\$ 4,414,294
St. Charles Companies 2004	8,000,000	15 years, 4%-5%	1,242,500
St. Charles Companies 2005	6,000,000	15 years, 5%-5.125%	1,431,250
St. Charles Companies 2006	10,000,000	15 years, 5.125%-8%	3,241,250
St. Charles Companies 2007	3,000,000	15 years, 5.25%-5.75%	1,218,750
St. Charles Companies 2008	3,000,000	15 years, 4.90%-5.25%	1,427,875
St. Charles Companies 2009	2,000,000	15 years, 4%-5.375%	1,070,000
St. Charles Companies 2011	4,000,000	15 years, 2%-4.5%	2,900,000
St. Charles Companies 2012	4,000,000	15 years, 2%-3.25%	2,791,250
St. Charles Companies 2013	3,700,000	15 years, 3%-4%	2,800,000
St. Charles Companies 2015	1,700,000	15 years, 3%-4%	1,556,646
Subtotal: St. Charles Co.'s	45,400,000		19,679,521
CSM 2005	1,000,000	15 years, 3.67%	239,736
Total Notes Receivable	\$ 61,400,000		\$ 24,333,551

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

The future minimum note payments receivable for the years ended June 30 are as follows:

	UM Charles Regional Medical Center	St. Charles Companies	CSM	Total
2018	\$ 1,247,234	\$ 4,237,655	\$ 86,791	\$ 5,571,680
2019	1,247,234	4,027,919	86,791	5,361,944
2020	1,247,234	3,316,288	79,559	4,643,081
2021	935,306	2,651,793	-	3,587,099
2022	-	1,847,766	-	1,847,766
2023-2027	-	6,178,961	-	6,178,961
2028-2032	-	808,295	-	808,295
Subtotal	4,677,008	23,068,677	253,141	27,998,826
Less: Interest	262,714	3,389,156	13,405	3,665,275
Total future minimum note payments receivable	\$ 4,414,294	\$ 19,679,521	\$ 239,736	\$ 24,333,551

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F. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 78,205,774	\$ 2,674,165	\$ -	\$ 80,879,939
Construction in progress	60,885,210	17,357,266	24,420,557	53,821,919
Total capital assets, not depreciated	<u>139,090,984</u>	<u>20,031,431</u>	<u>24,420,557</u>	<u>134,701,858</u>
Capital assets, depreciated:				
Land Improvements	15,569,995	3,677,230	12,532	19,234,693
Infrastructure	468,242,956	3,329,736	48,306	471,524,386
Buildings and Improvements	167,327,658	4,412,614	5,058,830	166,681,442
Machinery and Equipment	58,346,269	1,896,210	776,532	59,465,947
Vehicles	22,648,110	4,451,352	1,926,419	25,173,043
Total capital assets, depreciated	<u>732,134,988</u>	<u>17,767,142</u>	<u>7,822,619</u>	<u>742,079,511</u>
Less: accumulated depreciation for:				
Land Improvements	(5,859,836)	(727,933)	(12,532)	(6,575,237)
Infrastructure	(230,744,018)	(16,398,499)	-	(247,142,517)
Buildings and Improvements	(80,870,980)	(4,682,197)	(5,058,830)	(80,494,347)
Machinery and Equipment	(32,947,554)	(4,312,800)	(776,322)	(36,484,032)
Vehicles	(18,778,256)	(2,041,693)	(1,912,229)	(18,907,720)
Total accumulated depreciation	<u>(369,200,644)</u>	<u>(28,163,122)</u>	<u>(7,759,913)</u>	<u>(389,603,853)</u>
Total capital assets, depreciated net	<u>362,934,344</u>	<u>(10,395,980)</u>	<u>62,706</u>	<u>352,475,658</u>
Governmental activities, capital assets, net	<u>\$ 502,025,329</u>	<u>\$ 9,635,451</u>	<u>\$ 24,483,263</u>	<u>\$ 487,177,516</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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Business Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 2,174,186	\$ -	\$ -	\$ 2,174,186
Construction in progress	73,089,435	14,768,384	-	87,857,819
Total capital assets, not depreciated	<u>75,263,621</u>	<u>14,768,384</u>	<u>-</u>	<u>90,032,005</u>
Capital assets, depreciated:				
Land Improvements	14,274,093	14,633	-	14,288,726
Infrastructure	255,585,913	9,583,273	-	265,169,186
Buildings and Improvements	14,724,047	73,539	-	14,797,586
Machinery and Equipment	47,463,433	953,329	615,095	47,801,667
Vehicles	5,754,747	463,606	385,769	5,832,584
Total capital assets, depreciated	<u>337,802,233</u>	<u>11,088,380</u>	<u>1,000,864</u>	<u>347,889,749</u>
Less: accumulated depreciation for:				
Land Improvements	(6,916,776)	(336,805)	-	(7,253,581)
Infrastructure	(140,363,305)	(6,724,902)	-	(147,088,207)
Buildings and Improvements	(6,507,060)	(455,996)	-	(6,963,056)
Machinery and Equipment	(16,478,141)	(2,444,537)	(615,095)	(18,307,583)
Vehicles	(4,241,009)	(468,777)	(385,769)	(4,324,017)
Total accumulated depreciation	<u>(174,506,291)</u>	<u>(10,431,017)</u>	<u>(1,000,864)</u>	<u>(183,936,444)</u>
Total capital assets, depreciated net	<u>163,295,942</u>	<u>657,363</u>	<u>-</u>	<u>163,953,305</u>
Business-type, capital assets, net	<u>\$ 238,559,563</u>	<u>\$ 15,425,747</u>	<u>\$ -</u>	<u>\$ 253,985,310</u>
Grand Total, capital assets, net	<u>\$ 740,584,892</u>	<u>25,061,198</u>	<u>24,483,263</u>	<u>741,162,826</u>

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

Governmental Activities:

General Government	\$	
Public Safety		5,585,841
Legislative		19,473
Judicial		121,968
Financial Administration		76,183
Health		158,236
Community Services		544,440
Public Facilities		21,574,417
Education		57,391
Central Services		1,464
Inspection & Enforcement		2,915
Recreation, Parks, & Tourism		20,794
Total depreciation expense- Governmental Activities	\$	<u>28,163,122</u>

Business-Type Activities:

Water and Sewer	\$	8,538,519
Solid Waste		688,683
Environmental Services		740,001
Recreation Programs		332,469
Inspection and Reviews		17,856
SW- Watershed Protection		113,488
Total depreciation expense-Business-type Activities	\$	<u>10,431,017</u>

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Construction Commitments

The County has active construction projects as of June 30, 2017. 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	\$ 31,614,624	\$ 27,472,559
Other transportation projects	899,443	2,403,337
General government		
Buildings and improvements	8,723,504	8,833,926
Other general government projects	17,641,904	10,391,376
Water and sewer		
Expansions and improvements	66,738,560	144,998,530
Parks		
Expansions and improvements	9,811,747	5,779,813
Environmental service		
Various environmental service projects	24,023,559	38,419,221
Total	<u>\$ 159,453,341</u>	<u>\$ 238,298,762</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.

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Discretely Presented Component Units

Capital asset activity for the Board of Education for the year ended June 30, 2017, was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not depreciated:				
Land	\$ 17,805,499	\$ -	\$ -	\$ 17,805,499
Construction in progress	7,400,318	13,042,480	(12,888,358)	7,554,440
Total capital assets, not depreciated	<u>25,205,817</u>	<u>13,042,480</u>	<u>(12,888,358)</u>	<u>25,359,939</u>
Capital assets, depreciated:				
Buildings	538,311,445	15,999,403	(316,603)	553,994,245
Land Improvements	14,618,663	2,519,529	(5,220)	17,132,972
Furniture and Equipment	31,551,209	1,926,897	(1,099,214)	32,378,892
Total capital assets, depreciated	<u>584,481,317</u>	<u>20,445,829</u>	<u>(1,421,037)</u>	<u>603,506,109</u>
Less: accumulated depreciation for:				
Buildings	(254,008,236)	(15,068,424)	213,529	(268,863,131)
Land Improvements	(9,298,528)	(1,021,395)	5,144	(10,314,779)
Furniture and Equipment	(25,008,596)	(1,899,157)	1,089,637	(25,818,116)
Total accumulated depreciation	<u>(288,315,360)</u>	<u>(17,988,976)</u>	<u>1,308,310</u>	<u>(304,996,026)</u>
Total capital assets, depreciated net	<u>296,165,957</u>	<u>2,456,853</u>	<u>(112,727)</u>	<u>298,510,083</u>
Board capital assets, net	<u>\$ 321,371,774</u>	<u>\$ 15,499,333</u>	<u>\$ (13,001,085)</u>	<u>\$ 323,870,022</u>

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Capital asset activity for the Library for the year ended June 30, 2017, was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, depreciated:				
Furniture and Equipment	\$ 2,123,328	\$ 128,778	\$ -	\$ 2,252,106
Library books and AV material	<u>1,522,102</u>	<u>363,910</u>	<u>(551,254)</u>	<u>1,334,758</u>
Total capital assets, depreciated	3,645,430	492,688	(551,254)	3,586,864
Less: accumulated depreciation	(2,540,791)	(631,773)	551,254	(2,621,310)
Library capital assets, net	<u>\$ 1,104,639</u>	<u>\$ (139,085)</u>	<u>\$ -</u>	<u>\$ 965,554</u>

G. 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, 2017, is as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
General Fund	\$ (110,696,461)	\$ -
Capital Projects Fund	41,704,918	-
Debt Service Fund	2,500,983	-
Water and Sewer Fund	-	28,465,067
Solid Waste Fund	-	23,830,300
Other Non-major Funds	8,152,915	6,042,278
Total	<u>\$ (58,337,645)</u>	<u>\$ 58,337,645</u>

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

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Transfers Out	Transfers In				
	General Fund	Capital Projects Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Total
General Fund	\$ -	\$ 1,719,250	\$ 3,926,486	\$ 742,266	\$ 6,388,002
Capital Projects Fund	-	-	-	-	-
Non-major Governmental Funds	-	-	17,735	-	17,735
Solid Waste Fund	-	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	-
Total Transfers In:	\$ -	\$ 1,719,250	\$ 3,944,221	\$ 742,266	\$ 6,405,737

H. Leases

Capital Leases

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

- Fiscal Year 2007 – Meter Replacement Lease for the Water and Sewer Fund – semiannual payments starting at \$132,965 and increasing to \$396,605 over fifteen years ending February 2022, including interest at a rate of 4.14%, various components expended at \$5,862,900.
- Fiscal Year 2012 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service fund – semiannual payments of \$160,212 over five years ending July 2016, including interest at a rate of 1.65%, equipment capitalized at \$1,531,700.

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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.
- Fiscal Year 2014 – Various equipment for the General Fund, Golf Course Fund, Inspection Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$657,555 over five years ending August 2018, including interest at a rate of 1.30%, equipment capitalized at \$6,346,800.
- Fiscal Year 2015 – Various equipment for the General Fund, Inspection Fund, Solid Waste Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$851,053 over five years ending September 2019, including interest at a rate of 1.27%, equipment capitalized at \$8,220,700.
- Fiscal Year 2016 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$878,894 over five years ending September 2020, including interest at a rate of 2.24%, equipment capitalized at \$8,452,000.
- Fiscal Year 2017 – Various equipment for the General Fund, Water and Sewer Fund, the Environmental Service Fund, and the Stormwater-Water Protection Fund – semiannual payments of \$410,881 over five years ending August 2021, including interest at a rate of 1.87%, equipment capitalized at \$3,977,200.

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	21,431,534	6,025,382
Vehicles	11,562,849	4,304,114
Total capital assets	<u>33,085,288</u>	<u>10,329,495</u>
Less accumulated depreciation:		
Building and Improvements	(64,716)	-
Machinery and equipment	(14,346,260)	(4,223,383)
Vehicles	(7,475,013)	(2,852,888)
Total accumulated depreciation	<u>(21,885,990)</u>	<u>(7,076,270)</u>
Total capital assets, net	<u>\$ 11,199,299</u>	<u>\$ 3,253,225</u>

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The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2017, were as follows:

	Governmental Activities	Business-type Activities	Total
2018	\$ 3,952,696	\$ 2,095,066	\$ 6,047,762
2019	3,499,200	1,657,629	5,156,829
2020	2,686,060	1,152,996	3,839,056
2021	1,416,354	880,372	2,296,726
2022	345,311	612,938	958,249
2023-2027	-	-	-
Subtotal	11,899,621	6,399,001	18,298,622
Interest	(296,314)	(373,745)	(670,059)
Present value of minimum lease payments	<u>\$ 11,603,307</u>	<u>\$ 6,025,256</u>	<u>\$ 17,628,563</u>

I. 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, 2017, general obligation bonds totaling \$32,000,000 were issued for consolidated public improvement. General obligation bonds are direct obligations and pledge the full faith and credit of the County. In the past, these bonds have been a mix of 10-year and 15-year serial bonds with equal amounts of principal maturing each year. Most recently, the County bonds have also had components with 20-year and 30-year serial bonds.

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

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Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/17	Business-type Activities Balance 6/30/17
Consolidated Public Improvement Bonds of 2007	\$ 33,700,000	15 yrs, 3.5% - 5%	181,130	139,110
Consolidated Public Improvement Bonds of 2008	\$ 25,400,000	15 yrs, 3% - 5%	1,143,960	765,839
Consolidated Public Improvement Bonds of 2008	\$ 1,600,000	10 yrs, 3% - 5%	365,000	-
Consolidated Public Improvement Bonds (Taxable) of 2008	\$ 20,000,000	15 yrs, 5% - 5.25%	1,410,000	-
Consolidated Public Improvement Bonds of 2009	\$ 49,640,000	20 yrs, 2% - 4.25%	3,032,509	688,027
Consolidated Public Improvement Bonds of 2009	\$ 900,000	10 yrs, 2% - 4.25%	290,000	-
Consolidated Public Improvement Bonds (Taxable) of 2009	\$ 2,000,000	15 yrs, 4% - 5.375%	275,000	-
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 22,730,000	10 yrs, 2% - 5%	3,151,889	2,786,257
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 2,000,000	10 yrs, 2% - 5%	-	655,000
Consolidated Public Improvement Taxable BAB Bonds of 2010	\$ 11,415,000	5 yrs beg FY21, 4.9% - 5.3%	6,115,178	5,299,822
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 36,960,000	15 yrs, 2% - 5%	31,794,051	1,339,248
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 15,500,000	10 yrs, 2% - 5.3%	11,320,000	-
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 1,325,000	10 yrs, 2% - 5%	-	845,000
Consolidated Public Improvement Bonds (Taxable) of 2011	\$ 4,000,000	15 yrs, 2% - 4.5%	3,130,000	-
Refunding Bonds of Nov 2011	\$ 24,505,000	8 yrs, 4% - 5%	11,203,602	3,996,398
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 40,740,000	15 yrs, 2% - 5%	32,764,941	6,991,339
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 3,000,000	10 yrs, 2% - 5%	-	1,630,000
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 7,500,000	20 yrs, 2% - 5%	-	6,085,000
Consolidated Public Improvement Bonds (Taxable) of 2012	\$ 4,000,000	15 yrs, 2% - 3.25%	2,855,000	-
Consolidated Public Improvement and Refunding Bonds of 2013	\$ 26,805,000	10 yrs, 3% - 5%	17,128,461	10,336,061
Consolidated Public Improvement Bonds of 2013	\$ 6,300,000	10 yrs, 2% - 5%	3,682,540	957,460

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Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/17	Business-type Activities Balance 6/30/17
Consolidated Public Improvement Bonds of 2013	\$ 3,700,000	30 yrs, 3% - 5%	-	3,520,000
Consolidated Public Improvement Bonds of 2013	\$ 14,500,000	21 yrs, 3% - 5%	13,629,427	2,406,004
Consolidated Public Improvement Bonds (Taxable) of 2013	\$ 3,700,000	15 yrs, 3% - 4%	3,030,000	-
Consolidated Public Improvement Bonds of 2014	\$ 17,400,000	15 yrs, 3% - 5%	11,692,126	357,011
Consolidated Public Improvement Bonds of 2014	\$ 14,000,000	10 yrs, 4% - 5%	11,505,000	-
Consolidated Public Improvement Bonds of 2014	\$ 7,600,000	30 yrs, 3% - 5%	-	10,780,862
Consolidated Public Improvement Refunding Bonds of 2015	\$ 21,830,000	15 yrs, 2% - 4%	20,365,661	4,170,564
Consolidated Public Improvement Refunding Bonds of 2015 (Taxable)	\$ 8,595,000	15 yrs, 3% - 4%	8,495,000	-
Consolidated Public Improvement Bonds of 2015	\$ 21,895,000	15 yrs, 3% - 5%	20,436,236	3,357,689
Consolidated Public Improvement Bonds of 2015	\$ 5,800,000	10 yrs, 3% - 5%	4,616,882	713,117
Consolidated Public Improvement Bonds of 2015	\$ 3,800,000	30 yrs, 3% - 5%	-	3,735,000
Consolidated Public Improvement Bonds (Taxable) of 2015	\$ 3,205,000	15 yrs, 3%-3.45%	3,025,000	-
Consolidated Public Improvement Bonds of 2016	\$ 5,500,000	10 yrs, 3% - 5%	7,213,342	665,001
Consolidated Public Improvement Bonds of 2016	\$ 18,000,000	15 yrs, 3%-5%	14,110,000	8,727,000
Consolidated Public Improvement Bonds of 2016	\$ 1,000,000	20 yrs, 3% - 5%	1,000,000	-
Consolidated Public Improvement Bonds of 2016	\$ 7,500,000	30 yrs, 3%-5%	-	3,386,596
Total bonds outstanding			<u>248,961,935</u>	<u>84,333,406</u>
Loan Description and Year				
FHA Loan 1973	\$ 250,000	40 yrs, 3.649%	13,235	-
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	\$ 14,767,900	20 yrs, 1.200%	-	7,082,769
Total loans outstanding			<u>13,235</u>	<u>7,082,769</u>
Total bonds and loans outstanding			<u>\$ 248,975,171</u>	<u>\$ 91,416,175</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beg Balance	Additions	Reductions	End Balance	Amounts Due in 1 yr
<u>Governmental activities:</u>					
General obligation bonds	\$ 254,571,188	\$ 22,419,574	\$ (28,028,827)	\$ 248,961,935	\$ 25,003,589
Notes payable	1,367,078	-	(1,353,843)	13,235	10,466
Capital leases	11,986,956	3,342,500	(3,726,147)	11,603,309	3,467,808
Net Pension liability	91,321,384	4,183,537	(6,952,561)	88,552,360	-
Net OPEB obligation	87,735,573	13,873,451	-	101,609,024	-
Compensated absences	20,275,363	5,821,623	(3,925,194)	22,171,791	1,526,948
Governmental activities noncurrent liabilities	467,257,541	49,640,685	(43,986,573)	472,911,654	30,008,811
<u>Business-type activities:</u>					
General obligation bonds	80,608,470	12,807,874	(9,082,938)	84,333,406	7,435,960
Notes payable	7,823,827	-	(741,058)	7,082,769	749,951
Capital leases	7,331,830	634,700	(1,941,274)	6,025,256	1,918,472
Landfill closure costs	7,511,401	987,787	-	8,499,188	-
Net OPEB obligation	13,868,305	2,109,601	-	15,977,906	-
Compensated absences	2,034,831	849,295	(873,702)	2,010,423	242,780
Business-type activities noncurrent liabilities	119,178,663	17,389,257	(12,638,973)	123,928,948	10,347,163
Total primary government noncurrent liabilities	\$ 586,436,207	\$ 67,029,941	\$ (56,625,547)	\$ 596,840,601	\$ 40,355,973
<u>Component units:</u>					
Board of Education	\$ 182,162,493	\$ 21,391,987	\$ -	\$ 203,554,480	\$ 1,305,448
Library	3,089,261	519,557	-	3,608,818	218,884

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest of \$74,041,993 and excluding compensated absences, **deferred amounts for bond premiums**, net pension obligations, OPEB obligations and landfill closure costs, are as follows:

Year ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 28,481,863	\$ 9,144,829	\$ 10,104,383	\$ 3,352,693	\$ 51,083,768
2019	28,748,691	7,983,865	9,461,102	2,980,250	49,173,908
2020	26,177,448	6,833,833	9,081,355	2,615,174	44,707,810
2021	24,703,712	5,742,404	7,982,547	2,267,316	40,695,979
2022	22,498,560	4,702,226	7,682,299	1,953,674	36,836,759
2023-2027	80,858,007	11,510,424	22,724,602	6,457,557	121,550,590
2028-2032	25,402,735	1,509,562	10,967,265	3,336,371	41,215,933
2033-2037	330,000	29,984	4,185,000	2,066,009	6,610,993
2038-2042	-	-	5,040,000	1,243,872	6,283,872
2043-2047	-	-	4,280,000	311,950	4,591,950
2048-2052	-	-	-	-	-
	<u>\$ 237,201,016</u>	<u>\$ 47,457,127</u>	<u>\$ 91,508,553</u>	<u>\$ 26,584,866</u>	<u>\$ 402,751,562</u>

Special Assessment Debt

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

J. Restricted Assets

The details of the restricted assets are as follows:

Governmental Activities

Cash and cash equivalents

Inmate account	\$ 45,315	
County Attorney escrow	10,039	
SAO Restitution account	23,359	
Lease deposits	10,049	
Business Development Loan Fund	369,250	
Targeted Industry Loan Fund	506,715	
Construction Escrow	<u>1,221,845</u>	
Total cash and cash equivalents		\$ 2,186,571

Notes Receivable

Univ. of MD Charles Regional Medical Center	\$ 4,414,294	
St. Charles Companies	19,679,521	
College of Southern MD	<u>239,736</u>	
Total notes receivable		<u>24,333,551</u>
Total Governmental Activities		26,520,122

Business-type Activities

Cash and cash equivalents

Landfill Bonds	<u>88,411</u>	
TOTAL PRIMARY GOVERNMENT		<u>\$ 26,608,533</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

K. 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	\$ 1,826,336	\$ -	\$ -	\$ -	\$ 1,826,336
Prepay Items	786,279	-	-	-	786,279
Long Term Note Receivable	-	-	24,333,551	-	24,333,551
	<u>2,612,616</u>	<u>-</u>	<u>24,333,551</u>	<u>-</u>	<u>26,946,166</u>
<u>Restricted</u>					
Capital Outlay	497,000	6,204,653	-	-	6,701,653
Economic Development	10,961	-	-	878,388	889,348
Housing	-	-	-	185,595	185,595
Drug Enforcement	-	-	-	203,454	203,454
Fire and Rescue	-	-	-	112,069	112,069
Planning Programs	-	-	-	1,227,212	1,227,212
Cable Franchise	-	-	-	1,193,789	1,193,789
Animal Control	95,399	-	-	-	95,399
Bond Premium	967,737	-	-	-	967,737
	<u>1,571,097</u>	<u>6,204,653</u>	<u>-</u>	<u>3,800,507</u>	<u>11,576,256</u>
<u>Committed</u>					
Policy Target	55,946,129	-	-	-	55,946,129
Housing	10,609	-	-	-	10,609
Economic Development	99,000	-	-	-	99,000
Workers Compensation	3,798,201	-	-	-	3,798,201
Public Safety	3,342,763	-	-	-	3,342,763
CIP/Pay-go	-	29,334,330	-	-	29,334,330
	<u>63,196,702</u>	<u>29,334,330</u>	<u>-</u>	<u>-</u>	<u>92,531,032</u>
<u>Assigned</u>					
Aging Grants	-	-	-	54,586	54,586
Judicial Grants	-	-	-	60,079	60,079
Capital Outlay	-	-	-	-	-
Transportation	-	-	-	206,508	206,508
Public Safety	-	-	-	627,025	627,025
Housing	197,546	-	-	132,819	330,364
Aging Services	-	-	-	63,084	63,084
Animal Control	-	-	-	126,896	126,896
Drug Enforcement	-	-	-	564,062	564,062
Mental Health	-	-	-	221,782	221,782
Planning programs	-	-	-	12,136	12,136
Cable Franchise	-	-	-	4,603,536	4,603,536
Debt Service	-	-	2,513,082	-	2,513,082
Storm Event Reserve	2,709,424	-	-	-	2,709,424
Health Ins Rate Stabilization	2,806,074	-	-	-	2,806,074
CIP & Operations	-	2,861,521	-	-	2,861,521
	<u>5,713,044</u>	<u>2,861,521</u>	<u>2,513,082</u>	<u>6,672,514</u>	<u>17,760,161</u>
<u>Unassigned</u>					
Other unassigned	4,772,156	-	-	-	4,772,156
	<u>\$ 4,772,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,772,156</u>
Total fund balances	<u>\$ 77,865,614</u>	<u>\$ 38,400,504</u>	<u>\$ 26,846,633</u>	<u>\$ 10,473,020</u>	<u>\$ 153,585,771</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

NOTE 4. RISK MANAGEMENT

Liability Insurance

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

Self-Insured Health Care

The County is self-insured for employee health insurance through agreements with CareFirst BlueCross BlueShield, CareFirst BlueChoice, and Delta Dental. Employees contribute 30% of the estimated cost of the plan, and the County contributes 70%. Certain outside agencies and some retirees are also covered under this agreement with varying contribution levels. The health insurance agreements are claims-made policies with administrative fees paid to all carriers. The policies include stop-loss provisions for claims in excess of \$125,000 per person/per year for CareFirst. Claims in excess of this limit are covered by the insurance carrier. Delta Dental does not have a stop-loss provision. At June 30, 2017, a liability of \$990,000 (\$679,556 in governmental funds and \$310,444 in business-type funds) was recorded for estimated claims incurred but not yet reported (IBNR), which represents the estimated run-out claims liability should the self-insurance agreement be terminated. Historical experience and actuarial assumptions were the basis used in estimating the liabilities for unpaid claims.

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

Fiscal Year	Beginning of Year	Claims and Changes in Estimates	End of Year
2015	\$ 1,370,000	\$ (300,000)	\$ 1,070,000
2016	1,070,000	-	1,070,000
2017	1,070,000	(80,000)	990,000

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

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, 2017, a budget surplus of \$1,462,859 was recognized and increased assigned fund balance across all funds to offset future plan related costs. The balance for all funds as of June 30, 2017 is \$4,400,104.

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

Other insurance

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

NOTE 5. COMMITMENTS AND CONTINGENCIES

A. Contingencies Under Grant Provisions

The County participates in federal and state assisted programs and is a recipient of several grants. These programs and grants are subject to financial and compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as a result of these audits is not believed to be material. The County has experienced audits of a few programs during the year ended June 30, 2017, which have not resulted in any findings or liabilities. The County does not expect any disallowances of grant expenditures in the future.

B. Litigation

Charles County is routinely engaged in litigation regarding matters that arise in the normal course of the County's activities. In the opinion of the County Attorney and County Management, none of these matters will have a material effect on the financial position of the County. The Fiscal Year 2016 audit included information regarding litigation between the County and a large taxpaying power plant. All litigation has been resolved and the County has entered into a PILOT agreement with the power plant.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

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 112. 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
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A. Sheriff's Office Retirement Plan

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

Membership in the plan consisted of the following at July 1, 2016, the date of the last actuarial valuation:

	<u>Sworn Officers</u>	<u>Correctional Officers</u>	<u>Communications Employees</u>
Active plan members	291	139	46
Retirees and beneficiaries receiving benefits	114	19	9
Disabled, receiving benefits	15	1	-
Vested termination	13	-	-
	<u>433</u>	<u>159</u>	<u>55</u>

Prior to July 1, 1995, the County contracted with an insurance company to provide the guaranteed payment of benefits for retirees of the SORP. Beginning July 1, 1995, the County enacted significant changes in the eligible classes of employees and in the investment policies. Currently, the insurance company has responsibility for payment of benefits only for those employees who retired before July 1, 1995. The funding of continued benefits for those pre-7/1/95 retirees comes from the County, based on quarterly calculations made by the insurance company. Assets held by the insurance company for payment of benefits totaled \$4,633,089 as of June 30, 2017, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2017 totaled \$1,077,159.

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
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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, 2017, net assets were invested in fixed income mutual funds (37%) and Equity mutual funds (63%).

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	50%	5.80%
International Equity	10%	6.70%
Fixed Income	35%	1.20%
Cash	5%	0.00%
Inflation		3.00%
Total	100%	

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

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

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

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

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

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

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

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

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

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

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

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

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

Line of Duty Disability – For Total and Permanent, 66-2/3% average compensation reduced by 50% of Social Security benefits, 100% of Worker's Compensation benefits and LTD benefits, if any. For Disability from own

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NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

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

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

Communications Dispatchers are not eligible for this benefit

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

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

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

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

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

Communications Dispatchers are not eligible for this benefit.

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

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

Funding Policy and Contributions – The annual pension cost for the year ended June 30, 2017 was equal to the amount of the annual actuarial valuation of \$10,589,724. This contribution for the current year was determined as part of the July 1, 2015 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.

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Asset Method – Five-year averaging method. Returns on the average market value of assets above or below the assumed 7.5% return are gradually recognized over a five-year period. (effective 7/1/2009)

Interest – 7.5% compounded annually. (adopted 7/1/2016)

Post-Retirement COLA Increases – 2.6% compounded annually, no limit. (adopted 7/1/2016)

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

Sample rates are:

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

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

Disability – Sample rates are as follows (adopted 7/1/2016):

Age	Rate
25	0.04%
35	0.06%
45	0.20%

Rates are increased by 87.5% for corrections and reduced by 50% for communications employees.

Assumed Disability Benefit – 50% 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 (adopted 7/1/2016):

Age	Sworn Officers		
	(post 7/1/86)	Corrections	Communications
25	4.72%	9.41%	14.06%
35	4.12%	8.35%	12.48%
45	2.62%	6.29%	9.40%

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.

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NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

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 (adopted 7/1/16)

<u>Years of Service</u>	<u>% Retiring</u>
0-19	0%
20	15%
21-24	3%
25	10%
26-27	0%
28-30	20%
31+	40%

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

Corrections (adopted 7/1/2016)

	<u>Years of Service</u>			
<u>Age</u>	<u>0-18</u>	<u>19-24</u>	<u>25</u>	<u>26+</u>
40	0.00%	7.95%	32.50%	13.00%
45	0.00%	6.71%	32.50%	13.00%
50	0.00%	4.70%	32.50%	13.00%
55	0.00%	1.78%	32.50%	13.00%
60	100%	100%	100%	100%

Communications (adopted 7/1/2016)

	<u>Years of Service</u>			
<u>Age</u>	<u>0-18</u>	<u>19-24</u>	<u>25</u>	<u>26+</u>
40	0.00%	9.78%	40.00%	16.00%
45	0.00%	8.26%	40.00%	16.00%
50	0.00%	5.79%	40.00%	16.00%
55	0.00%	2.19%	40.00%	16.00%
60	100%	100%	100%	100%

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

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

Military Service – Actual service.

Expenses– The normal cost includes a load for administrative expenses that is equal to the average of the administrative expenses paid during the prior two fiscal years.

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

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

Net Pension Liability – The components of the net pension liability of the Sheriff's at June 30, 2017, were as follows (dollar amounts shown in thousands):

Total pension liability	\$ 327,506
Plan fiduciary net position	<u>(238,976)</u>
Sheriff's net pension liability	<u>\$ 88,530</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation report as of July 1, 2016 rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	3.0 percent
Salary increases	5.0 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation
Mortality	RP-2014 Blue Collar Mortality tables with generational projection from 2006 by Scale MP-2016. A five-year set forward is used for post disability mortality.

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2016 actuarial valuation report.

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

	1% decrease 6.50%	Current Discount Rate 7.50%	1% increase 8.50%
Sheriff's net pension liability	\$ 142,135	\$ 88,530	\$ 45,596

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

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,268,257	\$ 4,611,051
Changes of assumptions	12,875,252	-
Net difference between projected and actual earnings on pension plan investments	11,408,461	7,598,051
Total	<u>\$ 30,551,970</u>	<u>\$ 12,209,102</u>

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

Year ended June 30:	
2018	\$ 4,992,129
2019	4,992,129
2020	3,555,622
2021	710,479
2022	2,046,254
Thereafter	2,046,255

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Changes in the Sheriff's Net Pension Liability

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability (a)	Net Position (b)	Liability (a) - (b)
(Dollar amounts in thousands)			
Balances at 6/30/16	\$ 294,276	209,929	\$ 84,347
Changes for the year:			
Service cost	7,433	-	7,433
Interest	21,532	-	21,532
Changes of benefit terms	-	-	-
Differences between expected and actual experience	6,770	-	6,770
Changes of assumptions	7,554	-	7,554
Contributions - employer	-	10,845	(10,845)
Contributions - employee	-	2,765	(2,765)
Net Investment Income	-	25,616	(25,616)
Benefit payments, including refunds of member contributions	(10,059)	(10,059)	-
Administrative expense	-	(120)	120
Other	-	-	-
Net Changes	<u>\$ 33,230</u>	<u>\$ 29,047</u>	<u>\$ 4,183</u>
Balances at 6/30/17	<u>\$ 327,506</u>	<u>\$ 238,976</u>	<u>\$ 88,530</u>

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, 2016, the last date of the last actuarial valuation:

Active plan members	847
Terminated, entitled to but not yet receiving benefits	206
Retirees and beneficiaries receiving benefits	290
	<u>1,343</u>

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

Contributions and Reserves – The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Active non-public safety plan members are required to contribute 4% of their base earnings to the Plan and no contributions are required after 31 years of credited service. Public safety plan members are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted only once annually, on July 1. The County normally makes employer contributions annually as actuarially determined. For the year ended June 30, 2017, the County fully funded the ARC of \$3,673,412 to the Plan as recommended in the actuarial report as of July 1, 2016. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

Investment Concentrations – At June 30, 2017, the County's Plan's net assets were invested in the following types of investments:

Stable Value	13%
Fixed Income	26%
Large Cap Equity	29%
International Equity	12%
Real Estate	6%
Mid Cap Equity	6%
Small Cap Equity	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 later of a Participant's 62nd birthday or the completion of 5 years of service; if Service is 20 or greater, the benefit is unreduced at age 60. For participants in the Plan prior to July 1, 1977, there is an elective Normal

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Retirement Date of age 60. For public safety participants, the first day of the month coinciding with or next following the earlier of a participant's 60th birthday or 25 hypothetical years of service.

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

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

Form of Annuity – Modified cash refund.

Cost of Living Adjustment – Provides for an annual increase in the annuity benefit in proportion to the last annual increase in the Consumer Price Index. This increase shall not be in excess of 4% per year. Effective October 1, 2015, the cost of living adjustment provides for no decrease (with an offset in subsequent years) if the CPI decreases between valuation dates.

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

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

Benefit Formula – Employees are entitled to an annual retirement benefit payable monthly for life. For non-public safety participants: 1.5% of Final Average Earnings multiplied by years of Credited Service up to 5 years, plus 1.75% for years from 5 to 10, plus 2.0% for years from 10 to 15, plus 2.25% for years from 15 to 20, plus 2.5% for years in excess of 20. The maximum benefit is 65% of Final Average Earnings. For public safety participants: 2.0% of Final Average Earnings provided by years of Credited Service. The maximum benefit is 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.

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

Participation Eligibility – Making employee contributions to the Plan.

Early Eligibility – For non-public safety participants, age 52 with five years of Service. For participants in the plan prior to July 1, 1977, age 50 with five years of service. For public safety participants, twenty years of service.

Early Benefit Amount – For non-public safety participants, normal retirement benefit accrued to early retirement, reduced 0.5%/month for the first 60 months and 0.3%/month thereafter for the number of months Annuity Commencement Date precedes Normal Retirement Date; if Service is 20 or greater, actuarial reduction is from age 60. Effective, January 29, 2010, for those participants who have 25 years of service, this reduction is 0.25%/month early. For public safety participants, the Normal retirement benefit accrued to early retirement, actuarially reduced based on the years of Service prior to Normal Retirement Date.

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

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

Employee Contributions

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

Interest Credited – 5% per annum

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

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

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

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

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

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

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

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

For public safety participants:

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

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

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

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

Eligibility (C): Death while receiving disability benefits.

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

Funding Policy and Contributions – The annual pension cost for the year ended June 30, 2017 was made of \$3,673,412. This contribution for the current year was determined as part of the July 1, 2015 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 – 7.4% compounded annually, net of investment and contract fees.

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

Inflation – 2.5%

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

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

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

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

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

Sample rates are:

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

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

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

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

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

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

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

Net Pension Liability – The components of the net pension liability of the County at June 30, 2017, were as follows (dollar amounts in thousands):

Total pension liability	\$ 201,799
Plan fiduciary net position	(201,777)
County's net pension liability	<u>\$ 22</u>

Plan fiduciary net position as a percentage of the total pension liability	99.99%
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	1% decrease 6.40%	Current Discount Rate 7.40%	1% increase 8.40%
County's net pension liability	\$ 33,235	\$ 22	\$ (26,970)
Annual money-weighted rate of return			0.04%

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

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,636,001
Changes of assumptions	5,601,574	4,866,006
Net difference between projected and actual earnings on pension plan investments	<u>9,474,146</u>	<u>8,146,560</u>
Total	<u>\$ 15,075,720</u>	<u>\$ 20,648,567</u>

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

Year ended June 30:	
2018	\$ 105,739
2019	2,424,488
2020	1,634,880
2021	(238,661)
2022	884,687
Thereafter	82,340

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

(Dollar amounts in thousands)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/16	\$ 188,057	181,082	\$ 6,975
Changes for the year:			
Service cost	6,320	-	6,320
Interest	12,938	-	12,938
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(224)	-	(224)
Changes of assumptions	-	-	-
Contributions - employer	-	3,673	(3,673)
Contributions - employee	-	2,347	(2,347)
Net Investment Income	-	20,040	(20,040)
Benefit payments, including refunds of member contributions	(5,292)	(5,292)	-
Administrative expense	-	(73)	73
Other	-	-	-
Net Changes	<u>13,742</u>	<u>20,695</u>	<u>(6,953)</u>
Balances at 6/30/17	<u>\$ 201,799</u>	<u>\$ 201,777</u>	<u>\$ 22</u>

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

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

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

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County in accordance with Section 123 of the Article noted above. Contributions made to the program for the year ended June 30, 2017 totaled \$876,800 from the 2015/16 tax levy. The County Commissioners were not obligated to fund the plan, only to administer it.

Program assets are held in trust during the year by a custodian. As of June 30, 2017, M&T held the fair value of net assets for the plan benefits in the amount of \$195,298. 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, 2017, BB&T held the fair value of these assets in the amount of \$13,088,034.

NOTE 7. OTHER EMPLOYMENT BENEFITS

A. Deferred Compensation Plan

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

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

	<u>Nationwide</u>	<u>Mass Mutual</u>	<u>Metlife</u>
Participants	229	262	54
Plan Assets	\$21,830,128	\$17,362,383	\$3,443,622
Annual Employee Contribution	\$1,177,456	\$1,240,534	\$219,658

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

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to eligible employees who retire from employment after meeting the minimum age and years of service requirements of the County Employees Retirement Plan or the Sheriff's Office Retirement Plan which are outlined previously in these notes.

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

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

For the year ended at June 30, 2017, there were 374 former employees and family members with medical coverage, 459 with dental, and 401 with vision. For the fiscal year ended June 30, 2017, the County incurred and recorded \$2,640,992 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	\$ 20,507,000
Interest on OPEB obligation	4,435,000
Annual required contribution adjustment	<u>(7,395,000)</u>
Annual OPEB cost (expense)	17,547,000
Pay-go contribution made	(2,674,048)
Trust contribution made	<u>(1,250,000)</u>
Increase in net OPEB obligation	13,622,952
Net OPEB obligation - beginning of year	<u>104,993,813</u>
Net OPEB obligation - end of year	<u><u>\$ 118,616,765</u></u>

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The Library's pro-rata share of the Net OPEB obligation at the end of the current fiscal year is \$3,989,834.

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

SCHEDULE OF FUNDING PROGRESS OTHER POST EMPLOYMENT BENEFITS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	430,663	124,041,000	123,610,337	0.3%	73,743,373	167.6%
7/1/10	667,759	134,539,000	133,871,241	0.5%	70,881,361	188.9%
7/1/11	918,197	144,038,000	143,119,803	0.6%	69,875,828	204.8%
7/1/12	1,166,815	155,528,000	154,361,185	0.8%	72,094,844	214.1%
7/1/13	1,667,640	159,034,000	157,366,360	1.0%	75,514,102	208.4%
7/1/14	2,418,661	146,127,000	143,708,339	1.7%	78,112,668	184.0%
7/1/15	3,170,130	157,272,000	154,101,870	2.0%	89,854,000	171.5%
7/1/16	4,172,086	175,528,000	171,355,914	2.4%	89,036,105	192.5%

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, 2017 was as follows:

Fiscal Year Ended	Annual required OPEB Cost	% of Annual required OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 13,798,000	21.52%	\$ 93,691,935
June 30, 2016	14,656,000	22.88%	104,993,813
June 30, 2017	17,547,000	22.88%	118,616,765

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Actuarial Methods and Assumptions

These notes to the financial statements disclose that (1) actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and (2) actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. In the effective June 30, 2014 actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement was used. The actuarial assumptions included a 4.25% investment rate of return over the long term and a 4% per year on future salary increases. The asset valuation method used was the fair market value. The annual healthcare cost trend rate is 8% initially, reduced to an ultimate rate of 4.20% after year 2050. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016 was 23 years.

The Net OPEB liability as required by GASB Statement No. 74:

Net OPEB Liability – The components of the net OPEB liability of the County's at June 30, 2017, were as follows (dollar amounts shown in thousands):

Total OPEB liability	\$ 213,288
Plan fiduciary net position	<u>(5,425)</u>
County's net OPEB liability	<u>\$ 207,863</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.5%

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Sensitivity of the Net OPEB Liability to Changes in the discount rate.

	1% decrease 3.04%	Current Discount Rate 4.04%	1% increase 5.04%
Net OPEB liability	\$ 258,445	\$ 207,863	\$ 169,617

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost trend rate.

	1% decrease 2.90%	Current Trend Rate 3.90%	1% increase 4.90%
Net OPEB liability	\$ 163,951	\$ 207,863	\$ 267,786

Investment Policy – The County adopted a formal investment policy on June 6, 2017, that includes the following asset allocation ranges and long term targets. At the conclusion of the fiscal year, funds were held in a trust account that earned interest each month based on the average collected balance.

Asset Allocation Policy			Long-Term Expected Rate of Returns
Asset Classes	Ranges	Targets	
Equities	65%-85%	75%	
Large Cap Domestic Equities	35%-45%	40%	7.83%
Small/Mid Cap Domestic Equities	10%-20%	15%	8.40%
International Equities	15%-25%	20%	7.64%
Fixed Income	15%-35%	25%	4.42%
Cash Equivalents	0%-10%	0%	3.23%
Total		100%	

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
NOTES TO THE FINANCIAL STATEMENTS – JUNE 30, 2017

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, 2017 were \$77,342.

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, 2017, approximately 72% Phase IIIA and IIIB space remains available for future waste disposal. The County is developing the landfill in sections so that when one section closes another is ready to open. At the close of the fiscal year, the landfill had Phase I, IIA, IIIA, and IIIB open. The \$8,499,188 reported as landfill closure and post-closure care liability at June 30, 2017, 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 \$987,787.

NOTE 9. SUBSEQUENT EVENTS

On November 28, 2017, the County completed a bond sale transaction for \$102,175,000 in general obligation public improvement and refunding bonds. Fifty-six million in proceeds are being used, together with funds from other sources, to finance the costs of certain buildings, facilities, equipment and grounds in Charles County. The balance of the proceeds are being used to retire existing bonds currently with higher interest rates for a total interest savings of \$3.7 million. Debt service repayments are scheduled for semi-annually on April 1 and October 1, commencing April 1, 2018.

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Required Supplementary Information

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY (NON-GAAP) TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted amounts		Actual amounts	Variance with
	Original	Final	budgetary basis	final budget positive (negative)
Revenues:				
Taxes - local property	\$ 211,639,000	\$ 212,019,100	\$ 210,805,080	\$ (1,214,020)
Taxes - income	120,591,000	120,591,000	119,349,494	(1,241,506)
Taxes - other local	18,076,500	18,076,500	25,036,209	6,959,709
Taxes - state shared	927,000	927,000	952,802	25,802
Charges for services	8,037,600	8,037,600	7,965,892	(71,708)
Intergovernmental	2,175,200	2,331,660	2,263,509	(68,151)
Interest income	225,000	225,000	1,058,240	833,240
Other income	5,352,500	5,385,050	5,542,970	157,920
Total revenues	367,023,800	367,592,910	372,974,196	5,381,286
Expenditures:				
Education	184,393,300	184,588,190	184,550,730	37,460
Public safety	96,816,800	97,981,340	94,309,291	3,672,049
General government (including contingencies)	27,006,300	28,039,940	25,107,248	2,932,692
Public Works- Facilities	14,210,200	14,559,950	13,565,433	994,517
Financial Administration	9,901,700	10,068,250	9,614,243	454,007
Judicial	5,153,700	5,353,140	5,294,582	58,558
Planning and Growth Management	2,922,000	2,924,280	2,802,159	122,121
Community Services	2,077,600	2,107,600	1,983,852	123,748
Recreation, Parks & Tourism	7,856,700	7,975,550	7,376,534	599,016
Health Services	3,191,400	3,346,400	3,296,155	50,245
Economic Development	1,966,600	2,029,510	1,769,510	260,000
Social Services	1,143,800	1,165,200	1,149,719	15,481
Legislative	1,712,800	1,733,320	1,677,413	55,907
Law	988,300	987,930	894,539	93,391
Conservation of Natural Resources	664,900	664,900	650,295	14,605
Elections	1,199,800	1,294,420	1,288,076	6,344
Debt service				
Contingency	51,600	51,600	-	51,600
Interest	7,462,000	7,457,660	7,298,925	158,735
Total expenditures	368,719,500	372,329,180	362,628,702	9,700,478
Excess (deficiency) of revenues over (under) expenditures	(1,695,700)	(4,736,270)	10,345,494	15,081,764
Other financing sources (uses):				
Proceeds from capital lease agreement	3,342,500	3,342,500	3,342,500	-
Premium on debt proceeds	-	-	-	-
Transfers in	1,200,000	2,517,440	1,317,439	(1,200,001)
Transfers out	(6,696,700)	(7,484,650)	(6,388,002)	1,096,648
Total other financing sources (uses)	(2,154,200)	(1,624,710)	(1,728,063)	(103,353)
Net change in fund balance	(3,849,900)	(6,360,980)	8,617,431	14,978,411
Fund balance - beginning of year	69,252,677	69,252,677	69,252,677	-
Fund balance - end of year	\$ 65,402,777	\$ 62,891,697	\$ 77,870,108	\$ 14,978,411

Schedule of Sheriff's Office Retirement Plan Employer Contributions

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 10,845	\$ 10,590	\$ 10,402	\$ 9,823	\$ 8,425	\$ 7,390	\$ 6,817	\$ 6,964	\$ 5,861	\$ 4,956
Contributions in relation to the actuarially determined contribution	<u>10,845</u>	<u>10,590</u>	<u>10,402</u>	<u>9,823</u>	<u>8,425</u>	<u>7,390</u>	<u>6,817</u>	<u>6,964</u>	<u>5,861</u>	<u>4,956</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 33,373	\$ 30,706	\$ 32,509	\$31,270	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	32.50%	34.49%	32.00%	31.41%	n/a	n/a	n/a	n/a	n/a	n/a

Notes to Schedule

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

Valuation date: Actuarial valuations are performed every year.

Methods and assumptions used to determine most recent contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll (closed), increasing 3.5% per year.
Remaining amortization period	Remaining amortization periods range from 13 to 20 years.
Asset valuation method	5-year smoothed market.
Inflation	3.00%
Salary increases	5.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Retirement age	Rates vary by participant age and service
Mortality	RP-2014 Blue Collar Mortality tables with generational projection from 2006 by by Scale MP-2016. A five-year set forward is used for post-disability mortality.

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

(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 7,433	\$ 6,566	\$ 6,534	\$ 4,157
Interest	21,532	20,983	19,286	18,491
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	6,770	(6,916)	815	-
Changes of assumptions	7,554	5,579	4,692	(3,864)
Benefit payments, including refunds of member contributions	(10,059)	(9,609)	(8,902)	(7,997)
Net change in total pension liability	33,230	16,603	22,425	10,787
Total Pension Liability - beginning	294,276	277,673	255,248	244,460
Total Pension Liability - ending (a)	<u>\$ 327,506</u>	<u>\$ 294,276</u>	<u>\$ 277,673</u>	<u>\$ 255,248</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 10,845	\$ 10,590	\$ 10,402	\$ 9,823
Contributions - employee	2,765	2,614	2,616	2,541
Net Investment Income	25,617	2,035	7,785	26,456
Benefit payments, including refunds of member contributions	(10,059)	(9,610)	(8,902)	(7,997)
Administrative expense	(120)	(120)	(111)	(76)
Other	-	-	-	-
Net change in plan fiduciary net position	29,047	5,508	11,790	30,747
Plan Fiduciary Net Position - beginning	209,929	204,421	192,631	161,883
Plan Fiduciary Net Position - ending (b)	<u>\$ 238,976</u>	<u>\$ 209,929</u>	<u>\$ 204,421</u>	<u>\$ 192,631</u>
 Sheriff's Net Pension Liability - ending (a) - (b)	 <u>\$ 88,530</u>	 <u>\$ 84,347</u>	 <u>\$ 73,252</u>	 <u>\$ 62,617</u>
 Plan Fiduciary Net Position as a percentage of the total pension liability	 72.97%	 71.34%	 73.62%	 75.47%
 Covered employee payroll *	 \$ 33,373	 \$ 30,706	 \$ 32,509	 \$ 31,270
 Sheriff's Net Pension Liability as a percentage of covered employee pensionable payroll	 265.27%	 274.69%	 225.33%	 200.25%
 Expected average remaining service years of all participants	 7	 6	 7	 7
 Annual money-weighted rate of return	 12.7%	 1.5%	 4.5%	 16.8%

Information for FY2013 and earlier is not available.

Schedule of County's Plan Employer Contributions

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 3,673	\$ 5,240	\$ 5,627	\$ 5,356	\$ 5,223	\$ 6,055	\$ 5,745	\$ 6,547	\$ 6,170	\$ 5,527
Contributions in relation to the actuarially determined contribution	<u>3,673</u>	<u>5,240</u>	<u>5,627</u>	<u>5,356</u>	<u>5,223</u>	<u>6,055</u>	<u>5,745</u>	<u>6,547</u>	<u>6,170</u>	<u>5,527</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 50,662	\$ 58,330	\$57,345	\$ 54,750	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	7.25%	8.98%	9.81%	9.78%	n/a	n/a	n/a	n/a	n/a	n/a

Notes to Schedule

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

Methods and assumptions used to determine most recent contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Changes in assumptions and differences between assumptions and actual experience are recognized over the average remaining years of employment of employees (active and inactive employees, including retirees). Differences between expected earnings on plan investments and actual investments earnings are recognized over a 5 year period. Changes in benefit terms are recognized immediately.
Asset valuation method	Assets are valued at contract value with a market value adjustment factor for the Guaranteed Deposit Account Assets, and at market value for Separate Accounts, which is considered the best representation of Fair Value.
Inflation	2.50%
Salary increases	4.00% including inflation
Investment rate of return	7.40%, net of plan investment expenses and contract fees.
Retirement age	For non-public safety participants, the first day of the month coinciding with or next following the later of a Participant's 62nd birthday or the completion of 5 years of Service; if Service is 20 or greater, the benefit is unreduced at age 60. For Participants in the Plan prior to July 1, 1977, there is an elective Normal Retirement Date of age 60. For public safety participants, the first day of the month coinciding with or next following the earlier of a Participant's 60th birthday or 25 hypothetical years of Service.
Mortality	RP-2014 Total Dataset (Adjusted to 2006) with Scale MP-2015 for males and females

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

(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 6,320	\$ 5,902	\$ 5,844	\$ 5,552
Interest	12,938	13,944	12,705	11,745
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(224)	(12,218)	4,888	-
Changes of assumptions	-	-	-	-
Benefit payments, including refunds of member contributions	(5,292)	(4,871)	(4,759)	(4,356)
Net change in total pension liability	13,742	2,757	18,678	12,941
Total Pension Liability - beginning	188,057	185,300	166,622	153,681
Total Pension Liability - ending (a)	<u>\$ 201,799</u>	<u>\$ 188,057</u>	<u>\$ 185,300</u>	<u>\$ 166,622</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 3,673	\$ 5,240	\$ 5,627	\$ 5,356
Contributions - employee	2,347	2,179	2,105	2,011
Net Investment Income	20,040	1,734	7,421	22,826
Benefit payments, including refunds of member contributions	(5,292)	(4,870)	(4,759)	(4,357)
Administrative expense	(73)	(81)	(88)	(84)
Other	-	-	-	-
Net change in plan fiduciary net position	20,695	4,202	10,306	25,752
Plan Fiduciary Net Position - beginning	181,082	176,880	166,574	140,822
Plan Fiduciary Net Position - ending (b)	<u>\$ 201,777</u>	<u>\$ 181,082</u>	<u>\$ 176,880</u>	<u>\$ 166,574</u>
 County's Net Pension Liability - ending (a) - (b)	 <u>\$ 22</u>	 <u>\$ 6,975</u>	 <u>\$ 8,420</u>	 <u>\$ 48</u>
 Plan Fiduciary Net Position as a percentage of the total pension liability	 99.99%	 96.29%	 95.46%	 99.97%
 Covered employee payroll	 \$ 50,663	 \$ 58,330	 \$ 57,345	 \$ 54,750
 County's Net Pension Liability as a percentage of covered employee pensionable payroll	 0.04%	 11.96%	 14.68%	 0.09%
 Annual money-weighted rate of return	 11.8%	 1.7%	 5.2%	 16.9%

Information for FY2013 and earlier is not available.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND

SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 159,294,000	\$ 159,294,000	n/a	\$ 73,134,517	217.8%
7/1/09	430,663	124,041,000	123,610,337	0.3%	73,743,373	167.6%
7/1/10	667,759	134,539,000	133,871,241	0.5%	70,881,361	188.9%
7/1/11	918,197	144,038,000	143,119,803	0.6%	69,875,828	204.8%
7/1/12	1,166,815	155,528,000	154,361,185	0.8%	72,094,844	214.1%
7/1/13	1,667,640	159,034,000	157,366,360	1.0%	75,514,102	208.4%
7/1/14	2,418,661	146,127,000	143,708,339	1.7%	78,112,668	184.0%
7/1/15	3,170,130	157,272,000	154,101,870	2.0%	89,854,000	171.5%
7/1/16	4,172,086	175,528,000	171,355,914	2.4%	89,036,105	192.5%

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

<u>Fiscal Year Ended</u>	<u>Annual required OPEB Cost</u>	<u>% of Annual required OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 13,798,000	21.52%	\$ 93,691,935
June 30, 2016	14,656,000	22.88%	104,993,813
June 30, 2017	17,547,000	22.88%	118,616,765

SCHEDULE OF INVESTMENT RETURNS

<u>Fiscal Year Ended</u>	<u>Calculated Return</u>
June 30, 2017	0.1%

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

(Dollar amounts in thousands)

2017

Total Pension Liability

Service cost	\$ 8,040
Interest	7,669
Changes of benefit terms	-
Differences between expected and actual experience	2,364
Changes of assumptions	(36,539)
Benefit payments, including refunds of member contributions	(2,674)
Net change in total pension liability	(21,140)
Total Pension Liability - beginning	234,428
Total Pension Liability - ending (a)	<u>\$ 213,288</u>

Information for FY2016 and earlier is not available.

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Plan Fiduciary Net Position

Contributions - employer	\$ 3,924
Contributions - employee	-
Net Investment Income	3
Benefit payments, including refunds of member contributions	(2,674)
Administrative expense	-
Other	-
Net change in plan fiduciary net position	1,253
Plan Fiduciary Net Position - beginning	4,172
Plan Fiduciary Net Position - ending (b)	<u>\$ 5,425</u>

County's Net Pension Liability - ending (a) - (b) \$ 207,863

Plan Fiduciary Net Position as a percentage of the
total pension liability

2.54%

Schedules and Combining Statements

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General Fund

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Taxes - Local Property</u>			
Real Property	\$ 184,983,650	\$ 184,647,307	\$ (336,343)
Business Personal Property	319,200	260,677	(58,523)
Railroad & Public Utilities	9,158,000	8,937,419	(220,581)
Ordinary Business Corporation	6,799,440	6,589,926	(209,514)
Payment in Lieu of Tax	13,045,210	12,588,308	(456,902)
Penalties and Interest	600,000	569,445	(30,555)
Half-year Billing Fee	17,200	56,112	38,912
Homestead Tax Credit	(85,000)	(85,828)	(828)
Low Income Tax Credit	(700,000)	(660,225)	39,775
Senior Tax Credit	(300,000)	(315,162)	(15,162)
La Plata Tax Differential	(1,540,000)	(1,551,886)	(11,886)
Indian Head Tax Differential	(130,000)	(104,558)	25,442
Agriculture Preservation Credit	(140,000)	(119,983)	20,017
Other Tax Credits	(8,600)	(6,473)	2,127
Total Taxes - Local Property	212,019,100	210,805,080	(1,214,020)
<u>Taxes - Income</u>	120,591,000	119,349,494	(1,241,506)
<u>Taxes - Other Local</u>			
Admission and Amusement	737,000	892,398	155,398
Recordation	11,300,000	15,836,572	4,536,572
Transfer Tax	5,000,000	6,982,932	1,982,932
Hotel / Motel	1,027,000	1,324,307	297,307
Heavy Equipment Tax	12,500	-	(12,500)
Total Taxes - Other Local	18,076,500	25,036,209	6,959,709
<u>Taxes - State Shared</u>			
Highway User	927,000	952,802	25,802
Total Taxes - State Shared	927,000	952,802	25,802
<u>Charges for Services</u>			
Licenses and Permits			
Alcohol Licenses	177,800	207,411	29,611
Electrical Permits	21,600	19,525	(2,075)
Traders Licenses	226,300	215,118	(11,182)
Civil Marriage Licenses	40,000	37,990	(2,010)
Protective Inspection Licenses	83,000	76,994	(6,006)
Building Permits	139,000	161,088	22,088
Plumbing Permits	49,400	63,156	13,756
Occupancy Permits	15,000	15,367	367
Park Facilities Permits	106,400	105,861	(539)
Trailer Occupancy Permits	47,000	49,110	2,110
Other Licenses and Permits	104,600	128,453	23,853
subtotal	1,010,100	1,080,074	69,974

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Charges for Services (continued)</u>			
Service Charges			
Soil Conservation Plan Fee	24,500	20,230	(4,270)
Indirect Cost Revenue	1,081,700	1,092,531	10,831
Plat Review & Processing	90,000	68,399	(21,601)
Special Exception Fees	18,000	12,121	(5,879)
Bail Bond Fees	50,000	43,374	(6,627)
EMS Billing Fees	1,365,000	1,394,502	29,502
School Allocation Extension Fees	5,000	104	(4,896)
Forest Conservation Fees	17,800	12,639	(5,161)
Site Development Plan Application	32,300	31,140	(1,160)
Mosquito Control Fees	75,000	60,573	(14,427)
Deeds & Tax Verification Fees	90,700	105,380	14,680
Advertising Fees	34,300	30,241	(4,059)
Custodial Fees	347,700	347,700	-
Animal Shelter Boarding Fees	28,500	26,275	(2,225)
False Alarm Registration Fees	282,500	285,522	3,022
Sheriff Fees	445,600	545,794	100,194
Sheriff Pay Phone Commission	150,500	137,904	(12,596)
Detention Center Room and Board	145,000	117,717	(27,283)
Federal Inmate Operating	-	-	-
Local 911 Fees	1,080,000	1,113,468	33,468
Park Entrance Fees	53,000	49,470	(3,530)
Food and Drink Sales	73,800	60,537	(13,263)
Outdoor Sports Programs Fees	337,400	324,597	(12,803)
Other Fees	1,199,200	1,005,600	(193,600)
subtotal	7,027,500	6,885,818	(141,682)
Total Charges for Services	8,037,600	7,965,892	(71,708)
<u>Intergovernmental</u>			
Federal Grants			
FEMA			
HIDTA Grant			
Miscellaneous Grants	59,960	39,958	(20,002)
subtotal	59,960	39,958	(20,002)

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Intergovernmental (continued)</u>			
State Grants			
Aid for Police Protection	1,175,200	1,267,645	92,445
Aid for Inmate Operations	241,900	178,650	(63,250)
Jury Fee Reimbursement	115,000	103,500	(11,500)
Soil Conservation	55,600	58,784	3,184
Other State Grants	109,000	98,319	(10,681)
subtotal	1,696,700	1,706,898	10,198
Animal Shelter			
Calvert County	230,000	206,662	(23,338)
St. Mary's County	345,000	309,992	(35,008)
subtotal	575,000	516,654	(58,346)
Total Intergovernmental	2,331,660	2,263,509	(68,151)
<u>Interest Income</u>			
MLGIP	60,000	332,336	272,336
US Government Agencies	21,000	479,758	458,758
CD's & Other Interest	144,000	246,146	102,146
Total Interest Income	225,000	1,058,240	833,240
<u>Other Income</u>			
Rent			
Courthouse Rent	922,200	895,632	(26,568)
Water Tower Rental	254,000	245,400	(8,600)
Office Space	86,600	134,850	48,250
Post Office	8,000	10,833	2,833
Other Rent	3,700	3,628	(72)
subtotal	1,274,500	1,290,343	15,843
Fines and Forfeitures			
False Alarm Fines	253,000	269,001	16,001
Alcoholic Beverage Fines	9,700	43,835	34,135
State Shared Fines	13,500	(6,657)	(20,157)
County Parking Fines	5,000	10,366	5,366
Red Light Camera Fines	1,734,300	1,920,600	186,300
Speed Camera Fines	1,400,000	1,458,905	58,905
Building Permit Fines	33,000	33,301	301
Other Fines	17,500	13,198	(4,302)
subtotal	3,466,000	3,742,549	276,549

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Other Income (continued)</u>			
Non-Recurring Revenue	-	(9,973)	(9,973)
Worker's Compensation	100,000	101,812	1,812
Miscellaneous	294,550	276,347	(18,203)
Gain (Loss) on Fixed Assets	250,000	141,892	(108,108)
Total Other Income	5,385,050	5,542,970	157,920
 Total Revenues	 367,592,910	 372,974,196	 5,381,286
<u>Other Financing Sources:</u>			
Proceeds from capital lease agreement	3,342,500	3,342,500	-
Proceeds from Bonds	-	-	-
Premium on debt proceeds	-	-	-
Bond Proceeds from debt refunding	-	-	-
Transfers In			
Special Revenue Funds	1,200,000	-	(1,200,000)
Capital Projects Funds	1,317,440	1,317,439	(1)
subtotal	2,517,440	1,317,439	(1,200,001)
Total other financing sources	5,859,940	4,659,939	(1,200,001)
 Total Revenues and Other Financing Sources	 \$ 373,452,850	 \$ 377,634,135	 \$ 4,181,285

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Education</u>			
Board of Education	\$ 170,474,500	\$ 170,474,500	\$ -
College of Southern Maryland	9,830,400	9,830,400	-
Library	4,234,190	4,201,330	32,860
Other	49,100	44,500	4,600
Total Education	184,588,190	184,550,730	37,460
<u>Public Safety</u>			
Sheriff's Office			
Sheriff	61,937,530	60,275,983	1,661,547
Detention Center	18,426,900	17,265,920	1,160,980
Automated Enforcement Unit	2,178,700	1,928,993	249,707
Fingerprinting Service	283,100	265,661	17,439
subtotal	82,826,230	79,736,557	3,089,673
Emergency Services			
Administration	405,590	313,838	91,752
False Alarm Reduction Unit	174,600	172,926	1,674
Communications	3,727,150	3,659,415	67,735
Emergency Management	51,200	50,475	725
Tactical Response	211,000	217,041	(6,041)
Career EMS	8,547,920	8,237,214	310,706
Animal Control	691,500	673,927	17,573
Animal Shelter	951,980	852,921	99,059
subtotal	14,760,940	14,177,756	583,184
Volunteer Fire & EMS	22,750	22,534	216
Security	-	-	-
Safety	371,420	372,444	(1,024)
Total Public Safety	97,981,340	94,309,291	3,672,049
<u>General Government</u>			
Debt Service	20,524,940	20,373,689	151,251
Central Services	7,623,300	4,738,053	2,885,247
Contingencies	-	-	-
Total General Government	28,148,240	25,111,742	3,036,498
<u>Public Works- Facilities</u>			
Administration	657,100	633,669	23,431
Buildings & Trades	7,802,270	7,187,609	614,661
Vehicle Maintenance	988,850	971,814	17,036
Roads	5,111,730	4,772,340	339,390
Total Public Works- Facilities	14,559,950	13,565,433	994,517

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Financial Administration</u>			
Fiscal & Administrative Services			
Administration	256,800	256,871	(71)
Budget	431,090	434,658	(3,568)
Accounting	1,178,400	1,117,048	61,352
Purchasing	347,900	264,934	82,966
Information Technology	3,022,160	2,736,598	285,562
Treasury	1,203,400	1,160,413	42,987
subtotal	6,439,750	5,970,523	469,227
Liquor Board	250,820	248,442	2,378
Human Resources	936,480	913,738	22,742
Retiree Fringe	2,441,200	2,481,541	(40,341)
Total Financial Administration	10,068,250	9,614,243	454,007
<u>Judicial</u>			
State's Attorney's Office	4,026,440	4,008,834	17,606
Circuit Court	1,271,600	1,233,167	38,433
Orphan's Court	55,100	52,581	2,519
Total Judicial	5,353,140	5,294,582	58,558
<u>Planning & Growth Management</u>			
Administration	306,790	287,576	19,214
Planning	1,550,770	1,498,405	52,365
Inspection & Enforcement	382,050	372,683	9,367
Codes & Permits	427,720	395,760	31,960
Resource & Infrastructure Mgmt	256,950	247,735	9,215
Total Planning & Growth Mgmt	2,924,280	2,802,159	122,121
<u>Community Services</u>			
Administration	306,700	265,494	41,206
Aging Services	1,383,100	1,340,376	42,724
Housing Authority	417,800	377,982	39,818
Total Community Services	2,107,600	1,983,852	123,748
<u>Recreation, Parks & Tourism</u>			
Administration	563,070	490,851	72,219
Parks and Grounds	4,728,700	4,458,732	269,968
Recreation	1,642,980	1,537,069	105,911
Tourism	1,040,800	889,883	150,917
Total Recreation, Parks, & Tourism	7,975,550	7,376,534	599,016
<u>Health Services</u>	3,346,400	3,296,155	50,245
<u>Economic Development</u>			
Economic Development Department	1,739,210	1,481,000	258,210
Other	290,300	288,510	1,790
Total Economic Development	2,029,510	1,769,510	260,000

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGETARY (NON-GAAP) BASIS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Social Services</u>	<u>1,165,200</u>	<u>1,149,719</u>	<u>15,481</u>
<u>Legislative</u>			
County Commissioners	498,600	481,978	16,622
County Administrator	1,234,720	1,195,435	39,285
Total Legislative	<u>1,733,320</u>	<u>1,677,413</u>	<u>55,907</u>
<u>Law - County Attorney</u>	<u>987,930</u>	<u>894,539</u>	<u>93,391</u>
<u>Conservation of Natural Resources</u>			
Weed Control	15,400	11,324	4,076
Resource Conservation & Development	18,100	11,350	6,750
University of MD Extension	252,600	250,898	1,702
Soil Conservation	378,800	376,723	2,077
Total Conservation	<u>664,900</u>	<u>650,295</u>	<u>14,605</u>
<u>Elections</u>	<u>1,294,420</u>	<u>1,288,076</u>	<u>6,344</u>
<u>Debt service</u>			
Interest	7,457,660	7,298,925	158,735
Contingency	51,600	-	51,600
Total expenditures	<u>372,437,480</u>	<u>362,633,195</u>	<u>9,804,285</u>
<u>Other financing uses:</u>			
Defeased Bonds	-	-	-
Transfers out			
Capital Projects	1,719,250	1,719,250	-
Special Revenue Funds	4,703,400	3,926,486	776,914
Debt Service Fund	-	-	-
Enterprise Funds	1,062,000	742,266	319,734
subtotal	<u>7,484,650</u>	<u>6,388,002</u>	<u>1,096,648</u>
Total other financing uses	<u>7,484,650</u>	<u>6,388,002</u>	<u>1,096,648</u>
Total Expenditures and Other Financing Uses	<u>\$ 379,922,130</u>	<u>\$ 369,021,198</u>	<u>\$ 10,900,932</u>

Special Revenue Funds

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

Judicial Grants-

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

Transportation Grants-

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

Housing Assistance Funds-

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

Agricultural Preservation Fund-

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

Fire and Rescue Funds-

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

Cable Franchise Fund-

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs	Public Safety Grants	Community Development Grants	Housing Assistance
ASSETS:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,277
Investments	-	-	-	-	-	-	-	-
Other receivables	80,432	1,186	787,942	1,595,770	156,874	203,703	-	83,585
Due (to) from other funds	-	-	-	-	2,423	-	-	115,422
Other assets	-	-	5,600	-	-	(50)	-	-
Restricted assets	-	-	-	-	875,965	-	-	-
Total assets	<u>\$ 80,432</u>	<u>\$ 1,186</u>	<u>\$ 793,542</u>	<u>\$ 1,595,770</u>	<u>\$ 1,035,261</u>	<u>\$ 203,653</u>	<u>\$ -</u>	<u>\$ 371,284</u>
LIABILITIES AND FUND BALANCE:								
Liabilities:								
Accounts payable	\$ 2,869	\$ -	\$ 32,867	\$ 1,110,790	\$ -	\$ 10,291	\$ -	\$ 52,870
Accrued expenditures	-	-	1,358	-	-	-	-	-
Deferred revenue	-	-	366	8,360	156,874	52,852	-	-
Due to other funds	65,427	1,186	758,951	270,112	-	130,328	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	<u>68,296</u>	<u>1,186</u>	<u>793,542</u>	<u>1,389,262</u>	<u>156,874</u>	<u>193,470</u>	<u>-</u>	<u>52,870</u>
Fund balance:								
Nonspendable fund balance	-	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	878,388	-	-	185,595
Committed fund balance	-	-	-	-	-	-	-	-
Assigned fund balance	12,136	-	-	206,508	-	10,183	-	132,819
Unassigned fund balance	-	-	-	-	-	-	-	-
Total fund balance	<u>12,136</u>	<u>-</u>	<u>-</u>	<u>206,508</u>	<u>878,388</u>	<u>10,183</u>	<u>-</u>	<u>318,414</u>
Total liabilities and fund balance	<u>\$ 80,432</u>	<u>\$ 1,186</u>	<u>\$ 793,542</u>	<u>\$ 1,595,770</u>	<u>\$ 1,035,261</u>	<u>\$ 203,653</u>	<u>\$ -</u>	<u>\$ 371,284</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET (continued)
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue	Law Library
ASSETS:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100
Investments	-	-	-	-	-	-	-	-
Other receivables	-	930	52,532	1,294	-	-	121,681	668
Due (to) from other funds	3,857	328,158	-	135,163	773,461	1,227,212	1,534,704	60,143
Other assets	-	-	-	-	-	-	-	267
Restricted assets	-	-	-	-	-	-	-	-
Total assets	<u>\$ 3,857</u>	<u>\$ 329,088</u>	<u>\$ 52,532</u>	<u>\$ 136,457</u>	<u>\$ 773,461</u>	<u>\$ 1,227,212</u>	<u>\$ 1,656,385</u>	<u>\$ 61,179</u>
LIABILITIES AND FUND BALANCE:								
Liabilities:								
Accounts payable	\$ 3,857	\$ 444	\$ -	\$ 5,760	\$ 5,946	\$ -	\$ 0	\$ 1,100
Accrued expenditures	-	-	-	-	-	-	-	-
Deferred revenue	-	-	23,090	361	-	-	-	-
Due to other funds	-	-	29,441	-	-	-	-	-
Other liabilities	-	-	-	3,441	-	-	1,544,316	-
Total liabilities	<u>3,857</u>	<u>444</u>	<u>52,532</u>	<u>9,561</u>	<u>5,946</u>	<u>-</u>	<u>1,544,316</u>	<u>1,100</u>
Fund balance:								
Nonspendable fund balance	-	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	203,454	1,227,212	112,069	-
Committed fund balance	-	-	-	-	-	-	-	-
Assigned fund balance	-	328,645	-	126,896	564,062	-	-	60,079
Unassigned fund balance	-	-	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>328,645</u>	<u>-</u>	<u>126,896</u>	<u>767,516</u>	<u>1,227,212</u>	<u>112,069</u>	<u>60,079</u>
Total liabilities and fund balance	<u>\$ 3,857</u>	<u>\$ 329,088</u>	<u>\$ 52,532</u>	<u>\$ 136,457</u>	<u>\$ 773,461</u>	<u>\$ 1,227,212</u>	<u>\$ 1,656,385</u>	<u>\$ 61,179</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING BALANCE SHEET (continued)
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017

	Tourism Grants	Aging 40 fund	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
ASSETS:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,377
Investments	-	-	-	-	-	-	-	-
Other receivables	1,650	146,316	89,364	80	510,301	930,116	42,159	4,806,582
Due (to) from other funds	-	-	-	303,379	117,234	4,891,587	-	9,492,743
Other assets	-	504	-	-	-	817	-	7,137
Restricted assets	-	-	-	-	-	-	-	875,965
Total assets	\$ 1,650	\$ 146,820	\$ 89,364	\$ 303,459	\$ 627,534	\$ 5,822,520	\$ 42,159	\$ 15,354,804
LIABILITIES AND FUND BALANCE:								
Liabilities:								
Accounts payable	\$ -	\$ 45,128	\$ 11,892	\$ 5,115	\$ 173,877	\$ 25,195	\$ 20,920	\$ 1,508,920
Accrued expenditures	-	-	-	10,146	169,480	-	-	180,983
Deferred revenue	-	-	-	-	62,396	-	-	304,298
Due to other funds	1,650	47,105	14,388	-	-	-	21,239	1,339,828
Other liabilities	-	-	-	-	-	-	-	1,547,756
Total liabilities	1,650	92,234	26,280	15,261	405,752	25,195	42,159	4,881,784
Fund balance:								
Nonspendable fund balance	-	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	-	1,193,789	-	3,800,507
Committed fund balance	-	-	-	-	-	-	-	-
Assigned fund balance	-	54,586	63,084	288,198	221,782	4,603,536	-	6,672,514
Unassigned fund balance	-	-	-	-	-	-	-	-
Total fund balance	-	54,586	63,084	288,198	221,782	5,797,325	-	10,473,020
Total liabilities and fund balance	\$ 1,650	\$ 146,820	\$ 89,364	\$ 303,459	\$ 627,534	\$ 5,822,520	\$ 42,159	\$ 15,354,804

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs	Public Safety Grants	Community Development Grants	Housing Assistance
REVENUES:								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	34,522	-	-	1,325,909	-	-	-	345,752
Intergovernmental	-	10,185	1,190,962	3,865,656	-	835,348	-	8,839,793
Interest income	-	-	-	-	6,847	-	-	-
Other income	-	-	-	157,910	27,947	18,257	-	50,928
Total revenues	34,522	10,185	1,190,962	5,349,475	34,794	853,605	-	9,236,473
EXPENDITURES:								
Education	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,435,113	-	-
Community services	-	-	-	8,198,287	-	-	-	9,398,249
Judicial	-	-	1,555,090	-	-	-	-	-
Planning & growth mgmt.	63,163	10,185	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	140,451	-	-	-
Social services	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	-	-	-	-
Total expenditures	63,163	10,185	1,555,090	8,198,287	140,451	1,435,113	-	9,398,249
Excess (deficiency) of revenues over (under) expenditures	(28,641)	-	(364,129)	(2,848,812)	(105,657)	(581,508)	-	(161,775)
Other financing sources:								
Transfers in	-	-	364,129	2,728,261	-	591,691	-	74,507
Transfers out	-	-	-	-	-	-	-	-
	-	-	364,129	2,728,261	-	591,691	-	74,507
Net change in fund balance	(28,641)	-	-	(120,551)	(105,657)	10,183	-	(87,268)
Fund balance - beginning of year	40,777	-	-	327,059	984,045	-	-	405,683
Fund balance - end of year	\$ 12,136	\$ -	\$ -	\$ 206,508	\$ 878,388	\$ 10,183	\$ -	\$ 318,415

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, 2017

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue	Law Library
REVENUES:								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,963	\$ 11,940,794	\$ -
Charge for services	-	140,740	-	89,386	94,662	-	-	48,105
Intergovernmental	192,865	-	175,142	-	157,515	-	380,892	-
Interest income	-	-	63	-	73	-	27,617	-
Other income	-	9,475	-	27,949	3,690	-	-	-
Total revenues	192,865	150,215	175,205	117,334	255,940	26,963	12,349,303	48,105
EXPENDITURES:								
Education	-	-	-	-	-	-	-	-
Public safety	-	178,022	-	86,414	60,865	-	12,329,439	-
Community services	404,052	-	175,205	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	61,958
Planning & growth mgmt.	-	-	-	-	-	26,963	-	-
Health	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	13,044	-	-	-
Total expenditures	404,052	178,022	175,205	86,414	73,909	26,963	12,329,439	61,958
Excess (deficiency) of revenues over (under) expenditures	(211,186)	(27,807)	-	30,921	182,031	-	19,864	(13,853)
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	3,000
Transfers out	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	3,000
Net change in fund balance	(211,186)	(27,807)	-	30,921	182,031	-	19,864	(10,853)
Fund balance - beginning of year	211,186	356,452	-	95,975	585,485	1,227,212	92,205	70,932
Fund balance - end of year	\$ -	\$ 328,645	\$ -	\$ 126,896	\$ 767,516	\$ 1,227,212	\$ 112,069	\$ 60,079

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, 2017

	Tourism Grants	Aging 40 fund	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
REVENUES:								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,967,757
Charge for services	-	-	158,860	9,260	70,250	3,634,236	-	5,951,682
Intergovernmental	46,504	663,871	254,377	88,000	1,835,567	-	350,411	18,887,089
Interest income	-	-	-	-	-	-	-	34,600
Other income	-	51,995	-	-	8,741	-	-	356,892
Total revenues	46,504	715,867	413,238	97,260	1,914,557	3,634,236	350,411	37,198,020
EXPENDITURES:								
Education	-	-	-	-	-	1,790,199	-	1,790,199
Public safety	-	-	-	164,958	-	-	453,755	14,708,565
Community services	-	-	-	-	-	-	-	18,175,793
Judicial	-	-	-	-	-	-	-	1,617,049
Planning & growth mgmt.	-	-	-	-	-	-	-	100,311
Health	-	-	-	-	1,890,382	-	-	1,890,382
Economic development	46,504	-	-	-	-	-	-	186,954
Social services	-	711,730	406,500	-	-	-	-	1,118,230
Legislative	-	-	-	-	-	-	-	13,044
Total expenditures	46,504	711,730	406,500	164,958	1,890,382	1,790,199	453,755	39,600,528
Excess (deficiency) of revenues over (under) expenditures	-	4,137	6,738	(67,698)	24,175	1,844,037	(103,344)	(2,402,507)
Other financing sources:								
Transfers in	-	-	-	79,290	-	-	103,344	3,944,221
Transfers out	-	-	-	-	-	(17,735)	-	(17,735)
	-	-	-	79,290	-	(17,735)	103,344	3,926,486
Net change in fund balance	-	4,137	6,738	11,592	24,175	1,826,302	-	1,523,979
Fund balance - beginning of year	-	50,449	56,346	276,606	197,607	3,971,023	-	8,949,042
Fund balance - end of year	\$ -	\$ 54,586	\$ 63,084	\$ 288,198	\$ 221,782	\$ 5,797,325	\$ -	\$ 10,473,021

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Enterprise Funds

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

Recreation Programs Fund-

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

Environmental Services Fund-

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

Inspections and Review Fund-

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

Vending Machines Fund-

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

Stormwater – Watershed Protection Fund-

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

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
OTHER PROPRIETARY FUNDS
JUNE 30, 2017

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ -	\$ 622,527	\$ -	\$ 130,962	\$ -	\$ 753,489
Other receivables	-	(2,841)	45,865	-	46,905	89,929
Due (to) from other funds	4,546,027	-	2,542,391	66,655	2,442,336	9,597,410
Inventory	-	28,650	-	-	-	28,650
Other current assets	-	96,332	256	-	-	96,588
Total current assets	4,546,027	744,669	2,588,512	197,617	2,489,241	10,566,066
Noncurrent assets:						
Net capital assets	31,249	6,392,243	1,850,759	-	17,385,643	25,659,894
Total noncurrent assets	31,249	6,392,243	1,850,759	-	17,385,643	25,659,894
Total assets	4,577,276	7,136,912	4,439,271	197,617	19,874,884	36,225,960
DEFERRED OUTFLOW OF RESOURCES:						
Charges on Bond Refundings	-	\$ -	-	-	-	-
LIABILITIES:						
Current liabilities:						
Accounts payable	51,265	61,472	215,542	-	630,261	958,539
Accrued expenses	9,239	17,371	34,432	-	390,663	451,706
Due to other funds	-	3,555,131	-	-	-	3,555,131
Unearned revenue	311	370,907	-	-	-	371,218
Current portion of long-term debt/liabilities						
Bonds payable	-	16,391	6,493	-	527,964	550,848
Capital lease obligations	25,676	-	696,469	-	5,687	727,832
Compensated absences	23,049	2,900	13,495	-	4,327	43,771
Notes payable	-	-	-	-	-	-
Total current liabilities	109,539	4,024,173	966,431	-	1,558,903	6,659,046
Noncurrent liabilities:						
Bonds payable	-	2,816,525	124,638	-	14,239,766	17,180,928
Net bond issue premiums	-	-	-	-	-	-
Capital lease obligation	13,888	-	738,158	-	11,299	763,346
Compensated absences	111,883	28,541	136,575	-	22,671	299,669
Net OPEB obligation	1,276,415	215,917	904,312	-	94,923	2,491,567
Notes payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total noncurrent liabilities	1,402,186	3,060,982	1,903,683	-	14,368,659	20,735,510
Total liabilities	1,511,725	7,085,155	2,870,114	-	15,927,562	27,394,556
NET POSITION:						
Net Investment in capital assets	(8,315)	3,559,328	293,240	-	2,989,965	6,834,217
Unrestricted	3,073,866	(3,507,571)	1,275,918	197,617	957,358	1,997,187
Total net position	\$ 3,065,550	\$ 51,757	\$ 1,569,158	\$ 197,617	\$ 3,947,322	\$ 8,831,404

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Operating revenues:						
Charge for services	\$ 3,990,462	\$ 2,762,020	\$ 5,241,286	\$ 144,290	\$ 2,033,628	\$ 14,171,686
Other income	-	13,883	-	-	-	13,883
Total operating revenue	3,990,462	2,775,904	5,241,286	144,290	2,033,628	14,185,569
Operating expenses:						
Personnel services	1,847,307	1,446,355	1,365,208	-	348,573	5,007,443
Utilities	3,221	277,101	16,785	-	-	297,107
Repairs and maintenance	4,679	196,137	98,484	-	3,808	303,110
Insurance costs	3,393	46,216	8,626	-	-	58,235
Indirect costs	35,295	-	42,300	-	13,400	90,995
Supplies	39,144	251,068	140,224	-	1,121	431,557
Contract services	1,626,594	547,402	2,293,432	-	939,777	5,407,204
Other operating costs	297,318	47,630	83,908	167,146	173,734	769,737
Depreciation	17,856	332,469	740,001	-	113,488	1,203,814
Total operating expenses	3,874,808	3,144,377	4,788,969	167,146	1,593,902	13,569,201
Operating income (loss)	115,654	(368,473)	452,317	(22,856)	439,726	616,368
Nonoperating revenues (expenses)						
Interest income	-	-	11,799	-	4,802	16,601
Intergovernmental	-	60,391	12,000	-	-	72,391
Interest expense	(619)	9,124	(24,735)	-	(459,852)	(476,082)
Gain (Loss) on disposal of capital assets	-	-	-	-	-	-
Total nonoperating revenue (expenses)	(619)	69,514	(937)	-	(455,050)	(387,093)
Income (loss) before transfers	115,035	(298,959)	451,380	(22,856)	(15,324)	229,276
Transfers in	3,366	502,321	-	-	236,579	742,266
Transfers out	-	-	-	-	-	-
Capital transfer	-	-	-	-	-	-
Change in net position	118,401	203,362	451,380	(22,856)	221,255	971,542
Net position - beginning of year	2,947,150	(151,605)	1,117,776	220,473	3,726,067	7,859,861
Net position - end of year	\$ 3,065,551	\$ 51,757	\$ 1,569,156	\$ 197,617	\$ 3,947,322	\$ 8,831,403

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
OTHER PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Cash flows from operating activities:						
Cash received from customers	\$ 3,989,613	\$ 2,846,365	\$ 5,241,286	\$ 144,290	\$ 2,033,628	\$ 14,255,182
Cash paid to suppliers	(1,913,312)	(1,362,460)	(1,843,135)	(167,146)	(1,056,885)	(6,342,938)
Cash paid to employees	(1,852,491)	(1,444,751)	(1,365,419)	-	(183,252)	(4,845,913)
Net cash provided by (used in) operating activities	223,810	39,154	2,032,732	(22,856)	793,491	3,066,331
Cash flows from investing activities:						
Interest received	-	-	11,799	-	4,802	16,601
Net cash provided by investing activities	-	-	11,799	-	4,802	16,601
Cash flows from noncapital financing activities:						
Intergovernmental	-	60,391	12,000	-	-	72,391
Transfers in (out)	3,366	502,321	-	-	236,579	742,266
Receipts from interfund loans	(200,900)	(213,762)	(628,930)	(9,036)	35,483	(1,017,145)
Repayment of interfund loans	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(197,534)	348,950	(616,930)	(9,036)	272,062	(202,488)
Cash flows from capital and related financing activities:						
Proceeds from issuance of bonds	-	-	76,000	-	4,880,000	4,956,000
Proceeds from new loans	-	-	-	-	-	-
Principal payments on bonds payable	-	(647,964)	(2,760)	-	(403,185)	(1,053,909)
Principal payments on capital lease obligations	(25,657)	-	(668,201)	-	(6,640)	(700,498)
Interest paid	(619)	9,124	(24,735)	-	(459,852)	(476,082)
Proceeds from disposal of assets	-	-	-	-	-	-
Cash (paid) received for capital expenses	-	(41,319)	(807,905)	-	(5,080,678)	(5,929,902)
Net cash used in capital and related financing activities	(26,276)	(680,159)	(1,427,601)	-	(1,070,355)	(3,204,391)
Net increase (decrease) in cash and cash equivalents	-	(292,055)	-	(31,892)	-	(323,947)
Cash and cash equivalents - beginning of year	-	914,582	-	162,854	-	1,077,436
Cash and cash equivalents - end of year	\$ -	\$ 622,527	\$ -	\$ 130,962	\$ -	\$ 753,489

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
 COMBINING STATEMENT OF CASH FLOWS (continued)
 OTHER PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2017

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 115,654	\$ (368,473)	\$ 452,317	\$ (22,856)	\$ 439,726	\$ 616,368
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	17,856	332,469	740,001	-	113,488	1,203,814
Increase (decrease) in compensation-related liabilities included in long-term debt	(3,683)	3,165	1,945	-	861	2,288
(Increase) decrease in other receivables	-	6,212	(20,338)	-	2,026	(12,100)
(Increase) decrease in inventories	-	(5,151)	-	-	-	(5,151)
(Increase) decrease in other current assets	-	(6,880)	(256)	-	-	(7,136)
(Increase) decrease in restricted assets	-	-	-	-	-	-
(Increase) decrease in deferred bond issue costs	-	-	0	-	100,462	100,462
Increase (decrease) in accounts payable	(65,349)	(7,366)	711,719	-	(64,852)	574,152
Increase (decrease) in accrued expenses	(1,936)	(15,182)	(2,156)	-	168,927	149,653
Increase (decrease) in other liabilities	0	0	0	-	-	-
Increase (decrease) in Net Pension Obligation	0	0	0	-	-	-
Increase (decrease) in Net OPEB Obligation	162,116	29,900	149,499	-	32,852	374,367
Increase (decrease) in deferred revenue	(849)	70,462	-	-	-	69,613
Net cash provided by operating activities	<u>\$ 223,809</u>	<u>\$ 39,156</u>	<u>\$ 2,032,732</u>	<u>\$ (22,856)</u>	<u>\$ 793,490</u>	<u>\$ 3,066,330</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	SW-Water Protection	Total
Borrowing under capital lease	\$ -	\$ -	\$ 247,500	\$ -	\$ 16,000	\$ 263,500
Capital asset transfer	-	-	-	-	-	-

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Fiduciary & Trust Funds

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	<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	\$ 5,240,665	\$ 4,153,914	\$ 5,424,645	\$ 195,298	\$ 15,014,522
Interest receivable	-	156,004	-	-	156,004
Total current assets	<u>5,240,665</u>	<u>4,309,917</u>	<u>5,424,645</u>	<u>195,298</u>	<u>15,170,525</u>
Investments at fair value:					
Bond mutual funds	52,218,259	83,243,841	-	-	135,462,100
Equity securities	<u>144,376,890</u>	<u>151,424,247</u>	<u>-</u>	<u>14,503,586</u>	<u>310,304,723</u>
Total investments	<u>196,595,149</u>	<u>234,668,088</u>	<u>-</u>	<u>14,503,586</u>	<u>445,766,823</u>
Total assets	201,835,814	238,978,005	5,424,645	14,698,884	460,937,348
LIABILITIES:					
Accrued expenses	<u>(58,583)</u>	<u>(2,203)</u>	<u>-</u>	<u>-</u>	<u>(60,786)</u>
NET POSITION HELD FOR PENSIONS AND OPEB BENEFITS	<u>\$ 201,777,231</u>	<u>\$ 238,975,802</u>	<u>\$ 5,424,645</u>	<u>\$ 14,698,884</u>	<u>\$ 460,876,562</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017

	<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	\$ 3,673,412	\$ 10,844,615	\$ 1,250,000	\$ 876,800	\$ 16,644,827
Employee contributions	2,347,149	2,764,799	-	-	5,111,948
Total contributions	6,020,561	13,609,414	1,250,000	876,800	21,756,775
Investment earnings:					
Interest, Dividends, Gains	4,826,046	10,802,426	2,863	357,140	15,988,475
Net change in fair value of investments	17,448,611	15,846,282	-	1,142,215	34,437,108
Total investment earnings	22,274,657	26,648,708	2,863	1,499,355	50,425,583
Less investment expenses	(1,097,743)	(933,013)	-	-	(2,030,756)
Net investment earnings	21,176,914	25,715,695	2,863	1,499,355	48,394,827
Total additions	27,197,475	39,325,109	1,252,863	2,376,155	70,151,603
DEDUCTIONS:					
Benefits paid to members	5,292,518	10,059,383	-	905,696	16,257,597
Administrative costs	13,113	24,298	304	58,929	96,643
Total deductions	5,305,630	10,083,681	304	964,625	16,354,240
Changes in net position	21,891,845	29,241,429	1,252,559	1,411,530	53,797,363
Net position - beginning of year	179,885,386	209,734,373	4,172,086	13,287,354	407,079,199
Net position - end of year	\$ <u>201,777,231</u>	\$ <u>238,975,802</u>	\$ <u>5,424,645</u>	\$ <u>14,698,884</u>	\$ <u>460,876,562</u>

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Statistical Section

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

Financial Trends-

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

Revenue Capacity-

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

Debt Capacity-

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

Demographic & Economic Indicators-

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

Operating Information-

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

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

Net Position by Component

Charles County, Maryland

Table 1

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities					
Net Investment in capital assets	\$ 255,344,078	\$ 277,293,967	\$ 286,447,650	\$ 299,008,922	\$ 302,756,883
Restricted	32,866,628	21,011,767	21,247,016	25,905,459	74,707,854
Unrestricted	(6,033,159)	(22,968,759)	(34,262,144)	(43,531,325)	(59,993,417)
Total governmental activities net position	<u>\$ 282,177,547</u>	<u>\$ 275,336,975</u>	<u>\$ 273,432,522</u>	<u>\$ 281,383,056</u>	<u>\$ 317,471,320</u>
Business-type activities					
Net Investment in capital assets	\$ 100,098,580	\$ 109,407,466	\$ 101,483,715	\$ 108,354,734	\$ 104,852,725
Restricted	-	-	-	-	-
Unrestricted	19,036,528	14,695,223	22,920,560	14,910,933	21,119,627
Total business-type activities net position	<u>\$ 119,135,108</u>	<u>\$ 124,102,689</u>	<u>\$ 124,404,275</u>	<u>\$ 123,265,667</u>	<u>\$ 125,972,352</u>
Primary government					
Net Investment in capital assets	\$ 355,442,658	\$ 386,701,433	\$ 387,931,365	\$ 407,363,656	\$ 407,609,608
Restricted	32,866,628	21,011,767	21,247,016	25,905,459	74,707,854
Unrestricted	13,003,369	(8,273,536)	(11,341,584)	(28,620,392)	(38,873,790)
Total primary government activities net position	<u>\$ 401,312,655</u>	<u>\$ 399,439,664</u>	<u>\$ 397,836,797</u>	<u>\$ 404,648,723</u>	<u>\$ 443,443,672</u>

Fiscal Year				
2013	2014	2015	2016	2017
\$ 288,603,104	\$ 303,818,811	\$ 347,192,029	\$ 362,533,718	\$ 345,033,818
79,871,134	43,877,572	51,199,624	67,034,990	69,514,892
(77,922,303)	(90,496,735)	(168,350,468)	(167,864,680)	(175,847,690)
<u>\$ 290,551,935</u>	<u>\$ 257,199,648</u>	<u>\$ 230,041,185</u>	<u>\$ 261,704,028</u>	<u>\$ 238,701,019</u>
\$ 107,008,981	\$ 115,327,060	\$ 130,853,925	\$ 148,864,902	\$ 156,383,005
-	-	-	-	-
26,418,067	23,842,789	29,983,168	22,755,798	33,875,032
<u>\$ 133,427,048</u>	<u>\$ 139,169,849</u>	<u>\$ 160,837,093</u>	<u>\$ 171,620,700</u>	<u>\$ 190,258,037</u>
\$ 395,612,085	\$ 419,145,871	\$ 478,045,954	\$ 511,398,621	\$ 501,416,823
79,871,134	43,877,572	51,199,624	67,034,990	69,514,892
(51,504,236)	(66,653,946)	(138,367,300)	(145,108,882)	(141,972,658)
<u>\$ 423,978,983</u>	<u>\$ 396,369,497</u>	<u>\$ 390,878,278</u>	<u>\$ 433,324,728</u>	<u>\$ 428,959,056</u>

Changes in Net Position

Charles County, Maryland

Table 2

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
<u>Expenses</u>				
Governmental activities:				
Legislative	\$ 2,027,389	\$ 2,080,510	\$ 1,939,759	\$ 1,440,487
Judicial	4,198,286	11,545,466	9,589,759	5,523,977
Law	869,395	894,366	896,496	1,225,112
General government	13,591,909	9,410,135	11,602,410	1,762,747
Elections	808,229	706,269	535,401	1,004,415
Public safety	87,502,195	95,921,812	92,357,073	92,757,414
Planning and growth management	4,036,674	5,883,572	3,736,711	2,842,458
Health	8,160,231	8,697,964	9,228,755	5,580,675
Social services	1,943,168	1,848,488	1,833,744	1,888,397
Community services	18,734,675	19,108,464	20,239,786	21,022,903
Recreation, Parks & Tourism	-	-	-	-
Public facilities	31,504,139	14,534,181	16,646,652	31,111,042
Economic development	1,623,306	1,504,604	1,280,857	618,852
Education	191,557,369	167,950,725	172,482,312	171,972,269
Conservation of natural resources	590,681	611,869	554,157	568,366
Interest expense on long term debt	10,264,554	11,100,155	10,922,423	11,485,900
Total governmental activities	377,412,201	351,798,583	353,846,295	350,805,014
Business-type activities:				
Water and sewer	25,226,246	23,617,745	25,146,157	30,073,573
Inspection and review	3,424,829	3,062,354	3,370,382	3,104,577
County parks	946,765	980,132	867,498	-
Recreation	3,495,983	3,185,403	3,045,137	3,635,017
Solid waste	3,383,287	3,557,332	3,577,336	3,515,373
Environmental services	3,108,793	3,342,339	3,312,126	3,403,209
SW-Watershed Protection	-	-	-	-
Vending machines	118,637	92,185	129,239	105,366
Total business-type activities	39,704,540	37,837,489	39,447,874	43,837,115
Total primary government expenses	\$ 417,116,741	\$ 389,636,072	\$ 393,294,169	\$ 394,642,129
<u>Program revenues</u>				
Governmental activities:				
Charges for services				
Judicial	\$ 254,840	\$ 79,083	\$ 73,114	\$ 54,133
Law				
Legislative				
General government	10,753,735	2,222,486	1,574,048	1,708,149
Elections	6,504	-	-	-
Public safety	7,286,631	5,769,229	6,054,547	6,005,879
Planning and growth management	723,722	1,214,746	2,466,319	1,435,941
Health	47,861	38,362	215,169	256,361
Community services	881,080	1,605,410	1,889,243	1,978,318
Recreation, Parks & Tourism				
Public facilities	641,037	809,628	652,970	3,178,265
Education	-	1,732,026	2,032,142	2,379,379
Operating grants and contributions	22,157,042	30,172,818	31,457,586	20,480,647
Capital grants and contributions	10,133,515	4,556,436	3,631,898	3,802,171
Total governmental activities program revenues	52,885,967	48,200,224	50,047,036	41,279,243
Business-type activities:				
Charges for services				
Water and sewer	23,179,800	23,215,291	24,940,407	26,011,549
Solid waste management	3,863,111	3,771,529	4,583,739	5,450,318
Environmental services	3,210,401	3,275,175	3,565,524	3,858,445
Other activities	6,986,131	5,983,167	5,697,562	6,102,542
Operating grants and contributions	-	-	-	-
Capital grants and contributions	771,580	922,555	1,039,983	1,011,461
Total business-type activities program revenues	38,011,023	37,167,718	39,827,216	42,434,316
Total primary government program revenues	\$ 90,896,990	\$ 85,367,942	\$ 89,874,252	\$ 83,713,559
<u>Net (expense)/revenue</u>				
Governmental activities	\$ (324,526,235)	\$ (303,598,358)	\$ (303,799,258)	\$ (309,525,771)
Business-type activities	(1,693,516)	(669,773)	379,340	(1,402,800)
Total primary government net expense	\$ (326,219,751)	\$ (304,268,131)	\$ (303,419,918)	\$ (310,928,571)

2012	2013	2014	2015	2016	2017
\$ 1,204,649	\$ 1,551,235	\$ 1,574,092	\$ 1,591,134	\$ 1,691,498	\$ 1,704,530
4,533,124	4,888,044	6,068,613	6,370,123	6,567,844	6,938,558
1,083,290	908,978	1,014,904	1,150,014	952,254	894,539
24,082,988	23,631,662	18,616,355	17,066,637	17,912,929	19,547,216
882,927	906,424	817,455	1,024,458	1,171,314	1,288,076
102,882,389	96,495,382	105,607,477	103,043,579	106,250,693	120,941,630
4,586,880	4,184,430	7,176,186	4,973,410	4,026,177	3,514,652
4,514,298	4,847,001	5,439,898	3,130,059	3,415,892	4,299,942
1,970,383	1,949,313	1,822,933	2,007,057	1,959,157	2,267,949
22,425,245	22,506,200	22,763,192	21,025,812	19,181,570	20,693,915
-	-	-	-	-	7,667,205
22,261,400	29,976,910	30,516,513	28,045,011	47,516,445	70,661,386
1,283,074	1,517,839	1,811,898	8,905,067	1,572,945	1,957,525
163,377,207	184,524,571	200,352,487	181,938,370	185,562,444	186,840,966
585,556	580,319	631,591	637,079	646,436	650,295
9,987,993	10,529,272	10,363,586	10,414,044	10,506,320	9,915,666
365,661,403	388,997,580	414,577,180	391,321,854	408,933,918	459,784,049
27,143,056	28,479,435	29,372,054	29,908,251	31,740,597	35,515,466
3,166,989	3,078,141	3,179,558	3,437,782	3,540,445	3,875,427
-	-	-	-	-	-
3,710,602	3,674,793	3,807,971	3,666,849	2,752,848	3,135,252
4,678,951	3,977,028	3,953,044	4,172,509	3,916,243	4,854,293
3,521,933	3,980,290	3,335,642	4,199,268	4,560,865	4,813,704
-	-	1,578,702	1,620,185	1,956,248	2,053,754
141,609	113,497	136,198	133,993	107,085	167,146
42,363,140	43,303,184	45,363,169	47,138,837	48,574,331	54,415,042
\$ 408,024,543	\$ 432,300,764	\$ 459,940,349	\$ 438,460,691	\$ 457,508,249	\$ 514,199,091
\$ 69,879	\$ 66,023	\$ 70,674	\$ 94,845	\$ -	\$ -
-	-	-	-	-	48,105
1,657,043	1,741,205	1,914,465	1,963,170	5,956,531	68,314
-	-	-	-	-	5,875,101
4,665,257	4,292,250	4,229,891	4,269,225	4,067,307	-
2,063,713	3,925,544	4,308,924	3,031,874	7,847,985	3,930,289
129,025	104,592	104,944	116,274	64,109	3,880,674
2,322,769	2,738,086	2,806,040	2,824,839	1,775,673	60,573
-	-	-	-	-	1,900,772
569,207	602,675	655,933	671,589	887,612	1,082,031
2,600,740	2,930,153	3,084,088	3,260,599	-	514,099
20,111,640	19,400,382	21,110,010	30,284,579	32,236,242	-
3,899,944	2,387,219	1,971,553	2,964,335	1,305,271	24,060,252
38,089,217	38,188,129	40,256,522	49,481,329	54,140,730	0
26,766,118	31,848,681	31,716,428	34,245,914	36,575,372	41,420,209
6,255,357	5,266,566	5,310,180	5,974,573	6,753,142	36,673,156
3,942,562	3,906,046	3,594,313	4,090,322	4,491,840	7,704,446
6,328,711	7,546,979	9,565,882	10,326,766	8,976,303	5,241,286
817,240	964,026	974,083	1,020,251	990,409	8,930,400
-	-	-	12,040,000	105,256	1,063,185
44,109,989	49,532,298	51,160,886	67,697,826	57,892,323	0
\$ 82,199,206	\$ 87,720,427	\$ 91,417,408	\$ 117,179,155	\$ 112,033,053	\$ 59,612,473
\$ (327,572,186)	\$ (350,809,451)	\$ (374,320,658)	\$ (341,840,525)	\$ (354,793,188)	\$ (418,363,841)
1,746,848	6,229,114	5,797,717	20,558,989	9,317,992	5,197,431
\$ (325,825,338)	\$ (344,580,337)	\$ (368,522,941)	\$ (321,281,536)	\$ (345,475,196)	\$ (413,166,409)

Continued

Changes in Net Position

Charles County, Maryland

Table 2

Last Ten Fiscal Years

(accrual basis of accounting)

Continued

	2008	2009	2010	2011
<u>General revenues and other changes in net position</u>				
Governmental activities:				
Taxes				
Local property taxes	\$ 161,343,642	\$ 181,396,190	\$ 190,131,537	\$ 193,939,891
Other local	20,522,655	15,240,771	15,417,825	17,875,503
Income taxes	82,610,436	71,838,853	85,784,762	97,544,231
State highway user taxes	9,142,897	8,077,769	437,492	631,126
Other income	3,661,909	4,209,764	5,695,002	3,806,510
Interest and investment earnings	8,914,827	5,471,445	3,898,008	3,468,006
Unrestricted grants and contributions	-	-	-	-
Miscellaneous	1,072,491	10,024,646	-	-
Transfers	515,496	498,348	530,182	211,038
Extraordinary loss tornado, net of income rec	-	-	-	-
Total governmental activities	<u>287,784,352</u>	<u>296,757,785</u>	<u>301,894,805</u>	<u>317,476,305</u>
Business-type activities:				
Other income	310,906	454,841	376,834	389,597
Interest and investment earnings	453,435	157,074	75,594	76,761
Miscellaneous	970,448	5,523,787	-	-
Transfers	(515,496)	(498,348)	(530,182)	(211,038)
Total business-type activities	<u>1,219,293</u>	<u>5,637,354</u>	<u>(77,754)</u>	<u>255,320</u>
Total primary government	<u>\$ 289,003,645</u>	<u>\$ 302,395,139</u>	<u>\$ 301,817,053</u>	<u>\$ 317,731,625</u>
<u>Change in net position</u>				
Governmental activities	\$ (36,741,883)	\$ (6,840,573)	\$ (1,904,453)	\$ 7,950,534
Net Restatement				
Business-type activities	(474,223)	4,967,581	301,586	(1,147,480)
Total primary government	<u>\$ (37,216,106)</u>	<u>\$ (1,872,992)</u>	<u>\$ (1,602,867)</u>	<u>\$ 6,803,054</u>

	2012	2013	2014	2015	2016	2017
\$	196,368,356	\$ 200,484,806	\$ 211,634,597	\$ 216,073,564	\$ 223,238,990	\$ 234,670,748
	16,105,317	20,612,134	22,154,294	30,960,062	33,987,630	33,346,032
	97,179,582	90,885,261	98,827,341	115,479,944	126,886,692	118,080,824
	473,872	852,425	881,979	931,891	-	952,802
	11,269,786	8,396,717	6,479,338	12,303,303	7,400,378	5,900,261
	3,339,228	3,077,153	3,282,490	2,531,265	2,505,628	3,152,433
	-	-	-	-	-	-
	-	-	-	-	-	-
	214,743	(418,430)	(368,300)	(464,468)	(879,136)	(742,266)
	-	-	-	-	-	-
	<u>324,950,884</u>	<u>323,890,066</u>	<u>342,891,739</u>	<u>377,815,561</u>	<u>393,140,182</u>	<u>395,360,832</u>
	1,119,570	743,229	457,308	464,358	501,903	12,571,257
	63,882	63,923	68,239	59,994	84,574	126,385
	-	-	-	-	-	-
	(214,743)	418,430	368,300	464,468	879,136	742,266
	<u>968,709</u>	<u>1,225,582</u>	<u>893,847</u>	<u>988,820</u>	<u>1,465,613</u>	<u>13,439,908</u>
\$	<u>325,919,593</u>	<u>\$ 325,115,648</u>	<u>\$ 343,785,586</u>	<u>\$ 378,804,381</u>	<u>\$ 394,605,795</u>	<u>\$ 408,800,740</u>
\$	(2,621,302)	\$ (26,919,385)	\$ (31,428,919)	\$ 35,975,036	\$ 38,346,994	\$ (23,003,009)
				(63,014,064)	-	-
	2,715,557	7,454,696	6,691,564	21,547,809	10,783,605	18,637,339
\$	<u>94,255</u>	<u>\$ (19,464,689)</u>	<u>\$ (24,737,355)</u>	<u>\$ (5,491,219)</u>	<u>\$ 49,130,599</u>	<u>\$ (4,365,670)</u>

Fund Balances of Governmental Funds

Charles County, Maryland

Table 3

Last Ten Fiscal Years

(modified accrual basis of accounting)

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

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
General fund							
Nonspendable fund balance	\$ 1,805,165	\$ 2,257,418	\$ 1,853,656	\$ 1,604,951	\$ 2,156,136	\$ 4,365,445	\$ 2,612,616
Restricted fund balance	699,770	3,896,913	6,830,594	4,032,708	5,301,900	5,256,573	1,571,097
Committed fund balance	27,022,596	31,526,041	32,556,833	33,350,360	38,288,776	55,610,042	63,196,702
Assigned fund balance	8,806,694	3,867,530	4,248,921	4,197,363	3,482,661	4,020,616	5,713,044
Unassigned fund balance	2,050,076	3,959,025	2,897,380	1,022,395	1,022,395	-	4,772,156
Total general fund	<u>\$ 40,384,301</u>	<u>\$ 45,506,927</u>	<u>\$ 48,387,384</u>	<u>\$ 44,207,777</u>	<u>\$ 50,251,868</u>	<u>\$ 69,252,677</u>	<u>\$ 77,865,614</u>
All other governmental funds							
Capital projects							
Nonspendable fund balance	-	-	-	-	-	-	-
Restricted fund balance	\$ 20,588,415	\$ 32,353,125	\$ 24,145,449	\$ 5,532,042	\$ 13,850,238	\$ 6,700,412	\$ 6,204,653
Committed fund balance	-	-	-	-	-	25,767,947	29,334,330
Assigned fund balance	17,963,717	17,279,026	20,688,549	-	-	2,831,713	2,861,521
Unassigned fund balance	-	-	-	(2,931,828)	(427,643)	-	-
Debt service							
Nonspendable fund balance	-	44,767,231	44,985,067	41,125,212	36,649,518	28,689,051	24,333,551
Restricted fund balance	209,544	-	-	-	-	-	-
Committed fund balance	-	-	-	-	-	-	-
Assigned fund balance	-	-	-	-	-	597,237	2,513,082
Unassigned fund balance	-	(3,122,548)	(5,228,617)	(5,038,043)	(471,532)	-	-
Other Governmental							
Nonspendable fund balance	-	-	-	-	-	-	-
Restricted fund balance	342,347	1,246,450	436,018	876,867	2,412,224	2,644,330	3,800,507
Committed fund balance	-	-	-	3,715,000	-	-	-
Assigned fund balance	6,136,690	5,225,045	6,158,631	3,198,683	4,178,176	6,304,712	6,672,514
Unassigned fund balance	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 45,240,713</u>	<u>\$ 97,748,329</u>	<u>\$ 91,185,097</u>	<u>\$ 46,477,933</u>	<u>\$ 56,190,981</u>	<u>\$ 73,535,402</u>	<u>\$ 75,720,157</u>

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

Changes in Fund Balances of Governmental Funds

Charles County, Maryland

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes:										
Local property	\$ 161,343,642	\$ 181,396,190	\$ 190,131,537	\$ 194,125,205	\$ 196,270,291	\$ 200,484,806	\$ 211,634,597	\$ 211,791,533	\$ 219,110,622	\$ 222,772,838
Income	81,823,096	82,314,487	86,513,316	92,049,627	97,179,582	99,440,598	99,513,353	109,709,956	123,429,876	119,349,494
Other local	20,522,655	15,240,771	15,417,825	17,875,503	16,105,317	20,612,134	22,154,294	30,960,062	33,025,233	33,346,032
State shared	9,142,897	8,077,769	437,492	631,126	473,872	852,425	881,979	931,891	962,397	952,802
Charges for services	19,496,339	13,470,970	13,705,262	13,806,742	14,077,633	16,400,528	17,174,959	16,232,415	20,599,217	17,359,957
Intergovernmental	41,170,868	34,729,254	35,089,484	22,052,057	24,011,584	21,787,601	22,377,063	33,248,914	33,541,513	24,060,252
Interest income	8,914,827	5,471,445	3,898,008	3,460,692	3,339,228	3,077,153	3,282,490	2,531,265	2,505,628	3,152,433
Other income	3,661,909	4,209,764	6,947,293	7,403,236	11,269,786	8,396,717	6,479,338	12,303,303	7,400,377	5,900,260
Total revenues	<u>346,076,232</u>	<u>344,910,650</u>	<u>352,140,216</u>	<u>351,404,188</u>	<u>362,727,293</u>	<u>371,051,962</u>	<u>383,498,073</u>	<u>417,709,339</u>	<u>440,574,863</u>	<u>426,894,066</u>
Expenditures										
Education	179,059,944	159,990,086	164,204,676	163,571,345	161,897,688	188,950,057	202,287,835	192,397,107	196,273,015	196,689,241
Public safety	83,927,644	92,314,203	87,835,915	87,884,735	92,640,243	94,272,991	101,742,806	103,994,700	108,328,753	109,642,022
Other general government	18,628,434	18,948,924	19,227,970	17,876,622	17,024,330	17,712,335	19,184,620	23,391,485	31,082,318	25,153,331
Public facilities	71,238,410	44,349,363	28,524,687	31,753,661	27,593,471	26,598,031	33,140,813	28,737,956	23,877,006	26,698,499
Financial administration	8,061,548	9,500,759	8,016,417	7,794,237	7,938,619	7,961,432	8,514,244	8,838,756	9,235,420	9,616,305
Community services	19,337,221	18,932,221	20,707,531	21,371,151	21,322,388	21,906,992	21,705,280	21,761,226	19,885,283	20,159,645
Recreation, Parks & Tourism										7,822,957
Judicial	5,852,295	11,495,678	9,549,790	5,535,421	4,479,661	4,805,217	6,086,489	6,475,100	6,639,733	7,014,417
Planning and growth management	6,835,946	5,852,025	3,796,263	3,645,761	4,579,928	4,173,750	7,162,964	4,973,410	4,028,641	4,317,582
Health services	6,894,108	7,185,740	8,158,197	4,476,139	4,352,999	3,726,711	4,281,981	4,322,514	4,482,033	5,186,537
Economic development	1,645,300	1,472,393	1,295,704	595,342	1,283,074	1,515,966	1,791,817	8,896,249	1,572,945	1,957,525
Social services	1,943,168	1,848,488	1,833,744	1,971,360	1,970,383	1,949,313	1,822,933	2,007,057	1,959,157	2,267,949
Legislative	1,804,515	1,972,696	1,820,205	1,317,066	1,372,856	1,456,063	1,478,484	1,570,445	1,626,209	1,690,457
Law	824,957	880,247	884,268	1,281,988	1,083,290	878,998	991,003	1,150,014	952,254	894,539
Conservation of natural resources	593,574	602,244	551,419	560,986	585,556	579,761	629,894	637,079	646,436	650,295
Elections	813,294	706,011	535,143	1,010,575	882,927	911,170	820,332	1,028,910	1,171,314	1,288,076
Debt service:										
Principal	10,122,812	11,166,700	11,243,409	11,543,633	16,488,429	12,628,435	13,969,954	17,851,976	11,527,876	10,026,845
Interest	10,264,554	11,100,155	10,922,423	11,485,900	10,231,477	10,529,272	10,363,586	10,318,581	10,184,584	10,039,960
Total expenditures	<u>427,847,725</u>	<u>398,317,933</u>	<u>379,107,761</u>	<u>373,675,922</u>	<u>375,727,319</u>	<u>400,556,495</u>	<u>435,975,035</u>	<u>438,352,565</u>	<u>433,472,976</u>	<u>441,116,181</u>
Excess (deficiency) of revenues over (under) expenditures	(81,771,493)	(53,407,283)	(26,967,545)	(22,271,735)	(13,000,027)	(29,504,534)	(52,476,963)	(20,643,227)	7,101,887	(14,222,116)
Other financing sources (uses):										
Issuance of debt	40,048,292	33,619,000	15,621,497	36,900,000	19,929,500	22,729,200	3,958,490	33,239,500	34,079,100	23,287,500
Premium on issuance of debt	623,446	1,504,644	1,358,311	3,214,979	9,169,214	5,740,278	-	6,739,644	2,727,531	2,474,574
Bond Proceeds from debt refunding	-	11,200,097	4,853,935	17,985,000	37,257,552	16,031,904	-	26,597,764	-	-
Defeased Bonds	-	(11,728,871)	(5,276,540)	(18,495,286)	(40,051,360)	(18,261,194)	-	(29,712,075)	-	-
Transfers in	17,360,153	10,517,473	17,012,208	7,806,015	10,195,181	4,639,176	6,127,899	10,770,318	5,993,407	6,980,910
Transfers out	(16,844,657)	(10,019,125)	(16,482,026)	(8,173,831)	(9,980,438)	(5,057,606)	(6,496,199)	(11,234,786)	(6,872,543)	(7,723,177)
Total other financing sources	<u>41,187,234</u>	<u>35,093,218</u>	<u>17,087,385</u>	<u>39,236,878</u>	<u>26,519,650</u>	<u>25,821,759</u>	<u>3,590,191</u>	<u>36,400,366</u>	<u>35,927,496</u>	<u>25,019,809</u>
Extraordinary loss from natural disasters, net of income	-	-	-	-	(1,909,773)	-	-	-	-	-
Net change in fund balances	<u>\$ (40,584,259)</u>	<u>\$ (18,314,065)</u>	<u>\$ (9,880,160)</u>	<u>\$ 16,965,143</u>	<u>\$ 11,609,850</u>	<u>\$ (3,682,775)</u>	<u>\$ (48,886,772)</u>	<u>\$ 15,757,139</u>	<u>\$ 43,029,383</u>	<u>\$ 10,797,692</u>
Debt service as a percentage of noncapital expenditures	5.194%	6.300%	6.284%	6.193%	7.389%	5.742%	5.619%	7.110%	5.006%	4.401%

Assessed Value and Estimated Actual Value of Taxable Property

Charles County, Maryland
Table 5
Last Ten Fiscal Years

Fiscal Year Ending June 30	Real Property		Business Personal Property	Railroads & Public Utilities	Ordinary Business Corporations	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Full Year	1/4, 1/2, 3/4 Yr.							
2008	14,947,505,231	233,312,629	7,285,360	187,147,270	661,521,380	16,036,771,870	1.14	16,036,771,870	100.00%
2009	17,572,236,940	185,557,591	5,640,570	195,176,080	808,399,180	18,767,010,361	0.96	18,767,010,361	100.00%
2010	18,848,560,018	161,648,430	5,233,180	205,119,670	802,289,680	20,022,850,978	0.96	20,022,850,978	100.00%
2011	17,815,986,983	99,737,589	7,900,630	263,545,620	785,847,980	18,973,018,802	0.96	18,973,018,802	100.00%
2012	16,565,423,239	138,407,890	8,284,230	256,991,160	693,247,980	17,662,354,499	1.00	17,662,354,499	100.00%
2013	15,767,175,406	131,283,908	8,190,160	267,162,220	681,889,120	16,855,700,814	1.05	16,855,700,814	100.00%
2014	15,384,968,244	131,670,190	7,712,830	285,422,960	631,661,420	16,441,435,644	1.14	16,441,435,644	100.00%
2015	15,406,621,549	210,168,374	7,504,070	304,401,370	621,082,550	16,549,777,913	1.14	16,549,777,913	100.00%
2016	15,692,752,105	169,790,559	9,183,690	317,477,720	645,642,220	16,834,846,294	1.14	16,834,846,294	100.00%
2017	16,258,683,269	191,816,634	9,541,520	313,993,400	221,587,700 ¹	16,995,622,523	1.14	16,995,622,523	100.00%

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

¹ Total assessed value excludes the County Payment in Lieu of Tax (PILOT) agreements.

Property Tax Rates for Direct and Overlapping Governments ¹

Charles County, Maryland

Table 6

Last Ten Fiscal Years

(Per \$100 of Assessed Value)

Fiscal Year	General County (Including Education)	Fire and Rescue Tax	State	Town of La Plata	Town of Indian Head
2007	0.9620	0.064	0.112	0.24	0.29
2008	0.9620	0.064	0.112	0.24	0.29
2009	0.9620	0.064	0.112	0.24	0.28
2010	0.9620	0.064	0.112	0.25	0.28
2011	0.9620	0.064	0.112	0.24	0.27
2012	1.0025	0.064	0.112	0.24	0.27
2013	1.0527	0.064	0.112	0.23	0.26
2014	1.1410	0.064	0.112	0.23	0.26
2015	1.1410	0.064	0.112	0.23	0.26
2016	1.1410	0.064	0.112	0.19	0.25
2017	1.1410	0.064	0.112	0.19	0.26

¹ Information Source: Charles County Treasurer's Office

Principal Taxpayers

Charles County, Maryland
Table 7

Ten Leading Taxpayers
(For period ending June 30, 2017)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes¹</u>
NRG Energy, Inc. (formerly GenOn Mid-Atlantic LLC)	\$ 528,233,990 ²	3.14%	\$ 11,252,008
Southern Maryland Electric Cooperative	142,808,920	0.85%	4,073,624
CPV Maryland, LLC	15,266,813 ²	0.09%	1,336,299
Dominion Cove Point LNG, LP	63,895,850	0.38%	1,822,629
Charles Mall Company LTD Partnership	148,063,200	0.88%	1,689,401
Verizon Maryland Inc.	41,129,990	0.24%	1,173,233
SCG Atlas Westchester, LLC	80,392,433	0.48%	917,278
Washington Gas Light Company	28,641,950	0.17%	817,012
Potomac Electric Power Company	24,593,720	0.15%	701,535
Madison Waldorf, LLC	56,933,833	0.34%	649,615
	<u>\$ 1,129,960,699</u>	<u>6.71%</u>	<u>\$ 24,432,634</u>
Total Taxable Assessed Value		<u>\$ 16,834,846,294 ²</u>	

Ten Leading Taxpayers
(For period ending June 30, 2008)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes¹</u>
Mirant Mid-Atlantic	\$ 538,002,402	3.35%	\$ 11,604,374
Southern Maryland Electric Cooperative	83,978,270	0.52%	2,019,677
Verizon Maryland, Inc	60,951,590	0.38%	1,465,886
Charles Mall Company LTD Partnership	133,666,666	0.83%	1,285,873
Washington Gas Light Company	18,815,260	0.12%	452,507
Potomac Electric Power Company	18,789,160	0.12%	451,879
CG (Retail) Inc.	44,244,600	0.28%	425,633
Charles Developers LTD Partnership	37,531,600	0.23%	361,054
Waldorf Shoppers' World	28,419,766	0.18%	273,398
SVF Waldorf LLC	26,910,500	0.17%	258,879
	<u>\$ 991,309,814</u>	<u>6.18%</u>	<u>\$ 18,599,160</u>
Total Taxable Assessed Value		<u>\$ 16,036,771,870 ³</u>	

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

1 2017 Based on County Tax of \$2.85 per \$100 assessed and 2008 Based on County Tax of \$2.41 per \$100 assessed

2 FY17 start of PILOT agreements with these two taxpayers

3 FY08 Total Assessed Value.

Property Tax Levies and Collections ¹

Charles County, Maryland

Table 8

Fiscal Year Ending June 30	Total Tax Levy Local Property ²	Collected within the Fiscal Year of the Levy		Collection In Subsequent Years	Total Collections To Date		Outstanding Delinquent Tax
		Amount	Percent		Amount	Percent	
2007	140,772,121	139,930,512	99.40%	772,937	139,999,184	99.45%	68,672
2008	165,599,544	164,805,575	99.52%	676,167	164,923,377	99.59%	117,802
2009	194,249,210	190,150,738	97.89%	3,835,622	190,413,588	98.03%	262,850
2010	206,470,878	205,523,547	99.54%	689,543	205,781,335	99.67%	257,788
2011	197,305,606	196,393,396	99.54%	598,726	196,706,880	99.70%	313,484
2012	190,760,517	190,062,217	99.63%	472,983	190,287,534	99.75%	225,317
2013	192,660,818	191,842,717	99.58%	577,628	192,083,190	99.70%	240,473
2014	202,699,932	201,517,315	99.42%	935,350	201,764,582	99.54%	247,267
2015	203,588,665	202,252,138	99.34%	1,023,236	202,565,429	99.50%	313,291
2016	207,718,986	206,927,720	99.62%	791,266	206,927,720	99.62%	427,073
2017	202,074,697	200,633,185	99.29%	1,441,512	200,633,185	99.29%	1,441,512

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

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

Ratios of Outstanding Debt by Type

Charles County, Maryland

Table 9

Last Ten Fiscal Years

Fiscal Year Ending June 30	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation	Capital Lease Obligation	Notes Payable	General Obligation	Capital Lease Obligation	Notes Payable			
	Bonds			Bonds					
2008	250,841,807	5,178,942	2,146,167	53,663,193	6,219,175	13,826,797	331,876,081	4.92%	2,357.68
2009	258,422,307	5,332,288	1,657,574	55,677,693	6,554,467	13,031,157	340,675,486	5.00%	2,388.83
2010	254,017,418	4,098,080	1,147,685	67,866,923	6,330,031	12,222,126	345,682,263	4.92%	2,358.78
2011	266,620,586	2,458,503	615,570	65,355,700	5,620,873	11,399,375	352,070,607	4.74%	2,393.64
2012	266,372,697	2,255,985	60,261	77,652,832	5,078,844	10,701,223	362,121,842	4.80%	2,428.23
2013	266,505,077	2,568,681	51,540	78,892,837	4,956,754	9,994,694	362,969,583	4.78%	2,373.90
2014	244,022,652	4,063,959	1,452,874	74,667,734	7,760,059	9,279,686	341,246,964	4.37%	2,205.19
2015	252,157,320	8,528,693	1,418,832	80,135,326	8,340,406	8,556,098	359,136,675	4.40%	2,300.42
2016	254,571,190	11,986,956	1,367,078	80,608,468	7,331,830	7,823,827	363,689,349	4.30%	2,306.14
2017	248,961,935	11,603,309	13,235	84,333,406	6,025,256	7,082,769	358,019,910	not available	not available

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

Ratios of General Bonded Debt Outstanding

Charles County, Maryland
Table 10
Last Ten Fiscal Years

Fiscal Year Ending June 30	General Obligation Debt	Less: Amounts Available in Debt Service Fund ¹	Total	Percentage of Estimated Actual Taxable Value of Property ²	Per Capita ³
2008	250,841,807	(569,350)	251,411,157	1.57%	1,786.05
2009	258,422,307	(1,409,943)	259,832,250	1.38%	1,821.95
2010	254,017,418	139,071	253,878,347	1.27%	1,732.35
2011	266,620,586	209,544	266,411,042	1.40%	1,811.26
2012	266,372,697	41,644,683 ⁴	224,728,014	1.27%	1,506.93
2013	266,505,077	39,756,450	226,748,627	1.35%	1,482.99
2014	244,022,652	36,087,169	207,935,483	1.26%	1,343.71
2015	252,157,320	36,177,986	215,979,334	1.31%	1,383.44
2016	254,571,190	29,286,288	225,284,902	1.34%	1,428.52
2017	248,961,935	26,846,633	222,115,302	1.31%	1,385.93

1 Restricted for debt service principal payments.

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

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

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

Direct and Overlapping Governmental Activities Debt

Charles County, Maryland

Table 11

Jurisdiction	Total Debt Outstanding	Assessed Valuation ¹	% of Assessed Valuation to Countywide Total	Estimated Share of Total Direct & Overlapping Debt
<u>Direct</u>				
Charles County	\$ 260,578,479	\$ 15,592,063,896	92%	\$ 239,291,081
<u>Overlapping</u>				
La Plata	183,204	1,170,354,644	7%	17,961,408
Indian Head	69,783	233,203,983	1%	3,578,977
Total Overlapping Debt	252,987	1,403,558,627	8%	21,540,385
Countywide Total	\$ 260,831,466	\$ 16,995,622,523	100%	\$ 260,831,466

1 Countywide Total matches that of Table 5

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

Legal Debt Margin Information

Charles County, Maryland

Table 12

Last Ten Fiscal Years

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

Demographic and Economic Statistics

Charles County, Maryland

Table 13

Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ³	Median Age	School ⁴ Enrollment	Unemployment Rate ²
2008	140,764	6,743,942	46,904	37	25,843	3.80%
2009	142,612	6,812,458	47,046	35	25,861	6.10%
2010	146,551	7,024,504	47,738	37	25,897	7.00%
2011	147,086	7,420,037	49,705	37	25,955	7.10%
2012	149,130	7,538,822	50,002	37	25,870	7.20%
2013	152,900	7,585,734	49,638	37	25,717	7.00%
2014	154,747	7,801,703	50,475	37	25,524	6.00%
2015	156,118	8,155,991	52,308	37	25,413	5.30%
2016	157,705	8,451,874	53,593	37	25,471	4.40%
2017	Not available	Not available	Not available	37	25,521	4.40%

1 U.S. Census Bureau, 2005 - 2009 and 2011 - 2017 population figures are estimated

2 Bureau of Labor Statistics, as reported in tables for June

3 Bureau of Economic Analysis

4 Charles Co. Board of Education, Student Services

Principal Employers

Charles County, Maryland

Table 14

Fiscal Year 2017		
Employer	Number of Employees ¹	Percentage of Total County Employment
Charles County Board of Education	3,631	4.48%
Naval Department of Defense at Indian Head	3,574	4.41%
Charles County Government	1,389	1.72%
UM Charles Regional Medical Center	680	0.84%
The Lane Construction Corporation	640	0.79%
Waldorf Chevy/Cadillac, Honda, Ford, Toyota/Scion, Dodge	561	0.69%
College of Southern Maryland	550	0.68%
BJ's Wholesale Club	452	0.56%
Southern Maryland Electric Cooperative	434	0.54%
Target	400	0.49%
McDonald's	395	0.49%
Safeway	391	0.48%
Sage Point Senior Living Services	367	0.45%
The Wills Group	339	0.42%
Wal-Mart/Sam's Club	338	0.42%
Genesis Health Care La Plata Center	274	0.34%
Total	14,415	
Total County Employment ²	80,988	

Fiscal Year 2008		
Employer	Number of Employees ¹	Percentage of Total County Employment
Charles County Board of Education	3,397	4.63%
Naval Department of Defense at Indian Head	3,118	4.25%
Charles County Government	1,324	1.81%
College of Southern Maryland	850	1.16%
Facchina Construction National Headquarter	836	1.14%
Civista Medical Center	820	1.12%
Wal-Mart	759	1.03%
Reliable Contracting	525	0.72%
Southern Maryland Electric Cooperative	486	0.66%
Southern Maryland Oil	426	0.58%
Target	425	0.58%
Macy's	340	0.46%
Waldorf Ford	310	0.42%
Keller Bus Service	290	0.40%
Chaney Enterprises Headquarters	250	0.34%
Charles County Nursing Home	239	0.33%
Total	14,395	
Total County Employment ²	73,341	

¹ Charles County Dept. of Fiscal & Administrative Services, Nov. 2017 Bond Offering Statement² State of Maryland, Maryland Department of Labor, Licensing and Regulation.

Full-time Equivalent County Employees by Function

Charles County, Maryland

Table 15

Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	Budget 2018
<u>County Commissioner's</u>	5	5	5	5	5	5	5	5	5	5
<u>Governmental Departments</u>										
Animal Control Services	22	22	20	20	20	20	20	20	24	24
Central Services	0	0	0	0	0	0	0	0	2	2
Community Services	63	61	50	52	56	54	55	55	50	50
County Commissioner's Office Staff	27	30	20	19	20	21	24	22	24	24
County Attorney's Office	10	10	9	9	10	10	10	10	10	10
Economic Development	5	5	2	5	6	6	6	9	9	10
Emergency Services	114	113	113	113	115	117	122	122	128	133
Fiscal and Administrative Services	72	72	63	66	66	67	71	72	73	73
Human Resources	9	8	7	7	8	8	8	8	10	12
Planning & Growth Mgmt	80	75	63	63	65	66	66	66	69	69
Public Works	333	324	302	300	299	302	308	313	320	331
Recreation, Parks, & Tourism	130	127	116	118	118	121	123	125	132	132
Subtotal County Departments	864	847	764	772	783	790	812	821	850	869
<u>Other Agencies</u>										
Circuit Court	23	23	22	23	22	22	22	22	25	25
Detention Center	160	160	151	156	156	156	156	156	156	156
Sheriff's Office	473	472	463	462	468	484	488	485	493	493
Soil Conservation	6	6	5	5	5	5	5	5	5	5
State's Attorney Office	31	31	30	31	37	46	54	54	58	48
TOTAL	1563	1544	1440	1454	1475	1508	1541	1548	1591	1601

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

Operating Indicators by Function

Charles County, Maryland

Table 16

Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 ²
Public Safety										
1 Sheriff's Calls for Service	187,000	207,842	216,701	230,390	235,371	253,292	258,591	271,363	298,499	not available
Emergency Response Team Responses	629	1,078	1,423	1,435	1,309	1,164	1,312	1,188	1,337	1,307
Bookings	12,669	12,088	11,814	12,164	11,308	10,706	11,106	10,890	10,194	11,979
Drug Screening	1,072	1,404	1,360	1,298	1,054	932	653	692	746	761
Red Light Camera Citations Issued	18,727	13,773	13,385	10,065	12,319	11,388	25,858	27,603	29,194	27,376
Animal Control Calls for Service	11,390	3,293	5,898	6,034	5,910	5,646	7,053	6,157	5,848	6,002
Animal Shelter Population	10,729	11,150	12,085	11,195	11,120	10,049	9,134	8,730	8,700	8,136
Alarm System Registrations	14,351	15,434	16,762	17,924	19,194	20,350	21,801	23,570	24,795	26,058
False Alarm Calls	8,133	7,842	8,251	8,215	7,821	7,952	8,324	8,477	8,283	8,017
EMS Responses	12,314	12,480	11,032	11,008	11,903	12,290	13,700	13,188	15,375	16,500
911 Calls Received	67,383	67,965	69,141	74,674	74,866	73,182	72,231	78,790	78,722	84,500
Community Services/Planning & Growth Mgmt										
Public Transit Routes	14	13	14	14	14	14	14	15	15	15
Service Miles	1,019,086	1,037,999	999,941	1,103,191	1,225,954	1,171,946	1,150,000	1,227,005	1,207,500	1,296,005
Senior Program Participation	6,255	3,639	3,726	3,726	3,768	3,701	4,041	4,233	4,250	4,286
Public Facilities										
Square Footage Maintained	936,575	941,235	1,001,235	1,004,000	1,034,200	1,034,260	1,044,460	1,285,246	1,300,000	not available
Preventative Maintenance Performed	392	430	480	488	298	395	852	937	950	not available
Athletic Leagues Maintained	57	59	68	73	69	68	69	69	70	68
Scheduled Games	7,523	7,680	7,721	8,139	8,399	7,929	8,051	8,115	8,200	7,577
Vehicle Maintenance Work Orders	5,899	5,743	5,667	5,572	5,276	5,044	5,601	5,378	5,560	4,606
Lane Miles Maintained	1,540	1,559	1,597	1,597	1,600	1,625	1,662	1,672	1,681	1,725
Water and Sewer										
Billing Invoices per year	117,497	115,540	118,329	120,893	121,578	123,434	129,034	129,222	133,057	135,158
New Accounts Set Up	506	419	474	446	511	547	572	550	550	725
Meters Read	117,497	115,540	118,329	120,893	121,578	123,434	129,034	129,222	130,000	127,496
Holding Tank Program Gallons Pumped	516,350	509,850	482,340	398,100	395,750	395,600	317,500	610,707	303,650	557,350
County Park Operations										
Rounds of Golf	30,200	30,059	30,490	25,500	27,583	28,412	26,105	27,700	28,000	24,130
Season Passes	207	198	177	131	125	102	101	90	100	90
Solid Waste Management										
1 Recycled Tons	48,654	58,451	51,537	52,575	77,537	74,966	81,133	77,936	80,192	not available
1 Recycle Curbside Collection Tons	2,885	2,900	3,100	3,200	3,074	3,295	5,500	6,506	7,000	not available
Landfill Tons	57,404	54,420	74,581	85,762	90,354	73,195	75,277	84,963	94,901	96,100

1 Based on Calendar Year

2 Projected

Capital Asset Statistics by Function

Charles County, Maryland

Table 17

Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Buildings	25	25	23	24	24	26	28	30	30	29
Vehicles	295	302	293	267	245	244	250	254	256	257
Public Safety										
Sheriff Stations	7	7	7	6	7	7	7	7	7	7
Detention Centers	2	2	2	2	2	2	2	2	2	2
Sheriff Patrol Vehicles	413	422	425	462	472	463	456	474	469	470
Other Sheriff Vehicles	15	16	17	18	17	16	14	14	15	15
K-9 Dogs	14	14	15	11	12	11	12	13	12	14
Mobile Communications Center	1	1	1	1	1	1	1	1	1	1
Emergency Operations Vehicles	16	16	17	18	18	18	18	18	18	18
Hazmat Vehicles	7	5	5	5	5	5	5	5	5	5
Animal Control Vehicles	10	9	8	8	9	9	11	9	11	13
Community Services										
Transportation Service Vehicles	38	36	33	36	37	37	38	41	40	36
Senior / Community Centers	4	4	4	4	4	4	4	4	4	4
Community Centers	9	9	9	9	9	9	9	9	9	9
Pools	5	5	5	5	5	5	5	6	6	6
Public Facilities										
Buildings	8	8	8	8	8	8	8	8	8	8
Roadways (miles)	1,540	1,559	1,597	1,597	1,600	1,625	1,662	1,672	1,681	1,725
Heavy Equipment	26	31	32	27	28	30	33	32	37	39
Water and Sewer										
Buildings	18	17	17	17	17	17	17	17	17	18
Wastewater Treatment Plants	7	7	7	7	7	7	7	7	7	7
Pump Stations	50	57	57	57	56	56	56	55	55	57
Wells	62	67	67	65	65	65	65	66	66	67
Heavy Equipment	17	16	17	14	15	18	19	22	24	25
Vehicles	81	92	87	76	86	102	109	116	117	123
Meters	113,354	111,397	113,858	116,883	117,546	119,214	124,394	124,580	128,000	130,000
County Park Operations										
Parks	27	29	29	29	30	30	31	33	33	33
Park Acreage	3,228	3,336	3,349	3,349	3,483	3,483	3,767	4,061	4,061	4,061
Golf Course	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Concession Buildings	8	8	8	8	9	9	9	9	9	9
Vehicles	3	3	3	3	3	3	3	2	2	2
Recreation Programs										
Recreation/ Sports Centers	2	2	2	2	2	2	2	2	2	3
Solid Waste Management										
Buildings	6	6	6	6	6	6	6	6	6	8
Recycling Stations with Buildings	3	3	3	3	3	3	3	3	3	4
Heavy Equipment	28	27	26	21	21	22	30	29	28	32
Vehicles	39	38	34	26	35	34	33	35	36	40

Charles County Commissioners



PREPARED BY:

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

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

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