

# CHARLES COUNTY MARYLAND

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2019

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# CHARLES COUNTY, MARYLAND

## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2019

Prepared by:  
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[www.charlescountymd.gov](http://www.charlescountymd.gov)

**The County Commissioners of Charles County, Maryland  
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# Introductory Section

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CHARLES COUNTY GOVERNMENT  
**Office of the County Administrator**

**Mark Belton**  
County Administrator

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January 30, 2020

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, 2019, 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 CliftonLarsonAllen, 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, 2019, 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, 2019, 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), 3<sup>rd</sup> 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 an estimated population of 161,503 as of the 2018 Census 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 132 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, a suburb of Washington, D.C. is part of the Washington, D.C. Metropolitan Statistical Area (MSA). The County has the 5th highest household income in the state of Maryland and the 25th highest median household income in America. Charles County has been one of the fastest growing counties in Maryland. It is estimated that by 2020 Charles County will have a majority African American population; when this happens Charles County will overtake Prince George's County as the nation's wealthiest majority African American county

Naval Support Facility (NSF) Indian Head is one of the County's largest employers and economic drivers, with more than 3,400 civilian, military and contract employees in FY 2018. 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.

The County has a civilian labor force (16 years and older) of 82,373 with another 1,483 residents in the Armed Forces. The civilian workforce in Charles County continues to reflect the large number of educated working professionals that are moving into the County. The County median household income is \$93,973. The average unemployment rate for 2018 was 3.9% according to the Maryland Department of Labor. The top occupation groups for County residents (civilian employed population 16 years and over by number employed) are as follows:

- Management, business, science, and arts occupations (42.2%)
- Sales and office occupations (24.7%)
- Service occupations (17.0%)
- Natural resources, construction, and maintenance occupations (8.6%)
- Production, transportation, and material moving occupations (7.4%)

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), and Zekiah Technologies (national GIS firm). *(Data sources: NSF Indian Head; U.S. Census Bureau ACS 5-year estimates, 2013-2017)*

As indicated in the following table, employment in the County increased from 41,210 in 2014 to 41,410 in 2018, a gain of 200 jobs and a 0.5% increase in total employment. The majority of the jobs gained in this timeframe were in the construction industry category.

Five-Year Employment Statistics  
Persons Employed by Industry

	2014	2015	2016	2017	2018	% Change '14 to '18
<b>GOVERNMENT</b>						
Federal	2,168	2,205	2,276	2,292	2,352	8.5%
State	571	577	557	550	549	-3.9%
Local	6,826	6,796	6,822	6,873	7,093	3.9%
Subtotal	9,565	9,578	9,655	9,715	9,994	4.5%
<b>INDUSTRY</b>						
Services, Transportation, Communication & Utilities	27,452	28,181	28,158	27,150	26,897	-2.0%
Construction	3,503	3,612	4,419	4,155	3,873	10.6%
Manufacturing	655	649	635	597	616	-6.0%
Other	35	44	35	31	30	-14.3%
Subtotal	31,645	32,486	33,247	31,933	31,416	-0.7%
<b>Total</b>	<b>41,210</b>	<b>42,064</b>	<b>42,902</b>	<b>41,648</b>	<b>41,410</b>	<b>0.5%</b>

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Calvert County	5.3%	4.6%	3.9%	3.7%	3.5%
<b>Charles County</b>	<b>5.7</b>	<b>5.0</b>	<b>4.3</b>	<b>4.1</b>	<b>3.9</b>
Frederick County	5.0	4.5	3.9	3.7	3.5
Montgomery County	4.4	3.9	3.5	3.4	3.2
Prince George's County	6.1	5.2	4.5	4.3	4.1
St. Mary's County	5.4	4.8	4.3	4.1	3.8
State of Maryland	5.8	5.1	4.5	4.3	3.9
United States <sup>1</sup>	6.2	5.3	4.9	4.4	3.9

*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 2018 Census estimates the County’s population at 161,503. It is projected that population growth within the County will continue at a steady but moderate rate.

**Relevant Financial Policies.** The County Commissioners have formalized several financial policies to address their long-term 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, Stormwater/Watershed Protection & Restoration, 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 adopted on March 9, 2010 and last updated on September 25, 2019:
  - 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 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.
  - c. The fund balance of the Water and Sewer Operating Budget associated with the Department of Public Works – Utilities shall not be less than 30 days and not more than 120 days of the total budgeted operating expenses of the Utilities Operating Fund at the end of each fiscal year.
  - d. A surplus of 15% of the General Fund shall be designated or appropriated during the next fiscal year. The first priority would be to cover any shortfalls within Special Revenue Funds. Water and Sewer surplus may be reserved for one-time capital needs. Surplus funds can be utilized to reduce or avoid debt, one-time expenditures such as capital outlay, capital project or operating needs, or to stabilize taxes, rates and fees.
  - e. 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 adopted on September 22, 2009 and was last amended on January 23, 2018:
  - 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 2019, the County held a bond sale in November for \$60 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 2019 budget continues to reflect long-range goals 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:

- Economic Development & Supportive Services
  - Commercial Development
  - Industry Diversification
  - Infrastructure/Services
- Institutional Government & Policy
  - Operational Excellence
  - Public Policy

- Environmental
  - Conservation Programs
  - Natural Resource Management
  - Environmental Management
- Education
  - Board of Education
  - Human Resource Development (County)
- Quality of Life
  - Public Safety
  - Healthcare
  - Recreation & Entertainment
  - Affordable/Workforce Housing

Also, as part of strengthening the County’s position, several major economic development projects are currently underway. St. Charles Energy Center is a 725 mega-watt 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. The construction of the facility started in summer 2017 and was completed in early 2019. The facility has been in operation since that time and a ribbon cutting event was held in August of 2019. The facility consolidates three existing smaller Army Reserves facilities into the new location, creating 60 to 70 new full-time equivalent jobs in Charles County. Seventeen units in the 99th Army Reserve Group will train at the facility 37 weekends a year, with approximately 200 reservists on site during those weekends. 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 226,500 square feet of retail and beverage/entertainment, a 60,000 square foot Class “A” office building, a 120-room hotel, 181 one-bedroom apartments, 339 two-bedroom apartments, 125 senior/assisted living units, and 278 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 a 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.

The MedStar Shah Medical Group is developing two ambulatory medical office buildings in Charles County to house their expanding operations. The main building will be a 51,000-square-foot, three-story facility that will replace an existing building. This facility will include fully integrated healthcare on three floors with primary care, medical specialties, and diagnostics all in the same location. Medical services and operations will include, but not be limited to, primary care, cardiology, outpatient surgery, sleeping disorders and phlebotomy. The three-story main building will also contain a pharmacy. The second building which will be a 20,000-square-foot facility will house additional medical specialties. The group expects to open in the summer of 2020.

In summary, the Fiscal Year 2020 economic outlook for the County is stable. Operating revenues should increase approximately 5.4%. Property Taxes are expected to increase 4% and Income Tax revenue is budgeted to increase 5%. Recordation Tax and Transfer Taxes are budgeted to increase 4%.

### **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, 2018. This is the seventeenth 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.

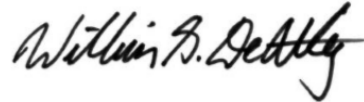
The preparation of the comprehensive annual financial report was made possible by the dedicated services of the staff of the Department of Fiscal & Administrative Services, Accounting Division. Each member of the Department of Fiscal & Administrative Services, as well as members of other Departments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

A handwritten signature in black ink, appearing to read 'Jenifer M. Elin', with a long horizontal flourish extending to the right.

Jenifer M. Elin  
Director of Fiscal & Administrative Services

A handwritten signature in black ink, appearing to read 'William G. DeAtley', with a long horizontal flourish extending to the right.

William G. DeAtley  
Chief of Accounting



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, 2018**

*Christopher P. Morrill*

Executive Director/CEO

CHARLES COUNTY, MARYLAND  
GOVERNMENTAL ORGANIZATION  
CERTAIN ELECTED AND ADMINISTRATIVE OFFICIALS  
**As of June 30, 2019**

**CERTAIN ELECTED OFFICIALS**

President, County Commissioners  
County Commissioners

Reuben B. Collins, II, Esq.  
Gilbert O. Bowling, III  
Thomasina O. Coates  
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

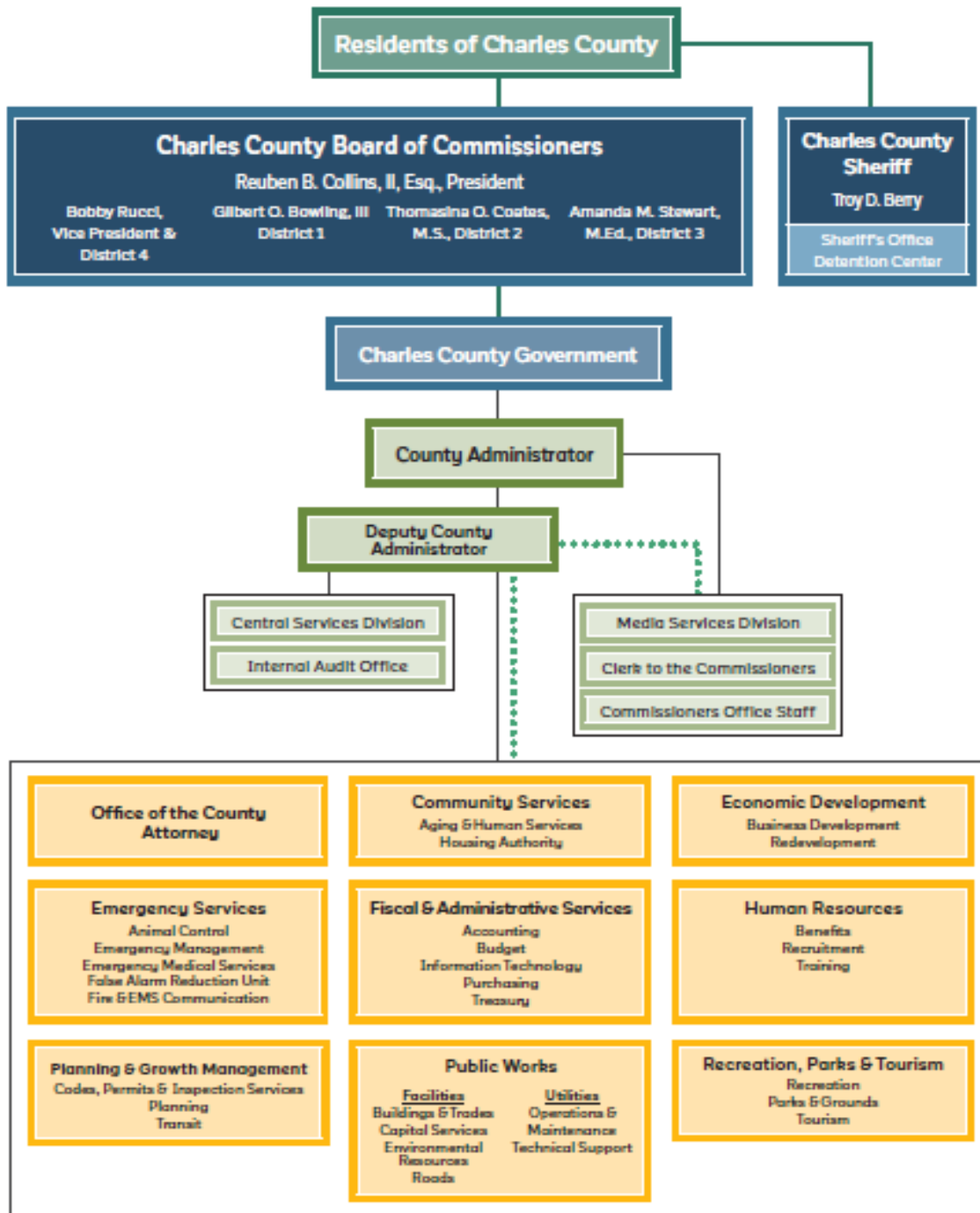
Mark J. Belton  
Deborah E. Hall, CPA  
Wes Adams  
Jenifer M. Ellin  
Vacant  
William D. Stephens  
William A. Shreve, Sr.  
Eileen B. Minnick  
Dina M. Barclay  
Alexis B. Blackwell  
Darrell A. Brown

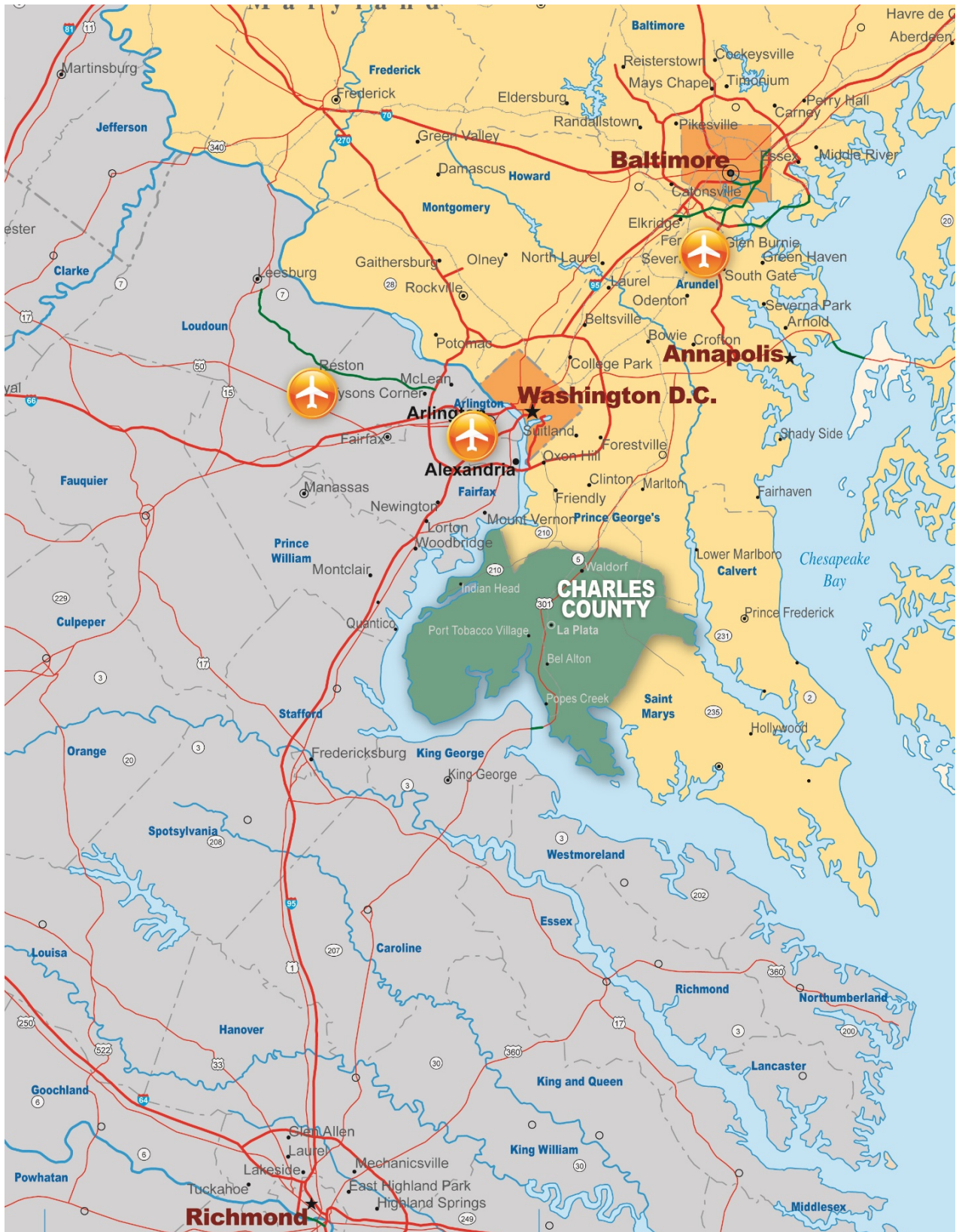
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Suite 300  
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Bond Counsel  
McGuire Woods LLP  
500 East Pratt Street,  
Suite 1000  
Baltimore, MD 21202

Financial Advisor  
Davenport & Co., LLC  
8600 LaSalle Road,  
Suite 618  
Towson, MD 21286





# 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

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## INDEPENDENT AUDITORS' REPORT

Commissioners of Charles County, Maryland  
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, 2019, 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***

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.

### ***Auditors' 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 Library Trustees for Charles County, which represent 1 percent, 1 percent, and 2 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Library Trustees for Charles County, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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

Commissioners of Charles County, Maryland

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 opinions.

***Opinions***

In our opinion, based on our audit and the report of 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter***

***Correction of Error***

As discussed in Note 10 to the financial statements, the County restated beginning balances resulting from the correction of accounting errors that occurred in the prior period. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance-budgetary to actual-General Fund, the schedule of the County's Plan Contributions and the Schedule of the Changes In The County's Plan Net Pension Liability And Related Ratios, the schedule of Sheriff's' Office Retirement Plan Employer Contributions and the schedule of the changes in the Sheriff's' Office Retirement Plan Net Pension Liability And Related Ratios, the schedule of County Contributions and the schedule of County's OPEB pension liability and related ratios, as listed in the table of contents, 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.

***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 accompanying introductory section, combining fund statements, budgetary comparison schedule, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

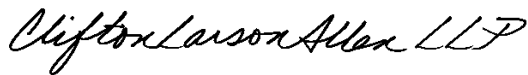
Commissioners of Charles County, Maryland

The accompanying combining fund statements and the budgetary comparison schedule are the responsibility of management and were derived from and relate 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, and the budgetary comparison schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
January 30, 2020

## Management's Discussion and Analysis (MD&A)

Our discussion and analysis of the financial performance of Charles County, Maryland (the County) provides an overview of the County's financial activities for the Fiscal Year ended June 30, 2019. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 44), and the accompanying notes to those financial statements (beginning on page 65).

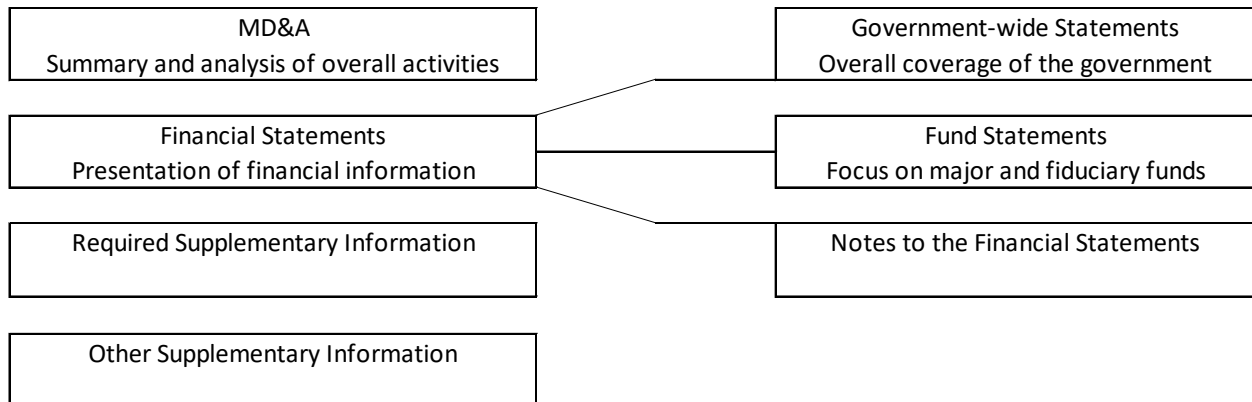
### **Financial Highlights**

- The government-wide assets and deferred outflows of resources of Charles County exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by \$367.1 million (net position).
- The County's statement of activities change in net position was an increase of \$34.9 million.
- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balance of \$222.1 million, an increase of \$32.8 million from the prior year as stated on page 48. Approximately 7.6% of this total amount is classified as Non-spendable fund balance, or \$16.9 million. Much of the total is classified as Restricted, Committed or Assigned fund balance, or \$197.4 million.
- For Fiscal Year 2019, the total Fund Balance for the General Fund equaled \$108.8 million, as shown on page 48. Of that total, \$92.5 million is represented as Committed Fund Balance, including the Fund Balance Policy Target of \$62.2 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 \$9.7 million was approved during the year, however favorable expense budget savings negated the use of Fund Balance. In addition, there was greater than budget revenues primarily from Income Taxes which exceeded the budget by \$8.7 million. As a result, instead of a budgeted Fund Balance decrease of \$9.7 million, an increase of approximately \$15.9 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, deferred outflows, deferred inflows, 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 44-47 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 48-50 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, the Solid Waste Fund and the Stormwater Protection Fund, which are considered major funds of the County. The remaining four enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 52-55 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 County Employees Retirement Plan, the Sheriff's Office Retirement Plan, and the Other Post Employment Benefit (OPEB) Trust plan. The fiduciary fund financial statements can be found on pages 56-57 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 65-129 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 132-138 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 140-165 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$367.1 million at the close of the most recent fiscal year, as shown in the summary schedule of net position on the table below.

By far the largest portion of Charles County's net position, \$399.7 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 (28%) represents resources that are subject to external restrictions on how they may be used.

Net Position  
As of June 30, 2019 and 2018  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 333,515	\$ 279,759	\$ 87,446	\$ 79,644	\$ 420,962	\$ 359,403
Capital assets, net of depreciation	475,564	481,887	276,979	261,436	752,543	743,323
Total assets	<u>809,079</u>	<u>761,646</u>	<u>364,425</u>	<u>341,080</u>	<u>1,173,504</u>	<u>1,102,726</u>
Deferred Outflows of						
Resources	32,652	37,628	-	-	32,652	37,628
Total Assets and Deferred						
Outflows of Resources	<u>841,731</u>	<u>799,274</u>	<u>364,425</u>	<u>341,080</u>	<u>1,206,156</u>	<u>1,140,354</u>
Non-current liabilities	543,962	595,708	129,421	116,580	673,382	712,288
Other liabilities	35,198	39,383	11,756	10,074	46,954	49,458
Total liabilities	<u>579,160</u>	<u>635,091</u>	<u>141,176</u>	<u>126,654</u>	<u>720,336</u>	<u>761,745</u>
Deferred Inflows of						
Resources	118,739	36,240	-	-	118,739	36,240
Total Liabilities and Deferred						
Inflows of Resources	<u>697,898</u>	<u>671,332</u>	<u>141,176</u>	<u>126,654</u>	<u>839,075</u>	<u>797,986</u>
Net position:						
Net investment in capital assets	324,753	318,039	158,893	150,367	483,646	468,406
Restricted	102,747	78,632	4,966	-	107,713	78,632
Unrestricted	(283,668)	(268,729)	59,390	64,059	(224,278)	(204,670)
Total net position	<u>\$ 143,832</u>	<u>\$ 127,942</u>	<u>\$ 223,249</u>	<u>\$ 214,426</u>	<u>\$ 367,081</u>	<u>\$ 342,368</u>

Changes in Net Position  
Years ended June 30, 2019 and 2018  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues:						
Charges for services	\$ 15,561	\$ 19,345	\$ 63,350	\$ 61,739	\$ 78,910	\$ 81,084
Operating grants & contributions	21,744	21,067	987	811	22,731	21,878
Capital grants & contributions	5,487	4,173	236	259	5,723	4,433
General revenues:						
Property taxes	250,103	241,773	-	-	250,103	241,773
Other taxes	179,582	169,640	-	-	179,582	169,640
Other	13,782	10,034	4,308	1,498	18,090	11,532
Total revenues	<u>486,258</u>	<u>466,032</u>	<u>68,880</u>	<u>64,308</u>	<u>555,139</u>	<u>530,341</u>
Program expenses:						
General government	17,505	31,783	-	-	17,505	31,783
Public safety	110,187	116,587	-	-	110,187	116,587
Education	205,826	207,444	-	-	205,826	207,444
Judicial	6,747	6,432	-	-	6,747	6,432
Health	4,335	4,499	-	-	4,335	4,499
Social services	2,774	2,632	-	-	2,774	2,632
Community services	20,321	20,747	-	-	20,321	20,747
Recreation, Parks & Tourism	9,018	9,250	-	-	9,018	9,250
Economic development	1,872	1,925	-	-	1,872	1,925
Public facilities	59,974	52,347	-	-	59,974	52,347
Water and sewer	-	-	40,616	36,772	40,616	36,772
Solid waste	-	-	4,780	4,290	4,780	4,290
Other	20,186	18,899	16,050	15,597	36,237	34,496
Total expenses	<u>458,744</u>	<u>472,542</u>	<u>61,447</u>	<u>56,660</u>	<u>520,190</u>	<u>529,204</u>
Excess(deficit) before transfers	27,514	(6,510)	7,434	7,648	34,949	1,138
Net transfers	<u>(1,388)</u>	<u>(542)</u>	<u>1,388</u>	<u>542</u>	<u>-</u>	<u>-</u>
Change in net position	26,126	(7,052)	8,823	8,190	34,949	1,138
Net position - beginning of year	127,942	134,994	214,426	206,236	342,368	341,230
Restatement	<u>(10,236)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,236)</u>	<u>-</u>
Net position - end of year	<u>\$ 143,832</u>	<u>\$ 127,942</u>	<u>\$ 223,249</u>	<u>\$ 214,426</u>	<u>\$ 367,081</u>	<u>\$ 342,368</u>

Overall, the financial position of Charles County increased by 7% compared to Fiscal Year 2018. As shown on the table above, total revenues increased from \$530.3 million in Fiscal Year 2018 to \$555.0 million in Fiscal Year 2019. Property taxes increased by \$7.5 million. The County's Other taxes increased by \$9.9 million due to Excise Tax and Income Tax revenue. Program expenses decreased from \$529.2 million in FY2018 to \$520.2 million in Fiscal Year 2019. An increase in net position of \$34.9 million was experienced when all funds are combined.

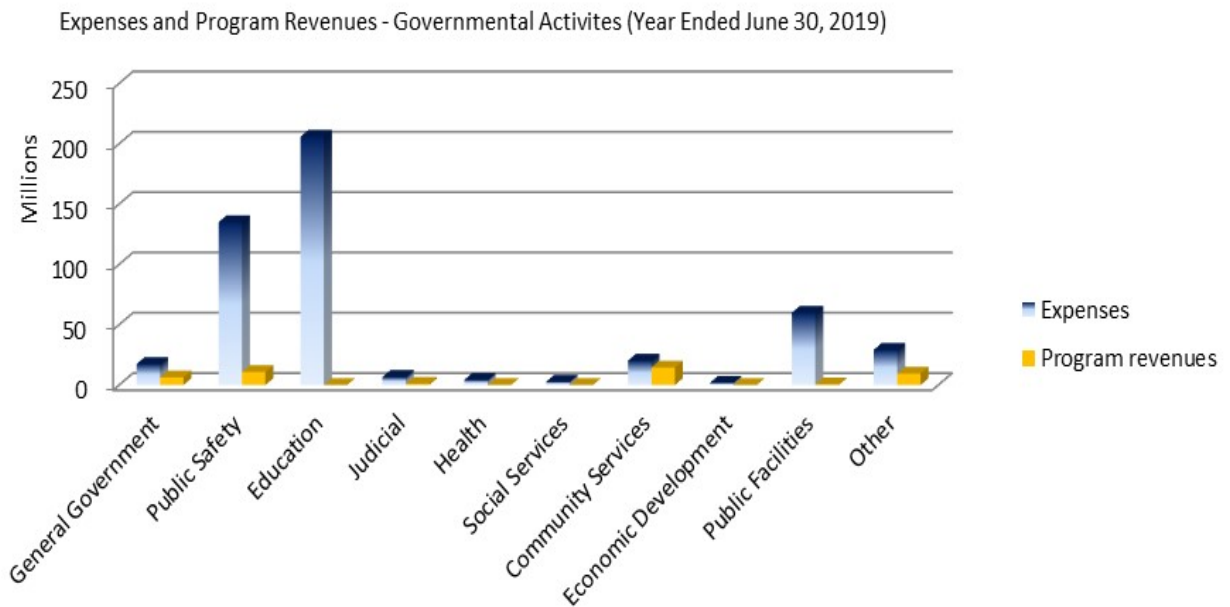
To aid in the understanding of the Statement of Activities (pages 46-47), some additional explanation is given. Of interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that program reported to the right. The result is a Net (Expenses)/Revenue and Changes in Net Position. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's

taxpayers. It also identifies how much each function draws from the general revenues, or if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

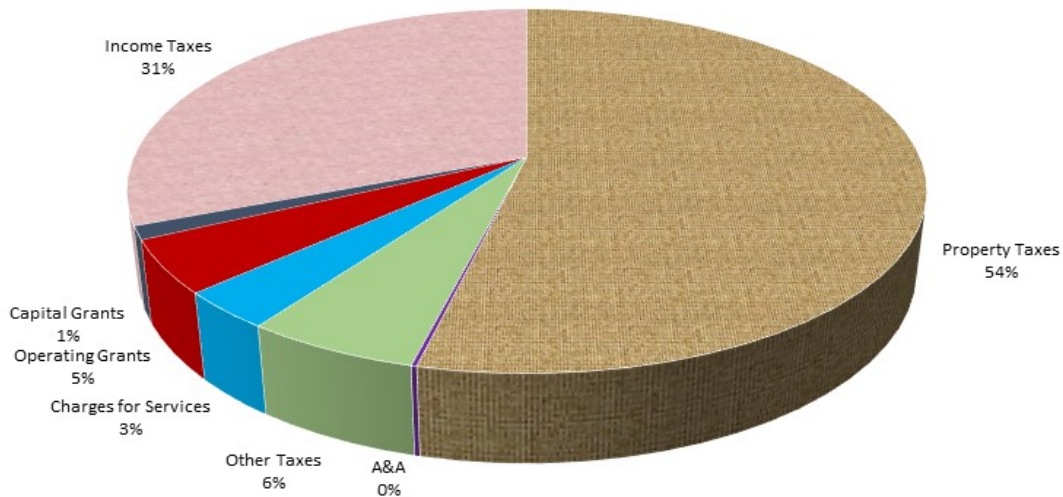
An increase in overall net position of \$34.9 million was experienced, as indicated on page 47. Total expenditures of \$520.2 million were partially offset by program related service fees, grants, and other contributions of \$107.4 million. The remaining \$412.8 million in expenditures were primarily funded through non-program revenue sources, primarily property and income taxes.

**Governmental activities.** Governmental-type activities, as expected, operated at a \$415.9 million loss, primarily due to Education and Public Safety. As depicted in the bar chart below, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately \$305.2 million in non-program revenue.

The County operates many programs on a fee for service basis (business-type activities) in order to help keep the burden on the taxpayer down. Business-type activities account for \$61.4 million of the total \$520.2 million expended, or approximately 11% of the total, and finished the fiscal year with an operating gain of \$8.8 million.



General and Program Governmental Revenues by Source - Governmental Activities  
(Year Ended June 30, 2019)



**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 2019, the rates increased for each tier. The residential rate for water is \$4.01 for the first 18,000 gallons, an increase of 19 cents. The second residential rate for water is \$8.02 from 18,001 to 24,000 gallons, an increase of 38 cents. The third residential rate for water is \$12.03 for 24,000 gallons and above, an increase of 57 cents. The residential sewer rate is \$7.78 and is capped at 24,000 gallons. The commercial/multi-family rate for water is \$4.88, up 19 cents, and sewer is \$7.78 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 the same as compared to Fiscal Year 2018. The County has opened the fourth expansion of the existing landfill site to accommodate local County waste.

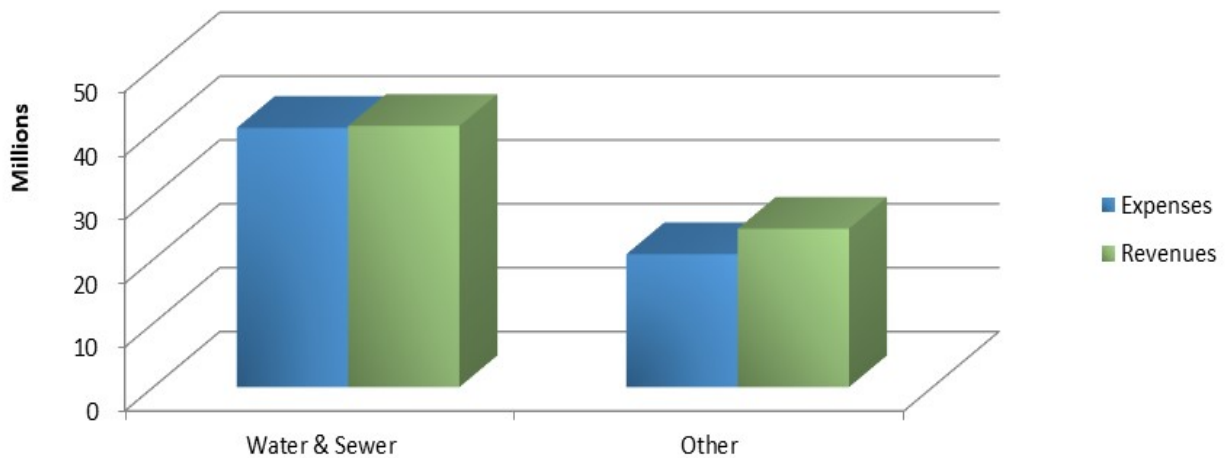
In conjunction with the landfill operation, the County also operates recycling and environmental programs. The recycling operation helps keep reusable items out of the landfill, thus extending the life, which, in turn, defrays the cost of the landfill and defers the need for additional sites. The recycling and environmental programs are funded by an annual user fee of \$101 assessed on each improved property in the County. This remained constant as compared to Fiscal Year 2018.

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 2018 was \$61, an increase of seven dollars compared to Fiscal Year 2018. 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 get 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. For instance, 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 \$222.1 million, an increase of \$32.8 million in comparison with the prior year. The general fund increased by \$15.9 million due to tax revenue from

property sales and transfers exceeding budget estimates and expenditure savings. The special revenue funds increased by \$1.8 million. This was attributed, primarily to the Cable Franchise Fund, as indicated on pages 153-155. The County's governmental fund balances as of June 30, 2019 includes General Fund reserves of \$1.7 million for inventory and Capital Project reserves of \$10.5 million for capital outlay with the balance of funds as indicated on page 100. The governmental fund balances of the County that are committed or assigned include \$5.4 million for income tax reserve and \$62.2 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 \$1.9 million, and the committed fund balance, including the policy target, was \$92.5 million. The assigned fund balance for specific purposes was \$6.5 million, while the unassigned fund balance was \$7.9 million, for a total fund balance of \$108.8 million.

The Capital Project Fund experienced an increase of \$16.7 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 \$31.8 million. The unrestricted net position for the County's Solid Waste Fund was \$23.5 million. Unrestricted net position of all proprietary funds was \$59.4 million. There was a total increase in net position for all proprietary funds in the amount of \$8.8 million.

### **General Fund Budgetary Highlights**

The Fiscal Year 2019 General Fund Operating Budget was adopted at \$404.6 million. Budget amendments approved during the year equaled \$4.8 million, increasing the budget to an amended total of \$409.4 million. The Budget provided funds to the local Board of Education exceeding the State mandated "Maintenance-of-Effort" by \$2.6 million to support salary raises for teachers and other public-school employees.

A General Fund balance appropriation of \$9.7 million was approved during the year, however favorable expense budget savings negated the use of Fund Balance. In addition, there was greater than budget revenues primarily from Income Taxes which exceeded the budget by \$8.7 million. As a result, instead of a Fund Balance decrease of \$9.7 million, an increase of approximately \$15.9 million was experienced.

### **Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$752.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The total increase in the County's investment in capital

assets for the current fiscal year was just around 1.2% (a 1.3% decrease for governmental activities and a 5.9% increase for business-type activities).

Capital Assets  
(net of depreciation)  
June 30, 2019 and 2018  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Land (not depreciated)	\$ 95,258	\$ 93,407	\$ 2,174	\$ 2,174	\$ 97,432	\$ 95,581
Construction in progress (not depreciated)	40,869	44,638	105,035	96,774	145,905	141,412
Land improvements	16,287	16,357	6,378	6,713	22,665	23,070
Infrastructure	213,550	215,679	127,896	118,831	341,446	334,510
Buildings and improvements	78,244	82,115	7,041	7,401	85,285	89,516
Machinery and equipment	24,147	21,981	26,872	27,804	51,019	49,785
Vehicles	7,209	7,710	1,583	1,739	8,792	9,449
Total	<u>\$ 475,564</u>	<u>\$ 481,887</u>	<u>\$ 276,979</u>	<u>\$ 261,436</u>	<u>\$ 752,543</u>	<u>\$ 743,323</u>

Additional information on the County’s capital assets can be found in Note 3 on pages 86-88 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had notes and bonds outstanding of \$394.9 million, which are backed by the full faith and credit of the County.

Outstanding Debt  
General Obligation Bonds and Notes Payable  
June 30, 2019 and 2018  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 280,511	\$ 268,978	\$ 108,877	\$ 94,682	\$ 389,388	\$ 363,660
Notes payable	-	2	5,574	6,333	5,574	6,335
Total	<u>\$ 280,511</u>	<u>\$ 268,980</u>	<u>\$ 114,451</u>	<u>\$ 101,015</u>	<u>\$ 394,962</u>	<u>\$ 369,995</u>

The County’s total debt during Fiscal Year 2019 increased by \$24.9 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. Bonds are also issued with 20-year bond terms for certain Road projects and 30-year bond terms for Stormwater Retrofit projects and certain Sewer projects to match the useful life of the asset with bond repayment.



The County recently announced that all three major national bond rating agencies have reaffirmed the County's strong bond ratings for the fourth 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 noted Charles County's strong management, with "strong financial policies and practices", while Moody's evaluation cited the "Aaa" rating is based on a "healthy financial position supported by formal fiscal policies and long-term planning" Fitch Ratings referenced "the county's solid revenue growth prospects, low long-term liability burden, healthy reserve levels, and superior inherent budget flexibility."

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 2019, the County currently has \$284,368,100 of general obligation bond authority.

State statutes limit the amount of general obligation debt a governmental entity may issue for water, sewer, and solid waste infrastructure to ten percent of its total assessed valuation. This debt is typically backed first by revenue bonds from the various enterprise funds and second by the full faith and credit of the County. The current water, sewer, and solid waste debt limitation for Charles County is \$1.7 billion, which significantly exceeds the County's current outstanding general obligation debt related to revenue bonds. Additional information on the County's long-term debt can be found in Note 3 (Item I) on pages 94-98 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

- The Fiscal Year 2020 General Fund Budget was adopted at \$425,097,500, representing a 5.1% increase compared to FY2019.
- In Fiscal Year 2020, the County's largest revenue source, Property Tax, was budgeted at \$235.4 million, representing an increase of 4.0% compared to the Fiscal Year 2019 Adopted Budget. The second largest revenue source, Income Tax, was adopted at \$134.4 million, a 5% increase compared to the Fiscal Year 2019 Adopted Budget. Recordation and Transfer taxes were budgeted to increase by 4% in comparison to Fiscal Year 2019. A Fund Balance appropriation of \$6.4 million was also approved to balance the budget representing a \$950 thousand increase over the adopted FY2019 use of Fund Balance.
- The County experienced a 4.0% 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 5.1% compared to the fiscal year 2019 budget. Our largest budget priority is public education. The Board of Education will receive \$191

million, \$10.1 million more than fiscal year 2019 budget. Commissioners decided to allocate \$8.5 million in additional funding to the Board of Education, beyond the Maintenance of Effort level required by law. This additional investment will fund the opening of Billingsley Elementary School, a step-increase and other enhanced employee compensation measures to support staff recruitment and retention. The Sheriff's Office and related functions will receive \$94.7 million, a 4.9% increase compared to fiscal 2019 to support increased compensation for employees, capital/equipment purchases, the authorization to hire two school resource officers and additional staffing for the forensic science unit. Our steady and consistent investment in public safety has reduced crime and ensured a safer community for everyone who works, lives, and visits here. Other highlights include increased compensation for County Government employees, hiring for additional paramedics/EMT's and dispatchers, a youth summer jobs program with the Tri-County Council, and funding for a new community center at Billingsley Elementary School. The State's Attorney's Office received authorization to hire two additional attorneys. Funding was also designated for the development of the Velocity Center Office in Indian Head, and to support the County Commissioner's conservation initiatives. The additional funds are strategically targeted to make investments in areas that support the Commissioners' goals and objectives, which include economic development, institutional governance and policy, environment, education, and quality-of-life initiatives. The Fiscal Year 2020 budget will maintain the county's fund balance reserve within policy limits of 8-15% of total budget operating revenues.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2020.

### **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  
200 Baltimore Street

La Plata, MD 20646

Please visit our website at [www.charlescountymd.gov](http://www.charlescountymd.gov)

# Basic Financial Statements

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 22,267,677	\$ 993,974	\$ 23,261,650	\$ 71,488,723
Short-term investments	261,863,907	-	261,863,907	-
Accounts & Other tax receivables	52,458,061	11,447,017	63,905,078	10,897,825
Excise tax receivable	47,050,523	-	47,050,523	-
County property taxes receivable	5,153,487	-	5,153,487	-
Internal balances	(74,180,835)	74,180,835	-	-
Inventory	1,709,175	500,961	2,210,136	284,149
Other current assets	151,399	229,736	381,136	72,433
Restricted assets:				
Cash and cash equivalents	1,967,929	93,861	2,061,790	-
Notes receivable	15,073,885	-	15,073,885	-
Capital assets, not being depreciated				
Land	95,257,766	2,174,186	97,431,952	17,850,124
Construction in progress	40,869,494	105,035,207	145,904,701	5,170,463
Capital assets, net of accumulated depreciation:				
Land improvements	16,286,716	6,377,848	22,664,564	10,161,998
Infrastructure	213,549,587	127,896,269	341,445,856	-
Buildings and improvements	78,244,295	7,040,911	85,285,206	341,643,164
Machinery and equipment	24,146,876	26,871,687	51,018,563	5,967,081
Vehicles	7,209,180	1,582,526	8,791,706	-
Total assets	<u>809,079,121</u>	<u>364,425,016</u>	<u>1,173,504,137</u>	<u>463,535,960</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Related to OPEB	371,872	-	371,872	16,784,996
Related to Pension	25,244,757	-	25,244,757	2,371,025
Charges on bond refundings	2,241,382	-	2,241,382	-
Total deferred outflows	<u>27,858,011</u>	<u>-</u>	<u>27,858,011</u>	<u>19,156,021</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>836,937,132</b></u>	<u><b>364,425,016</b></u>	<u><b>1,201,362,149</b></u>	<u><b>482,691,981</b></u>
<b>LIABILITIES:</b>				
Accounts payable	10,009,985	7,229,383	17,239,368	10,294,498
Accrued expenses	13,590,511	2,705,015	16,295,527	29,592,069
Unearned revenue	5,224,213	1,726,627	6,950,840	139,758
Other liabilities	6,373,495	94,871	6,468,366	5,601,031
Noncurrent liabilities:				
Due within one year	32,129,575	10,672,653	42,802,228	504,154
Due in more than one year	511,832,000	118,747,923	630,579,923	349,629,416
Total liabilities	<u>579,159,779</u>	<u>141,176,473</u>	<u>720,336,252</u>	<u>395,760,926</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Related to OPEB	93,889,908	-	93,889,908	255,016,818
Related to Pension	20,055,225	-	20,055,225	5,979,826
Total deferred inflows	<u>113,945,133</u>	<u>-</u>	<u>113,945,133</u>	<u>260,996,644</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u><b>693,104,912</b></u>	<u><b>141,176,473</b></u>	<u><b>834,281,385</b></u>	<u><b>656,757,570</b></u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET POSITION-continued  
AS OF JUNE 30, 2019

NET POSITION:				
Net Investment in capital assets	324,753,199	158,893,106	483,646,305	379,917,190
Restricted for:				
Capital projects	48,120,911	4,965,771	53,086,682	-
Debt service	25,463,266	-	25,463,266	-
Fire and Rescue	16,941,761			
Cable franchise	8,009,997	-	8,009,997	-
Restricted for grants	4,211,157	-	4,211,157	974,083
Unrestricted	<u>(283,668,065)</u>	<u>59,389,665</u>	<u>(224,278,400)</u>	<u>(554,956,862)</u>
Total net position	<u>\$ 143,832,227</u>	<u>\$ 223,248,543</u>	<u>\$ 367,080,770</u>	<u>\$ (174,065,589)</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Legislative	\$ 2,242,349	\$ 17,264	\$ -	\$ -
Judicial	6,746,598	-	921,632	49,607
Law	1,226,703	24,116	-	-
General government	17,505,012	6,356,821	-	-
Elections	1,471,693	-	-	-
Public safety	110,186,536	4,076,982	3,917,758	2,863,351
Planning and growth management	3,642,489	2,357,346	3,386,054	631,104
Health	4,334,663	61,435	-	-
Social services	2,773,565	-	-	-
Community services	20,321,188	1,106,310	13,340,463	-
Recreation, Parks & Tourism	9,018,148	1,043,560	33,187	1,900,926
Public facilities	59,973,618	516,797	11,969	42,053
Economic development	1,872,196	-	73,191	-
Education	205,826,302	-	-	-
Conservation of natural resources	655,702	-	59,505	-
Interest expense on long term debt	10,947,520	-	-	-
<b>Total governmental activities</b>	<b>458,744,280</b>	<b>15,560,632</b>	<b>21,743,759</b>	<b>5,487,041</b>
Business-type activities:				
Water and sewer	40,615,655	39,764,793	928,208	236,215
Inspection and review	3,744,994	3,443,341	-	-
Recreation	3,238,081	2,813,615	58,854	-
Solid waste	4,779,846	8,532,418	-	-
Environmental services	5,251,518	5,531,655	-	-
SW-Watershed Protection	3,650,454	3,121,935	-	-
Vending machines	165,381	142,079	-	-
<b>Total business-type activities</b>	<b>61,445,928</b>	<b>63,349,836</b>	<b>987,062</b>	<b>236,215</b>
<b>Total primary government</b>	<b>\$ 520,190,208</b>	<b>\$ 78,910,467</b>	<b>\$ 22,730,821</b>	<b>\$ 5,723,256</b>
<b>COMPONENT UNITS:</b>				
Board of Education of Charles County, Maryland	\$ 427,360,055	\$ 5,726,253	\$ 106,669,494	\$ 30,647,496
Board of Library Trustees for Charles County	6,882,008	90,665	48,275	-
<b>Total component units</b>	<b>\$ 434,242,063</b>	<b>\$ 5,816,918</b>	<b>\$ 106,717,769</b>	<b>\$ 30,647,496</b>

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

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, as Restated

Net position - end of year

Net (Expenses)Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (2,225,085)	\$ -	\$ (2,225,085)	\$ -
(5,775,359)	-	(5,775,359)	-
(1,202,586)	-	(1,202,586)	-
(11,148,191)	-	(11,148,191)	-
(1,471,693)	-	(1,471,693)	-
(99,328,446)	-	(99,328,446)	-
2,732,016	-	2,732,016	-
(4,273,228)	-	(4,273,228)	-
(2,773,565)	-	(2,773,565)	-
(5,874,414)	-	(5,874,414)	-
(6,040,475)	-	(6,040,475)	-
(59,402,799)	-	(59,402,799)	-
(1,799,005)	-	(1,799,005)	-
(205,826,302)	-	(205,826,302)	-
(596,197)	-	(596,197)	-
(10,947,520)	-	(10,947,520)	-
(415,952,849)	-	(415,952,849)	-
-	313,560	313,560	-
-	(301,653)	(301,653)	-
-	(365,612)	(365,612)	-
-	3,752,572	3,752,572	-
-	280,138	280,138	-
-	(528,519)	(528,519)	-
-	(23,302)	(23,302)	-
-	3,127,185	3,127,185	-
(415,952,849)	3,127,185	(412,825,664)	-
-	-	-	(284,316,812)
-	-	-	(6,743,068)
-	-	-	(291,059,880)
250,102,797	-	250,102,797	-
9,970,558	-	9,970,558	-
883,293	-	883,293	-
15,533,527	-	15,533,527	-
7,274,598	-	7,274,598	-
1,185,897	-	1,185,897	-
143,716,459	-	143,716,459	-
1,017,386	-	1,017,386	-
-	-	-	313,431,721
5,303,299	3,742,439	9,045,738	334,200
8,479,063	564,440	9,043,503	729,564
(1,388,437)	1,388,437	-	-
442,078,440	5,695,316	447,773,757	314,495,485
26,125,591	8,822,501	34,948,092	23,435,605
117,706,636	214,426,041	332,132,677	(197,501,194)
\$ 143,832,227	\$ 223,248,543	\$ 367,080,770	\$ (174,065,589)

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2019

	General Fund	Capital Projects	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 21,959,335	\$ -	\$ -	\$ 308,341	\$ 22,267,677
Investments	245,360,470	-	-	16,503,437	261,863,907
Accounts & Other tax receivables	45,039,381	1,688,255	2,213	5,728,213	52,458,061
Excise tax receivable	-	-	47,050,523	-	47,050,523
County property taxes receivable	5,153,487	-	-	-	5,153,487
Due from other funds	-	69,663,233	11,126,483	11,445,404	92,235,120
Inventory	1,709,175	-	-	-	1,709,175
Other assets	127,822	-	-	23,577	151,399
Restricted assets					
Restricted cash and cash equivalents	1,178,414	-	-	789,515	1,967,929
Restricted notes receivable	-	-	15,073,885	-	15,073,885
<b>Total assets</b>	<b>\$ 320,528,084</b>	<b>\$ 71,351,488</b>	<b>\$ 73,253,104</b>	<b>\$ 34,798,487</b>	<b>\$ 499,931,164</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Accounts payable	\$ 1,486,613	\$ 6,271,922	\$ 56,140	\$ 2,195,310	\$ 10,009,985
Accrued expenditures	2,483,005	-	-	-	2,483,005
Unearned revenue	112,324	3,777,665	700,805	633,418	5,224,213
Due to other funds	164,732,117	-	-	1,683,838	166,415,955
Other liabilities	2,610,489	2,640,000	-	1,123,006	6,373,495
Payable from restricted assets	1,075,352	-	-	-	1,075,352
<b>Total liabilities</b>	<b>172,499,900</b>	<b>12,689,587</b>	<b>756,945</b>	<b>5,635,572</b>	<b>191,582,005</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue	39,177,258	-	47,032,893	-	86,210,151
<b>Fund balances:</b>					
Nonspendable fund balance	1,835,020	-	15,073,885	-	16,908,905
Restricted fund balance	96,114	10,540,990	647,125	20,354,498	31,638,727
Committed fund balance	92,542,994	35,484,683	-	-	128,027,677
Assigned fund balance	6,516,854	12,636,228	9,742,256	8,808,418	37,703,756
Unassigned fund balance	7,859,944	-	-	-	7,859,944
<b>Total fund balances</b>	<b>108,850,925</b>	<b>58,661,901</b>	<b>25,463,266</b>	<b>29,162,915</b>	<b>222,139,008</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 320,528,083</b>	<b>\$ 71,351,488</b>	<b>\$ 73,253,104</b>	<b>\$ 34,798,487</b>	<b>\$ 499,931,164</b>



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019

Total Governmental Fund Balance	\$	222,139,008
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		475,563,913
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		(280,510,588)
Capital leases payable		(9,817,952)
Health insurance claims		(1,139,105)
Worker's Compensation claims		(5,654,745)
Net pension liabilities		(89,341,979)
LOSAP liabilities		(24,881,688)
Accrued interest		(3,238,305)
Net OPEB liability		(117,011,566)
Unavailable revenue		86,210,151
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		2,241,382
Related to Pensions		30,038,279
Related to Pensions		(24,848,747)
Related to OPEB		371,872
Related to OPEB		(93,889,908)
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds		<u>(22,397,795)</u>
Net position of Governmental Activities	\$	<u>143,832,227</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes - Local property	\$ 225,674,929	\$ -	\$ -	\$ 13,663,281	\$ 239,338,210
Taxes - Income	136,665,163	-	-	-	136,665,163
Taxes - Excise	-	-	9,970,558	-	9,970,558
Taxes - Admissions and Amusement	883,293	-	-	-	883,293
Taxes - Recordation	15,533,527	-	-	-	15,533,527
Taxes - Transfer	7,274,598	-	-	-	7,274,598
Taxes - Hotel/Motel	1,185,897	-	-	-	1,185,897
Taxes - Heavy Equipment	39,190	-	-	-	39,190
Taxes - State shared	1,017,386	-	-	-	1,017,386
Charges for services	8,650,115	1,832,035	-	5,078,482	15,560,632
Intergovernmental	2,234,353	1,918,643	-	23,077,804	27,230,800
Interest income	5,277,994	-	1,762,281	1,438,788	8,479,063
Other income	5,042,920	-	568	259,804	5,303,292
<b>Total revenues</b>	<b>409,479,365</b>	<b>3,750,678</b>	<b>11,733,407</b>	<b>43,518,158</b>	<b>468,481,609</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Education	196,073,668	17,844,812	-	2,264,305	216,182,784
Public safety	99,721,351	1,188,793	-	20,144,723	121,054,866
Other general government	26,876,220	-	2,415,807	-	29,292,027
Public facilities	14,851,663	10,829,953	-	-	25,681,616
Financial administration	10,579,223	1,497	-	-	10,580,720
Community services	2,045,092	-	-	18,451,401	20,496,493
Recreation, Parks and Tourism	8,073,811	1,071,297	-	-	9,145,108
Judicial	5,621,412	76,440	-	1,029,430	6,727,282
Planning and growth management	3,153,643	679,415	-	107,833	3,940,891
Health	3,223,474	-	-	2,095,723	5,319,197
Economic development	1,749,202	882	-	120,097	1,870,182
Social services	1,373,518	-	-	1,400,047	2,773,565
Legislative	2,157,764	-	-	36,020	2,193,784
Law	1,235,056	-	-	-	1,235,056
Conservation of natural resources	657,855	-	-	-	657,855
Elections	1,471,085	-	-	-	1,471,085
<b>Debt service:</b>					
Principal	-	-	10,602,076	-	10,602,076
Interest	7,643,470	-	3,256,236	-	10,899,707
<b>Total expenditures</b>	<b>386,507,505</b>	<b>31,693,089</b>	<b>16,274,119</b>	<b>45,649,578</b>	<b>480,124,292</b>
Excess (deficiency) of revenues over (under) expenditures	22,971,860	(27,942,412)	(4,540,711)	(2,131,421)	(11,642,683)
<b>Other financing sources (uses):</b>					
Issuance of debt - capital lease	-	-	2,918,800	-	2,918,800
Issuance of debt - notes payable	-	-	-	-	-
Issuance of debt - bonds	-	38,500,000	-	-	38,500,000
Premium on issuance of debt	-	4,441,258	-	-	4,441,258
Transfers in	2,719,866	4,389,007	-	4,396,170	11,505,042
Transfers out	(9,764,795)	(2,673,259)	-	(455,424)	(12,893,479)
<b>Total other financing sources (uses)</b>	<b>(7,044,929)</b>	<b>44,657,005</b>	<b>2,918,800</b>	<b>3,940,745</b>	<b>44,471,622</b>
<b>Net change in fund balance</b>	<b>15,926,930</b>	<b>16,714,594</b>	<b>(1,621,911)</b>	<b>1,809,324</b>	<b>32,828,937</b>
<b>Fund balance - beginning of year, as restated</b>	<b>92,923,995</b>	<b>41,947,307</b>	<b>27,085,178</b>	<b>27,353,592</b>	<b>189,310,072</b>
<b>Fund balance - end of year</b>	<b>\$ 108,850,925</b>	<b>\$ 58,661,901</b>	<b>\$ 25,463,266</b>	<b>\$ 29,162,915</b>	<b>\$ 222,139,008</b>

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, 2019

Net change in fund balance - Governmental Funds	\$	32,828,937
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		9,255,230
However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		(29,254,988)
Governmental funds report the issuance of debt as income and the repayment of debt as expenditures. However, in the government-wide statements, debt and repayment of debt is reported as a reduction of a long-term liability.		(12,299,468)
Governmental funds report revenues based on the availability of the funds. However, in the government-wide statements revenues are recorded based on collectibility.		10,166,011
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		(3,793,710)
Deferred outflows and inflows of resources related to OPEB		(83,469,749)
Amortization of deferred charges on bond refundings		(211,602)
Compensated absences		(138,299)
Health Self-Insurance Claims - IBNR		(639,549)
Net pension liabilities (expense)		(1,947,257)
Net LOSAP expense		987,808
Accrued interest		(47,812)
Net OPEB current year expense		104,690,032
Change in Net Position of Governmental Activities	\$	26,125,584

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

	Business-type activities				Total
	Water and Sewer Fund	Solid Waste Fund	SW-Water Protection	Total Non-Major Proprietary Funds	
<b>ETS:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 200	\$ 2,000	\$ -	\$ 991,774	\$ 993,974
Account receivables	10,377,132	963,302	47,658	58,926	11,447,017
Notes receivable	-	-	-	-	-
Due from other funds	35,584,787	32,319,739	3,364,259	6,584,833	77,853,618
Inventory	493,367	-	-	7,593	500,961
Other current assets	752	236	-	228,748	229,736
<b>Total current assets</b>	<b>46,456,238</b>	<b>33,285,277</b>	<b>3,411,917</b>	<b>7,871,874</b>	<b>91,025,306</b>
<b>Noncurrent assets:</b>					
Net capital assets	225,002,012	19,425,404	25,233,741	7,317,475	276,978,633
Restricted cash and cash equivalents	-	93,861	-	-	93,861
<b>Total noncurrent assets</b>	<b>225,002,012</b>	<b>19,519,264</b>	<b>25,233,741</b>	<b>7,317,475</b>	<b>277,072,493</b>
<b>Total assets</b>	<b>271,458,251</b>	<b>52,804,541</b>	<b>28,645,658</b>	<b>15,189,350</b>	<b>368,097,800</b>
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
Accounts payable	6,005,219	113,342	604,138	506,684	7,229,383
Accrued expenses	2,204,066	49,616	372,130	79,202	2,705,015
Due to other funds	-	-	-	3,672,784	3,672,784
Unearned revenue	1,377,047	-	-	349,581	1,726,627
<b>Current portion of long-term debt</b>					
Bonds payable	6,973,751	52,481	706,058	555,485	8,287,776
Capital lease obligation	1,099,138	51,502	3,219	197,249	1,351,108
Compensated absences	187,381	26,618	8,447	43,266	265,712
Notes payable	768,057	-	-	-	768,057
<b>Total current liabilities</b>	<b>18,614,661</b>	<b>293,559</b>	<b>1,693,992</b>	<b>5,404,251</b>	<b>26,006,463</b>
<b>Noncurrent liabilities:</b>					
Bonds payable	75,076,616	922,011	23,289,517	1,311,301	100,599,445
Capital lease obligation	1,879,691	169,321	4,900	219,414	2,273,327
Compensated absences	1,327,039	201,417	51,317	281,302	1,861,075
Landfill post-closure costs	-	9,208,263	-	-	9,208,263
Notes payable	4,805,813	-	-	-	4,805,813
Other liabilities	-	94,871	-	-	94,871
<b>Total noncurrent liabilities</b>	<b>83,089,159</b>	<b>10,595,884</b>	<b>23,345,734</b>	<b>1,812,016</b>	<b>118,842,793</b>
<b>Total liabilities</b>	<b>101,703,820</b>	<b>10,889,444</b>	<b>25,039,726</b>	<b>7,216,267</b>	<b>144,849,257</b>
<b>NET POSITION:</b>					
Net Investment in capital assets	134,398,946	18,230,088	1,230,047	5,034,027	158,893,107
Restricted for Capital Projects	3,577,179	193,869	1,194,723	-	4,965,771
Unrestricted	31,778,306	23,491,141	1,181,162	2,939,056	59,389,665
<b>Total net position</b>	<b>\$ 169,754,431</b>	<b>\$ 41,915,098</b>	<b>\$ 3,605,932</b>	<b>\$ 7,973,083</b>	<b>\$ 223,248,543</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019

	Business-type activities				Total
	Water and Sewer Fund	Solid Waste Fund	SW-Water Protection	Total Non-Major Proprietary Funds	
<b>Operating revenues:</b>					
Charges for services	\$ 39,764,793	\$ 8,532,418	\$ 3,121,935	\$ 11,930,690	\$ 63,349,836
Other income	3,726,995	3,940	-	11,508	3,742,443
Total operating revenues	<u>43,491,787</u>	<u>8,536,358</u>	<u>3,121,935</u>	<u>11,942,198</u>	<u>67,092,278</u>
<b>Operating expenses:</b>					
Personnel services	12,789,415	2,299,298	563,614	4,776,793	20,429,120
Utilities	3,200,308	29,116	120	279,087	3,508,631
Repairs and maintenance	1,365,540	342,566	12,982	277,995	1,999,084
Insurance costs	263,061	15,398	-	47,954	326,413
Indirect costs	622,300	294,960	15,100	112,540	1,044,900
Supplies	2,211,122	188,945	2,279	540,896	2,943,242
Contract services	5,209,006	586,821	1,423,473	4,841,534	12,060,835
Other operating costs	3,786,166	156,946	710,588	594,287	5,247,987
Depreciation	8,819,332	836,076	202,761	931,322	10,789,492
Total operating expenses	<u>38,266,250</u>	<u>4,750,127</u>	<u>2,930,917</u>	<u>12,402,409</u>	<u>58,349,704</u>
Operating income	<u>5,225,538</u>	<u>3,786,231</u>	<u>191,018</u>	<u>(460,211)</u>	<u>8,742,576</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income	73,061	472,257	6,941	12,181	564,440
Intergovernmental	1,164,423	-	-	58,854	1,223,277
Interest expense	(2,349,405)	(29,720)	(719,536)	2,435	(3,096,226)
Gain on disposal of capital assets	-	-	-	-	-
Total nonoperating revenues (losses)	<u>(1,111,922)</u>	<u>442,537</u>	<u>(712,595)</u>	<u>73,470</u>	<u>(1,308,509)</u>
Income before transfers	4,113,616	4,228,768	(521,577)	(386,741)	7,434,066
Transfers in	300,752	-	550,000	537,685	1,388,437
Transfers out	-	-	-	-	-
Change in net position	4,414,367	4,228,768	28,423	150,945	8,822,503
Net position - beginning of year, as restated	165,340,064	37,686,330	3,577,509	7,822,138	214,426,041
Net position - end of year	<u>\$ 169,754,431</u>	<u>\$ 41,915,098</u>	<u>\$ 3,605,932</u>	<u>\$ 7,973,083</u>	<u>\$ 223,248,543</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019

	Business-type activities				Total
	Water and Sewer Fund	Solid Waste Fund	SW-Water Protection	Total Non-Major Proprietary Funds	
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 41,081,713	\$ 8,536,358	\$ 3,121,935	\$ 11,988,482	\$ 64,728,488
Cash paid to suppliers	(13,858,413)	(1,060,781)	(2,860,604)	(6,631,933)	(24,411,731)
Cash paid to employees	(11,992,923)	(2,280,023)	(502,620)	(4,710,113)	(19,485,679)
Net cash from operating activities	<u>15,230,377</u>	<u>5,195,554</u>	<u>(241,289)</u>	<u>646,436</u>	<u>20,831,078</u>
<b>Cash flows from investing activities:</b>					
Interest received	73,061	472,257	6,941	12,181	564,440
Net cash from investing activities	<u>73,061</u>	<u>472,257</u>	<u>6,941</u>	<u>12,181</u>	<u>564,440</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers in (out)	300,752	-	550,000	537,685	1,388,437
Receipts from interfund loans	-	-	(208,376)	866,230	657,854
Repayments of interfund loans	(571,237)	(4,968,367)	-	(314,240)	(5,853,844)
Net cash from noncapital financing activities	<u>(270,485)</u>	<u>(4,968,367)</u>	<u>341,624</u>	<u>1,089,675</u>	<u>(3,807,553)</u>
<b>Cash flows from capital and related financing activities:</b>					
Intergovernmental	1,164,423	-	-	58,854	1,223,277
Proceeds from issuance of bonds	16,100,000	400,000	5,000,000	-	21,500,000
Principal payments on bonds payable	(6,457,117)	(32,704)	(545,325)	-	(7,035,146)
Principal payments on capital lease obligations	(1,228,471)	(35,023)	(3,181)	(537,677)	(1,804,352)
Principal payments on loans	(758,950)	-	-	(221,629)	(980,579)
Interest paid	(2,349,405)	(29,720)	(719,536)	2,435	(3,096,226)
Proceeds from disposal of assets	-	-	-	-	-
Cash paid for capital expenses	(21,503,433)	(1,000,469)	(3,839,234)	(849,458)	(27,192,594)
Net cash from capital and related financing activities	<u>(15,032,953)</u>	<u>(697,916)</u>	<u>(107,276)</u>	<u>(1,547,475)</u>	<u>(18,608,897)</u>
Net increase (decreases) in cash and cash equivalents	-	1,528	-	200,817	202,345
Cash and cash equivalents - beginning of year	200	94,333	-	790,956	885,489
Cash and cash equivalents - end of year	<u>\$ 200</u>	<u>\$ 95,861</u>	<u>\$ -</u>	<u>\$ 991,773</u>	<u>\$ 1,087,834</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019

	Business-type activities				
	Water and Sewer Fund	Solid Waste Fund	SW-Water Protection	Total Non-Major Proprietary Funds	Total
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 5,225,538	\$ 3,786,231	191,018	\$ (460,211)	\$ 8,742,575
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	8,819,332	836,076	202,761	931,322	10,789,491
Effect of changes in assets, deferred outflows, liabilities and deferred inflows:					
Compensation-related liabilities included in long-term debt	733,613	1,627	(21,862)	45,372	758,750
Landfill closure liability included in long-term debt	-	422,983	-	-	422,983
Other receivables	(2,602,417)	78,617	(1,803)	32,341	(2,493,262)
Inventories	(20,528)	-	-	12,754	(7,774)
Other current assets	(726)	(238)	-	(20,739)	(21,703)
Restricted assets	-	(1,528)	-	-	(1,528)
Deferred bond issue costs	873,075	6,052	67,548	14,631	961,306
Accounts payable	1,251,162	46,456	(761,809)	23,373	559,182
Accrued expenses	758,987	19,275	82,856	21,308	882,426
Unearned revenue	192,342	-	-	46,284	238,626
Net cash from by operating activities	<u>\$ 15,230,377</u>	<u>\$ 5,195,553</u>	<u>\$ (241,289)</u>	<u>\$ 646,434</u>	<u>\$ 20,831,075</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	SW-Water Protection	Total Non-Major Proprietary Funds	Total
Borrowing under capital lease	<u>\$ 424,000</u>	<u>\$ 165,000</u>	<u>\$ -</u>	<u>\$ 73,000</u>	<u>\$ 662,000</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2019

	Pension and OPEB Trust Funds
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 9,304,461
Interest receivable	273,014
Total current assets	9,577,475
Investments:	
Bond mutual funds	166,982,568
Equity securities	348,405,090
Total investments	515,387,658
Total assets	524,965,133
<b>LIABILITIES:</b>	
Accrued expenses	14,245
<b>NET POSITION RESTRICTED FOR PENSIONS AND OPEB BENEFITS</b>	<b>\$ 524,950,888</b>



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2019

	Pension and OPEB Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	\$ 18,361,307
Employee contributions	5,270,254
Total contributions	23,631,561
Investment earnings:	
Interest	17,647,273
Net change in fair value of investments	16,968,916
Total investment earnings	34,616,189
Less investment expenses	(2,397,016)
Net investment earnings	32,219,175
Total additions	55,850,736
DEDUCTIONS:	
Benefits paid to members	19,316,797
Administrative costs	18,764
Total deductions	19,335,561
Changes in net position	36,515,175
Net position - beginning of year, as restated	488,435,713
Net position - end of year	\$ 524,950,888

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET POSITION  
 COMPONENT UNITS  
 YEAR ENDED JUNE 30, 2019

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 70,400,016	\$ 1,088,707	\$ 71,488,723
Short-term investments	-	-	-
Accounts receivable	10,888,298	9,527	10,897,825
Inventory	284,149	-	284,149
Other assets	-	72,433	72,433
Capital assets			
Land	17,850,124	-	17,850,124
Construction in progress	5,170,463	-	5,170,463
Land improvements	10,161,998	-	10,161,998
Buildings	341,643,164	-	341,643,164
Machinery, furniture and equipment	5,118,443	848,638	5,967,081
Total assets	<u>461,516,655</u>	<u>2,019,305</u>	<u>463,535,960</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows related to OPEB	16,780,326	4,670	16,784,996
Deferred outflows related to Pension	2,371,025	-	2,371,025
Total deferred outflows of resources	<u>19,151,351</u>	<u>4,670</u>	<u>19,156,021</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>480,668,006</u>	<u>2,023,975</u>	<u>482,691,981</u>
<b>LIABILITIES:</b>			
Accounts payable	10,281,135	13,363	10,294,498
Accrued expenses	29,534,045	58,024	29,592,069
Unearned revenue	139,758	-	139,758
Other liabilities	5,601,031	-	5,601,031
Non-current liabilities:			
Due within one year	504,154	-	504,154
Due in more than one year	347,960,282	1,669,134	349,629,416
Total liabilities	<u>394,020,405</u>	<u>1,740,521</u>	<u>395,760,926</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows related to OPEB	253,837,835	1,178,983	255,016,818
Deferred inflows related to Pension	5,979,826	-	5,979,826
Total deferred inflows of resources	<u>259,817,661</u>	<u>1,178,983</u>	<u>260,996,644</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>653,838,066</u>	<u>2,919,504</u>	<u>656,757,570</u>
<b>NET POSITION:</b>			
Net investment in capital assets	379,068,552	848,638	379,917,190
Restricted for grants	974,083	-	974,083
Unrestricted (deficit)	(553,212,695)	(1,744,167)	(554,956,862)
Total net position	<u>\$ (173,170,060)</u>	<u>\$ (895,529)</u>	<u>\$ (174,065,589)</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 YEAR ENDED JUNE 30, 2019

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	\$ 427,360,055	\$ 5,726,253	\$ 106,669,494	\$ 30,647,496
Board of Library Trustees for Charles County	6,882,008	90,665	48,275	-
<b>Total component units</b>	<b>\$ 434,242,063</b>	<b>\$ 5,816,918</b>	<b>\$ 106,717,769</b>	<b>\$ 30,647,496</b>

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, as Restated
- Net position - end of year

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
\$ (284,316,812)	\$ -	\$ (284,316,812)
-	(6,743,068)	(6,743,068)
(284,316,812)	(6,743,068)	(291,059,880)
306,738,073	6,693,648	313,431,721
-	41,185	41,185
701,790	27,774	729,564
272,594	20,421	293,015
-	-	-
<u>307,712,457</u>	<u>6,783,028</u>	<u>314,495,485</u>
23,395,645	39,960	23,435,605
(196,565,705)	(935,489)	(197,501,194)
<u>\$ (173,170,060)</u>	<u>\$ (895,529)</u>	<u>\$ (174,065,589)</u>

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**The County Commissioners of Charles County, Maryland**  
**Notes to the Financial Statements--June 30, 2019**

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**The County Commissioners of Charles County, Maryland**  
**Notes to the Financial Statements--June 30, 2019**

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## 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 or the Board)** is a legally separate organization created by Maryland state law to operate the County's public school system. Management of the County's schools is under the control of the Board of Education, with the final decision-making authority held by the State Board of Education. The members of the Board of

Education are elected by the residents of Charles County every four years. The Board of Education is financially reliable upon Charles County Government approving their annual budget and establishing spending limitations. The County Commissioners are responsible for levying taxes and collecting and distributing the funds to the Board within the entire annual budget process. The Board is unable to issue bonded debt, thus the County can and does 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 County provided \$181,982,100 in operating funds and \$17,693,090 in capital funding to the Board of Education during fiscal year 2019.

**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 County provided \$3,711,900 in operating funds to the Library during fiscal year 2019.

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 the non-fiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

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

## **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, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund balance, 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 County reports the following governmental funds types:

- 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.

## **2. Proprietary Funds:**

The focus of proprietary fund measurement is economic resources, the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are 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, the Solid Waste Fund, and the Stormwater – Watershed Protection Fund qualifies as a major fund and is presented separately. 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, 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. Measurement Focus and Basis of Accounting**

The measurement focus identifies which transactions should be recorded. The 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.

### **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.

### **Basis of Accounting**

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

## **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, money market accounts, 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, net asset value or amortized cost within the fair value hierarchy established by generally accepted accounting principles.

### **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.

- 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 consumption 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. 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 composite method. For the primary government and component units, donated capital assets, donated works of art



and similar items, and capital assets received in a service concession arrangement are recorded at acquisition 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 Balance:**

In the government-wide financial statements, net position 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, net of unspent proceeds and related deferred inflows and outflows that are attributable to the acquisition, construction, or improvement of these assets.
- b. Restricted net position – consists of items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- 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, fund balances for governmental funds are classified 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 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, which is by a majority vote by the Charles County Board of County Commissioners. Only the County’s Board of County Commissioners 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.

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

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

## **10. Compensated Absences:**

Employees of the County earn annual leave, compensatory time and sick leave in varying amounts. It is the County's policy to permit employees to accumulate earned but unused 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 bonded debt and related 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.

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. Significant Applicable New GASB Pronouncements**

GASB Statement No. 84, Fiduciary Activities, was 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.

GASB Statement No. 87, Leases, was issued in June 2017, with an implementation date for financial statements for periods beginning after December 15, 2019. This statement intends to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The County plans to implement impacts of this new standard with our Fiscal Year 2021 report.

GASB Statement No. 91, Conduit Debt Obligations, was issued in May 2019, with an implementation date for financial statements for periods beginning after December 15, 2020. The

primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosure. The County plans to implement impacts of the 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. 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 both the original and final budget authorization, including all amendments made by the County Commissioners. The Law and the Legislative functions exceeded their expense budgets by \$141,224 and \$115,216 as noted on page 132. However, neither was considered a material violation of the annual appropriated budget for the fiscal year ended June 30, 2019. The Legislative exceeded budget due to a contractual obligation and remained within overall County Department Personal Budget. Law exceeded budget due to the accrual of legal expenses at fiscal year-end.

## **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 \$25,101,251 and the bank balances were \$27,624,907. Of the bank balance, \$24,741,558 was covered by Federal depository insurance and \$2,883,349 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 \$16,155.

At year-end, the carrying amount of the Board of Education's deposits was \$39,904,171 and the bank balances were \$45,051,708. 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 \$105,105 and the bank balances was \$316,686. 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 \$2,107.

## 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	\$ 216,813	\$ -	\$ 5,375	\$ 222,188
Deposit accounts	22,050,862	-	988,599	23,039,461
Repurchase agreements (sweep)	23,235,670			23,235,670
U.S. government securities				
Treasuries	47,998,207	-	-	47,998,207
Agencies	81,664,832	-	-	81,664,832
Money market		9,304,461	-	9,304,461
Maryland local government pool	92,461,761	-	-	92,461,761
Bond mutual funds	6,247,624	105,989,029	-	112,236,653
Equity securities	10,255,813	182,881,189	-	193,137,002
Pooled Separate accounts		226,517,440		226,517,440
Restricted cash assets	1,967,929	-	93,861	2,061,790
Total cash and investments	<u>\$ 286,099,511</u>	<u>\$ 524,692,119</u>	<u>\$ 1,087,835</u>	<u>\$ 811,879,466</u>

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

Cash on hand	\$ 16,029
Deposits	37,111,956
Money market mutual funds	8,516,497
Maryland local government pool	<u>24,755,514</u>
Total cash and investments	<u>\$ 70,400,016</u>

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

Cash on hand and deposits	\$ 107,212
Maryland local government pool	<u>981,495</u>
Total cash and investments	<u>\$ 1,088,707</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. In addition to the three levels, if an investment does not have a readily determined fair value, the investment can be measured using the net asset value (NAV) per share. Investments in pooled separate accounts (PSA's) or collective trusts are valued at the NAV based on information provided by the respective managers.

	Level 1	Level 2	Level 3	Balance June 30, 2019
<b>Investments by fair value level:</b>				
U.S. government securities: Treasuries	\$ -	\$ 47,998,207	\$ -	\$ 47,998,207
U.S. government securities: Agencies	-	81,664,832	-	81,664,832
Bond Mutual funds	112,236,653	-	-	112,236,653
Equity securities	193,137,002	-	-	193,137,002
	<u>305,373,655</u>	<u>129,663,039</u>	<u>-</u>	<u>435,036,694</u>
<b>Cash and Investments carried at amortized cost:</b>				
Cash on hand				222,188
Deposit Accounts				23,039,461
Repurchase agreements (sweep)				23,235,670
Money Market				9,304,461
Maryland local government pool				92,461,761
Restricted assets: cash on deposit				2,061,790
Total Cash and Investments at amortized cost:				<u>150,325,331</u>
<b>Investments carried at net asset value:</b>				
Pooled Separate accounts				<u>226,517,440</u>
Total Cash and Investments				<u>\$ 811,879,466</u>

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

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

Pooled separate accounts (PSA's) or collective trusts consist of thirteen investments. The objectives of the funds vary but generally are to seek long-term capital appreciation by managing a broad opportunity set of asset classes including, but not limited to, equities, bonds, commodities, currencies and cash. These investments are valued at the net asset value (NAV) of units of the fund. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value

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. The MLGIP does not have any significant limitations or restrictions related to redemption notice periods, maximum transaction amounts, liquidity fees or redemption gates.

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; 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. Information about the sensitivity of the fair values of the County’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the County’s investments by maturity as of June 30, 2019:

	Investment Maturities (in Years)				Total
	Less than 1	1 to 5	6 to 10	More than 10	
<u>Investments with Maturities:</u>					
U.S. Treasury Obligations	\$ 47,998,207	\$ -	\$ -	\$ -	\$ 47,998,207
U.S. Governmental Agencies	81,664,832	-	-	-	81,664,832
<b>Total</b>	<b>\$ 129,663,039</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,663,039</b>

### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counter party or the counter party’s trust department or agent, but not in the government’s name. The County’s policy relating to credit risk of investments require that securities underlying all certificates of deposit, repurchase agreements and reverse repurchase agreements have a market value of at least 102 percent of the cost, plus accrued interest of the investment. County policies also require that a third-party custodian hold investments securities and the collateral underlying all investments, in the government’s name. The County’s Chief of Treasury recognizes investment diversification as an important safeguard of

County assets. Investment instruments, investment maturities, and financial institutions doing business with the County shall be diversified in such a way to insure that there is no concentration of risk in any of these categories. These diversification standards, as outlined in the County's Joint Statement of Investment Policies, are applied at the time of each investment. As of June 30, 2019, the County's investments were not exposed to custodial credit risk.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County places no limit on the amount invested in any one issuer. The County does not own one investment of a single source that exceeds 5% of the total value of the investment portfolio that are required to be reported.

**Foreign Currency Risk**

Foreign currency risk is the risk that the changes in the exchange rate of investments will adversely affect the fair value of an investment. The County held no positions in investments denominated in a foreign currency.

**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:

	Governmental Activities			Business-Type Activities			Total Non-Major Funds	Total
	General	Capital Projects	Debt Service	Water and Sewer Fund	Solid Waste Fund	SW-Watershed Protection Fund		
Receivables:								
Interest	\$ 1,738,779	\$ -	\$ -	\$ 5,048	\$ -	\$ -	\$ -	\$ 1,743,827
Taxes	5,153,487	-	47,050,523	-	-	-	-	52,204,010
Accounts	43,300,602	1,688,255	-	9,673,723	963,302	47,658	5,738,814	61,412,354
Special assessments	-	-	2,213	698,360	-	-	47,657	748,230
Intergovernmental	-	-	-	-	-	-	667	667
Total receivables	<u>\$ 50,192,868</u>	<u>\$ 1,688,255</u>	<u>\$ 47,052,736</u>	<u>\$ 10,377,131</u>	<u>\$ 963,302</u>	<u>\$ 47,658</u>	<u>\$ 5,787,138</u>	<u>\$ 116,109,088</u>

Governmental funds report unavailable 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 and unavailable revenue reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ -	\$ 4,993,844	\$ 4,993,844
Deferred property tax receivable (Debt Service)	698,592	47,032,893	47,731,485
Deferred income tax reserve	-	25,683,414	25,683,414
Advanced PILOT payment	-	8,500,000	8,500,000
Special assessments not yet due (Debt Service)	2,213	-	2,213
School construction impact fees	3,777,665		3,777,665
Grant draw-downs prior to meeting all eligibility requirements	371,860	-	371,860
Other unearned revenue	373,882	-	373,882
Total unearned revenue for governmental funds	<u>\$ 5,224,212</u>	<u>\$ 86,210,151</u>	<u>\$ 91,434,363</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 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, 2019 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 60 days after year-end, have been reclassified from property tax revenues to unavailable 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 the plant was February 14, 2017, and thus began the agreement's payment schedule that has a term of 20 years. The plant utilizes treated reclaimed water to meet facility cooling needs from the Mattawoman sewer treatment plant owned by the County, which resulted in revenue collected in the amount of \$1,133,202 for Fiscal Year 2019. 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.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated</u>
PILOT Agreements	
CPV Maryland, LLC	\$ 5,612,139
GenOn Mid-Atlantic, LLC	\$ 3,117,942

#### **E. Notes Receivable**

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

<u>Loan &amp; Year</u>	<u>Total Borrowed</u>	<u>Term &amp; Rate</u>	<u>Principal Balance 6/30/2019</u>
UMCRM 2004	\$ 15,000,000	15 years, 3.04831%	\$ 2,122,721
U.S. Home Corporation 2005	6,000,000	15 years, 5%-5.125%	408,750
U.S. Home Corporation 2006	10,000,000	15 years, 5.125%-8%	1,590,000
U.S. Home Corporation 2007	3,000,000	15 years, 5.25%-5.75%	746,250
U.S. Home Corporation 2008	3,000,000	15 years, 4.90%-5.25%	946,500
U.S. Home Corporation 2009	2,000,000	15 years, 4%-5.375%	788,333
U.S. Home Corporation 2011	4,000,000	15 years, 2%-4.5%	2,410,000
U.S. Home Corporation 2012	4,000,000	15 years, 2%-3.25%	2,273,750
U.S. Home Corporation 2013	3,700,000	15 years, 3%-4%	2,335,000
U.S. Home Corporation 2015	1,700,000	15 years, 3%-4%	1,374,442
Subtotal: U.S. Home Corporation	<u>45,400,000</u>		<u>12,873,025</u>
CSM 2005	1,000,000	15 years, 3.67%	78,139
Total Notes Receivable	<u>\$ 61,400,000</u>		<u>\$ 15,073,885</u>

Bonds issued by the County for U.S. Home Corporation, the College of Southern Maryland, and the University of Maryland-Charles Regional Medical Center (UMCRM) 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	U.S. Home Corporation	CSM	Total
2020	\$ 1,247,234	\$ 3,316,288	\$ 79,559	\$ 4,643,081
2021	935,307	2,651,793	-	3,587,100
2022	-	1,847,766	-	1,847,766
2023	-	1,522,195	-	1,522,195
2024	-	1,276,418	-	1,276,418
2025-2029	-	3,985,137	-	3,985,137
2030-2034	-	203,506	-	203,506
Subtotal	2,182,541	14,803,103	79,559	17,065,203
Less: Interest	59,820	1,930,078	1,420	1,991,318
Total future minimum note payments receivable	<u>\$ 2,122,721</u>	<u>\$ 12,873,025</u>	<u>\$ 78,139</u>	<u>\$ 15,073,885</u>

## F. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

### Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 93,406,635	\$ 1,851,131	\$ -	\$ 95,257,766
Construction in progress	44,638,053	13,970,301	17,738,861	40,869,494
Total capital assets, not depreciated	<u>138,044,688</u>	<u>15,821,432</u>	<u>17,738,861</u>	<u>136,127,260</u>
Capital assets, depreciated:				
Land Improvements	23,774,934	988,918	-	24,763,852
Infrastructure	478,847,844	13,793,375	-	492,641,219
Buildings and Improvements	167,448,660	781,964	-	168,230,624
Machinery and Equipment	62,892,775	7,339,056	816,733	69,415,098
Vehicles	27,447,900	1,946,145	3,112,380	26,281,665
Total capital assets, depreciated	<u>760,412,112</u>	<u>24,849,458</u>	<u>3,929,113</u>	<u>781,332,458</u>
Less: accumulated depreciation for:				
Land Improvements	(7,418,237)	(1,058,898)	-	(8,477,136)
Infrastructure	(263,169,020)	(15,922,611)	-	(279,091,632)
Buildings and Improvements	(85,333,524)	(4,652,805)	-	(89,986,329)
Machinery and Equipment	(40,911,296)	(5,173,658)	(816,733)	(45,268,222)
Vehicles	(19,737,850)	(2,447,015)	(3,112,380)	(19,072,485)
Total accumulated depreciation	<u>(416,569,928)</u>	<u>(29,254,988)</u>	<u>(3,929,113)</u>	<u>(441,895,804)</u>
Total capital assets, depreciated net	<u>343,842,184</u>	<u>(4,405,531)</u>	<u>-</u>	<u>339,436,654</u>
Governmental activities, capital assets, net	<u>\$ 481,886,872</u>	<u>\$ 11,415,902</u>	<u>\$ 17,738,861</u>	<u>\$ 475,563,914</u>

<b>Business Type Activities</b>	<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	96,774,269	19,989,322	11,728,384	105,035,207
Total capital assets, not depreciated	<u>98,948,455</u>	<u>19,989,322</u>	<u>11,728,384</u>	<u>107,209,393</u>
Capital assets, depreciated:				
Land Improvements	14,303,468	-	-	14,303,468
Infrastructure	272,899,311	16,133,561	-	289,032,872
Buildings and Improvements	14,824,391	102,321	-	14,926,712
Machinery and Equipment	48,651,312	1,368,519	584,599	49,435,232
Vehicles	6,550,267	466,828	120,278	6,896,817
Total capital assets, depreciated	<u>357,228,749</u>	<u>18,071,229</u>	<u>704,877</u>	<u>374,595,101</u>
Less: accumulated depreciation for:				
Land Improvements	(7,590,081)	(335,539)	-	(7,925,620)
Infrastructure	(154,068,340)	(7,068,263)	-	(161,136,603)
Buildings and Improvements	(7,423,891)	(461,910)	-	(7,885,801)
Machinery and Equipment	(20,847,401)	(2,300,744)	(584,599)	(22,563,546)
Vehicles	(4,811,533)	(623,035)	(120,278)	(5,314,290)
Total accumulated depreciation	<u>(194,741,246)</u>	<u>(10,789,492)</u>	<u>(704,877)</u>	<u>(204,825,860)</u>
Total capital assets, depreciated net	<u>162,487,503</u>	<u>7,281,737</u>	<u>-</u>	<u>169,769,241</u>
Business-type, capital assets, net	<u>\$ 261,435,958</u>	<u>\$ 27,271,059</u>	<u>\$ 11,728,384</u>	<u>\$ 276,978,634</u>
Grand Total, capital assets, net	<u>\$ 743,322,830</u>	<u>38,686,961</u>	<u>29,467,245</u>	<u>752,542,548</u>

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

Governmental Activities:

General Government	\$	
Public Safety		2,862,062
Legislative		35,561
Judicial		90,359
Election Board		608
Financial Administration		98,660
Health		158,236
Community Services		492,221
Public Facilities		9,902,136
Cap Projects		11,699,013
Emergency Services		3,583,485
Education		74,920
Central Services		1,464
Inspection & Enforcement		15,829
State's Attorney		41,769
Recreation, Parks, & Tourism		198,665
Total depreciation expense- Governmental Activities	\$	<u>29,254,988</u>

Business-Type Activities:

Water and Sewer	\$	8,819,332
Solid Waste		836,076
Environmental Services		550,320
Recreation Programs		353,171
Inspection and Reviews		27,832
SW- Watershed Protection		202,761
Total depreciation expense-Business-type Activities	\$	<u>10,789,492</u>



## Construction Commitments

The County has active construction projects as of June 30, 2019. The projects include widening and reconstruction of existing streets and bridges, maintenance of existing roads, landfill expansion, modifications of a new Senior and Recreational Center, 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	\$ 40,335,270	\$ 72,089,944
Other transportation projects	1,024,247	3,798,030
General government		
Buildings and improvements	16,652,231	43,756,570
Other general government projects	2,412,250	13,463,940
Water and sewer		
Expansions and improvements	74,524,392	261,966,420
Parks		
Expansions and improvements	4,021,041	9,261,190
Environmental service		
Various environmental service projects	17,480,717	71,374,850
Total	<u>\$ 156,450,148</u>	<u>\$ 475,710,944</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.

## Discretely Presented Component Units

Capital asset activity for the Board of Education for the year ended June 30, 2019, was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not depreciated:				
Land	\$ 17,850,124	\$	\$ -	\$ 17,850,124
Construction in progress	<u>50,212,030</u>	<u>30,127,046</u>	<u>(75,168,613)</u>	<u>5,170,463</u>
Total capital assets, not depreciated	<u>68,062,154</u>	<u>30,127,046</u>	<u>(75,168,613)</u>	<u>23,020,587</u>
Capital assets, depreciated:				
Buildings	562,989,148	78,420,047	-	641,409,195
Land Improvements	19,938,684	2,904,572	-	22,843,256
Furniture and Equipment	<u>31,926,784</u>	<u>1,208,556</u>	<u>(1,228,413)</u>	<u>31,906,927</u>
Total capital assets, depreciated	<u>614,854,616</u>	<u>82,533,175</u>	<u>(1,228,413)</u>	<u>696,159,378</u>
Less: accumulated depreciation for:				
Buildings	(284,172,351)	(15,593,680)	-	(299,766,031)
Land Improvements	(11,279,351)	(1,401,907)	-	(12,681,258)
Furniture and Equipment	<u>(26,233,404)</u>	<u>(1,755,095)</u>	<u>1,200,015</u>	<u>(26,788,484)</u>
Total accumulated depreciation	<u>(321,685,106)</u>	<u>(18,750,682)</u>	<u>1,200,015</u>	<u>(339,235,773)</u>
Total capital assets, depreciated net	<u>293,169,510</u>	<u>63,782,493</u>	<u>(28,398)</u>	<u>356,923,605</u>
Board capital assets, net	<u>\$ 361,231,664</u>	<u>\$ 93,909,539</u>	<u>\$ (75,197,011)</u>	<u>\$ 379,944,192</u>

Capital asset activity for the Library for the year ended June 30, 2019, was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, depreciated:				
Furniture and Equipment	\$ 2,380,562	\$ 86,825	\$ -	\$ 2,467,387
Library books and AV material	<u>1,275,925</u>	<u>340,042</u>	<u>(308,298)</u>	<u>1,307,669</u>
Total capital assets, depreciated	3,656,487	426,867	(308,298)	3,775,056
Less: accumulated depreciation	(2,776,947)	(457,769)	308,298	(2,926,418)
Library capital assets, net	<u>\$ 879,540</u>	<u>\$ (30,902)</u>	<u>\$ -</u>	<u>\$ 848,638</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, 2019, is as follows:

	Governmental Activities	Business-type Activities
General Fund	\$ (164,732,117)	\$ -
Capital Projects Fund	69,663,233	-
Debt Service Fund	11,126,483	-
Water and Sewer Fund	-	35,584,787
Solid Waste Fund	-	32,319,739
Stormwater Mgmt Fund	-	3,364,259
Other Non-major Funds	9,761,566	2,912,049
Total	<u>\$ (74,180,835)</u>	<u>\$ 74,180,835</u>

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

Transfers Out	Transfers In				Total
	General Fund	Capital Projects Fund	Non-major Governmental Funds	Non-major Enterprise Funds	
General Fund	\$	\$ 4,301,100	\$ 4,376,968	\$ 1,083,727	\$ 9,761,795
Capital Projects Fund	2,671,792	-	1,467	-	2,673,259
Non-major Governmental Funds	48,074	87,907	17,735	301,708	455,424
Solid Waste Fund	-	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	-
Total Transfers In:	<u>\$ 2,719,866</u>	<u>\$ 4,389,007</u>	<u>\$ 4,396,170</u>	<u>\$ 1,385,435</u>	<u>\$ 12,890,478</u>

## 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 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.
- Fiscal Year 2018 – Various equipment for the General Fund, the Solid Waste Fund, Water and Sewer Fund, the Environmental Service Fund, and the Aging Grant Funds (40 & 43) – semiannual payments of \$488,387 over five years ending August 2022, including interest at a rate of 3.68%, equipment capitalized at \$3,580,800.
- Fiscal Year 2019 – Various equipment for the General Fund, the Inspection Fund, the Solid Waste Fund, and the Water and Sewer Fund – semiannual payments of \$387,107 over five years ending August 2023, including interest at a rate of 2.88%, equipment capitalized at \$3,580,800.

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	25,423,074	6,590,855
Vehicles	12,856,340	4,888,997
Total capital assets	<u>38,370,320</u>	<u>11,479,852</u>
Less accumulated depreciation:		
Building and Improvements	(70,776)	-
Machinery and equipment	(18,991,525)	(5,671,396)
Vehicles	(9,576,809)	(3,727,161)
Total accumulated depreciation	<u>(28,639,110)</u>	<u>(9,398,557)</u>
Total capital assets, net	<u>\$ 9,731,209</u>	<u>\$ 2,081,295</u>

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2019, were as follows:

	Governmental Activities	Business-type Activities	Total
2020	\$ 4,141,154	\$ 1,446,839	\$ 5,587,993
2021	2,873,839	1,173,876	4,047,715
2022	1,802,796	906,442	2,709,238
2023	1,044,283	218,319	1,262,602
2024	315,541	71,568	387,109
Subtotal	<u>10,177,613</u>	<u>3,817,044</u>	<u>13,994,657</u>
Interest	<u>(359,657)</u>	<u>(192,609)</u>	<u>(552,266)</u>
Present value of minimum lease payments	<u>\$ 9,817,956</u>	<u>\$ 3,624,435</u>	<u>\$ 13,442,391</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, 2019, general obligation bonds totaling \$60,000,000 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. Recently, the County bonds have also had components with 20-year and 30-year serial bonds to fund projects with expected longer life spans as a County capital asset.

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

Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/19	Business-type Activities Balance 6/30/19
Consolidated Public Improvement Bonds of 2007	\$ 33,700,000	15 yrs, 3.5% - 5%	\$ 104,865	\$ 80,538
Consolidated Public Improvement Bonds of 2008	\$ 25,400,000	15 yrs, 3% - 5%	134,659	66,497
Consolidated Public Improvement Bonds of 2009	\$ 49,640,000	20 yrs, 2% - 4.25%	409,508	85,269
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 22,730,000	10 yrs, 2% - 5%	1,067,372	939,698
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 2,000,000	10 yrs, 2% - 5%	-	225,000
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 36,960,000	15 yrs, 2% - 5%	14,502,887	557,057
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 15,500,000	10 yrs, 2% - 5.3%	6,775,000	-
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 1,325,000	10 yrs, 2% - 5%	-	580,000
Consolidated Public Improvement Bonds (Taxable) of 2011	\$ 4,000,000	15 yrs, 2% - 4.5%	2,660,000	-
Refunding Bonds of Nov 2011	\$ 24,505,000	8 yrs, 4% - 5%	2,171,737	988,262
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 40,740,000	15 yrs, 2% - 5%	14,985,939	3,342,941
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 3,000,000	10 yrs, 2% - 5%	-	1,025,000
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 7,500,000	20 yrs, 2% - 5%	-	1,009,334
Consolidated Public Improvement Bonds (Taxable) of 2012	\$ 4,000,000	15 yrs, 2% - 3.25%	2,340,000	-
Consolidated Public Improvement and Refunding Bonds of 2013	\$ 26,805,000	10 yrs, 3% - 5%	12,247,671	7,289,474
Consolidated Public Improvement Bonds of 2013	\$ 6,300,000	10 yrs, 2% - 5%	2,730,159	709,841
Consolidated Public Improvement Bonds of 2013	\$ 3,700,000	30 yrs, 3% - 5%	-	328,730
Consolidated Public Improvement Bonds of 2013	\$ 14,500,000	21 yrs, 3% - 5%	6,688,493	1,249,531
Consolidated Public Improvement Bonds (Taxable) of 2013	\$ 3,700,000	15 yrs, 3% - 4%	2,570,000	-
Consolidated Public Improvement Bonds of 2014	\$ 17,400,000	15 yrs, 3% - 5%	10,224,023	312,184
Consolidated Public Improvement Bonds of 2014	\$ 14,000,000	10 yrs, 4% - 5%	8,905,000	-
Consolidated Public Improvement Bonds of 2014	\$ 7,600,000	30 yrs, 3% - 5%	-	10,028,793

Consolidated Public Improvement Refunding Bonds of 2015	\$ 21,830,000	15 yrs, 2% - 4%	19,995,010	4,116,709
Consolidated Public Improvement Refunding Bonds of 2015 (Taxable)	\$ 8,595,000	15 yrs, 3% - 4%	6,845,000	-
Consolidated Public Improvement Bonds of 2015	\$ 21,895,000	15 yrs, 3% - 5%	18,176,416	2,982,240
Consolidated Public Improvement Bonds of 2015	\$ 5,800,000	10 yrs, 3% - 5%	3,759,338	580,662
Consolidated Public Improvement Bonds of 2015	\$ 3,800,000	30 yrs, 3% - 5%	-	3,595,000
Consolidated Public Improvement Bonds (Taxable) of 2015	\$ 3,205,000	15 yrs, 3%-3.45%	2,655,000	-
Consolidated Public Improvement Bonds of 2016	\$ 5,500,000	10 yrs, 3% - 5%	5,377,449	554,368
Consolidated Public Improvement Bonds of 2016	\$ 18,000,000	15 yrs, 3%-5%	13,431,936	8,175,737
Consolidated Public Improvement Bonds of 2016	\$ 1,000,000	20 yrs, 3% - 5%	935,000	-
Consolidated Public Improvement Bonds of 2016	\$ 7,500,000	30 yrs, 3%-5%	-	3,192,120
Consolidated Public Improvement Bonds of 2017	\$ 20,000,000	10 yrs, 3%-5%	18,420,000	-
Consolidated Public Improvement Bonds of 2017	\$ 24,000,000	15 yrs, 2.25%-5%	26,104,208	9,948,393
Consolidated Public Improvement Bonds of 2017	\$ 2,000,000	20 yrs 2.25%-5%	1,935,000	-
Consolidated Public Improvement Bonds of 2017	\$ 10,000,000	30 yrs, 2.25%-5%	982,000	8,834,400
Consolidated Public Improvement Refunding Bonds of 2017	\$ 46,175,000	26 yrs, 2.25%-5%	30,847,375	15,327,625
Consolidated Public Improvement Bonds of 2018	\$ 15,000,000	10 yrs, 3%-5%	15,000,000	-
Consolidated Public Improvement Bonds of 2018	\$ 34,291,360	15 yrs, 2.25%-5%	26,529,543	7,761,817
Consolidated Public Improvement Bonds of 2018	\$ 1,000,000	20 yrs 2.25%-5%	1,000,000	-
Consolidated Public Improvement Bonds of 2018	\$ 15,000,000	30 yrs, 2.25%-5%	-	15,000,000
Total bonds outstanding			280,510,590	108,887,221
<u>Loan Description and Year</u>				
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	\$ 14,767,900	20 yrs, 1.200%	-	5,573,870
Total loans outstanding			-	5,573,870
Total bonds and loans outstanding			\$ 280,510,590	\$ 114,461,091



## Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 237,533,078	\$ 38,500,000	\$ (27,632,380)	\$ 248,400,698	\$ 26,556,325
Plus deferred amounts for bond premiums	31,444,904	4,441,258	(3,776,270)	32,109,892	-
Total bonds payable	268,977,982	42,941,258	(31,408,650)	280,510,590	26,556,325
Notes payable	2,769	-	(2,769)	-	-
Capital leases	11,349,443	2,918,800	(4,450,287)	9,817,956	3,975,130
Net Pension liabilities	87,394,722	2,588,602	(641,345)	89,341,979	-
LOSAP liabilities	25,869,496	-	(987,808)	24,881,688	-
Net OPEB obligation	205,723,692	-	(88,712,126)	117,011,566	-
Compensated absences	22,259,496	6,131,078	(5,992,779)	22,397,795	1,598,119
Governmental activities noncurrent liabilities	621,577,600	54,579,738	(132,195,764)	543,961,575	32,129,575
<u>Business-type activities:</u>					
General obligation bonds	85,991,922	21,500,000	(7,622,620)	99,869,302	8,287,776
Plus deferred amounts for bond premiums	8,690,499	1,299,400	(971,980)	9,017,919	-
Total bonds payable	94,682,421	22,799,400	(8,594,600)	108,887,221	8,287,776
Notes payable	6,332,818	-	(758,948)	5,573,870	768,057
Capital leases	4,718,480	662,000	(1,756,045)	3,624,435	1,351,108
Landfill closure costs	8,785,280	422,983	-	9,208,263	-
Compensated absences	2,060,709	930,391	(864,312)	2,126,787	265,712
Business-type activities noncurrent liabilities	116,579,708	24,814,774	(11,973,905)	129,420,576	10,672,653
Total primary government noncurrent liabilities	\$ 738,157,308	\$ 79,394,512	\$ (144,169,669)	\$ 673,382,152	\$ 42,802,228
<u>Component units:</u>					
Board of Education	\$ 531,015,237	\$ 400,749	\$ (182,951,550)	\$ 348,464,436	\$ 504,154
Library	2,780,422	200,042	(1,311,330)	1,669,134	199,811

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

The annual requirements to amortize all debt outstanding as of June 30, 2019, including interest of \$93,586,406 and excluding compensated absences, **deferred amounts for bond premiums**, net pension obligations, OPEB obligations and landfill closure costs, are as follows:

Year ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 32,207,044	\$ 10,718,158	\$ 10,412,250	\$ 4,348,049	\$ 57,685,501
2021	30,893,354	9,101,297	9,256,873	3,749,269	53,000,793
2022	28,989,262	7,768,533	9,037,863	3,368,109	49,163,767
2023	28,877,957	6,572,053	7,089,156	2,851,264	45,390,430
2024	24,312,733	5,273,316	6,214,461	2,532,814	38,333,324
2025-2029	86,605,377	13,059,730	24,834,926	9,190,823	133,690,856
2030-2034	24,694,422	1,924,510	15,455,578	5,887,549	47,962,059
2035-2039	1,231,500	153,568	8,713,500	4,041,917	14,140,485
2040-2044	211,500	48,967	10,413,500	2,378,220	13,052,187
2045-2049	195,500	12,976	7,639,500	605,284	8,453,260
	<u>\$ 258,218,649</u>	<u>\$ 54,633,108</u>	<u>\$ 109,067,607</u>	<u>\$ 38,953,298</u>	<u>\$ 460,872,662</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.

## J. Restricted Assets

The details of the restricted assets are as follows:

### Governmental Activities

#### Cash and cash equivalents

Inmate account	\$	33,837	
County Attorney escrow		10,043	
SAO Restitution account		20,637	
Lease deposits		6,434	
Business Development Loan Fund		407,683	
Targeted Industry Loan Fund		381,832	
Construction Escrow		<u>1,107,464</u>	
Total cash and cash equivalents	\$		1,967,929

#### Notes Receivable

Univ. of MD Charles Regional Medical Center	\$	2,122,721	
St. Charles Companies		12,873,025	
College of Southern MD		<u>78,139</u>	
Total notes receivable			<u>15,073,885</u>

Total Governmental Activities 17,041,814

### Business-type Activities

#### Cash and cash equivalents

Landfill Bonds 93,861

TOTAL PRIMARY GOVERNMENT \$ 17,135,675

## 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
<b><u>Nonspendable</u></b>					
Inventory	\$ 1,718,191	\$ -	\$ -	\$ -	\$ 1,718,191
Prepay Items	116,829	-	-	-	116,829
Long Term Notes	-	-	15,073,885	-	15,073,885
	<u>1,835,020</u>	<u>-</u>	<u>15,073,885</u>	<u>-</u>	<u>16,908,905</u>
<b><u>Restricted</u></b>					
Capital Outlay	-	10,540,990	-	-	10,540,990
Economic Development	11,346	-	-	792,151	803,497
Debt Service	-	-	647,125	-	647,125
Housing	-	-	-	100,227	100,227
Drug Enforcement	-	-	-	60,818	60,818
Fire and Rescue	-	-	-	16,941,761	16,941,761
Planning Programs	-	-	-	1,269,964	1,269,964
Cable Franchise	-	-	-	1,189,577	1,189,577
Animal Control	84,768	-	-	-	84,768
	<u>96,114</u>	<u>10,540,990</u>	<u>647,125</u>	<u>20,354,498</u>	<u>31,638,727</u>
<b><u>Committed</u></b>					
Policy Target	62,249,370	-	-	-	62,249,370
Economic Development	99,000	-	-	-	99,000
Income Tax Reserve	5,400,000	-	-	-	5,400,000
OPEB Reserve	3,375,000	-	-	-	3,375,000
Teacher's Incentive Grant	2,819,200	-	-	-	2,819,200
CIP Reserve	750,000	-	-	-	750,000
Workers Compensation	6,041,729	-	-	-	6,041,729
Unspent Budget	11,808,695	-	-	-	11,808,695
CIP/Pay-go	-	35,484,683	-	-	35,484,683
	<u>92,542,994</u>	<u>35,484,683</u>	<u>-</u>	<u>-</u>	<u>128,027,677</u>
<b><u>Assigned</u></b>					
Aging Grants	-	-	-	56,881	56,881
Judicial Grants	-	-	-	27,439	27,439
Transportation	-	-	-	99,827	99,827
Public Safety	-	-	-	451,074	451,074
Housing	241,224	-	-	148,991	390,215
Aging Services	-	-	-	48,558	48,558
Animal Control	-	-	-	169,945	169,945
Drug Enforcement	-	-	-	688,254	688,254
Mental Health	-	-	-	280,013	280,013
Planning programs	-	-	-	17,015	17,015
Cable Franchise	-	-	-	6,820,420	6,820,420
Debt Service	-	-	9,742,256	-	9,742,256
Storm Event Reserve	3,100,000	-	-	-	3,100,000
Health Ins Rate Stabilization	3,175,630	-	-	-	3,175,630
CIP & Operations	-	12,636,228	-	-	12,636,228
	<u>6,516,854</u>	<u>12,636,228</u>	<u>9,742,256</u>	<u>8,808,418</u>	<u>37,703,756</u>
<b><u>Unassigned</u></b>					
Other unassigned	7,859,944	-	-	-	7,859,944
	<u>\$ 7,859,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,859,944</u>
Total fund balances	<u>\$ 108,850,925</u>	<u>\$ 58,661,901</u>	<u>\$ 25,463,266</u>	<u>\$ 29,162,916</u>	<u>\$ 222,139,008</u>

## 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 (Library, Soil Conservation, and Courthouse) 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, 2019, a liability of \$1,563,000 (\$1,139,105 in governmental funds and \$423,895 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, Net	End of Year
2017	1,070,000	(80,000)	990,000
2018	990,000	(180,000)	810,000
2019	810,000	753,000	1,563,000

### 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, 2019, a budget surplus of \$1,200,844 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, 2019 is \$7,018,572.

In addition, for only the second time since becoming self-insured in July 2012, the County had prepared a Loss Reserve Analysis report as of June 30, 2018. This report was provided to County stakeholders as well as being sent to the Maryland Workers' Compensation Commission. The discounted reserve reported was \$5,654,745. This is recorded on the County's books in similar fashion as the preceding Health IBNR claims liability and future reports will be done periodically as needed.

### 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, 2019, 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.

**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.

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 125. Charles County allocates the pay-go costs of active and retiree health insurance by the counts for personnel services based on the respective allocation to the general fund or proprietary fund.

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 County's net pension liabilities, deferred outflows and deferred inflows of resources related to pensions, and the pension expense consists of the following at June 30, 2019:

	County Plan	Sheriff's Plan	LOSAP	OPEB	Total
Net Pension Liability	\$4,847,545	\$84,494,434	\$24,881,688	\$117,011,566	\$231,235,233
Deferred Outflows of Resources	\$9,081,562	\$15,679,688	\$483,507	\$371,872	\$25,616,629
Deferred Inflows of Resources	\$10,174,315	\$8,210,190	\$1,670,720	\$93,889,908	\$113,945,133
Pension Expense	\$4,825,297	\$15,496,078	\$1,630,563	\$118,220	\$22,070,158
Pension Assets	\$233,213,000	\$282,989,000	\$16,709,472	\$9,446,578	\$542,358,050

**A. 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 Sheriff’s Office Retirement Plan (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, 2018, the last date of the last actuarial valuation:

Active plan members	874
Terminated, entitled to but not yet receiving benefits	247
Retirees and beneficiaries receiving benefits	328
	<u>1,449</u>

**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, 2019, the County contributed \$4,498,057 to the Plan as recommended in the actuarial report as of July 1, 2018.



Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

**Investment Concentrations** – At June 30, 2019, the County’s Plan’s net assets were invested in the following types of investments:

Stable Value	15%
Fixed Income	25%
Large Cap Equity	29%
International Equity	12%
Real Estate	5%
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 62<sup>nd</sup> 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 60<sup>th</sup> 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.

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.

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, 2019 was made of \$3,926,193. This contribution for the current year was determined as part of the July 1, 2016 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 – 7.25% compounded annually, net of investment and contract fees.

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

Inflation – 2.5%

Mortality – The RP-2014 Total Dataset (Adjusted to 2006) with Scale MP-2017.

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:

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

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

Age	%
25	15.4
35	13.7
45	10.3
55	2.7

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

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

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

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

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

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

Net Pension Liability – The components of the net pension liability of the County’s Plan at June 30, 2019, were as follows (dollar amounts in thousands):

Total pension liability	\$ 237,366
Plan fiduciary net position	<u>(232,519)</u>
County's net pension liability	<u>\$ 4,847</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.96%</u>

	<u>1% decrease</u> 6.25%	Current Discount Rate 7.25%	<u>1% increase</u> 8.25%
County's net pension liability	<u>\$ 43,124</u>	<u>\$ 4,847</u>	<u>\$ (26,372)</u>
Annual money-weighted rate of return			<u>8.92%</u>

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

At June 30, 2019, the County reported net deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 190,032	\$ 6,185,051
Changes of assumptions	6,437,582	3,989,264
Net difference between projected and actual earnings on pension plan investments	<u>2,453,948</u>	
Total	<u>\$ 9,081,562</u>	<u>\$ 10,174,315</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:	
2020	(1,910,391)
2021	(441,445)
2022	2,495,320
2023	897,480
2024	496,208
Thereafter	(444,419)

## 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)
<b>Balances at 6/30/18</b>	\$ 220,780	218,521	\$ 2,259
<b>Changes for the year:</b>			
Service cost	7,276	-	7,276
Interest	15,177	-	15,177
Changes of benefit terms	591	-	591
Differences between expected and actual experience	190	-	190
Changes of assumptions	-	-	-
Contributions - employer	-	4,498	(4,498)
Contributions - employee	-	2,477	(2,477)
Net Investment Income	-	13,788	(13,788)
Benefit payments, including refunds of member contributions	(6,648)	(6,647)	(1)
Administrative expense	-	(118)	118
Other	-	-	-
<b>Net Changes</b>	<u>16,586</u>	<u>13,998</u>	<u>2,588</u>
<b>Balances at 6/30/19</b>	<u>\$ 237,366</u>	<u>\$ 232,519</u>	<u>\$ 4,847</u>

## B. 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, 2018, the date of the last actuarial valuation:

	<u>Sworn Officers</u>	<u>Correctional Officers</u>	<u>Communications Employees</u>
Active plan members	291	138	46
Retirees and beneficiaries receiving benefits	125	27	11
Disabled, receiving benefits	14	2	-
Vested termination	15	2	-
	<u>445</u>	<u>169</u>	<u>57</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 \$4,328,404 as of June 30, 2019 and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2019 totaled \$1,049,653.

**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.

**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, 2019, 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%	6.05%
International Equity	10%	9.38%
Fixed Income	35%	2.17%
Cash	5%	0.78%
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.

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 for participants who entered DROP prior to July 1, 2017. Participants entering DROP after 7/1/17 are credited with 2% less than the Plan’s actuarial assumed investment rate of return per year 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 &amp; Corrections</u>
1	3.0%	8.4%
2	6.0%	16.8%
3	9.0%	25.2%
4	12.0%	32.4%
5	15.0%	39.6%

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

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

- a) a minimum of 15%
- b) a maximum of 50%
- c) offset of 50% of Social Security
- d) offset of 100% of Workers Compensation

- e) offset by LTD benefits, if any

*Communications Dispatchers are not eligible for this benefit*

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

- a) a minimum of 15%
- b) a maximum of 40%
- c) offset of 50% of Social Security
- d) offset of 100% of Workers Compensation
- e) no 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, 2019 was equal to the amount of the annual actuarial valuation of \$11,892,250. This contribution for the current year was determined as part of the July 1, 2017 actuarial valuation. The actuarial assumptions and methods include:

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

Asset Method – Five-year averaging method. Returns on the average market value of assets above or below the assumed 7.5% 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:

<u>Age</u>	<u>Years of Service</u>		
	<u>25</u>	<u>30</u>	<u>35</u>
45	1.000	1.056	1.202
50	1.000	1.074	1.222
55	1.000	1.096	1.248

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):

<u>Age</u>	<u>Rate</u>
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):

<u>Age</u>	<u>Sworn Officers</u>		
	<u>(post 7/1/86)</u>	<u>Corrections</u>	<u>Communications</u>
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.

Retirement –

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>Age</u>	<u>Years of Service</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>Age</u>	<u>Years of Service</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%

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, 2019, were as follows (dollar amounts shown in thousands):

Total pension liability	\$	367,360
Plan fiduciary net position		<u>(282,866)</u>
Sheriff's net pension liability	\$	<u>84,494</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation report as of July 1, 2018 rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	5.0 percent, including inflation
Investment rate of return	7.50 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, 2018 actuarial valuation report.

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

	1% decrease <u>6.40%</u>	Current Discount Rate <u>7.40%</u>	1% increase <u>8.40%</u>
Sheriff's net pension liability	<u>\$ 143,648</u>	<u>\$ 84,494</u>	<u>\$ 37,033</u>

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

At June 30, 2019, the County reported net 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	\$ 4,101,223	\$ 7,847,788
Changes of assumptions	11,578,465	-
Net difference between projected and actual earnings on pension plan investments		<u>362,402</u>
Total	<u>\$ 15,679,688</u>	<u>\$ 8,210,190</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:	
2020	\$ 3,320,498
2021	475,355
2022	1,811,131
2023	2,049,265
2024	(186,751)



**Changes in the Sheriff's Net Pension Liability**

(Dollar amounts in thousands)	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at 6/30/18</b>	\$ 347,927	262,792	\$ 85,136
<b>Changes for the year:</b>			
Service cost	8,068	-	8,068
Interest	25,155	-	25,155
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(5,995)	-	(5,995)
Changes of assumptions	4,874	-	4,874.000
Contributions - employer	-	11,892	(11,892)
Contributions - employee	-	2,793	(2,793)
Net Investment Income	-	18,201	(18,201)
Benefit payments, including refunds of member contributions	(12,669)	(12,669)	-
Administrative expense	-	(143)	143
Other	-	-	-
<b>Net Changes</b>	<u>\$ 19,433</u>	<u>\$ 20,074</u>	<u>\$ (641)</u>
<b>Balances at 6/30/19</b>	<u>\$ 367,360</u>	<u>\$ 282,866</u>	<u>\$ 84,494</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.

For the fiscal year and future, the plan was funded from the revenue derived from one cent of the fire and rescue tax levied by the County in accordance with Section 123 of the Article noted above. Revenue transferred to the program for the year ended June 30, 2019 totaled \$760,500 from the 2017/18 tax levy. The County Commissioners were not obligated to fund the plan, only to administer it.

Program assets are held in an account during the year by a custodian, but do not meet the criteria in paragraph 4 of GASB Statement No. 73. As of June 30, 2019, M&T held the fair value of net assets for the plan benefits in the amount of \$206,034. 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, 2019, BB&T held the fair value of these assets in the amount of \$16,503,437.

Membership in the plan consisted of the following at December 31, 2018, the date of the last actuarial valuation:

Inactive participants currently receiving benefit payments	269
Inactive participants entitled to but not yet receiving benefit payments	14
Active participants	990
	<u>1,273</u>

Actuarial Assumptions – The total pension liability in the valuation was determined as of December 31, 2016 and rolled forward to December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	none assumed

Mortality rates were based on the RP-2014 Mortality Table without projection for mortality improvement and using a blend of 75% Male and 25% Female.

Discount Rate – The discount rate used to measure the total pension liability was 3.64%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018. In describing the index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody’s Investors Services, AA by Finch, or AA by Standard & Poor’s Rating Services.

**Schedule of Changes in the LOSAP Pension Liability**

Balance as of December 31, 2017	\$25,869,496
Service Cost	892,227
Interest Cost	830,713
Changes of assumptions or other inputs	(1,764,057)
Differences between expected and actual experience	-
Benefit Payments	(946,691)
Net Changes	<u>(987,808)</u>
Total Pension Liability at End of Year	<u>\$24,840,571</u>

	1% decrease	Current Discount Rate	1% increase
	<u>2.64%</u>	<u>3.64%</u>	<u>4.64%</u>
LOSAP net pension liability	<u>\$ 28,760</u>	<u>\$ 24,881</u>	<u>\$ 21,703</u>

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

At June 30, 2019, the County reported net deferred outflows of resources and deferred inflows of resources related to LOSAP pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	1,670,720
Contributions subsequent to the measurement date	<u>483,507</u>	-
Total	<u>\$ 483,507</u>	<u>\$ 1,670,720</u>

Deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of \$483,507 will be recognized as a reduction of the total pension liability in the year ended June 30, 2020.

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

Year ended June 30:	
2020	(93,336)
2021	(93,336)
2022	(93,336)
2023	(93,336)
2024	(93,336)
Thereafter	(1,204,040)

**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 GASB, 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	294	286	56
Plan Assets	\$28,186,628	\$21,015,976	\$2,871,597
Annual Employee Contribution	\$1,511,539	\$1,481,260	\$206,457

## **B. Other Post-Employment Benefits (OPEB)**

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

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

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

For the year ended June 30, 2019, there were 450 former employees and family members with medical coverage, 545 with dental, and 476 with vision. For the fiscal year ended June 30, 2019, the County incurred and recorded \$3,159,481 in health care expenditures for these participants on the pay-go basis.

**Actuarial Methods and Assumptions**

The net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2019. The County's proportionate share of the Net OPEB liability was based on an allocation determined by the County and agreed to by the Library.

Significant assumptions underlying the calculation are as follows:

Valuation Date	7/1/2018
Actuarial Cost method	Projected Unit Credit with linear pro-ratio to assumed benefit commencement
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation method	Market value of assets
Investment rate of return	7.50%
Inflation	2.40%
Healthcare cost trend rate	The trend for 2018 is 5.4%. The ultimate trend is 4.0% for Pre-Medicare and 3.90% for Post-Medicare.

**Net OPEB Liability** – The components of the net OPEB liability of the County’s at June 30, 2018, were as follows (dollar amounts shown in thousands):

Total OPEB liability (combined entities)	128,046
Less: amount allocated to the Library Component Unit	<u>1,588</u>
County's Total OPEB liability	<u>\$ 126,458</u>
County's Total OPEB liability	126,458
Plan fiduciary net position (County share)	<u>9,446</u>
County's net OPEB liability	<u>\$ 117,012</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>7.5%</u>

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

	1% decrease	Current Discount Rate	1% increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net OPEB liability	<u>\$ 139,207</u>	<u>\$ 117,012</u>	<u>\$ 99,433</u>

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

	1% decrease	Current Trend Rate	1% increase
	<u>3.00%</u>	<u>4.00%</u>	<u>5.00%</u>
Net OPEB liability	<u>\$ 97,130</u>	<u>\$ 117,012</u>	<u>\$ 142,485</u>

**Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Changes of Assumptions**

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96	\$ 8,005
Changes of assumptions	-	85,885
Net difference between projected and actual earnings on OPEB plan investments	276	
Total	<u>\$ 372</u>	<u>\$ 93,890</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

Fiscal Year ended June 30:	(Dollar amounts in Thousands)
2020	\$ (15,553)
2021	\$ (15,553)
2022	\$ (15,553)
2023	\$ (15,596)
2024	\$ (15,633)
2025	\$ (15,630)

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
Asset Classes	Ranges	Targets	Rate of Returns
Large Cap Domestic Equities	35%-45%	40%	7.05%
Small/Mid Cap Domestic Equities	10%-20%	15%	7.54%
International Equities	15%-25%	20%	7.70%
<b>Equities</b>	<b>65%-85%</b>	<b>75%</b>	
<b>Fixed Income</b>	<b>15%-35%</b>	<b>25%</b>	4.30%
<b>Cash Equivalents</b>	<b>0%-10%</b>	<b>0%</b>	3.03%
Inflation			2.29%
<b>Total</b>		<b>100%</b>	

**Changes in the County's OPEB Net Liability and Related Ratios**

(Dollar amounts in thousands)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/18</b>	\$ 212,800	7,076	\$ 205,724
<b>Changes for the year:</b>			
Service cost	7,898	-	7,898
Interest	9,103	-	9,103
Changes of benefit terms	(963)	-	(963)
Differences between expected and actual experience	(9,340)	-	(9,340)
Changes of assumptions	(89,891)	-	(89,891)
Contributions - employer	(3,149)		(3,149)
Contributions - employee		5,095	(5,095)
Net Investment Income		-	-
Benefit payments, including refunds of member contributions		424	(424)
Administrative expense		(3,149)	3,149
Other		-	-
<b>Net Changes</b>	<u>(86,342)</u>	<u>2,370</u>	<u>(88,712)</u>
<b>Balances at 6/30/19</b>	<u>\$ 126,458</u>	<u>\$ 9,446</u>	<u>\$ 117,012</u>



## **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, 2019 were \$94,269.

### **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, 2019, approximately 26% of all cell 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 Phases I, IIA, IIIA, and IIIB open. The \$9,208,263 reported as landfill closure and post-closure care liability at June 30, 2019, 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 \$422,983.

## **NOTE 9. SUBSEQUENT EVENTS**

On November 20, 2019, the County completed a bond sale transaction for \$58,000,000 in general obligation public improvement bonds. The proceeds are being used, together with funds from other sources, to finance the costs of certain buildings, facilities, equipment and grounds in Charles County. Debt service repayments are scheduled for semi-annually on April 1 and October 1, commencing April 1, 2020.

**NOTE 10. RESTATEMENT**

During the year ended June 30, 2019, the County restated its beginning balances related to the reporting of assets held for the LOSAP pension plan which were deemed not to be held in a trust or trust-like arrangement and to record the liability associated with the LOSAP plan in accordance with GASB 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*. The table below summarizes the changes:

	Governmental Activities	Total Governmental Funds	Non-Major Governmental Funds	Fire and Rescue & LOSAP Funds	Fiduciary Funds	LOSAP Fund
Net Position, Beginning of Year, as previously reported	\$ 127,942,214	\$ 173,676,153	\$ 11,719,672	\$ 98,485	\$ 504,069,631	\$ 15,633,918
Adjustment to properly record assets held for LOSAP activity	15,633,918	15,633,918	15,633,918	15,633,918	(15,633,918)	(15,633,918)
Adjustment to record beginning liability for LOSAP pension benefits	(25,869,496)	-	-	-	-	-
Net Position, Beginning of Year, as restated	<u>\$ 117,706,636</u>	<u>\$ 189,310,071</u>	<u>\$ 27,353,590</u>	<u>\$ 15,732,403</u>	<u>\$ 488,435,713</u>	<u>\$ -</u>

# Required Supplementary Information

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGETARY (NON-GAAP) TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes - local property	\$ 226,252,800	\$ 226,252,800	\$ 225,674,929	\$ (577,871)
Taxes - income	127,940,000	127,940,000	136,665,163	8,725,163
Taxes - other local	20,623,000	20,623,000	24,916,505	4,293,505
Taxes - state shared	972,000	972,000	1,017,386	45,386
Charges for services	8,848,100	8,848,100	8,650,115	(197,985)
Intergovernmental	2,158,000	2,287,680	2,234,353	(53,327)
Interest income	1,400,000	1,800,000	5,277,994	3,477,994
Other income	5,544,700	5,591,500	5,042,920	(548,580)
<b>Total revenues</b>	<b>393,738,600</b>	<b>394,315,080</b>	<b>409,479,365</b>	<b>15,164,285</b>
<b>Expenditures:</b>				
Education	196,122,500	196,123,960	196,073,668	50,292
Public safety	105,746,400	106,629,610	99,721,351	6,908,259
General government (including contingencies)	26,383,600	28,219,140	26,876,220	1,342,920
Public Works- Facilities	15,407,700	15,855,860	14,851,663	1,004,197
Financial Administration	11,721,200	11,674,960	10,579,223	1,095,737
Judicial	5,900,700	5,826,110	5,621,412	204,698
Planning and Growth Management	3,419,600	3,565,800	3,153,643	412,157
Community Services	2,353,800	2,409,840	2,045,092	364,748
Recreation, Parks & Tourism	8,604,600	8,642,440	8,073,811	568,629
Health Services	3,277,000	3,277,000	3,223,474	53,526
Economic Development	1,923,000	1,928,880	1,749,202	179,678
Social Services	1,369,000	1,374,000	1,373,518	482
Legislative	1,867,200	2,016,540	2,157,764	(141,224)
Law	1,117,000	1,119,840	1,235,056	(115,216)
Conservation of Natural Resources	668,300	675,890	657,855	18,035
Elections	1,478,000	1,493,400	1,471,085	22,315
<b>Debt service</b>				
Interest	7,947,200	7,947,200	7,643,470	303,730
<b>Total expenditures</b>	<b>395,306,800</b>	<b>398,780,470</b>	<b>386,507,505</b>	<b>12,272,965</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,568,200)</b>	<b>(4,465,390)</b>	<b>22,971,860</b>	<b>27,437,250</b>
<b>Other financing sources (uses):</b>				
Transfers in	5,437,500	5,437,500	2,719,866	(2,717,634)
Transfers out	(9,352,400)	(10,672,640)	(9,764,795)	907,845
<b>Total other financing sources (uses)</b>	<b>(3,914,900)</b>	<b>(5,235,140)</b>	<b>(7,044,929)</b>	<b>(1,809,789)</b>
<b>Net change in fund balance</b>	<b>(5,483,100)</b>	<b>(9,700,530)</b>	<b>15,926,930</b>	<b>25,627,460</b>
Fund balance - beginning of year	92,923,995	92,923,995	92,923,995	-
<b>Fund balance - end of year</b>	<b>\$ 87,440,895</b>	<b>\$ 83,223,465</b>	<b>\$ 108,850,925</b>	<b>\$ 25,627,460</b>

**Schedule of County's Plan Employer Contributions**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>	<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>
Actuarially determined contribution	\$ 4,498	\$ 3,926	\$ 3,673	\$ 5,240	\$ 5,627	\$ 5,356	\$ 5,223	\$ 6,055	\$ 5,745	\$ 6,547	\$ 6,170
Contributions in relation to the actuarially determined contribution	<u>4,498</u>	<u>3,926</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 54,332	\$ 53,002	\$ 50,662	\$ 58,330	\$ 57,345	\$ 54,750	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	8.28%	7.41%	7.25%	8.98%	9.81%	9.78%	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 of the expected remaining service lives of all 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	7.25%, 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 unredacted at age 60. For Participants in the Plan prior to July 1, 1977, there is an elective Normal Retirement Date of age 60. For public safety participants, the first day of the month coinciding with or next following the earlier of a Participant's 60th birthday or 25 hypothetical years of Service.
Mortality	RP-2014 Total Dataset (Adjusted to 2006) with Scale MP-2017 for males and females

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

(Dollar amounts in thousands)

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 7,276	\$ 6,690	\$ 6,320	\$ 5,902	\$ 5,844	\$ 5,552
Interest	15,177	14,782	13,915	13,944	12,705	11,745
Changes of benefit terms	591	-	-	-	-	-
Differences between expected and actual experience	190	2,782	(224)	(12,218)	4,888	-
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(6,648)	(6,251)	(5,291)	(4,871)	(4,759)	(4,356)
Net change in total pension liability	16,586	18,003	14,720	2,757	18,678	12,941
Total Pension Liability - beginning	220,780	202,777	188,057	185,300	166,622	153,681
Total Pension Liability - ending (a)	<u>\$ 237,366</u>	<u>\$ 220,780</u>	<u>\$ 202,777</u>	<u>\$ 188,057</u>	<u>\$ 185,300</u>	<u>\$ 166,622</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 4,498	\$ 3,926	\$ 3,673	\$ 5,240	\$ 5,627	\$ 5,356
Contributions - employee	2,476	2,348	2,347	2,179	2,105	2,011
Net Investment Income	13,788	15,852	21,017	1,734	7,421	22,826
Benefit payments, including refunds of member contributions	(6,647)	(6,251)	(5,291)	(4,870)	(4,759)	(4,357)
Administrative expense	(117)	(109)	(73)	(81)	(88)	(84)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	13,998	15,766	21,673	4,202	10,306	25,752
Plan Fiduciary Net Position - beginning	218,521	202,755	181,082	176,880	166,574	140,822
Plan Fiduciary Net Position - ending (b)	<u>\$ 232,519</u>	<u>\$ 218,521</u>	<u>\$ 202,755</u>	<u>\$ 181,082</u>	<u>\$ 176,880</u>	<u>\$ 166,574</u>
County's Net Pension Liability - ending (a) - (b)	<u>\$ 4,847</u>	<u>\$ 2,259</u>	<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	97.96%	98.98%	99.99%	96.29%	95.46%	99.97%
Covered payroll	\$ 54,332	\$ 53,002	\$ 50,663	\$ 58,330	\$ 57,345	\$ 54,750
County's Net Pension Liability as a percentage of covered employee pensionable payroll	8.92%	4.26%	0.04%	11.96%	14.68%	0.09%
Annual money-weighted rate of return	7.0%	8.5%	12.3%	1.7%	5.2%	16.9%

Additional years' information will be displayed as it becomes available to show ten years of information

**Schedule of Sheriff's Office Retirement Plan Employer Contributions**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 11,892	\$ 11,795	\$ 10,845	\$ 10,590	\$ 10,402	\$ 9,823	\$ 8,425	\$ 7,390	\$ 6,817	\$ 6,964
Contributions in relation to the actuarially determined contribution	<u>11,892</u>	<u>11,795</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 34,470	\$ 33,888	\$ 33,373	\$ 30,706	\$ 32,509	\$ 31,270	n/a	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	34.50%	34.81%	32.50%	34.49%	32.00%	31.41%	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 8 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 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>					
Service cost	\$ 8,068	\$ 7,681	\$ 7,433	\$ 6,566	\$ 6,534
Interest	25,197	24,182	21,532	20,983	19,286
Changes of benefit terms	-	(313)	-	-	-
Differences between expected and actual experience	(5,995)	(820)	6,770	(6,916)	815
Changes of assumptions	4,874	-	7,554	5,579	4,692
Benefit payments, including refunds of member contributions	<u>(12,669)</u>	<u>(10,511)</u>	<u>(9,899)</u>	<u>(9,609)</u>	<u>(8,902)</u>
Net change in total pension liability	19,475	20,219	33,390	16,603	22,425
Total Pension Liability - beginning	<u>347,885</u>	<u>327,666</u>	<u>294,276</u>	<u>277,673</u>	<u>255,248</u>
Total Pension Liability - ending (a)	<u>\$ 367,360</u>	<u>\$ 347,885</u>	<u>\$ 327,666</u>	<u>\$ 294,276</u>	<u>\$ 277,673</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 11,892	\$ 11,794	\$ 10,845	\$ 10,590	\$ 10,402
Contributions - employee	2,793	2,776	2,765	2,614	2,616
Net Investment Income	18,243	19,716	25,617	2,035	7,785
Benefit payments, including refunds of member contributions	(12,669)	(10,511)	(9,899)	(9,610)	(8,902)
Administrative expense	(143)	(162)	(120)	(120)	(111)
Other	-	-	-	-	-
Net change in plan fiduciary net position	<u>20,116</u>	<u>23,613</u>	<u>29,207</u>	<u>5,508</u>	<u>11,790</u>
Plan Fiduciary Net Position - beginning	<u>262,749</u>	<u>239,136</u>	<u>209,929</u>	<u>204,421</u>	<u>192,631</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 282,866</u>	<u>\$ 262,749</u>	<u>\$ 239,136</u>	<u>\$ 209,929</u>	<u>\$ 204,421</u>
Sheriff's Net Pension Liability - ending (a) - (b)	<u>\$ 84,494</u>	<u>\$ 85,136</u>	<u>\$ 88,530</u>	<u>\$ 84,347</u>	<u>\$ 73,252</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	77.00%	75.53%	72.98%	71.34%	73.62%
Covered payroll	\$ 34,470	\$ 33,888	\$ 33,373	\$ 30,706	\$ 32,509
Sheriff's Net Pension Liability as a percentage of covered employee pensionable payroll	245.13%	251.23%	265.27%	274.69%	225.33%
Expected average remaining service years of all participants	6	6	7	6	7
Annual money-weighted rate of return	6.9%	8.7%	12.7%	1.5%	4.5%

Additional years' information will be displayed as it becomes available to show ten years of information



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

(Dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>			
Service cost	\$ 7,898	\$ 8,365	\$ 8,040
Interest	9,015	8,560	7,669
Changes of benefit terms	(963)	-	-
Differences between expected and actual experience	(9,340)	130	2,364
Changes of assumptions	(89,891)	(11,962)	(36,539)
Benefit payments, including refunds of member contributions	<u>(3,149)</u>	<u>(2,940)</u>	<u>(2,674)</u>
Net change in total pension liability	(86,430)	2,153	(21,140)
Total Pension Liability - beginning	<u>212,888</u>	<u>210,735</u>	<u>231,875</u>
Total Pension Liability - ending (a)	<u>\$ 126,458</u>	<u>\$ 212,888</u>	<u>\$ 210,735</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 5,095	\$ 4,440	\$ 3,924
Contributions - employee	-	-	-
Net Investment Income	336	239	3
Benefit payments, including refunds of member contributions	(3,149)	(2,940)	(2,674)
Administrative expense	-	-	-
Other	-	-	-
Net change in plan fiduciary net position	<u>2,282</u>	<u>1,739</u>	<u>1,253</u>
Plan Fiduciary Net Position - beginning	<u>7,164</u>	<u>5,425</u>	<u>4,172</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 9,446</u>	<u>\$ 7,164</u>	<u>\$ 5,425</u>
County's Net Pension Liability - ending (a) - (b)	<u>\$ 117,012</u>	<u>\$ 205,724</u>	<u>\$ 205,310</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	7.47%	3.37%	2.57%
Estimated average remaining service years of all participants	7	8	8

**Notes to Schedule**

Benefit changes                      none

Changes of assumptions            The discount rate was changed as follows:

<u>Discount Rate</u>	
6/30/2017	4.04%
6/30/2018	4.31%
6/30/2019	7.50%

Because this OPEB plan does not depend on salary, salary infomraiton is not provided.

**Schedule of Changes in the County's LOSAP Plan Pension Liability**

(Dollar amounts in thousands)

Measurement date as of December 31,	<u>2018</u>
Total Pension Liability	
Service cost	\$ 892
Interest	831
Changes of assumptions or other inputs	(1,764)
Differences between expected and actual experience	
Benefit payments	<u>(947)</u>
Net change in total pension liability	(988)
Total Pension Liability - beginning	<u>25,869</u>
Total Pension Liability - ending	<u>\$ 24,882</u>

*Changes of assumptions or other inputs.* The discount rate used to measure the total LOSAP pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2017:	3.16%
December 31, 2018:	3.64%

Additional years' information will be displayed as it becomes available to show ten years of information

# 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, 2019

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Taxes - Local Property</u>			
Real Property	\$ 200,254,700	\$ 199,284,816	\$ (969,884)
Business Personal Property	272,000	261,028	(10,972)
Railroad & Public Utilities	9,741,000	9,525,536	(215,465)
Ordinary Business Corporation	6,855,900	7,492,419	636,519
Payment in Lieu of Tax	11,405,100	11,418,610	13,510
Penalties and Interest	600,000	564,500	(35,500)
Half-year Billing Fee	144,000	205,777	61,777
Homestead Tax Credit	(133,700)	(171,300)	(37,600)
Low Income Tax Credit	(694,000)	(725,734)	(31,734)
Senior Tax Credit	(300,000)	(261,681)	38,319
La Plata Tax Differential	(1,670,000)	(1,699,276)	(29,276)
Indian Head Tax Differential	(95,000)	(93,698)	1,302
Agriculture Preservation Credit	(120,000)	(119,642)	358
Other Tax Credits	(7,200)	(6,426)	774
Total Taxes - Local Property	226,252,800	225,674,929	(577,871)
<u>Taxes - Income</u>	127,940,000	136,665,163	8,725,163
<u>Taxes - Other Local</u>			
Admission and Amusement	860,000	883,293	23,293
Recordation	12,761,000	15,533,527	2,772,527
Transfer Tax	5,678,000	7,274,598	1,596,598
Hotel / Motel	1,324,000	1,185,897	(138,103)
Heavy Equipment Tax	-	39,190	39,190
Total Taxes - Other Local	20,623,000	24,916,505	4,293,505
<u>Taxes - State Shared</u>			
Highway User	972,000	1,017,386	45,386
Total Taxes - State Shared	972,000	1,017,386	45,386
<u>Charges for Services</u>			
Licenses and Permits			
Alcohol Licenses	215,700	199,950	(15,750)
Electrical Permits	22,500	19,876	(2,624)
Traders Licenses	226,000	206,891	(19,109)
Civil Marriage Licenses	40,000	34,795	(5,205)
Protective Inspection Licenses	82,600	67,982	(14,618)
Building Permits	150,000	163,624	13,624
Plumbing Permits	59,600	99,889	40,289
Occupancy Permits	15,000	7,700	(7,300)
Park Facilities Permits	105,600	100,616	(4,985)
Trailer Occupancy Permits	44,300	44,520	220
Other Licenses and Permits	116,300	111,899	(4,401)
subtotal	1,077,600	1,057,741	(19,859)

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, 2019

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Charges for Services (continued)</u>			
Service Charges			
Soil Conservation Plan Fee	27,700	23,400	(4,300)
Indirect Cost Revenue	1,142,500	1,124,004	(18,496)
Plat Review & Processing	84,900	80,776	(4,124)
Special Exception Fees	22,100	18,032	(4,068)
Bail Bond Fees	50,000	25,447.0	(24,553)
EMS Billing Fees	1,400,000	1,477,860	77,860
School Allocation Extension Fees	2,200	2,240	40
Forest Conservation Fees	15,300	8,942	(6,358)
Site Development Plan Application	32,000	43,006	11,006
Mosquito Control Fees	75,000	61,435	(13,565)
Deeds & Tax Verification Fees	98,400	100,630	2,230
Advertising Fees	34,300	29,983	(4,317)
Custodial Fees	358,100	358,100	-
Animal Shelter Boarding Fees	26,400	17,935	(8,465)
False Alarm Registration Fees	287,000	284,753	(2,247)
Sheriff Fees	506,800	518,925	12,125
Sheriff Pay Phone Commission	140,000	113,546	(26,454)
Detention Center Room and Board	115,000	100,030	(14,970)
Local 911 Fees	1,142,000	1,164,702	22,702
Park Entrance Fees	49,100	40,075	(9,025)
Food and Drink Sales	67,100	58,081	(9,019)
Outdoor Sports Programs Fees	347,700	329,402	(18,298)
Other Fees	1,746,900	1,611,069	(135,831)
subtotal	<u>7,770,500</u>	<u>7,592,373</u>	<u>(178,127)</u>
Total Charges for Services	8,848,100	8,650,115	(197,985)
<u>Intergovernmental</u>			
Federal Grants			
FEMA			
HIDTA Grant			
Miscellaneous Grants	122,280	50,891	(71,389)
subtotal	<u>122,280</u>	<u>50,891</u>	<u>(71,389)</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGETARY (NON-GAAP) BASIS (continued)  
FOR THE YEAR ENDED JUNE 30, 2019

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Intergovernmental (continued)</u>			
State Grants			
Aid for Police Protection	1,262,000	1,286,156	24,156
Aid for Inmate Operations	170,000	160,965	(9,035)
Jury Fee Reimbursement	119,500	106,175	(13,325)
Soil Conservation	60,500	59,505	(995)
Other State Grants	31,100	57,284	26,184
subtotal	1,643,100	1,670,085	26,985
Animal Shelter			
Calvert County	58,700	85,371	26,671
St. Mary's County	463,600	428,006	(35,594)
subtotal	522,300	513,377	(8,923)
Total Intergovernmental	2,287,680	2,234,353	(53,327)
<u>Interest Income</u>			
MLGIP	1,115,000	2,519,142	1,404,142
US Government Agencies	400,000	1,720,107	1,320,107
CD's & Other Interest	285,000	1,038,745	753,745
Total Interest Income	1,800,000	5,277,994	3,477,994
<u>Other Income</u>			
Rent			
Courthouse Rent	921,100	879,827	(41,273)
Water Tower Rental	262,300	231,730	(30,570)
Office Space	86,600	84,898	(1,702)
Post Office	10,000	10,833	833
Other Rent	3,700	3,628	(72)
subtotal	1,283,700	1,210,916	(72,784)
Fines and Forfeitures			
False Alarm Fines	266,000	231,265	(34,735)
Alcoholic Beverage Fines	22,000	4,450	(17,550)
State Shared Fines	15,000	(6,328)	(21,328)
County Parking Fines	8,000	12,396	4,396
Red Light Camera Fines	1,820,000	1,654,851	(165,149)
Speed Camera Fines	1,400,000	1,259,675	(140,325)
Building Permit Fines	31,000	39,294	8,294
Other Fines	17,500	25,513	8,013
subtotal	3,579,500	3,221,116	(358,384)



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, 2019

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Other Income (continued)</u>			
Non-Recurring Revenue	-	24,726	24,726
Worker's Compensation	100,000	208,451	108,451
Miscellaneous	378,300	279,164	(99,136)
Gain (Loss) on Fixed Assets	250,000	98,547	(151,453)
Total Other Income	<u>5,591,500</u>	<u>5,042,920</u>	<u>(548,580)</u>
 Total Revenues	 <u>394,315,080</u>	 <u>409,479,365</u>	 <u>15,164,285</u>
<u>Other Financing Sources:</u>			
Transfers In			
Special Revenue Funds	2,765,700	48,074	(2,717,626)
Capital Projects Funds	2,671,800	2,671,792	(8)
subtotal	<u>5,437,500</u>	<u>2,719,866</u>	<u>(2,717,634)</u>
Total other financing sources	5,437,500	2,719,866	(2,717,634)
 Total Revenues and Other Financing Sources	 <u>\$ 399,752,580</u>	 <u>\$ 412,199,231</u>	 <u>\$ 12,446,651</u>

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, 2019

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Education</u>			
Board of Education	\$ 181,982,100	\$ 181,982,100	\$ -
College of Southern Maryland	9,886,200	9,886,200	-
Library	4,242,060	4,196,768	45,292
Other	13,600	8,600	5,000
Total Education	196,123,960	196,073,668	50,292
<u>Public Safety</u>			
Sheriff's Office			
Sheriff	67,964,690	63,427,527	4,537,163
Detention Center	19,389,740	18,015,072	1,374,668
Automated Enforcement Unit	2,030,200	1,675,819	354,381
Fingerprinting Service	353,200	258,611	94,589
subtotal	89,737,830	83,377,029	6,360,801
Emergency Services			
Administration	558,440	503,206	55,234
False Alarm Reduction Unit	189,410	184,858	4,552
Communications	4,035,290	3,752,610	282,680
Emergency Management	91,760	99,664	(7,904)
Tactical Response	159,070	153,806	5,264
Career EMS	10,050,250	9,972,153	78,097
Animal Control	734,510	692,449	42,061
Animal Shelter	1,045,180	959,378	85,802
subtotal	16,863,910	16,318,124	545,786
Volunteer Fire & EMS	27,870	26,198	1,672
Total Public Safety	106,629,610	99,721,351	6,908,259
<u>General Government</u>			
Debt Service	21,478,600	21,473,937	4,663
Central Services	6,663,550	5,402,283	1,261,267
Contingencies	76,990	-	76,990
Total General Government	28,219,140	26,876,220	1,342,920
<u>Public Works- Facilities</u>			
Administration	636,870	624,351	12,519
Buildings & Trades	7,844,700	7,044,846	799,854
Vehicle Maintenance	949,060	938,035	11,025
Roads	6,425,230	6,244,431	180,799
Total Public Works- Facilities	15,855,860	14,851,663	1,004,197

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, 2019

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Financial Administration</u>			
Fiscal & Administrative Services			
Administration	250,940	253,631	(2,691)
Budget	483,400	389,564	93,836
Accounting	1,114,400	1,040,987	73,413
Purchasing	359,220	332,932	26,288
Information Technology	3,438,960	3,123,023	315,937
Treasury	1,305,770	1,214,110	91,660
subtotal	6,952,690	6,354,246	598,444
Internal Audit	155,470	87,243	68,227
Liquor Board	252,000	253,631	(1,631)
Human Resources	1,201,120	948,101	253,019
Retiree Fringe	3,113,680	2,936,002	177,678
Total Financial Administration	11,674,960	10,579,223	1,095,737
<u>Judicial</u>			
State's Attorney's Office	4,215,840	4,074,115	141,725
Circuit Court	1,552,270	1,487,444	64,826
Orphan's Court	58,000	59,853	(1,853)
Total Judicial	5,826,110	5,621,412	204,698
<u>Planning &amp; Growth Management</u>			
Administration	485,160	544,538	(59,378)
Planning	1,926,140	1,670,743	255,397
Inspection & Enforcement	432,800	399,663	33,137
Codes & Permits	426,600	374,999	51,601
Transit	295,100	163,700	131,400
Total Planning & Growth Mgmt	3,565,800	3,153,643	412,157
<u>Community Services</u>			
Administration	345,280	322,370	22,910
Aging Services	1,663,830	1,385,749	278,081
Housing Authority	400,730	336,973	63,757
Total Community Services	2,409,840	2,045,092	364,748
<u>Recreation, Parks &amp; Tourism</u>			
Administration	783,650	754,841	28,809
Parks and Grounds	4,997,390	4,893,377	104,013
Recreation	2,043,370	1,783,430	259,940
Tourism	818,030	642,163	175,867
Total Recreation, Parks, & Tourism	8,642,440	8,073,811	568,629
<u>Health Services</u>			
	3,277,000	3,223,474	53,526
<u>Economic Development</u>			
Economic Development Department	1,835,440	1,662,502	172,938
Other	93,440	86,700	6,740
Total Economic Development	1,928,880	1,749,202	179,678

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, 2019

	Final Amended Budgeted Amounts	Actual Amounts	Variance With Amended Budget Favorable (Unfavorable)
<u>Social Services</u>	1,374,000	1,373,518	482
<u>Legislative</u>			
County Commissioners	632,690	614,117	18,573
County Administrator	1,383,850	1,543,647	(159,797)
Total Legislative	2,016,540	2,157,764	(141,224)
<u>Law - County Attorney</u>	1,119,840	1,235,056	(115,216)
<u>Conservation of Natural Resources</u>			
Weed Control	15,400	12,156	3,244
Resource Conservation & Development	19,850	11,075	8,775
University of MD Extension	221,100	219,991	1,109
Soil Conservation	419,540	414,633	4,907
Total Conservation	675,890	657,855	18,035
<u>Elections</u>	1,493,400	1,471,085	22,315
<u>Debt service</u>			
Interest	7,947,200	7,643,470	303,730
Total expenditures	398,780,470	386,507,505	12,272,965
<u>Other financing uses:</u>			
Defeased Bonds	-	-	-
Transfers out			
Capital Projects	4,304,100	4,304,100	-
Special Revenue Funds	5,281,540	4,376,968	904,572
Enterprise Funds	1,087,000	1,083,728	3,272
subtotal	10,672,640	9,764,795	907,845
Total other financing uses	10,672,640	9,764,795	907,845
Total Expenditures and Other Financing Uses	\$ 409,453,110	\$ 396,272,301	\$ 13,180,809

# 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 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 and LOSAP 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  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs	Public Safety Grants	Community Development Grants	Housing Assistance
<b>ASSETS:</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,207
Investments	-	-	-	-	-	-	-	-
Accounts receivables	56,891	10,000	301,951	2,131,493	261,558	265,813	133,333	65,307
Due (to) from other funds	-	-	-	-	2,678	-	-	144,707
Other assets	-	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	789,515	-	-	-
<b>Total assets</b>	<b>\$ 56,891</b>	<b>\$ 10,000</b>	<b>\$ 301,951</b>	<b>\$ 2,131,493</b>	<b>\$ 1,053,750</b>	<b>\$ 265,813</b>	<b>\$ 133,333</b>	<b>\$ 312,220</b>
<b>LIABILITIES AND FUND BALANCE:</b>								
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ -	\$ 42,436	\$ 1,531,684	\$ 42	\$ 8,075	\$ -	\$ 63,261
Accrued expenditures	-	-	-	-	-	-	-	-
Unearned revenue	-	-	1,740	16,245	261,558	51,270	133,333	-
Due to other funds	39,876	10,000	257,775	483,737	-	206,468	-	-
Other liabilities	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>39,876</b>	<b>10,000</b>	<b>301,951</b>	<b>2,031,667</b>	<b>261,600</b>	<b>265,813</b>	<b>133,333</b>	<b>63,261</b>
<b>Fund balance:</b>								
Nonspendable fund balance	-	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	792,151	-	-	100,227
Committed fund balance	-	-	-	-	-	-	-	-
Assigned fund balance	17,015	-	-	99,827	-	-	-	148,733
Unassigned fund balance	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>17,015</b>	<b>-</b>	<b>-</b>	<b>99,827</b>	<b>792,151</b>	<b>-</b>	<b>-</b>	<b>248,960</b>
<b>Total liabilities and fund balance</b>	<b>\$ 56,891</b>	<b>\$ 10,000</b>	<b>\$ 301,951</b>	<b>\$ 2,131,493</b>	<b>\$ 1,053,750</b>	<b>\$ 265,813</b>	<b>\$ 133,333</b>	<b>\$ 312,220</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue & LOSAP Funds	Law Library
<b>ASSETS:</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,034	\$ 100
Investments	-	-	-	-	-	-	16,503,437	-
Accounts receivables	-	1,170	1,840	900	275	-	-	1,724
Due (to) from other funds	16,701	165,502	-	177,807	753,688	1,269,964	1,354,655	27,995
Other assets	-	-	-	-	-	-	-	23,377
Restricted assets	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 16,701</b>	<b>\$ 166,672</b>	<b>\$ 1,840</b>	<b>\$ 178,707</b>	<b>\$ 753,963</b>	<b>\$ 1,269,964</b>	<b>\$ 18,064,127</b>	<b>\$ 53,196</b>
<b>LIABILITIES AND FUND BALANCE:</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 16,443	\$ 698	\$ -	\$ 8,122	\$ 4,890	\$ -	\$ -	\$ 25,757
Accrued expenditures	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Due to other funds	-	-	1,840	-	-	-	-	-
Other liabilities	-	-	-	641	-	-	1,122,366	-
<b>Total liabilities</b>	<b>16,443</b>	<b>698</b>	<b>1,840</b>	<b>8,763</b>	<b>4,890</b>	<b>-</b>	<b>1,122,366</b>	<b>25,757</b>
<b>Fund balance:</b>								
Nonspendable fund balance	-	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	60,818	1,269,964	16,941,761	-
Committed fund balance	-	-	-	-	-	-	-	-
Assigned fund balance	258	165,973	-	169,945	688,254	-	-	27,439
Unassigned fund balance	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>258</b>	<b>165,973</b>	<b>-</b>	<b>169,945</b>	<b>749,073</b>	<b>1,269,964</b>	<b>16,941,761</b>	<b>27,439</b>
<b>Total liabilities and fund balance</b>	<b>\$ 16,701</b>	<b>\$ 166,672</b>	<b>\$ 1,840</b>	<b>\$ 178,707</b>	<b>\$ 753,963</b>	<b>\$ 1,269,964</b>	<b>\$ 18,064,127</b>	<b>\$ 53,196</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Tourism Grants	Aging 40 fund	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
<b>ASSETS:</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 308,341
Investments	-	-	-	-	-	-	-	16,503,437
Accounts receivables	32,775	333,715	202,081	6,352	977,098	884,058	59,881	5,728,213
Due (to) from other funds	-	-	-	313,508	-	7,218,200	-	11,445,404
Other assets	-	-	200	-	-	-	-	23,577
Restricted assets	-	-	-	-	-	-	-	789,515
<b>Total assets</b>	<b>\$ 32,775</b>	<b>\$ 333,715</b>	<b>\$ 202,281</b>	<b>\$ 319,860</b>	<b>\$ 977,098</b>	<b>\$ 8,102,258</b>	<b>\$ 59,881</b>	<b>\$ 34,798,487</b>
<b>LIABILITIES AND FUND BALANCE:</b>								
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ 62,893	\$ 17,830	\$ 34,759	\$ 277,431	\$ 92,261	\$ 8,729	\$ 2,195,310
Accrued expenditures	-	-	-	-	-	-	-	-
Unearned revenue	-	20,440	-	-	148,832	-	-	633,418
Due to other funds	32,775	193,501	135,893	-	270,822	-	51,151	1,683,838
Other liabilities	-	-	-	-	-	-	-	1,123,006
<b>Total liabilities</b>	<b>32,775</b>	<b>276,834</b>	<b>153,723</b>	<b>34,759</b>	<b>697,085</b>	<b>92,261</b>	<b>59,881</b>	<b>5,635,572</b>
<b>Fund balance:</b>								
Nonspendable fund balance	-	-	-	-	-	-	-	-
Restricted fund balance	-	-	-	-	-	1,189,577	-	20,354,498
Committed fund balance	-	-	-	-	-	-	-	-
Assigned fund balance	-	56,881	48,558	285,101	280,013	6,820,420	-	8,808,418
Unassigned fund balance	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>56,881</b>	<b>48,558</b>	<b>285,101</b>	<b>280,013</b>	<b>8,009,997</b>	<b>-</b>	<b>29,162,915</b>
<b>Total liabilities and fund balance</b>	<b>\$ 32,775</b>	<b>\$ 333,715</b>	<b>\$ 202,281</b>	<b>\$ 319,860</b>	<b>\$ 977,098</b>	<b>\$ 8,102,258</b>	<b>\$ 59,881</b>	<b>\$ 34,798,487</b>



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2019

	Nuisance Abatement	Planning Grants	Judicial Grants	Transportation Grants	Economic Development Loan Programs	Public Safety Grants	Community Development Grants	Housing Assistance
<b>REVENUES:</b>								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	57,827	-	-	473,309	-	-	-	333,054
Intergovernmental	-	21,000	865,064	3,996,158	-	1,040,426	309,000	9,862,604
Interest income	-	-	-	-	16,095	-	-	446
Other income	-	-	-	66,699	54,134	2,082	-	29,411
<b>Total revenues</b>	<b>57,827</b>	<b>21,000</b>	<b>865,064</b>	<b>4,536,166</b>	<b>70,229</b>	<b>1,042,508</b>	<b>309,000</b>	<b>10,225,515</b>
<b>EXPENDITURES:</b>								
Education	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,801,587	-	-
Community services	-	-	-	7,726,832	-	-	309,000	10,284,098
Judicial	-	-	974,605	-	-	-	-	-
Planning & growth mgmt.	53,866	23,967	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	46,906	-	-	-
Social services	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>53,866</b>	<b>23,967</b>	<b>974,605</b>	<b>7,726,832</b>	<b>46,906</b>	<b>1,801,587</b>	<b>309,000</b>	<b>10,284,098</b>
Excess (deficiency) of revenues over (under) expenditures	3,961	(2,967)	(109,542)	(3,190,666)	23,323	(759,079)	-	(58,583)
<b>Other financing sources:</b>								
Transfers in	-	1,467	109,542	3,131,295	-	759,079	-	158,623
Transfers out	-	-	-	(44,400)	-	-	-	-
		1,467	109,542	3,086,895	-	759,079	-	158,623
<b>Net change in fund balance</b>	<b>3,961</b>	<b>(1,500)</b>	<b>-</b>	<b>(103,771)</b>	<b>23,323</b>	<b>-</b>	<b>-</b>	<b>100,040</b>
Fund balance - beginning of year, as restated	13,054	1,500	-	203,598	768,829	-	-	148,920
<b>Fund balance - end of year</b>	<b>\$ 17,015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,827</b>	<b>\$ 792,152</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 248,960</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE (continued)  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2019

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation	Fire and Rescue & LOSAP Funds	Law Library
<b>REVENUES:</b>								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,012	\$ 13,642,269	-
Charge for services	-	49,785	-	101,109	238,239	-	-	24,116
Intergovernmental	19,368	-	24,194	-	26,814	-	382,573	-
Interest income	-	-	141	-	52	-	1,422,054	-
Other income	-	1,525	-	16,868	3,853	-	-	105
<b>Total revenues</b>	<b>19,368</b>	<b>51,310</b>	<b>24,335</b>	<b>117,977</b>	<b>268,959</b>	<b>21,012</b>	<b>15,446,895</b>	<b>24,221</b>
<b>EXPENDITURES:</b>								
Education	-	-	-	-	-	-	-	-
Public safety	-	131,482	-	103,990	287,673	-	14,262,538	-
Community services	107,136	-	24,335	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	54,824
Planning & growth mgmt.	-	-	-	-	-	30,000	-	-
Health	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	36,020	-	-	-
<b>Total expenditures</b>	<b>107,136</b>	<b>131,482</b>	<b>24,335</b>	<b>103,990</b>	<b>323,693</b>	<b>30,000</b>	<b>14,262,538</b>	<b>54,824</b>
Excess (deficiency) of revenues over (under) expenditures	(87,768)	(80,172)	-	13,987	(54,734)	(8,988)	1,184,358	(30,603)
<b>Other financing sources:</b>								
Transfers in	-	-	-	-	-	-	25,000	42,200
Transfers out	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	25,000	42,200
<b>Net change in fund balance</b>	<b>(87,768)</b>	<b>(80,172)</b>	<b>-</b>	<b>13,987</b>	<b>(54,734)</b>	<b>(8,988)</b>	<b>1,209,358</b>	<b>11,597</b>
Fund balance - beginning of year, as restated	88,027	246,145	-	155,958	803,807	1,278,952	15,732,403	15,841
<b>Fund balance - end of year</b>	<b>\$ 259</b>	<b>\$ 165,973</b>	<b>\$ -</b>	<b>\$ 169,945</b>	<b>\$ 749,073</b>	<b>\$ 1,269,964</b>	<b>\$ 16,941,761</b>	<b>27,438</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE (continued)  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2019

	Tourism Grants	Aging 40 fund	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
<b>REVENUES:</b>								
Taxes - local property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,663,281
Charge for services	-	-	223,422	1,915	76,526	3,499,181	-	5,078,482
Intergovernmental	73,191	770,604	313,779	94,352	2,040,914	-	3,237,763	23,077,804
Interest income	-	-	-	-	-	-	-	1,438,788
Other income	-	84,507	-	-	620	-	-	259,804
<b>Total revenues</b>	<b>73,191</b>	<b>855,111</b>	<b>537,201</b>	<b>96,267</b>	<b>2,118,060</b>	<b>3,499,181</b>	<b>3,237,763</b>	<b>43,518,158</b>
<b>EXPENDITURES:</b>								
Education	-	-	-	-	-	2,264,305	-	2,264,305
Public safety	-	-	-	216,663	-	-	3,340,791	20,144,723
Community services	-	-	-	-	-	-	-	18,451,401
Judicial	-	-	-	-	-	-	-	1,029,430
Planning & growth mgmt.	-	-	-	-	-	-	-	107,833
Health	-	-	-	-	2,095,723	-	-	2,095,723
Economic development	73,191	-	-	-	-	-	-	120,097
Social services	-	856,202	543,845	-	-	-	-	1,400,047
Legislative	-	-	-	-	-	-	-	36,020
<b>Total expenditures</b>	<b>73,191</b>	<b>856,202</b>	<b>543,845</b>	<b>216,663</b>	<b>2,095,723</b>	<b>2,264,305</b>	<b>3,340,791</b>	<b>45,649,578</b>
Excess (deficiency) of revenues over (under) expenditures	-	(1,091)	(6,644)	(120,396)	22,337	1,234,876	(103,028)	(2,131,420)
<b>Other financing sources:</b>								
Transfers in	-	-	-	65,936	-	-	103,028	4,396,170
Transfers out	-	-	-	-	-	(411,024)	-	(455,424)
	-	-	-	65,936	-	(411,024)	103,028	3,940,745
<b>Net change in fund balance</b>	<b>-</b>	<b>(1,091)</b>	<b>(6,644)</b>	<b>(54,460)</b>	<b>22,337</b>	<b>823,852</b>	<b>-</b>	<b>1,809,325</b>
Fund balance - beginning of year, as restated	-	57,972	55,203	339,561	257,676	7,186,146	-	27,353,592
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ 56,881</b>	<b>\$ 48,559</b>	<b>\$ 285,101</b>	<b>\$ 280,013</b>	<b>\$ 8,009,998</b>	<b>\$ -</b>	<b>\$ 29,162,917</b>

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# Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private enterprises, where the intent 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 fund is used to manage the operations of recreation programs for the County.
Environmental Services Fund-	This fund is used to manage the operations of 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.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET POSITION  
 OTHER PROPRIETARY FUNDS  
 JUNE 30, 2019

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
<b>ASSETS:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ -	\$ 827,181	\$ -	\$ 164,593	\$ 991,774
Account receivables	-	3,432	55,493	-	58,926
Due (to) from other funds	3,614,727	-	2,902,877	67,229	6,584,833
Inventory	-	7,593	-	-	7,593
Other current assets	-	228,748	-	-	228,748
Total current assets	<u>3,614,727</u>	<u>1,066,955</u>	<u>2,958,371</u>	<u>231,821</u>	<u>7,871,874</u>
<b>Noncurrent assets:</b>					
Net capital assets	456,499	5,814,435	1,046,541	-	7,317,475
Total noncurrent assets	<u>456,499</u>	<u>5,814,435</u>	<u>1,046,541</u>	<u>-</u>	<u>7,317,475</u>
Total assets	<u>4,071,226</u>	<u>6,881,391</u>	<u>4,004,911</u>	<u>231,821</u>	<u>15,189,350</u>
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
Accounts payable	102,899	87,449	316,180	155	506,684
Accrued expenses	25,336	18,740	35,126	-	79,202
Due to other funds	-	3,672,784	-	-	3,672,784
Unearned revenue	304	349,276	-	-	349,581
<b>Current portion of long-term debt/liabilities</b>					
Bonds payable	-	548,358	7,127	-	555,485
Capital lease obligations	13,974	-	183,275	-	197,249
Compensated absences	26,119	3,240	13,907	-	43,266
Notes payable	-	-	-	-	-
Total current liabilities	<u>168,634</u>	<u>4,679,848</u>	<u>555,614</u>	<u>155</u>	<u>5,404,251</u>
<b>Noncurrent liabilities:</b>					
Bonds payable	-	1,202,175	109,126	-	1,311,301
Net bond issue premiums	-	-	-	-	-
Capital lease obligation	52,187	-	167,227	-	219,414
Compensated absences	127,940	38,519	114,843	-	281,302
Notes payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total noncurrent liabilities	<u>180,127</u>	<u>1,240,693</u>	<u>391,196</u>	<u>-</u>	<u>1,812,016</u>
Total liabilities	<u>348,761</u>	<u>5,920,542</u>	<u>946,810</u>	<u>155</u>	<u>7,216,267</u>
<b>NET POSITION:</b>					
Net Investment in capital assets	390,338	4,063,902	579,787	-	5,034,027
Unrestricted	3,332,128	(3,103,053)	2,478,315	231,666	2,939,056
Total net position	<u>\$ 3,722,466</u>	<u>\$ 960,849</u>	<u>\$ 3,058,101</u>	<u>\$ 231,666</u>	<u>\$ 7,973,083</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2019

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
<b>Operating revenues:</b>					
Charge for services	\$ 3,443,341	\$ 2,813,615	\$ 5,531,655	\$ 142,079	\$ 11,930,690
Other income	-	11,508	-	-	11,508
Total operating revenue	<u>3,443,341</u>	<u>2,825,123</u>	<u>5,531,655</u>	<u>142,079</u>	<u>11,942,198</u>
<b>Operating expenses:</b>					
Personnel services	1,874,120	1,529,032	1,373,641	-	4,776,793
Utilities	-	263,076	16,011	-	279,087
Repairs and maintenance	9,719	166,767	101,509	-	277,995
Insurance costs	3,639	35,510	8,806	-	47,954
Indirect costs	59,540	-	53,000	-	112,540
Supplies	39,518	301,985	199,393	-	540,896
Contract services	1,494,171	521,569	2,825,794	-	4,841,534
Other operating costs	234,751	80,772	113,383	165,381	594,287
Depreciation	27,832	353,171	550,320	-	931,322
Total operating expenses	<u>3,743,290</u>	<u>3,251,880</u>	<u>5,241,857</u>	<u>165,381</u>	<u>12,402,408</u>
Operating income (loss)	<u>(299,949)</u>	<u>(426,757)</u>	<u>289,798</u>	<u>(23,302)</u>	<u>(460,210)</u>
<b>Nonoperating revenues (expenses)</b>					
Interest income	-	-	12,181	-	12,181
Intergovernmental	-	58,854	-	-	58,854
Interest expense	(1,704)	13,800	(9,661)	-	2,435
Gain (Loss) on disposal of capital assets	-	-	-	-	-
Total nonoperating revenue (expenses)	<u>(1,704)</u>	<u>72,653</u>	<u>2,520</u>	<u>-</u>	<u>73,468</u>
Income (loss) before transfers	<u>(301,653)</u>	<u>(354,105)</u>	<u>292,318</u>	<u>(23,302)</u>	<u>(386,742)</u>
Transfers in	2,761	530,966	3,958	-	537,685
Transfers out	-	-	-	-	-
Capital transfer	-	-	-	-	-
Change in net position	<u>(298,891)</u>	<u>176,862</u>	<u>296,276</u>	<u>(23,302)</u>	<u>150,944</u>
Net position - beginning of year, as restated	<u>4,021,357</u>	<u>783,987</u>	<u>2,761,825</u>	<u>254,969</u>	<u>7,822,138</u>
Net position - end of year	<u>\$ 3,722,466</u>	<u>\$ 960,849</u>	<u>\$ 3,058,101</u>	<u>\$ 231,666</u>	<u>\$ 7,973,083</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2019

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Cash flows from operating activities:					
Cash received from customers	\$ 3,443,341	\$ 2,871,407	\$ 5,531,655	\$ 142,079	\$ 11,988,482
Cash paid to suppliers	(1,803,537)	(1,356,755)	(3,308,633)	(163,008)	(6,631,933)
Cash paid to employees	(1,842,263)	(1,520,176)	(1,347,674)	-	(4,710,113)
Net cash provided by (used in) operating activities	<u>(202,459)</u>	<u>(5,524)</u>	<u>875,348</u>	<u>(20,929)</u>	<u>646,436</u>
Cash flows from investing activities:					
Interest received	-	-	12,181	-	12,181
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>12,181</u>	<u>-</u>	<u>12,181</u>
Cash flows from noncapital financing activities:					
Transfers in (out)	2,761	530,966	3,958	-	537,685
Receipts from interfund loans	692,752	173,478	-	-	866,230
Repayment of interfund loans	-	-	(311,236)	(3,004)	(314,240)
Net cash provided by (used in) noncapital financing activities	<u>695,513</u>	<u>704,444</u>	<u>(307,278)</u>	<u>(3,004)</u>	<u>1,089,675</u>
Cash flows from capital and related financing activities:					
Intergovernmental	-	58,854	-	-	58,854
Proceeds from issuance of bonds	-	-	-	-	-
Proceeds from new loans	-	-	-	-	-
Principal payments on bonds payable	-	(530,966)	(6,711)	-	(537,677)
Principal payments on capital lease obligations	(20,411)	-	(201,218)	-	(221,629)
Interest paid	(1,704)	13,800	(9,661)	-	2,435
Proceeds from disposal of assets	-	-	-	-	-
Cash (paid) received for capital expenses	(470,939)	(15,858)	(362,661)	-	(849,458)
Net cash used in capital and related financing activities	<u>(493,054)</u>	<u>(474,170)</u>	<u>(580,251)</u>	<u>-</u>	<u>(1,547,475)</u>
Net increase (decrease) in cash and cash equivalents	-	224,750	-	(23,933)	200,817
Cash and cash equivalents - beginning of year	-	602,431	-	188,526	790,956
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 827,181</u>	<u>\$ -</u>	<u>\$ 164,593</u>	<u>\$ 991,773</u>



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2019

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (299,949)	\$ (426,757)	\$ 289,798	\$ (23,301)	\$ (460,209)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	27,832	353,171	550,320	-	931,322
Effect of changes in assets, deferred outflows, liabilities and deferred inflows:					
Compensation-related liabilities including long-term debt	15,619	7,606	22,147	-	45,372
Other receivables	-	24,833	7,508	-	32,341
Inventories	-	12,754	-	-	12,754
Other current assets	-	(20,739)	-	-	(20,739)
Restricted assets	-	-	-	-	-
Deferred bond issue costs	-	13,795	836	-	14,631
Accounts payable	37,801	(17,720)	919	2,373	23,373
Accrued expenses	16,238	1,250	3,820	-	21,308
Unearned revenue	-	46,284	-	-	46,284
Net cash provided by operating activities	<u>\$ (202,459)</u>	<u>\$ (5,524)</u>	<u>\$ 875,348</u>	<u>\$ (20,928)</u>	<u>\$ 646,437</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Inspections and Review	Recreation Programs	Environmental Services	Vending Machines	Total
Borrowing under capital lease	<u>\$ 73,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,000</u>

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## Fiduciary & Trust Funds

Fiduciary and Trust Funds are pension and other beneficiary trust funds held by the County for the benefit of County employees.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2019

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 6,014,153	\$ 1,316,201	\$ 1,974,108	\$ 9,304,461
Interest receivable	<u>-</u>	<u>273,014</u>	<u>-</u>	<u>273,014</u>
Total current assets	<u>6,014,153</u>	<u>1,589,215</u>	<u>1,974,108</u>	<u>9,577,475</u>
Investments at fair value:				
Bond mutual funds	60,993,539	104,020,609	1,968,420	166,982,568
Equity securities	<u>165,523,901</u>	<u>177,258,517</u>	<u>5,622,672</u>	<u>348,405,090</u>
Total investments	<u>226,517,440</u>	<u>281,279,126</u>	<u>7,591,092</u>	<u>515,387,658</u>
Total assets	232,531,593	282,868,341	9,565,200	524,965,133
LIABILITIES:				
Accrued expenses	<u>(12,181)</u>	<u>(2,064)</u>	<u>-</u>	<u>(14,245)</u>
NET POSITION RESTRICTED FOR PENSIONS AND OPEB BENEFITS				
	<u>\$ 232,519,411</u>	<u>\$ 282,866,277</u>	<u>\$ 9,565,200</u>	<u>\$ 524,950,888</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2019

	<u>County's Pension</u>	<u>Sheriff's Pension</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ADDITIONS:				
Contributions:				
Employer contributions	\$ 4,498,057	\$ 11,892,250	\$ 1,971,000	\$ 18,361,307
Employee contributions	<u>2,476,918</u>	<u>2,793,336</u>	<u>-</u>	<u>5,270,254</u>
Total contributions	6,974,975	14,685,586	1,971,000	23,631,561
Investment earnings:				
Interest, Dividends, Gains	5,798,000	11,622,603	226,671	17,647,273
Net change in fair value of investments	<u>9,132,976</u>	<u>7,608,923</u>	<u>227,016</u>	<u>16,968,916</u>
Total investment earnings	14,930,976	19,231,526	453,687	34,616,189
Less investment expenses	<u>(1,247,815)</u>	<u>(1,126,098)</u>	<u>(23,103)</u>	<u>(2,397,016)</u>
Net investment earnings	<u>13,683,162</u>	<u>18,105,429</u>	<u>430,584</u>	<u>32,219,175</u>
Total additions	<u>20,658,137</u>	<u>32,791,015</u>	<u>2,401,584</u>	<u>55,850,736</u>
DEDUCTIONS:				
Benefits paid to members	6,647,825	12,668,972	-	19,316,797
Administrative costs	<u>12,843</u>	<u>5,500</u>	<u>421</u>	<u>18,764</u>
Total deductions	<u>6,660,668</u>	<u>12,674,472</u>	<u>420.940</u>	<u>19,335,561</u>
Changes in net position	13,997,469	20,116,543	2,401,163	36,515,175
Net position - beginning of year	<u>218,521,942</u>	<u>262,749,734</u>	<u>7,164,037</u>	<u>488,435,713</u>
Net position - end of year	<u>\$ 232,519,411</u>	<u>\$ 282,866,277</u>	<u>\$ 9,565,200</u>	<u>\$ 524,950,888</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 assists 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 assists 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 assists 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 assists 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 help the reader understand how the information in the County's financial statements relate to the services and 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				
	2010	2011	2012	2013	2014
<b>Governmental activities</b>					
Net Investment in capital assets	\$ 286,447,650	\$ 299,008,922	\$ 302,756,883	\$ 288,603,104	\$ 303,818,811
Restricted	21,247,016	25,905,459	74,707,854	79,871,134	43,877,572
Unrestricted	(34,262,144)	(43,531,325)	(59,993,417)	(77,922,303)	(90,496,735)
Total governmental activities net position	<u>\$ 273,432,522</u>	<u>\$ 281,383,056</u>	<u>\$ 317,471,320</u>	<u>\$ 290,551,935</u>	<u>\$ 257,199,648</u>
<b>Business-type activities</b>					
Net Investment in capital assets	\$ 76,600,410	\$ 98,118,114	\$ 87,294,952	\$ 90,482,678	\$ 103,170,265
Restricted	19,722,543	4,819,369	11,038,917	9,678,535	5,065,632
Unrestricted	28,081,322	20,328,184	27,638,483	33,265,835	30,933,952
Total business-type activities net position	<u>\$ 124,404,275</u>	<u>\$ 123,265,667</u>	<u>\$ 125,972,352</u>	<u>\$ 133,427,048</u>	<u>\$ 139,169,849</u>
<b>Primary government</b>					
Net Investment in capital assets	\$ 387,931,365	\$ 407,363,656	\$ 407,609,608	\$ 395,612,085	\$ 419,145,871
Restricted	21,247,016	25,905,459	74,707,854	79,871,134	43,877,572
Unrestricted	(11,341,584)	(28,620,392)	(38,873,790)	(51,504,236)	(66,653,946)
Total primary government activities net position	<u>\$ 397,836,797</u>	<u>\$ 404,648,723</u>	<u>\$ 443,443,672</u>	<u>\$ 423,978,983</u>	<u>\$ 396,369,497</u>



Net Position by Component

Charles County, Maryland  
 Table 1  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

Fiscal Year					
2015	2016	2017	2018	2019	
					Governmental activities
\$ 347,192,029	\$ 362,533,718	\$ 345,033,818	\$ 318,039,248	\$ 236,424,695	Net Investment in capital assets
51,199,624	67,034,990	69,514,892	78,631,995	102,747,093	Restricted
(168,350,468)	(167,864,680)	(175,847,690)	(268,729,030)	(195,339,561)	Unrestricted
<u>\$ 230,041,185</u>	<u>\$ 261,704,028</u>	<u>\$ 238,701,019</u>	<u>\$ 127,942,214</u>	<u>\$ 143,832,227</u>	Total governmental activities net position
					Business-type activities
\$ 119,751,507	\$ 138,115,848	\$ 143,705,045	137,136,931	158,893,106	Net Investment in capital assets
3,625,297	3,237,653	4,178,772	4,444,560	4,965,771	Restricted
37,460,289	30,267,199	42,374,220	72,844,549	59,389,665	Unrestricted
<u>\$ 160,837,093</u>	<u>\$ 171,620,700</u>	<u>\$ 190,258,037</u>	<u>\$ 214,426,040</u>	<u>\$ 223,248,543</u>	Total business-type activities net position
					Primary government
\$ 478,045,954	\$ 500,649,566	\$ 488,738,863	\$ 455,176,179	\$ 395,317,801	Net Investment in capital assets
51,199,624	70,272,643	73,693,664	83,076,555	107,712,864	Restricted
(138,367,300)	(137,597,481)	(133,473,470)	(195,884,481)	(135,949,896)	Unrestricted
<u>\$ 390,878,278</u>	<u>\$ 433,324,728</u>	<u>\$ 428,959,057</u>	<u>\$ 342,368,254</u>	<u>\$ 367,080,770</u>	Total primary government activities net position

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

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Expenses</b>					
Governmental activities:					
Legislative	\$ 1,939,759	\$ 1,440,487	\$ 1,204,649	\$ 1,551,235	\$ 1,574,092
Judicial	9,589,759	5,523,977	4,533,124	4,888,044	6,068,613
Law	896,496	1,225,112	1,083,290	908,978	1,014,904
General government	11,602,410	1,762,747	24,082,988	23,631,662	18,616,355
Elections	535,401	1,004,415	882,927	906,424	817,455
Public safety	92,357,073	92,757,414	102,882,389	96,495,382	105,607,477
Planning and growth management	3,736,711	2,842,458	4,586,880	4,184,430	7,176,186
Health	9,228,755	5,580,675	4,514,298	4,847,001	5,439,898
Social services	1,833,744	1,888,397	1,970,383	1,949,313	1,822,933
Community services	20,239,786	21,022,903	22,425,245	22,506,200	22,763,192
Recreation, Parks & Tourism	-	-	-	-	-
Public facilities	16,646,652	31,111,042	22,261,400	29,976,910	30,516,513
Economic development	1,280,857	618,852	1,283,074	1,517,839	1,811,898
Education	172,482,312	171,972,269	163,377,207	184,524,571	200,352,487
Conservation of natural resources	554,157	568,366	585,556	580,319	631,591
Interest expense on long term debt	10,922,423	11,485,900	9,987,993	10,529,272	10,363,586
<b>Total governmental activities</b>	<b>353,846,295</b>	<b>350,805,014</b>	<b>365,661,403</b>	<b>388,997,580</b>	<b>414,577,180</b>
Business-type activities:					
Water and sewer	25,146,157	30,073,573	27,143,056	28,479,435	29,372,054
Inspection and review	3,370,382	3,104,577	3,166,989	3,078,141	3,179,558
County parks	867,498	-	-	-	-
Recreation	3,045,137	3,635,017	3,710,602	3,674,793	3,807,971
Solid waste	3,577,336	3,515,373	4,678,951	3,977,028	3,953,044
Environmental services	3,312,126	3,403,209	3,521,933	3,980,290	3,335,642
SW-Watershed Protection	-	-	-	-	1,578,702
Vending machines	129,239	105,366	141,609	113,497	136,198
<b>Total business-type activities</b>	<b>39,447,874</b>	<b>43,837,115</b>	<b>42,363,140</b>	<b>43,303,184</b>	<b>45,363,169</b>
<b>Total primary government expenses</b>	<b>\$ 393,294,169</b>	<b>\$ 394,642,129</b>	<b>\$ 408,024,543</b>	<b>\$ 432,300,764</b>	<b>\$ 459,940,349</b>
<b>Program revenues</b>					
Governmental activities:					
Charges for services					
Judicial	\$ 73,114	\$ 54,133	\$ 69,879	\$ 66,023	\$ 70,674
Law	-	-	-	-	-
Legislative	-	-	-	-	-
General government	1,574,048	1,708,149	1,657,043	1,741,205	1,914,465
Elections	-	-	-	-	-
Public safety	6,054,547	6,005,879	4,665,257	4,292,250	4,229,891
Planning and growth management	2,466,319	1,435,941	2,063,713	3,925,544	4,308,924
Health	215,169	256,361	129,025	104,592	104,944
Community services	1,889,243	1,978,318	2,322,769	2,738,086	2,806,040
Recreation, Parks & Tourism	-	-	-	-	-
Public facilities	652,970	3,178,265	569,207	602,675	655,933
Education	2,032,142	2,379,379	2,600,740	2,930,153	3,084,088
Operating grants and contributions	31,457,586	20,480,647	20,111,640	19,400,382	21,110,010
Capital grants and contributions	3,631,898	3,802,171	3,899,944	2,387,219	1,971,553
<b>Total governmental activities program revenues</b>	<b>50,047,036</b>	<b>41,279,243</b>	<b>38,089,217</b>	<b>38,188,129</b>	<b>40,256,522</b>
Business-type activities:					
Charges for services					
Water and sewer	24,940,407	26,011,549	26,766,118	31,848,681	31,716,428
Solid waste management	4,583,739	5,450,318	6,255,357	5,266,566	5,310,180
Environmental services	3,565,524	3,858,445	3,942,562	3,906,046	3,594,313
Other activities	5,697,562	6,102,542	6,328,711	7,546,979	9,565,882
Operating grants and contributions	-	-	817,240	964,026	974,083
Capital grants and contributions	1,039,983	1,011,461	-	-	-
<b>Total business-type activities program revenues</b>	<b>39,827,216</b>	<b>42,434,316</b>	<b>44,109,989</b>	<b>49,532,298</b>	<b>51,160,886</b>
<b>Total primary government program revenues</b>	<b>\$ 89,874,252</b>	<b>\$ 83,713,559</b>	<b>\$ 82,199,206</b>	<b>\$ 87,720,427</b>	<b>\$ 91,417,408</b>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (303,799,258)	\$ (309,525,771)	\$ (327,572,186)	\$ (350,809,451)	\$ (374,320,658)
Business-type activities	379,340	(1,402,800)	1,746,848	6,229,114	5,797,717
<b>Total primary government net expense</b>	<b>\$ (303,419,918)</b>	<b>\$ (310,928,571)</b>	<b>\$ (325,825,338)</b>	<b>\$ (344,580,337)</b>	<b>\$ (368,522,941)</b>

Continued

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

Fiscal Year					
2015	2016	2017	2018	2019	
					<b>Expenses</b>
					Governmental activities:
\$ 1,591,134	\$ 1,691,498	\$ 1,704,530	\$ 1,929,714	\$ 2,242,349	Legislative
6,370,123	6,567,844	6,938,558	6,431,506	6,746,598	Judicial
1,150,014	952,254	894,539	1,119,063	1,226,703	Law
17,066,637	17,912,929	19,547,216	31,782,557	17,505,012	General government
1,024,458	1,171,314	1,288,076	1,271,850	1,471,693	Elections
103,043,579	106,250,693	120,941,630	116,587,255	110,186,536	Public safety
4,973,410	4,026,177	3,514,652	3,898,053	3,642,489	Planning and growth management
3,130,059	3,415,892	4,299,942	4,498,635	4,334,663	Health
2,007,057	1,959,157	2,267,949	2,632,030	2,773,565	Social services
21,025,812	19,181,570	20,693,915	20,746,628	20,321,188	Community services
-	-	7,667,205	9,249,954	9,018,148	Recreation, Parks & Tourism
28,045,011	47,516,445	70,661,386	52,346,628	59,973,618	Public facilities
8,905,067	1,572,945	1,957,525	1,924,597	1,872,196	Economic development
181,938,370	185,562,444	186,840,966	207,443,543	205,826,302	Education
637,079	646,436	650,295	666,831	655,702	Conservation of natural resources
10,414,044	10,506,320	9,915,666	10,013,041	10,947,520	Interest expense on long term debt
<u>391,321,854</u>	<u>408,933,918</u>	<u>459,784,049</u>	<u>472,541,886</u>	<u>458,744,280</u>	Total governmental activities
					Business-type activities:
29,908,251	31,740,597	35,515,466	36,772,401	40,615,655	Water and sewer
3,437,782	3,540,445	3,875,427	3,959,878	3,744,994	Inspection and review
-	-	-	-	-	County parks
3,666,849	2,752,848	3,135,252	2,936,434	3,238,081	Recreation
4,172,509	3,916,243	4,854,293	4,289,956	4,779,846	Solid waste
4,199,268	4,560,865	4,813,704	5,216,415	5,251,518	Environmental services
1,620,185	1,956,248	2,053,754	3,377,112	3,650,454	SW-Watershed Protection
133,993	107,085	167,146	106,784	165,381	Vending machines
<u>47,138,837</u>	<u>48,574,331</u>	<u>54,415,042</u>	<u>56,658,980</u>	<u>61,445,928</u>	Total business-type activities
<u>\$ 438,460,691</u>	<u>\$ 457,508,249</u>	<u>\$ 514,199,091</u>	<u>\$ 529,200,866</u>	<u>\$ 520,190,208</u>	Total primary government expenses
					<b>Program revenues</b>
					Governmental activities:
					Charges for services
\$ 94,845	\$ -	\$ -	\$ -	\$ -	Judicial
		48,105	30,868	24,116	Law
		68,314	17,264	17,264	Legislative
1,963,170	5,956,531	5,875,101	6,326,860	6,356,821	General government
-	-	-	-	-	Elections
4,269,225	4,067,307	3,930,289	4,028,785	4,076,982	Public safety
3,031,874	7,847,985	3,880,674	6,114,965	2,357,346	Planning and growth management
116,274	64,109	60,573	63,663	61,435	Health
2,824,839	1,775,673	1,900,772	-	-	Community services
		1,082,031	1,260,237	1,106,310	Recreation, Parks & Tourism
671,589	887,612	514,099	984,734	1,043,560	Public facilities
3,260,599	-	-	517,440	516,797	Education
30,284,579	32,236,242	24,060,252	21,067,341	21,743,759	Operating grants and contributions
2,964,335	1,305,271	-	4,172,599	5,487,041	Capital grants and contributions
<u>49,481,329</u>	<u>54,140,730</u>	<u>41,420,209</u>	<u>44,584,755</u>	<u>42,791,431</u>	Total governmental activities program revenues
					Business-type activities:
					Charges for services
34,245,914	36,575,372	36,673,156	38,987,728	39,764,793	Water and sewer
5,974,573	6,753,142	7,704,446	7,685,910	8,532,418	Solid waste management
4,090,322	4,491,840	5,241,286	5,492,554	5,531,655	Environmental services
10,326,766	8,976,303	8,930,400	9,572,580	9,520,970	Other activities
1,020,251	990,409	1,063,185	811,115	987,062	Operating grants and contributions
12,040,000	105,256	-	259,493	236,215	Capital grants and contributions
<u>67,697,826</u>	<u>57,892,323</u>	<u>59,612,473</u>	<u>62,809,381</u>	<u>64,573,113</u>	Total business-type activities program revenues
<u>\$ 117,179,155</u>	<u>\$ 112,033,053</u>	<u>\$ 101,032,682</u>	<u>\$ 107,394,136</u>	<u>\$ 107,364,544</u>	Total primary government program revenues
					<b>Net (expense)/revenue</b>
\$ (341,840,525)	\$ (354,793,188)	\$ (418,363,841)	\$ (427,957,130)	\$ (415,952,849)	Governmental activities
20,558,989	9,317,992	5,197,431	6,150,401	3,127,185	Business-type activities
<u>\$ (321,281,536)</u>	<u>\$ (345,475,196)</u>	<u>\$ (413,166,409)</u>	<u>\$ (421,806,730)</u>	<u>\$ (412,825,664)</u>	Total primary government net expense

Continued

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

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>General revenues and other changes in net position</b>					
Governmental activities:					
Taxes					
Local property taxes	\$ 190,131,537	\$ 193,939,891	\$ 196,368,356	\$ 200,484,806	\$ 211,634,597
Other local	15,417,825	17,875,503	16,105,317	20,612,134	22,154,294
Income taxes	85,784,762	97,544,231	97,179,582	90,885,261	98,827,341
State highway user taxes	437,492	631,126	473,872	852,425	881,979
Other income	5,695,002	3,806,510	11,269,786	8,396,717	6,479,338
Interest and investment earnings	3,898,008	3,468,006	3,339,228	3,077,153	3,282,490
Unrestricted grants and contributions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	530,182	211,038	214,743	(418,430)	(368,300)
Extraordinary loss tornado, net of inc rec'd	-	-	-	-	-
<b>Total governmental activities</b>	<b>301,894,805</b>	<b>317,476,305</b>	<b>324,950,884</b>	<b>323,890,066</b>	<b>342,891,739</b>
Business-type activities:					
Other income	376,834	389,597	1,119,570	743,229	457,308
Interest and investment earnings	75,594	76,761	63,882	63,923	68,239
Miscellaneous	-	-	-	-	-
Transfers	(530,182)	(211,038)	(214,743)	418,430	368,300
<b>Total business-type activities</b>	<b>(77,754)</b>	<b>255,320</b>	<b>968,709</b>	<b>1,225,582</b>	<b>893,847</b>
<b>Total primary government</b>	<b>\$ 301,817,053</b>	<b>\$ 317,731,625</b>	<b>\$ 325,919,593</b>	<b>\$ 325,115,648</b>	<b>\$ 343,785,586</b>
<b>Change in net position</b>					
Governmental activities	\$ (1,904,453)	\$ 7,950,534	\$ (2,621,302)	\$ (26,919,385)	\$ (31,428,919)
Net Restatement					
Business-type activities	301,586	(1,147,480)	2,715,557	7,454,696	6,691,564
<b>Total primary government</b>	<b>\$ (1,602,867)</b>	<b>\$ 6,803,054</b>	<b>\$ 94,255</b>	<b>\$ (19,464,689)</b>	<b>\$ (24,737,355)</b>

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

		Fiscal Year					
		2015	2016	2017	2018	2019	
<u>General revenues and other changes in net position</u>							
Governmental activities:							
Taxes							
	\$	216,073,564	\$ 223,238,990	\$ 234,670,748	\$ 241,773,420	\$ 250,102,797	Local property taxes
		30,960,062	33,987,630	33,346,032	37,032,780	34,847,873	Other local
		115,479,944	126,886,692	118,080,824	131,633,096	143,716,459	Income taxes
		931,891	-	952,802	973,650	1,017,386	State highway user taxes
		12,303,303	7,400,378	5,900,261	5,610,431	5,303,292	Other income
		2,531,265	2,505,628	3,152,433	4,423,854	8,479,063	Interest and investment earnings
		-	-	-	-	-	Unrestricted grants and contributions
		-	-	-	-	-	Miscellaneous
		(464,468)	(879,136)	(742,266)	(542,914)	(1,388,437)	Transfers
		-	-	-	-	-	Extraordinary loss tornado, net of income rec
		<u>377,815,561</u>	<u>393,140,182</u>	<u>395,360,832</u>	<u>420,904,317</u>	<u>442,078,433</u>	Total governmental activities
		464,358	501,903	12,571,257	1,234,227	3,742,442	Business-type activities:
		59,994	84,574	126,385	262,555	564,440	Other income
		-	-	-	-	-	Interest and investment earnings
		464,468	879,136	742,266	542,914	1,388,436.99	Miscellaneous
		<u>988,820</u>	<u>1,465,613</u>	<u>13,439,908</u>	<u>2,039,696</u>	<u>5,695,319</u>	Transfers
		<u>\$ 378,804,381</u>	<u>\$ 394,605,795</u>	<u>\$ 408,800,740</u>	<u>\$ 422,944,013</u>	<u>\$ 447,773,752</u>	Total business-type activities
							Total primary government
<u>Change in net position</u>							
	\$	35,975,036	\$ 38,346,994	\$ (23,003,009)	\$ (23,030,720)	\$ 26,125,584	Governmental activities
		(63,014,064)	-	-	-	-	Net Restatement
		<u>21,547,809</u>	<u>10,783,605</u>	<u>18,637,339</u>	<u>24,168,002</u>	<u>8,822,504</u>	Business-type activities
		<u>\$ (5,491,219)</u>	<u>\$ 49,130,599</u>	<u>\$ (4,365,670)</u>	<u>\$ 1,137,282</u>	<u>\$ 34,948,088</u>	Total primary government

Fund Balances of Governmental Funds

Charles County, Maryland

Table 3

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year
	2010
General fund	
Reserved	\$ 2,531,035
Unreserved	38,654,138
Total general fund	<u>\$ 41,185,173</u>
All other governmental funds	
Reserved	\$ 19,849,362
Unreserved, reported in:	
Capital projects	6,465,890
Debt service	-
Other Governmental	-
Total all other governmental funds	<u>\$ 26,315,252</u>

	Fiscal Year			
	2011	2012	2013	2014
General fund				
Nonspendable fund balance	\$ 1,805,165	\$ 2,257,418	\$ 1,853,656	\$ 1,604,951
Restricted fund balance	699,770	3,896,913	6,830,594	4,032,708
Committed fund balance	27,022,596	31,526,041	32,556,833	33,350,360
Assigned fund balance	8,806,694	3,867,530	4,248,921	4,197,363
Unassigned fund balance	2,050,076	3,959,025	2,897,380	1,022,395
Total general fund	<u>\$ 40,384,301</u>	<u>\$ 45,506,927</u>	<u>\$ 48,387,384</u>	<u>\$ 44,207,777</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
Committed fund balance	-	-	-	-
Assigned fund balance	17,963,717	17,279,026	20,688,549	-
Unassigned fund balance	-	-	-	(2,931,828)
Debt service				
Nonspendable fund balance	-	44,767,231	44,985,067	41,125,212
Restricted fund balance	209,544	-	-	-
Committed fund balance	-	-	-	-
Assigned fund balance	-	-	-	-
Unassigned fund balance	-	(3,122,548)	(5,228,617)	(5,038,043)
Other Governmental				
Nonspendable fund balance	-	-	-	-
Restricted fund balance	342,347	1,246,450	436,018	876,867
Committed fund balance	-	-	-	3,715,000
Assigned fund balance	6,136,690	5,225,045	6,158,631	3,198,683
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>

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.

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

		Fiscal Year						
		2015	2016	2017	2018	2019		
							General fund	
\$	2,156,136	\$	4,365,445	\$	2,612,616	\$	1,835,020	Nonspendable fund balance
	5,301,900		5,256,573		1,571,097		96,114	Restricted fund balance
	38,288,776		55,610,042		63,196,702		92,542,994	Committed fund balance
	3,482,661		4,020,616		5,713,044		6,516,854	Assigned fund balance
	1,022,395		-		4,772,156		7,859,944	Unassigned fund balance
\$	50,251,868	\$	69,252,676	\$	77,865,614	\$	92,923,995	Total general fund
								All other governmental funds
								Capital projects
	-		-		-		-	Nonspendable fund balance
\$	13,850,238	\$	6,700,412	\$	6,204,653	\$	2,120,162	Restricted fund balance
	-		25,767,947		29,334,330		35,033,087	Committed fund balance
	-		2,831,713		2,861,521		4,794,059	Assigned fund balance
	(427,643)		-		-		-	Unassigned fund balance
	36,649,518		28,689,051		24,333,551		19,695,091	Debt service
	-		-		-		-	Nonspendable fund balance
	-		-		-		-	Restricted fund balance
	-		-		-		-	Committed fund balance
	-		597,237		2,513,082		7,390,087	Assigned fund balance
	(471,532)		-		-		-	Unassigned fund balance
	-		-		-		-	Other Governmental
	2,412,224		2,644,330		3,800,507		3,329,803	Nonspendable fund balance
	-		-		-		-	Restricted fund balance
	4,178,176		6,304,712		6,672,514		8,389,869	Committed fund balance
	-		-		-		-	Assigned fund balance
	-		-		-		-	Unassigned fund balance
\$	56,190,981	\$	73,535,402	\$	75,720,157	\$	80,752,158	Total all other governmental funds

Changes in Fund Balances of Governmental Funds

Charles County, Maryland

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Revenues</b>					
Taxes:					
Local property	\$ 190,131,537	\$ 194,125,205	\$ 196,270,291	\$ 200,484,806	\$ 211,634,597
Income	86,513,316	92,049,627	97,179,582	99,440,598	99,513,353
Other local	15,417,825	17,875,503	16,105,317	20,612,134	22,154,294
State shared	437,492	631,126	473,872	852,425	881,979
Charges for services	13,705,262	13,806,742	14,077,633	16,400,528	17,174,959
Intergovernmental	35,089,484	22,052,057	24,011,584	21,787,601	22,377,063
Interest income	3,898,008	3,460,692	3,339,228	3,077,153	3,282,490
Other income	6,947,293	7,403,236	11,269,786	8,396,717	6,479,338
<b>Total revenues</b>	<b>352,140,216</b>	<b>351,404,188</b>	<b>362,727,293</b>	<b>371,051,962</b>	<b>383,498,073</b>
<b>Expenditures</b>					
Education	164,204,676	163,571,345	161,897,688	188,950,057	202,287,835
Public safety	87,835,915	87,884,735	92,640,243	94,272,991	101,742,806
Other general government	19,227,970	17,876,622	17,024,330	17,712,335	19,184,620
Public facilities	28,524,687	31,753,661	27,593,471	26,598,031	33,140,813
Financial administration	8,016,417	7,794,237	7,938,619	7,961,432	8,514,244
Community services	20,707,531	21,371,151	21,322,388	21,906,992	21,705,280
Recreation, Parks & Tourism					
Judicial	9,549,790	5,535,421	4,479,661	4,805,217	6,086,489
Planning and growth management	3,796,263	3,645,761	4,579,928	4,173,750	7,162,964
Health services	8,158,197	4,476,139	4,352,999	3,726,711	4,281,981
Economic development	1,295,704	595,342	1,283,074	1,515,966	1,791,817
Social services	1,833,744	1,971,360	1,970,383	1,949,313	1,822,933
Legislative	1,820,205	1,317,066	1,372,856	1,456,063	1,478,484
Law	884,268	1,281,988	1,083,290	878,998	991,003
Conservation of natural resources	551,419	560,986	585,556	579,761	629,894
Elections	535,143	1,010,575	882,927	911,170	820,332
Debt service:					
Principal	11,243,409	11,543,633	16,488,429	12,628,435	13,969,954
Interest	10,922,423	11,485,900	10,231,477	10,529,272	10,363,586
<b>Total expenditures</b>	<b>379,107,761</b>	<b>373,675,922</b>	<b>375,727,319</b>	<b>400,556,495</b>	<b>435,975,035</b>
Excess (deficiency) of revenues over (under) expenditures	(26,967,545)	(22,271,735)	(13,000,027)	(29,504,534)	(52,476,963)
Other financing sources (uses):					
Issuance of debt	15,621,497	36,900,000	19,929,500	22,729,200	3,958,490
Premium on issuance of debt	1,358,311	3,214,979	9,169,214	5,740,278	-
Bond Proceeds from debt refunding	4,853,935	17,985,000	37,257,552	16,031,904	-
Defeased Bonds	(5,276,540)	(18,495,286)	(40,051,360)	(18,261,194)	-
Transfers in	17,012,208	7,806,015	10,195,181	4,639,176	6,127,899
Transfers out	(16,482,026)	(8,173,831)	(9,980,438)	(5,057,606)	(6,496,199)
<b>Total other financing sources</b>	<b>17,087,385</b>	<b>39,236,878</b>	<b>26,519,650</b>	<b>25,821,759</b>	<b>3,590,191</b>
Extraordinary loss from natural disasters, net of income	-	-	(1,909,773.00)	-	-
<b>Net change in fund balances</b>	<b>\$ (9,880,160)</b>	<b>\$ 16,965,143</b>	<b>\$ 11,609,850</b>	<b>\$ (3,682,775)</b>	<b>\$ (48,886,772)</b>
Debt service as a percentage of noncapital expenditures	6.284%	6.193%	7.389%	5.742%	5.619%



Changes in Fund Balances of Governmental Funds

Charles County, Maryland

Table 4

Last Ten Fiscal Years

(modified accrual basis of accounting)

		Fiscal Year					
		2015	2016	2017	2018	2019	
							<u>Revenues</u>
							Taxes:
\$	211,791,533	\$ 219,110,622	\$ 222,772,838	\$ 230,447,289	\$ 239,338,210		
	109,709,956	123,429,876	119,349,494	124,654,098	136,665,163		
	30,960,062	33,025,233	33,346,032	37,038,419	34,887,063		
	931,891	962,397	952,802	973,650	1,017,386		
	16,232,415	20,599,217	17,359,957	19,344,815	15,560,632		Charges for services
	33,248,914	33,541,513	24,060,252	25,239,941	27,230,800		Intergovernmental
	2,531,265	2,505,628	3,152,433	4,423,854	8,479,063		Interest income
	12,303,303	7,400,377	5,900,260	5,610,431	5,303,292		Other income
	<u>417,709,339</u>	<u>440,574,863</u>	<u>426,894,066</u>	<u>447,732,497</u>	<u>468,481,609</u>		Total revenues
							<u>Expenditures</u>
	192,397,107	196,273,015	196,689,241	222,423,055	216,182,784		Education
	103,994,700	108,328,753	109,642,022	116,276,377	121,054,866		Public safety
	23,391,485	31,082,318	25,153,331	24,653,635	29,292,027		Other general government
	28,737,956	23,877,006	26,698,499	28,326,834	25,681,616		Public facilities
	8,838,756	9,235,420	9,616,305	10,344,746	10,580,720		Financial administration
	21,761,226	19,885,283	20,159,645	20,081,078	20,496,493		Community services
			7,822,957	9,419,003	9,145,108		Recreation, Parks & Tourism
	6,475,100	6,639,733	7,014,417	6,360,387	6,727,282		Judicial
	4,973,410	4,028,641	4,317,582	4,761,182	3,940,891		Planning and growth management
	4,322,514	4,482,033	5,186,537	5,446,454	5,319,197		Health services
	8,896,249	1,572,945	1,957,525	1,924,597	1,870,182		Economic development
	2,007,057	1,959,157	2,267,949	2,632,030	2,773,565		Social services
	1,570,445	1,626,209	1,690,457	1,908,831	2,193,784		Legislative
	1,150,014	952,254	894,539	1,119,063	1,235,056		Law
	637,079	646,436	650,295	666,831	657,855		Conservation of natural resources
	1,028,910	1,171,314	1,288,076	1,269,380	1,471,085		Elections
							Debt service:
	17,851,976	11,527,876	10,026,845	8,906,999	10,602,076		
	10,318,581	10,184,584	10,039,960	10,086,578	10,899,707		
	<u>438,352,565</u>	<u>433,472,976</u>	<u>441,116,181</u>	<u>476,607,061</u>	<u>480,124,292</u>		Total expenditures
	(20,643,227)	7,101,887	(14,222,116)	(28,874,565)	(11,642,683)		Excess (deficiency) of revenues over (under) expenditures
							Other financing sources (uses):
	33,239,500	34,079,100	23,287,500	47,033,285	41,418,800		Issuance of debt
	6,739,644	2,727,531	2,474,574	8,190,150	4,441,258		Premium on issuance of debt
	26,597,764	-	-	-	-		Bond Proceeds from debt refunding
	(29,712,075)	-	-	-	-		Defeased Bonds
	10,770,318	5,993,407	6,980,910	7,753,622	11,505,042		Transfers in
	(11,234,786)	(6,872,543)	(7,723,177)	(8,296,535)	(12,893,479)		Transfers out
	<u>36,400,366</u>	<u>35,927,496</u>	<u>25,019,809</u>	<u>54,680,522</u>	<u>44,471,622</u>		Total other financing sources
							Extraordinary loss from natural disasters, net of income
\$	15,757,139	\$ 43,029,383	\$ 10,797,693	\$ 25,805,957	\$ 32,828,938		Net change in fund balances
	7.110%	5.006%	4.401%	3.941%	4.299%		Debt service as a percentage of noncapital expenditures

Assessed Value and Estimated Actual Value of Taxable Property

Charles County, Maryland

Table 5

Last Ten Fiscal Years

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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.							
	2010	\$ 18,848,560,018							
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 <sup>1</sup>	16,995,622,523	1.14	16,995,622,523	100.00%
2018	16,800,788,225	191,280,438	9,750,090	329,489,630	220,855,150 <sup>1</sup>	17,552,163,533	1.14	17,552,163,533	100.00%
2019	17,424,002,372	163,026,797	9,664,600	334,601,020	247,061,400	18,178,356,189	1.14	18,178,356,189	100.00%

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

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

Property Tax Rates for Direct and Overlapping Governments

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	
2010	0.9620	0.064	0.112	0.25	0.28	1.14
2011	0.9620	0.064	0.112	0.24	0.27	1.14
2012	1.0025	0.064	0.112	0.24	0.27	1.18
2013	1.0527	0.064	0.112	0.23	0.26	1.23
2014	1.1410	0.064	0.112	0.23	0.26	1.32
2015	1.1410	0.064	0.112	0.19	0.25	1.32
2016	1.1410	0.064	0.112	0.19	0.26	1.32
2017	1.1410	0.064	0.112	0.19	0.26	1.32
2018	1.1410	0.064	0.112	0.18	0.26	1.32
2019	1.1410	0.064	0.112	0.19	0.26	1.32

Information Source: Charles County Treasurer's Office

Principal Taxpayers

Charles County, Maryland  
 Table 7  
 Current Year and Nine Years Ago

Ten Leading Taxpayers  
 (For period ending June 30, 2019)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes<sup>1</sup></u>
NRG Energy, Inc. (formerly GenOn Mid-Atlantic LLC)	\$ 528,233,990 <sup>2</sup>	2.91%	\$ 7,954,422
Southern Maryland Electric Cooperative	154,744,950	0.85%	4,571,238
CPV Maryland, LLC	15,263,207 <sup>2</sup>	0.08%	3,466,298
Dominion Cove Point LNG, LP	64,357,060	0.35%	1,721,757
Charles Mall Company LTD Partnership	142,427,000	0.78%	1,433,162
Verizon Maryland Inc.	41,064,360	0.23%	1,237,545
SCG Atlas Westchester, LLC	84,814,267	0.47%	1,018,184
Washington Gas Light Company	31,147,100	0.17%	916,400
Potomac Electric Power Company	25,243,680	0.14%	769,041
Madison Waldorf, LLC	57,072,267	0.31%	658,479
	<u>\$ 1,144,367,881</u>	<u>6.30%</u>	<u>\$ 23,746,526</u>
Total Taxable Assessed Value		<u>\$ 18,178,356,189</u>	

Ten Leading Taxpayers  
 (For period ending June 30, 2010)

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed</u>	<u>County Taxes<sup>1</sup></u>
Mirant Mid-Atlantic	\$ 700,522,393	3.50%	\$ 15,987,119
Southern Maryland Electric Cooperative	78,762,060	0.39%	1,894,228
Charles Mall Company LTD Partnership	155,000,000	0.77%	1,491,100
Verizon Maryland, Inc	57,947,910	0.29%	1,393,647
Washington Gas Light Company	25,673,150	0.13%	617,439
API Town Center	67,812,500	0.34%	1,026,150
Madison Waldorf, LLC	48,500,000	0.24%	466,570
Potomac Electric Power Company	18,394,570	0.09%	442,389
Charles Towne Plaza, LLC	40,233,200	0.20%	387,043
AT&T Communications, LLC	14,679,730	0.07%	353,048
	<u>\$ 1,207,525,513</u>	<u>6.03%</u>	<u>\$ 24,058,733</u>
Total Taxable Assessed Value		<u>\$ 20,022,850,978</u>	

Source: Maryland State Department of Assessment and Taxation/Charles County Treasurer's Office  
 1 2019 Based on County Tax of \$2.8525 per \$100 assessed and 2010 based on County Tax of \$2.405 per \$100 assessed  
 2 FY17 start of PILOT agreements with these two taxpayers

Property Tax Levies and Collections

Charles County, Maryland  
 Table 8  
 Last Ten Fiscal Years

Fiscal Year Ending June 30	Total Tax Levy Local Property <sup>1</sup>	Collected within the Fiscal Year of the Levy		Collection In Subsequent Years	Total Collections To Date		Outstanding Delinquent Tax
		Amount	Percent		Amount	Percent	
2010	206,470,878	205,523,547	99.54%	693,946	205,776,932	99.66%	253,385
2011	197,305,606	196,393,396	99.54%	607,710	196,697,896	99.69%	304,500
2012	190,760,517	190,062,217	99.63%	488,291	190,272,226	99.74%	210,009
2013	192,660,818	191,842,717	99.58%	595,830	192,064,988	99.69%	222,271
2014	202,699,932	201,517,315	99.42%	967,450	201,732,482	99.52%	215,167
2015	203,588,665	202,252,138	99.34%	1,075,071	202,513,594	99.47%	261,456
2016	207,718,986	206,927,720	99.62%	482,053	207,236,933	99.77%	309,213
2017	202,074,697	200,633,185	99.29%	821,206	201,253,491	99.59%	620,306
2018	208,859,514	207,797,166	99.49%	1,062,348	208,419,597	99.79%	622,431
2019	216,532,932	215,322,319	99.44%	1,210,613	216,532,932	100.00%	1,210,613

Information Source: Audited financial statements of the County for the fiscal years 2010-2019.

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

Ratios of Outstanding Debt by Type

Charles County, Maryland

Table 9

Last Ten Fiscal Years

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Fiscal Year Ending June 30	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation	Capital Lease Obligation	Notes Payable	General Obligation	Capital Lease Obligation	Notes Payable			
	Bonds			Bonds					
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	4.06%	2,241.83
2018	268,977,982	11,349,443	2,769	94,682,422	4,911,964	6,332,818	386,257,398	4.19%	2,391.64
2019	280,510,590	9,817,956	0	108,887,222	3,624,435	5,573,868	408,414,071	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 <sup>5</sup>	Less: Amounts Available in Debt Service Fund <sup>1</sup>	Total	Percentage of Estimated Actual Taxable Value of Property <sup>2</sup>	Per Capita <sup>3</sup>
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 <sup>4</sup>	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%	1,390.83
2018	268,977,982	27,085,178	241,892,804	1.38%	1,596.62
2019	280,510,590	25,463,267	255,047,323	1.40%	not available

1 Restricted for debt service principal payments.

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

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

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

5 The county's business type debt is not included here, as the source of repayments is user fees, not property taxes.

Direct and Overlapping Governmental Activities Debt

Charles County, Maryland  
Table 11

Jurisdiction	Total Debt Outstanding	Assessed Valuation <sup>1</sup>	% of Assessed Valuation to Countywide Total	Estimated Share of Total Direct & Overlapping Debt
<u>Direct</u>				
Charles County	\$ 290,328,546	\$ 16,714,177,523	92%	\$ 267,017,261
<u>Overlapping</u>				
La Plata	8,000	1,216,359,484	7%	19,431,945
Indian Head	71,694	247,819,182	1%	3,959,034
Total Overlapping Debt	79,694	1,464,178,666	8%	23,390,979
Countywide Total	\$ 290,408,240	\$ 18,178,356,189	100%	\$ 290,408,240

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

Because Charles County has adopted the Code Home Rule form of Government within the State of Maryland, there is no statutory limit on general obligation and revenue bond debt.

This Table is therefore not applicable.

Demographic and Economic Statistics

Charles County, Maryland

Table 13

Last Ten Fiscal Years

Fiscal Year	Population <sup>1</sup>	Personal Income	Per Capita Personal Income <sup>3</sup>	Median Age	School <sup>4</sup> Enrollment	Unemployment Rate <sup>2</sup>
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	159,700	8,820,414	55,231	37	25,521	4.40%
2018	161,503	9,213,935	57,051	38	26,085	4.20%
2019	not available	not available	not available	38	26,314	4.00%

1 U.S. Census Bureau, 2010 - 2018 population figures (estimates based on March of the following year, so 2019 is not available)

2 Bureau of Labor Statistics, as reported in tables for June 2019

3 Bureau of Economic Analysis

4 Charles Co. Board of Education, Student Services

Principal Employers

Charles County, Maryland  
Table 14  
Current Year and Nine Years Ago

Fiscal Year 2019		
Employer	Number of Employees <sup>1</sup>	Percentage of Total County Employment
Charles County Board of Education	3,681	4.43%
Naval Department of Defense at Indian Head	3,485	4.19%
Charles County Government	1,410	1.70%
UM Charles Regional Medical Center	747	0.90%
Walmart/Sam's Club	606	0.73%
Waldorf Chevy/Cadillac, Honda, Ford, Toyota/Scion, Dodge	583	0.70%
College of Southern Maryland	540	0.65%
Southern Maryland Electric Cooperative (SMECO)	475	0.57%
Target	400	0.48%
Sage Point Senior Living Services	370	0.44%
The Wills Group	335	0.40%
McDonald's	326	0.39%
Safeway	296	0.36%
Lowes	265	0.32%
ADJ Sheet Metal	264	0.32%
Chick-fil-A	263	0.32%
Total	14,046	
Total County Employment <sup>2</sup>	83,183	
Fiscal Year 2010		
Employer	Number of Employees <sup>1</sup>	Percentage of Total County Employment
Naval Department of Defense at Indian Head	3,472	4.83%
Charles County Board of Education	3,397	4.73%
Charles County Government	1,647	2.29%
College of Southern Maryland	1,203	1.67%
Civista Medical Center	816	1.14%
Wal-Mart	710	0.99%
Facchina Construction National Headquarter	500	0.70%
Target	467	0.65%
Southern Maryland Electric Cooperative (SMECO)	379	0.53%
Southern Maryland Oil (SMO)	328	0.46%
Genesis Health Care	320	0.45%
Reliable Contracting	320	0.45%
Lowes	275	0.38%
Charles County Nursing Home	254	0.35%
Macy's	250	0.35%
Chaney Enterprises Headquarters	226	0.31%
Mirant	202	0.28%
Total	14,766	
Total County Employment <sup>2</sup>	71,888	

<sup>1</sup> Charles County Economic Development Department as of May 2019 (top) and December 2010 (bottom)

<sup>2</sup> State of Maryland, Maryland Department of Labor, Licensing and Regulation County employment tables

Full-time Equivalent County Employees by Function

Charles County, Maryland

Table 15

Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Budget 2020
<u>County Commissioners</u>	5	5	5	5	5	5	5	5	5	5	5
<u>Governmental Departments</u>											
Animal Control Services	22	20	20	20	20	20	20	24	24	24	24
Central Services	0	0	0	0	0	0	0	0	1	7	8
Community Services	61	50	52	56	54	55	55	50	49	55	55
County Commissioners' Office Staff	30	20	19	20	21	24	22	24	24	20	20
County Attorney's Office	10	9	9	10	10	10	10	10	10	10	11
Economic Development	5	2	5	6	6	6	9	9	11	11	10
Emergency Services	113	113	113	115	117	122	122	128	134	134	148
Fiscal and Administrative Services	72	63	66	66	67	71	72	73	72	73	77
Human Resources	8	7	7	8	8	8	8	10	12	13	13
Internal Audit	0	0	0	0	0	0	0	2	2	2	2
Planning & Growth Mgmt	75	63	63	65	66	66	66	69	70	73	79
Public Works	324	302	300	299	302	308	313	320	332	336	347
Recreation, Parks, & Tourism	127	116	118	118	121	123	125	132	134	143	144
Subtotal County Departments	847	764	772	783	790	812	821	850	873	900	938
<u>Other Agencies</u>											
Circuit Court	23	22	23	22	22	22	22	25	25	26	26
Detention Center	160	151	156	156	156	156	156	156	156	160	160
Sheriff's Office	472	463	462	468	484	488	485	493	495	502	509
Soil Conservation	6	5	5	5	5	5	5	5	5	5	5
State's Attorney Office	31	30	31	37	46	54	54	58	48	50	52
TOTAL	1544	1440	1454	1475	1508	1541	1548	1591	1607	1648	1695

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

Data from Budget Division, Charles County Fiscal and Administrative Services Department.

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Operating Indicators by Function

Charles County, Maryland

Table 16

Last Ten Fiscal Years

Function	Fiscal Year				
	2010	2011	2012	2013	2014
<b>Public Safety</b>					
<sup>1</sup> Sheriff's Calls for Service	216,701	230,390	235,371	253,292	258,591
Emergency Response Team Responses	1,423	1,435	1,309	1,164	1,312
Bookings	11,814	12,164	11,308	10,706	11,106
Drug Screening	1,360	1,298	1,054	932	653
Red Light Camera Citations Issued	13,385	10,065	12,319	11,388	25,858
Animal Control Calls for Service	5,898	6,034	5,910	5,646	7,053
Animal Shelter Population	12,085	11,195	11,120	10,049	9,134
Alarm System Registrations	16,762	17,924	19,194	20,350	21,801
False Alarm Calls	8,251	8,215	7,821	7,952	8,324
EMS Responses	11,032	11,008	11,903	12,290	13,700
911 Calls Received	69,141	74,674	74,866	73,182	72,231
<b>Community Services/Planning &amp; Growth Mgmt</b>					
Public Transit Routes	14	14	14	14	14
Service Miles	999,941	1,103,191	1,225,954	1,171,946	1,150,000
Senior Program Participation	3,726	3,726	3,768	3,701	4,041
<b>Public Facilities</b>					
Square Footage Maintained	1,001,235	1,004,000	1,034,200	1,034,260	1,044,460
Preventative Maintenance Performed	480	488	298	395	852
Athletic Leagues Maintained	68	73	69	68	69
Scheduled Games	7,721	8,139	8,399	7,929	8,051
Vehicle Maintenance Work Orders	5,667	5,572	5,276	5,044	5,601
Lane Miles Maintained	1,597	1,597	1,600	1,625	1,662
<b>Water and Sewer</b>					
Billing Invoices per year	118,329	120,893	121,578	123,434	129,034
New Accounts Set Up	474	446	511	547	572
Meters Read	118,329	120,893	121,578	123,434	129,034
Holding Tank Program Gallons Pumped	482,340	398,100	395,750	395,600	317,500
<b>County Park Operations</b>					
Rounds of Golf	30,490	25,500	27,583	28,412	26,105
Season Passes	177	131	125	102	101
<b>Solid Waste Management</b>					
<sup>1</sup> Recycled Tons	51,537	52,575	77,537	74,966	81,133
<sup>1</sup> Recycle Curbside Collection Tons	3,100	3,200	3,074	3,295	5,500
Landfill Tons	74,581	85,762	90,354	73,195	75,277

<sup>1</sup> Based on Calendar Year

<sup>2</sup> Projected

Source: Budget Division, Charles County Fiscal and Administrative Services Department along with other County Departments statistical data

Operating Indicators by Function

Charles County, Maryland

Table 16

Last Ten Fiscal Years

Fiscal Year					Function
2015	2016	2017	2018 <sup>2</sup>	2019 <sup>2</sup>	
					<b>Public Safety</b>
271,363	253,984	256,984	235,604	not available	<sup>1</sup> Sheriff's Calls for Service
1,188	1,337	638	234	1,700	Emergency Response Team Responses
10,890	10,194	9,270	8,154	12,400	Bookings
692	746	702	1,013	950	Drug Screening
27,603	29,194	26,343	26,349	33,124	Red Light Camera Citations Issued
6,157	5,848	6,002	5,759	5,216	Animal Control Calls for Service
8,730	8,700	8,136	7,171	6,562	Animal Shelter Population
23,570	24,795	26,058	27,592	28,727	Alarm System Registrations
8,477	8,283	8,017	8,285	7,946	False Alarm Calls
13,188	15,375	16,649	18,153	18,927	EMS Responses
78,790	78,722	81,745	85,000	90,000	911 Calls Received
					<b>Community Services/Planning &amp; Growth Mgmt</b>
15	15	15	16	16	Public Transit Routes
1,227,005	1,207,500	1,296,005	1,283,362	1,289,625	Service Miles
4,233	4,250	4,286	4,567	4,637	Senior Program Participation
					<b>Public Facilities</b>
1,285,246	1,300,000	1,326,000	1,351,382	1,300,037	Square Footage Maintained
937	950	6,770	3,980	4,454	Preventative Maintenance Performed
69	70	68	45	46	Athletic Leagues Maintained
8,115	8,200	7,577	6,431	6,342	Scheduled Games
5,378	5,560	4,606	4,765	5,734	Vehicle Maintenance Work Orders
1,672	1,681	1,684	1,700	1,709	Lane Miles Maintained
					<b>Water and Sewer</b>
129,222	133,057	134,674	136,906	136,906	Billing Invoices per year
550	550	725	529	491	New Accounts Set Up
129,222	130,000	127,496	131,848	130,709	Meters Read
610,707	303,650	557,350	588,900	577,850	Holding Tank Program Gallons Pumped
					<b>County Park Operations</b>
27,700	28,000	24,130	19,712	24,860	Rounds of Golf
90	100	90	87	62	Season Passes
					<b>Solid Waste Management</b>
81,868	80,192	76,245	69,225	67,368	<sup>1</sup> Recycled Tons
6,506	7,401	7,727	8,200	7,810	<sup>1</sup> Recycle Curbside Collection Tons
84,963	94,901	101,149	101,050	114,669	Landfill Tons

<sup>1</sup> Based on Calendar Year

<sup>2</sup> Projected

Capital Asset Statistics by Function

Charles County, Maryland

Table 17

Last Ten Fiscal Years

Function	Fiscal Year				
	2010	2011	2012	2013	2014
<b>General Government</b>					
Buildings	23	24	24	26	28
Vehicles	293	267	245	244	250
<b>Public Safety</b>					
Sheriff Stations	7	6	7	7	7
Detention Centers	2	2	2	2	2
Sheriff Patrol Vehicles	425	462	472	463	456
Other Sheriff Vehicles	17	18	17	16	14
K-9 Dogs	15	11	12	11	12
Mobile Communications Center	1	1	1	1	1
Emergency Operations Vehicles	17	18	18	18	18
Hazmat Vehicles	5	5	5	5	5
Animal Control Vehicles	8	8	9	9	11
<b>Community Services</b>					
Transportation Service Vehicles	33	36	37	37	38
Senior / Community Centers	4	4	4	4	4
Community Centers	9	9	9	9	9
Pools	5	5	5	5	5
<b>Public Facilities</b>					
Buildings	8	8	8	8	8
Roadways (miles)	1,597	1,597	1,600	1,625	1,662
Heavy Equipment	32	27	28	30	33
<b>Water and Sewer</b>					
Buildings	17	17	17	17	17
Wastewater Treatment Plants	7	7	7	7	7
Pump Stations	57	57	56	56	56
Wells	67	65	65	65	65
Heavy Equipment	17	14	15	18	19
Vehicles	87	76	86	102	109
Meters	113,858	116,883	117,546	119,214	124,394
<b>County Park Operations</b>					
Parks	29	29	30	30	31
Park Acreage	3,349	3,349	3,483	3,483	3,767
Golf Course	1	1	1	1	1
Skate Park	1	1	1	1	1
Concession Buildings	8	8	9	9	9
Vehicles	3	3	3	3	3
<b>Recreation Programs</b>					
Recreation/ Sports Centers	2	2	2	2	2
<b>Solid Waste Management</b>					
Buildings	6	6	6	6	6
Recycling Stations with Buildings	3	3	3	3	3
Heavy Equipment	26	21	21	22	30
Vehicles	34	26	35	34	33

Source: Risk Management Office, Central Services Division, Charles County Government



Capital Asset Statistics by Function

Charles County, Maryland

Table 17

Last Ten Fiscal Years

Fiscal Year					Function
2015	2016	2017	2018	2019	
					General Government
30	30	29	29	27	Buildings
254	256	257	242	263	Vehicles
					Public Safety
7	7	7	7	7	Sheriff Stations
2	2	2	2	2	Detention Centers
474	469	470	467	453	Sheriff Patrol Vehicles
14	15	15	17	12	Other Sheriff Vehicles
13	12	14	13	12	K-9 Dogs
1	1	1	1	1	Mobile Communications Center
18	18	18	20	21	Emergency Operations Vehicles
5	5	5	5	5	Hazmat Vehicles
9	11	13	8	8	Animal Control Vehicles
					Community Services
41	40	36	38	38	Transportation Service Vehicles
4	4	4	4	5	Senior / Community Centers
9	9	9	9	10	Community Centers
6	6	6	6	6	Pools
					Public Facilities
8	8	8	8	8	Buildings
1,672	1,681	1,684	1,697	1,715	Roadways (miles)
32	37	39	34	36	Heavy Equipment
					Water and Sewer
17	17	18	18	18	Buildings
7	7	7	7	7	Wastewater Treatment Plants
55	55	57	58	58	Pump Stations
66	66	67	67	67	Wells
22	24	25	29	28	Heavy Equipment
116	117	123	126	125	Vehicles
124,580	128,000	129,404	131,848	130,709	Meters
					County Park Operations
33	33	33	33	33	Parks
4,061	4,061	4,061	4,195	4,248	Park Acreage
1	1	1	1	1	Golf Course
1	1	1	1	1	Skate Park
9	9	9	9	9	Concession Buildings
2	2	2	2	2	Vehicles
					Recreation Programs
2	2	3	3	3	Recreation/ Sports Centers
					Solid Waste Management
6	6	8	8	8	Buildings
3	3	4	4	4	Recycling Stations with Buildings
29	28	32	26	24	Heavy Equipment
35	36	40	40	41	Vehicles

# Charles County Commissioners



## *Equal Opportunity County*

### Fiscal & Administrative Services

#### Accounting Division

Jenifer M. Ellin, Director

William G. DeAtley, Chief of Accounting

Joan T. Thorp, Assistant Chief of Accounting

200 Baltimore Street La Plata, Maryland 20646

MD Relay: 711 Relay TDD: 1-800-735-2258

[www.CharlesCountyMD.gov](http://www.CharlesCountyMD.gov)



**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.

**Americans with Disabilities:** The Charles County Government welcomes the participation of individuals with disabilities. We comply fully with the Americans with Disabilities Act in making reasonable accommodations to encourage involvement. If you require special assistance and would like to participate in our programs, please contact Charles County Government directly.