

OFFICIAL STATEMENT DATED JUNE 18, 2013

NEW ISSUE-BOOK-ENTRY ONLY

*In the opinion of McGuireWoods LLP, Bond Counsel, assuming continuous compliance with certain covenants described herein, under existing law, the interest on the Tax-Exempt Bonds (a) is excludable from gross income of the owners thereof for Federal income tax purposes, and (b) is not an enumerated item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. Interest on the Taxable Bonds is includable in gross income of the owners thereof for Federal income tax purposes. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Bonds is exempt from taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon. See the information contained herein under the caption "LEGAL MATTERS – Tax Matters."*

**\$28,200,000**

**CHARLES COUNTY, MARYLAND**

**General Obligation Bonds**

**Consisting of**

**\$24,500,000**

**County Commissioners of Charles County**

**Consolidated Public Improvement Bonds of 2013 (Tax-Exempt)**

**and**

**\$3,700,000**

**County Commissioners of Charles County**

**Consolidated Public Improvement Bonds of 2013 (Taxable)**

**Dated: Date of Initial Delivery**

**Due: as shown on inside front cover**

Bond Ratings .....	Fitch Ratings: AAA Moody's: Aa1 Standard & Poor's: AA+
Redemption .....	Bonds maturing on or after July 15, 2024, are redeemable in whole or in part, on or after July 15, 2023 – Page 2.
Security .....	General obligations of the County Commissioners of Charles County, Maryland.
Purpose .....	The proceeds are being used, together with funds from other sources, to finance certain public buildings, facilities and grounds in the County.
Interest Payment Dates.....	Semi-annually on January 15 and July 15 commencing January 15, 2014.
Closing/Settlement .....	On or about July 9, 2013.
Denominations.....	\$5,000.
Book-Entry Only Form.....	The Depository Trust Company, New York, New York.
Registrar/Paying Agent .....	Manufacturers and Traders Trust Company, Baltimore, Maryland/Buffalo, New York.
Bond Counsel.....	McGuireWoods LLP, Baltimore, Maryland.
Financial Advisor.....	Davenport & Company LLC, Towson, Maryland.
Issuer Contact.....	Director of Fiscal and Administrative Services, 301-645-0570.

**FOR MATURITY SCHEDULES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS,  
SEE INSIDE FRONT COVER**

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of McGuireWoods LLP, Baltimore, Maryland, Bond Counsel, and other conditions specified in the official Notices of Sale.

The date of this Official Statement is June 18, 2013 and the information contained herein speaks only as of that date.

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**\$24,500,000**  
**County Commissioners of Charles County**  
**Consolidated Public Improvement Bonds of 2013 (Tax-Exempt)**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS**

<u>Maturing July 15</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>	<u>Maturing July 15</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>
2014.....	\$1,280,000	3.00%	0.20%	159808AA2	2025 .....	\$1,220,000	5.00%	2.61%†	159808AM6
2015.....	1,380,000	4.00	0.32	159808AB0	2026 .....	1,280,000	5.00	2.74†	159808AN4
2016.....	1,425,000	5.00	0.58	159808AC8	2027 .....	1,345,000	5.00	2.86†	159808AP9
2017.....	1,470,000	5.00	0.88	159808AD6	2028 .....	1,415,000	5.00	2.97†	159808AQ7
2018.....	1,510,000	5.00	1.16	159808AE4	2029 .....	115,000	5.00	3.07†	159808AR5
2019.....	1,575,000	5.00	1.43	159808AF1	2030 .....	120,000	5.00	3.15†	159808AS3
2020.....	1,635,000	5.00	1.66	159808AG9	2031 .....	125,000	5.00	3.21†	159808AT1
2021.....	1,700,000	5.00	1.95	159808AH7	2032 .....	135,000	5.00	3.27†	159808AU8
2022.....	1,765,000	5.00	2.16	159808AJ3	2033 .....	140,000	5.00	3.32†	159808AV6
2023.....	1,855,000	5.00	2.30	159808AK0	2034 .....	150,000	4.00	4.00	159808AW4
2024.....	1,160,000	5.00	2.47†	159808AL8					

**\$485,000 4.00% Term Bonds due July 15, 2037 Yield 4.13% CUSIP: 159808AZ7**

**\$565,000 4.125% Term Bonds due July 15, 2040 Yield 4.20% CUSIP: 159808BC7**

**\$650,000 4.125% Term Bonds due July 15, 2043 Yield 4.24% CUSIP: 159808BF0**

**\$3,700,000**  
**County Commissioners of Charles County**  
**Consolidated Public Improvement Bonds of 2013 (Taxable)**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS**

<u>Maturing July 15</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>	<u>Maturing July 15</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>
2014.....	\$220,000	3.00%	0.50%	159808BG8	2022 .....	\$245,000	3.00%	2.80%	159808BQ6
2015.....	225,000	3.00	0.75	159808BH6	2023 .....	250,000	3.00	3.00	159808BR4
2016.....	225,000	3.00	1.00	159808BJ2	2024 .....	260,000	3.25	3.25	159808BS2
2017.....	230,000	3.00	1.25	159808BK9	2025 .....	265,000	3.45	3.45	159808BT0
2018.....	230,000	3.00	1.60	159808BL7	2026 .....	270,000	3.65	3.65	159808BU7
2019.....	235,000	3.00	1.90	159808BM5	2027 .....	280,000	3.85	3.85	159808BV5
2020.....	235,000	3.00	2.25	159808BN3	2028 .....	290,000	4.00	4.00	159808BW3
2021.....	240,000	3.00	2.55	159808BP8					

† Priced to call.

\* The interest rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on June 18, 2013 by J.P. Morgan Securities (Tax-Exempt Bonds) and Robert W. Baird & Co. (Taxable Bonds). The prices or yields shown above were furnished by the successful bidder for the Bonds. All other information concerning the terms of the reoffering of the Bonds should be obtained from the successful bidder, and not from the County. (See "SALE AT COMPETITIVE BIDDING".)

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# **COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**

## **CERTAIN ELECTED OFFICIALS**

### **County Commissioners**

Candice Quinn Kelly, President  
Reuben B. Collins, II, Esq., Vice President  
Ken Robinson  
Debra M. Davis, Esq.  
Bobby Rucci

### **Certain Administrative Officials**

Mark Belton, County Administrator  
Barbara L. Holtz, County Attorney  
Peter Aluotto, Director of Planning and Growth Management  
Deborah E. Hudson, CPA, Director of Fiscal and Administrative Services  
Eileen Minnick, Director of Community Services  
William A. Shreve, Sr., Director of Public Works  
Stephen A. Brayman, Director of Human Resources  
William D. Stephens, Director of Emergency Services  
Kwasi Holman, Director of Economic Development

**BOND COUNSEL**  
McGuireWoods LLP  
Baltimore, Maryland

**FINANCIAL ADVISOR**  
Davenport & Company LLC  
Towson, Maryland

**AUDITOR**  
SB & Company, LLC (SBC)  
Certified Public Accountants  
Hunt Valley, Maryland

**BOND REGISTRAR AND PAYING AGENT**  
Manufacturers and Traders Trust Company  
Baltimore, Maryland/Buffalo, New York

Requests for additional copies of this Official Statement or any questions regarding this Official Statement or the Bonds should be directed to Deborah E. Hudson, Director of Fiscal and Administrative Services, Government Building, La Plata, Maryland 20646, (301) 645-0570 or to A. Samuel Ketterman, at Davenport & Company LLC, 8600 LaSalle Road, Suite 324, Towson, Maryland 21286, (410) 296-9426.

No dealer, broker, salesman, or other person has been authorized by the County or the successful bidders to give any information or to make any representation in connection with the County or the Bonds other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the successful bidders. This Official Statement does not constitute an offer of any bonds, other than those described on the cover page, or an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale.

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**This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.**

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein.

## **SUMMARY OF OFFERING**

### **Issuer**

County Commissioners of Charles County, a body politic and corporate and a political subdivision of the State of Maryland.

### **Bonds**

County Commissioners of Charles County Consolidated Public Improvement Bonds of 2013 (Tax-Exempt), dated their date of initial delivery in the aggregate principal amount of \$24,500,000 (the “Tax-Exempt Bonds”).

County Commissioners of Charles County Consolidated Public Improvement Bonds of 2013 (Taxable), dated their date of initial delivery in the aggregate principal amount of \$3,700,000 (the “Taxable Bonds”).

The above described bonds (the “Bonds”) will be fully registered in denominations of \$5,000 or any integral multiple thereof.

### **Interest Payment Dates**

Semiannually on January 15 and July 15, commencing January 15, 2014, until maturity or earlier redemption.

### **Payment and Transfer**

The Bonds will initially be maintained under a book-entry only system. Principal and interest on the Bonds will be paid by the Paying Agent as described herein under the caption “THE BONDS – Payment and Transfer”. The Bonds may be registered, transferred, and assigned only on the registration books maintained by the Registrar as described herein under the caption “THE BONDS – Payment and Transfer”.

### **Redemption**

The Bonds that mature on or before July 15, 2023 are not subject to redemption prior to their stated maturities. The Bonds that mature on or after July 15, 2024 are subject to redemption at any time on or after July 15, 2023, as a whole or in part at the option of the County, at par plus accrued interest as described herein under the caption “THE BONDS – Redemption”.

### **Federal and Maryland Income Tax Exemption**

Information as to the tax status of the Bonds may be found in the section of this Official Statement captioned “LEGAL MATTERS – Tax Matters”.

### **Application of Proceeds**

The proceeds of the Tax-Exempt Bonds will generally be applied, together with funds from other sources, to finance certain public buildings, facilities, and grounds in the County. Significant projects include: renovations to Board of Education facilities (\$2,480,000); construction of a new High School (\$5,000,000); renovations and additions to College of Southern Maryland facilities (\$282,000); improvements to other various general government facilities (\$2,471,000); various road, sidewalk and drainage system projects (\$6,567,000); various park projects (\$500,000); stormwater projects (\$1,700,000); and water and sewer projects, including implementing an automation and technology plan and upgrades to sewer treatment plants (\$5,500,000).

The proceeds of the Taxable Bonds will be applied to finance the construction of a road and a pump station for the St. Charles Companies (SCC).

### **Security**

The Bonds will be general obligations of the County to the payment of which the full faith and credit of the County are pledged.

### **Payment Record**

The County has not defaulted on the payment of the principal of or interest on any of its general obligation bonds or notes.

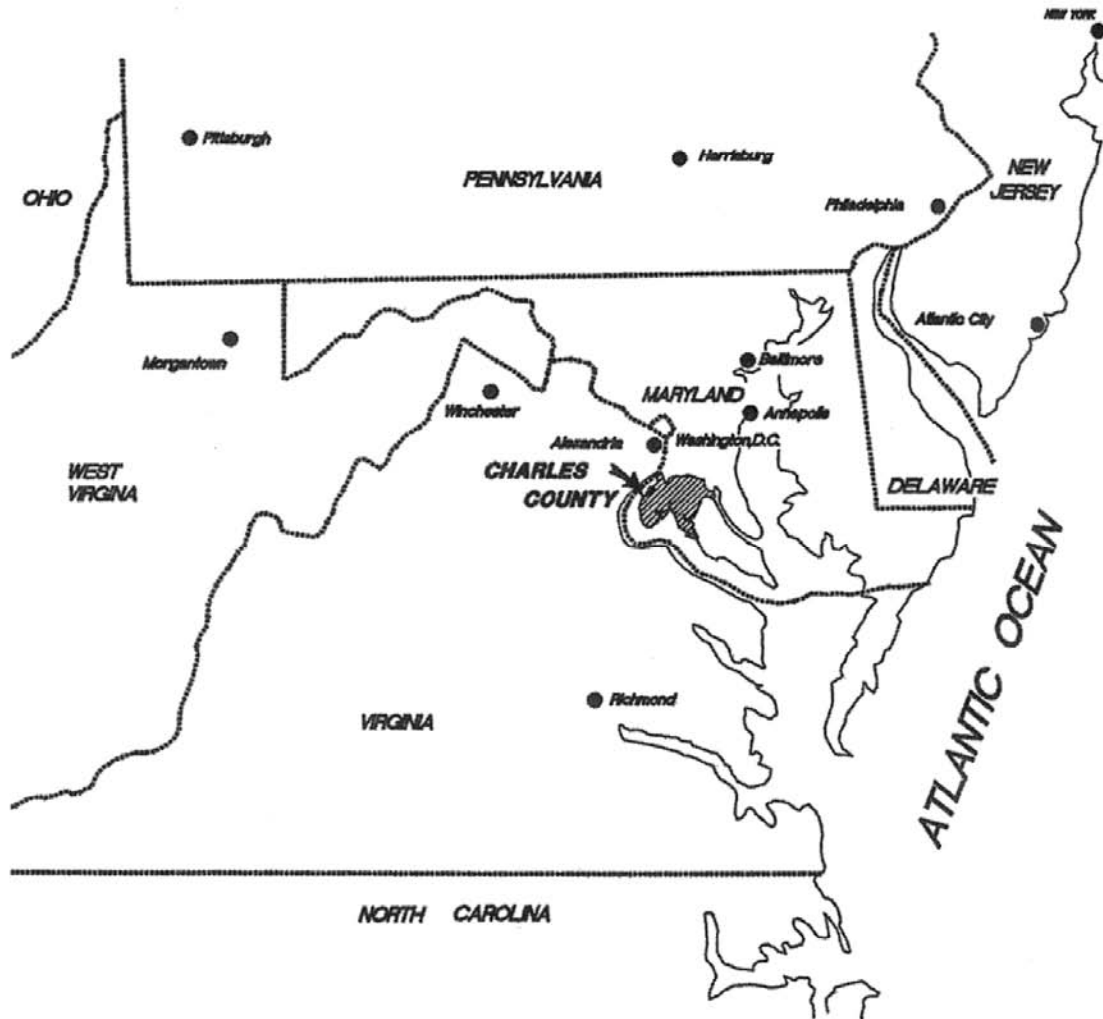
**THE FOREGOING INFORMATION IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED  
INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND POTENTIAL INVESTORS SHOULD REVIEW  
THE ENTIRE OFFICIAL STATEMENT**

## SUMMARY DATA

Population .....	151,148	(1)
Estimated Market Value of All Property (2013) .....	\$17,096,641,500	
County Tax Rate Per \$100 of Assessed Value as of July 1, 2013		
Real Property .....	\$1.205	(2)
Personal Property .....	\$3.0125	(3)
Portion of 2011-2012 Levy Collected as of June 30, 2012		
Amount .....	\$190,062,217	(4)
Percentage .....	99.63%	
Total Direct Debt (after issuance).....	\$342,381,953	(5)
Less: Self Supporting Debt:		
Water & Sewer Bonds .....	\$77,792,194	
Hospital Bonds.....	5,799,714	
Nursing Home Bonds .....	532,418	
Landfill Fund .....	15,069	
Environmental Service Fund .....	5,748,468	
Inspection & Review Fund .....	21,425	
Recreation Fund .....	607,687	
Capital Project Fund .....	3,667	
Fair Share Excise Tax Bonds.....	40,595,000	
St. Charles Companies Taxable Bonds.....	30,354,250	
College of Southern Maryland.....	536,682	
Southern Maryland Sports & Entertainment Complex.....	<u>6,795,115</u>	
Net Direct Debt (after Issuance) .....	\$173,580,264	
Ratio of Direct Debt to Estimated Market Value .....	1.02%	
Per Capita Net Direct Debt (after Issuance) .....	\$1,148.41	

- (1) Based on U.S. Census 2010 data for occupied housing units, with new Charles County U & O permit data added to 2010 number.  
(2) Includes \$0.064 County-wide levy for fire and rescue services.  
(3) Includes \$0.16 County-wide levy for fire and rescue services.  
(4) Net of low income tax credits.  
(5) Includes County Commissioners of Charles County Refunding Bonds of 2013.

# ***CHARLES COUNTY LOCATION MAP***



**PREPARED BY THE CHARLES COUNTY DEPARTMENT  
OF PLANNING AND GROWTH MANAGEMENT-MAPPING**

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## **OFFICIAL STATEMENT**

**\$28,200,000**

**Charles County, Maryland  
General Obligation Bonds**

Consisting of

**\$24,500,000**

**County Commissioners of Charles County  
Consolidated Public Improvement Bonds of 2013 (Tax-Exempt)**

and

**\$3,700,000**

**County Commissioners of Charles County  
Consolidated Public Improvement Bonds of 2013 (Taxable)**

## **INTRODUCTION**

### **General**

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others who may become holders of any of \$24,500,000 Consolidated Public Improvement Bonds of 2013 (Tax-Exempt) (the “Tax-Exempt Bonds”) and \$3,700,000 Consolidated Public Improvement Bonds of 2013 (Taxable) (the “Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”) of the County Commissioners of Charles County (the “County”), a body politic and corporate and political subdivision of the State of Maryland (the “State”).

The information herein has been assembled from various sources, including County records, economic data supplied by the Charles County Department of Economic Development, the Maryland Department of Business and Economic Development, the Maryland Department of Health and Mental Hygiene and financial statements prepared by the County and audited by the County’s external auditors. Figures herein relating to tax collections, assessed value of property, and the financial position of the County have been taken from official records of the County.

### **The County**

Charles County, Maryland, located on the Southern Maryland Peninsula between the Patuxent and Potomac Rivers, adjoins Prince George’s County on the north and west and St. Mary’s County on the east. It comprises 502 square miles, of which 458 are land and 44 are water. There are three incorporated municipalities in the County, La Plata, Indian Head and Port Tobacco. La Plata, the County seat, is 71 miles from Baltimore and 32 miles from Washington, D.C.

The County is governed by the Board of County Commissioners of Charles County (the “Board”) consisting of five Commissioners who are elected for a four-year term. 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 four Commissioner members also run County-wide but one must reside within each of four Commissioner districts. The President serves on a full-time basis and the other Commissioners serve in a part-time capacity. The Board meets twice weekly at the Charles County Government Building in La Plata.

Other elected officials include four Resident Judges of the Circuit Court, Clerk of the Circuit Court, State’s Attorney, Sheriff, Register of Wills, Judges of the Orphans’ Court (3), and members of the County Board of Education (7).

On November 5, 2002, the voters of Charles County approved in the general election a change in the form of government to Code Home Rule, one of two forms of home rule for counties allowed under the Maryland Constitution. Under Code Home Rule, which became effective on January 3, 2003, the County retains powers it had as a commissioner county and is granted, by State law, almost all the powers of a charter county, except that no formal charter document is required.

The title “Commissioners” is retained and they remain the governing body. The primary impact is in the legislative arena, where more bills of purely local substance can now be enacted directly by the Commissioners, rather than having to gain enactment in the State legislature.

The County’s executive offices are located in the Government Building, La Plata, Maryland 20646. The County’s central telephone number is (301) 645-0550. The County’s Internet address is [www.charlescountymd.gov](http://www.charlescountymd.gov).

All references in this Official Statement to the County’s Internet home page are provided for convenience only. The information on the County’s Internet home page is not incorporated herein, by reference or otherwise.

## **THE BONDS**

### **General**

The Bonds will initially be maintained under a book-entry only system; beneficial owners shall have no right to receive physical delivery of certificates representing their interest in the Bonds. The Bonds will be dated as of their date of initial delivery (the “Closing Date”). The Bonds will be issued in the respective aggregate principal amounts and will mature on July 15 in serial installments in the respective principal amounts set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable at the interest rates set forth on the inside front cover of this Official Statement semiannually on January 15 and July 15 of each year, commencing January 15, 2014, until maturity or earlier redemption, to the registered owners, as shown on the bond registration books maintained by the Registrar on the first day of the month in which such interest payment date occurs. Interest on the Bonds shall be calculated based on a 360-day year consisting of twelve 30-day months. Manufacturers and Traders Trust Company will act as bond registrar and paying agent for the Bonds (the “Registrar” and “Paying Agent”).

The Bonds will be valid and legally binding general obligations of the County to which its full faith and credit and unlimited taxing power will be pledged. (See “SECURITY FOR THE BONDS”).

### **Redemption**

#### *Optional Redemption*

The Bonds that mature on or before July 15, 2023 are not subject to redemption prior to their stated maturities. The Bonds that mature on or after July 15, 2024 are subject to redemption at any time on or after July 15, 2023, as a whole or in part, at the option of the County, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

### *Mandatory Sinking Fund Redemption*

The Tax-Exempt Bonds scheduled to mature on July 15, 2037, July 15, 2040 and July 15, 2043 are subject to redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date set for redemption from mandatory sinking fund installments on July 15 of the following years and in the following amounts:

#### Term Bonds Due July 15, 2037

<u>Year</u>	<u>Sinking Fund Installments</u>
2035	\$155,000
2036	\$160,000
2037*	\$170,000

\_\_\_\_\_  
\*maturity

#### Term Bonds Due July 15, 2040

<u>Year</u>	<u>Sinking Fund Installments</u>
2038	\$180,000
2039	\$190,000
2040*	\$195,000

\_\_\_\_\_  
\*maturity

#### Term Bonds Due July 15, 2043

<u>Year</u>	<u>Sinking Fund Installments</u>
2041	\$205,000
2042	\$215,000
2043*	\$230,000

\_\_\_\_\_  
\*maturity

### *Redemption Procedures*

If less than all of the Bonds shall be called for redemption, the particular series and maturities of the Bonds to be redeemed shall be selected by the County. If less than all of the Bonds of any one maturity within a series are called for redemption, the particular Bonds or portions of Bonds to be redeemed from such maturity shall be selected by lot by the Bond Registrar, except that so long as The Depository Trust Company (“DTC”) or its nominee is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate Bond in the selection by lot of Bonds to be redeemed.

When less than all of a Bond in a denomination in excess of \$5,000 is so redeemed, then, upon the surrender thereof, there shall be issued without charge to the registered owner thereof a Bond or Bonds of the same series in any of the authorized denominations as specified by the registered owner. The amount of the Bond or Bonds issued shall be equal to the unredeemed balance of the principal amount of the Bond surrendered, and the Bond or Bonds issued shall bear the same interest rate and shall mature on the same date as the Bond surrendered.

If the County elects to redeem all or a portion of the Bonds outstanding, it shall deliver a redemption notice to DTC not less than 30 days prior to the date fixed for redemption by a secure means as prescribed in the Bond Resolution. If the book-entry system is discontinued for the Bonds, the County shall give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Bonds to be

redeemed at their last addresses appearing on the registration books maintained by the Bond Registrar (the "Bond Register") not less than 30 days prior to the redemption date. Failure to deliver or mail any such notice with respect to a particular Bond or any defect in such notice, or in the delivery or mailing thereof, shall not affect the validity of the redemption proceedings.

From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the Bonds designated for redemption shall become due and payable at the redemption price provided for the redemption of such Bonds on such date, interest on the Bonds shall cease to accrue and the registered owners of such Bonds so called for redemption shall have no rights in respect thereof except to receive payment of the redemption price thereof from such monies held by the Paying Agent. Upon presentation for redemption in compliance with the redemption notice, the Bonds to be redeemed shall be paid by the Paying Agent at the redemption price. If they are not paid upon presentation, the Bonds designated for redemption shall continue to bear interest at the rates stated therein until paid.

### **Form and Denomination**

The Bonds will be issued in fully registered form without coupons and in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered as to principal and interest in the name of the owner in the Bond Register. No charge will be made to or fee imposed upon the holders of the Bonds by the Registrar in connection with its duties as Registrar for the Bonds. The County and the Paying Agent may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal thereof and interest due thereon and for all other purposes.

The Bonds of each series will be numbered from R-1 consecutively upward in the order of their maturity (or such other numbering which may be acceptable to the County as determined by the President of the County Commissioners), and will be of like tenor except as to maturity, principal amount, number and interest rate.

### **Payment and Transfer**

So long as the Bonds are maintained in book-entry only form, payment of the principal of and interest on the Bonds will be made as described below under "Book-Entry Only System." At any other time, the Bonds will be payable to the registered owners, in any lawful money of the United States of America at the time of payment, as to principal at the designated corporate trust office of the Paying Agent and as to interest by check mailed to the registered owners, as shown in the Bond Register on the fifteenth day of the month immediately preceding each interest payment date.

The Bonds will be transferable only upon the Bond Register, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof at the designated corporate trust office of the Registrar together with a written instrument of transfer in the form attached thereto or such other form as shall be satisfactory to the Registrar and duly executed by the registered owner or his duly authorized attorney.

Within a reasonable time after such surrender, the County will issue in the name of the transferee a new registered Bond or Bonds of the same series without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred and maturing on the same date and bearing interest at the same rate as such Bond. The new Bond or Bonds shall be delivered to the transferee or transferees only after payment of any required tax, fee or other governmental charge, shipping charges and insurance relating to such transfer and only after due authentication thereof by an authorized officer of the Registrar.

## **Application of Proceeds**

The proceeds of the Tax-Exempt Bonds will generally be applied, together with funds from other sources, to finance certain public buildings, facilities, and grounds in the County. Significant projects include: renovations to Board of Education facilities (\$2,480,000); construction of a new High School (\$5,000,000); renovations and additions to College of Southern Maryland facilities (\$282,000); improvements to other various general government facilities (\$2,471,000); various road, sidewalk and drainage system projects (\$6,567,000); various park projects (\$500,000); stormwater projects (\$1,700,000); and water and sewer projects, including implementing an automation and technology plan and upgrades to sewer treatment plants (\$5,500,000).

The proceeds of the Taxable Bonds will be applied to finance the construction of a road and a pump station for the St. Charles Companies (SCC).

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## **BOOK-ENTRY ONLY SYSTEM**

### **The Depository Trust Company**

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct or Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of the principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants and not of DTC (or its nominee), the Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County and the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

### **Book-Entry Only System–Miscellaneous**

The information in the section "Book-Entry Only System–The Depository Trust Company" has been obtained by the County from DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County, the Registrar nor the Paying Agent will have any responsibility or obligations to Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to Direct or Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that Direct or Indirect Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any notices to the Beneficial Owners, or that they will do so on a timely basis or that they will serve and act in the manner described in this Official Statement.

### **Termination of Book-Entry Only System**

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Registrar and such Bonds will be exchanged for certificated Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Registrar. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as hereinbefore described (See "THE BONDS").

## **SECURITY FOR THE BONDS**

### **Sources of Payment**

The principal sources of payment for the principal of the Bonds and the interest thereon are the general revenues of the County including ad valorem property taxes and income taxes.

By Resolution adopted by the Board on May 14, 2013 (the “Resolution”), the County has covenanted that it shall levy or cause to be levied, for each fiscal year during which any of the Bonds may be outstanding, ad valorem taxes upon all legally assessable property within its corporate limits in rate and amount sufficient, together with other available funds, to provide for the payment, when due, of the principal of and interest on the Bonds. The Resolution provides that the full faith and credit and unlimited taxing power of the County are irrevocably pledged to the prompt payment of the principal of and interest on the Bonds as and when such principal and interest respectively mature and to the levy and collection of the aforesaid taxes as and when such taxes become necessary in order provide sufficient funds to meet the debt service requirements of the Bonds.

### **Bondholders’ Remedies**

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds and the Resolution to the holders thereof and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of the County’s general obligation bonds, including the Bonds, ratably, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to the holders of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the applicable provisions of Federal bankruptcy laws or of other statutes that hereafter may be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

## **RATINGS**

Fitch Ratings, Moody’s Investors Service, Inc., and Standard & Poor’s, A Division of The McGraw-Hill Companies, Inc., have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. The County furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.



## LEGAL MATTERS

### Official Statement

All quotations, summaries and explanations in this Official Statement of State and County laws do not purport to be complete and reference is made to pertinent provisions of the same for complete statements. All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the County since the date as of which such information is stated or the date hereof. This Official Statement shall not be construed as part of any contract between the County and purchasers or holders of its Bonds. The County has been advised by McGuireWoods LLP, Baltimore, Maryland, Bond Counsel, in connection with legal statements contained in this Official Statement; however, Bond Counsel has not passed upon or assumed responsibility for the accuracy of the financial statements and economic data contained herein.

### Authority for the Bonds

The Bonds are issued pursuant to the provisions of Section 97-1 of the Code of Charles County (2001 Edition, as amended), Article 25B, Sections 14 through 21, inclusive, of the Annotated Code of Maryland (2011 Replacement Volume), Bill No. 2013-05, Article 24, Section 9-10B-01 of the Annotated Code of Maryland (2012 Supplement) and Ordinance 02-97, as amended by Ordinance No. 03-04. The County has authorized the issuance, sale and delivery of the Bonds by adoption of the Resolution, as supplemented.

### Tax Matters

#### *Tax-Exempt Bonds*

*Opinion of Bond Counsel – Federal Income Tax Status of Interest.* In the opinion of Bond Counsel, under existing law, the interest on the Tax-Exempt Bonds (a) is excludable from gross income of the owners thereof for Federal income tax purposes, and (b) is not an enumerated item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations.

Bond Counsel will express no opinion regarding other Federal tax consequences arising with respect to the Tax-Exempt Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Tax-Exempt Bonds for Federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the County or about future changes in the Internal Revenue Code of 1986, as amended (the "Code"), the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The County has covenanted, however, to comply with the requirements of the Code.

*Reliance and Assumptions; Effect of Certain Changes.* In delivering its opinion regarding the Tax-Exempt Bonds, Bond Counsel is relying upon certifications of representatives of the County as to facts material to the opinion, which Bond Counsel has not independently verified. In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Tax-Exempt Bonds in order for interest on the Tax-Exempt Bonds to be and remain excludable from gross income for purposes of Federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Tax-Exempt Bonds and the use of the property financed or refinanced by the Tax-Exempt Bonds, limitations on the source of the payment of and the security for the Tax-Exempt Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Tax-Exempt Bonds to the U.S. Department of the Treasury ("Treasury"). The Non-Arbitrage Certificate and Tax Covenants executed and delivered by the County on the date of delivery of the Tax-Exempt Bonds (the "Tax Agreement") contains covenants (the "Covenants") under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Tax-Exempt Bonds to become includable in gross income for Federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Tax-Exempt Bonds from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Tax-Exempt Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

*Certain Collateral Federal Tax Consequences.* The following is a brief discussion of certain collateral Federal income tax matters with respect to the Tax-Exempt Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Tax-Exempt Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning or disposing of the Tax-Exempt Bonds.

Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Tax-Exempt Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made after March 31, 2007 to any Tax-Exempt Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Tax-Exempt Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on Federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for Federal tax purposes or any other Federal tax consequence of purchasing, holding or selling tax-exempt obligations.

*Original Issue Discount.* The "original issue discount" ("OID") on any Tax-Exempt Bond is the excess of such Tax-Exempt Bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such Tax-Exempt Bond. The "issue price" of a Tax-Exempt Bond is the initial offering price to the public at which price a substantial amount of the Tax-Exempt Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Tax-Exempt Bonds is expected to be the initial public offering price set forth on the inside front cover of this Official Statement, but is subject to change based on actual sales. OID on the Tax-Exempt Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of Federal and Maryland income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral Federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral Federal and state income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for Federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for Federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for Federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

*Bond Premium.* In general, if an owner acquires a Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Tax-Exempt Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and the amortization of bond premium on, Premium Bonds.

*Possible Legislative or Regulatory Action.* Legislation and regulations affecting Tax-Exempt Bonds are continually being considered by the United States Congress, the Treasury and the IRS. In addition, the IRS has established an expanded audit and enforcement program for Tax-Exempt Bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the Tax-Exempt Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the Tax-Exempt Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the Tax-Exempt Bonds or on the economic value of the tax-exempt status of the interest thereon.

*Opinion of Bond Counsel – State Tax Exemption.* In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest payable on the Tax-Exempt Bonds is exempt from taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Tax-Exempt Bonds or the interest thereon.

Interest on the Tax-Exempt Bonds may be subject to state and local taxes in jurisdictions other than the State of Maryland under applicable state or local laws. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the taxable status of the Tax-Exempt Bonds in a particular state or local jurisdiction other than the State of Maryland.

#### *Taxable Bonds*

*Opinion of Bond Counsel – Federal Income Tax Status of Interest.* In the opinion of Bond Counsel, under existing law, the interest on the Taxable Bonds is includable in gross income of the owners thereof for Federal income tax purposes.

*Summary.* The following is a summary of certain of the United States Federal income tax consequences of the ownership of the Taxable Bonds as of the date hereof. Each prospective purchaser of the Taxable Bonds should consult with its own tax advisor regarding the application of United States Federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury Department regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Taxable Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's own tax advisor. For example, it generally is addressed only to original purchasers of the Taxable Bonds that are "U.S. holders" (as defined below), deals only with Taxable Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold Taxable Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of Taxable Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Taxable Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Taxable Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury Department regulations), an estate the income of which is subject to United States Federal income taxation regardless of its source or a

trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

*Tax Status of the Taxable Bonds.* The Taxable Bonds will be treated, for Federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the Taxable Bonds that allocate a basis in the Taxable Bonds that is greater than the principal amount of the Taxable Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the Taxable Bonds for an amount that is less than the principal amount of the Taxable Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Taxable Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

*Sale and Exchange of Taxable Bonds.* Upon a sale or exchange of a Taxable Bond, an owner generally will recognize gain or loss on the Taxable Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such Taxable Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Taxable Bond not yet taken into income will be ordinary). The adjusted basis of the owner in a Taxable Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includable in the gross income of the owner with respect to the Taxable Bonds and decreased by any principal payments received on the Taxable Bond. In general, if the Taxable Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

*Medicare Tax.* For taxable years beginning after December 31, 2012, an additional 3.8% tax will be imposed on the "net investment income" of certain individuals, estates and trusts that have "modified adjusted gross income" above a certain threshold. Net investment income includes, but is not limited to, interest on a Taxable Bond and gains from the disposition of a Taxable Bond. Prospective investors should consult their tax advisors regarding the possible applicability of this tax to an investment in the Taxable Bonds.

*Defeasance.* Defeasance of any Taxable Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Taxable Bond.

*Foreign Investors.* Distributions of the Taxable Bonds to a non-U.S. holder that has no connection with the United States other than holding its Taxable Bond generally will be made free of withholding tax, as long as that the non-U.S. holder has complied with certain tax identification and certification requirements.

*Circular 230.* Under 31 C.F.R. part 10, the regulations governing practice before the Internal Revenue Service (Circular 230), the County and its tax advisors are (or may be) required to inform you that (i) any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice is written to support the promotion or marketing of the Taxable Bonds and the transactions described herein (or in such opinion or other advice); and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

*Opinion of Bond Counsel – State Tax Exemption.* In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Taxable Bonds is exempt from taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Taxable Bonds or the interest thereon. Interest on the Taxable Bonds may be subject to state and local taxes in jurisdictions other than the State of Maryland under applicable state or local laws. Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the taxable status of the Taxable Bonds in a particular state or local jurisdiction other than the State of Maryland.

## **Legality of the Bonds**

The authorization, sale, issuance and delivery of the Bonds will be subject to legal approval by McGuireWoods LLP, of Baltimore, Maryland, Bond Counsel, and a copy of their unqualified approving legal opinion will be delivered upon request, without charge, to the successful bidder for the Bonds. Such opinion will be substantially in the form of the draft opinion attached to this Official Statement as Appendix B.

## **Litigation**

In the opinion of the County Attorney, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending (service of process of which has been made on the County) or, to the knowledge of the County, threatened, seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds or the Resolution or the performance by the County of any of its obligations thereunder.

## **CONTINUING DISCLOSURE UNDERTAKING**

In order to enable participating underwriters (as defined in Rule 15c2-12 of the Securities and Exchange Commission) to comply with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), the County will execute and deliver a continuing disclosure agreement (the “Continuing Disclosure Agreement”) on or before the date of issuance and delivery of the Bonds. The County has not failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

Pursuant to the Continuing Disclosure Agreement, among other things, the County will agree to provide, directly or through an intermediary, (i) to the Municipal Securities Rulemaking Board (“MSRB”) in an electronic format prescribed by the MSRB, (A) annual financial information and operating data regarding (1) General Fund Statement of Actual Operating Revenues and Expenditures; (2) Water and Sewer Enterprise Fund Statement of Actual Revenues and Expenses; (3) Assessed and Estimated Market Value of All Property Classes; and (4) Tax Levies and Collections (General County Only, Including Education); such information to be made available within 275 days after the end of the County’s fiscal year, commencing with the fiscal year ending June 30, 2013, and (B) annual audited financial statements for the County, such information to be made available within 275 days after the end of the County’s fiscal year, commencing with the fiscal year ending June 30, 2013, unless the audited financial statements are not available on or before such date, in which event unaudited financial statements will be provided by such date and audited financial statements will be provided promptly when and if available; (ii) in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB in an electronic format prescribed by the MSRB, notice of the occurrence with respect to the Bonds of any of the Reportable Events (described below); and (iii) in a timely manner, to the MSRB in an electronic format prescribed by the MSRB, directly or through an intermediary, notice of a failure by the County to provide the required annual financial information and operating data within the applicable time periods specified in clauses (i)(A) and (i)(B) above. Reportable Events shall be defined as (i) principal and interest payment delinquencies; (ii) non payment related defaults, if material; (iii) unscheduled draws on debt service

reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of bond holders, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the obligated person; (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee, or the change of name of a trustee, if material. The definition of Reportable Events is intended to include all of the fourteen events specified in SEC Rule 15c2-12. It is noted that certain Reportable Events are expected to have no applicability to the Bonds, such as events relating to debt service reserves, credit enhancements and liquidity providers, and property or other collateral.

The County reserves the right to terminate its obligation to provide annual financial information and notices of Reportable Events, if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of Rule 15c2-12. The Continuing Disclosure Agreement will provide that the County may provide further or additional assurances that will become part of the Continuing Disclosure Agreement. In addition, the Continuing Disclosure Agreement may be amended by the County in its discretion provided that (i)(A) the amendment is being made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County as the obligated person with respect to the Bonds, or type of business conducted; (B) the Continuing Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and (C) the amendment does not materially impair the interests of the owners of the Bonds (including beneficial owners), as determined either by bond counsel, or by an approving vote of the holders of at least 25% of the outstanding principal amount of the Bonds, or (ii) the County receives an opinion of nationally recognized bond counsel to the effect that such amendment is permitted or required by Rule 15c2-12. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information provided will be explained in narrative form in information provided with the annual financial information containing the additional or amended operating data or financial information.

The Continuing Disclosure Agreement, and any claim made with respect to the performance by the County of its obligations thereunder, shall be governed by, subject to, and construed according to, applicable Federal securities law and the laws of the State of Maryland. The Continuing Disclosure Agreement shall provide that the County shall be given written notice of any claimed failure by the County to perform its obligations under the Continuing Disclosure Agreement, and the County shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any claimed failure by the County must be filed in the Circuit Court for Charles County, Maryland, and any party maintaining such suit or other proceeding shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the Director of Fiscal and Administrative Services, Government Building, La Plata, Maryland 20646, or at such alternate address as shall be specified by the County in accordance with the Continuing Disclosure Agreement.

The Continuing Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds. Any breach or default by the County under the Continuing Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

The foregoing is a summary of certain provisions of the Continuing Disclosure Agreement. It is not a complete recital of the terms of the Continuing Disclosure Agreement, and reference should be made to the Continuing Disclosure Agreement for a complete statement of its terms. A copy of the Continuing Disclosure Agreement may be obtained from the Director of Fiscal and Administrative Services, Government Building, La Plata, Maryland 20646, (301) 645-0570.

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## COUNTY GOVERNMENT AND ADMINISTRATION

### Charles County Governmental Organization

#### Voters

#### Board of County Commissioners

#### COUNTY ADMINISTRATOR (APPOINTED/DESIGNATED)

##### Department

Public Works  
Fiscal and Administrative Services  
Planning and Growth Management  
Community Services  
County Attorney  
Emergency Services  
Human Resources  
Economic Development

#### AGENCIES (Varying Degrees of State and County Control)

Sheriff (Police Services)  
Detention Center  
Public Schools  
College of Southern Maryland  
Health  
Libraries  
Social Services  
State's Attorney  
Circuit Court  
Orphan's Court  
Supervisor of Elections

### County Commissioners

*Candice Quinn Kelly* – President, County Commissioner. President Candice Quinn Kelly is a business owner, entrepreneur, elected official, community leader, and volunteer. Prior to her being elected to her current term on the Board of Commissioners, she was appointed by the Governor to fill a vacancy on the Board from 2005 until the end of 2006. Commissioner Kelly has more than 25 years of executive and administrative experience in the field of business. Before retiring in 2010, Commissioner Kelly owned a homeowner association management firm which was recognized with a Leading Edge Award as the Charles County Technology Company of the Year and is one of 140 nationally recognized, certified management firms in the country. She is currently the owner of a small women's boutique in La Plata. In addition to her business pursuits, Commissioner Kelly was the former Executive Director of Catholic Charities Angel's Watch Shelter for Homeless Women and Children, and she served as a community organizer for Southern Maryland Area Self Help (SMASH). Named Philanthropist of the Year in 2009 by the Community Foundation of Charles County, the Charles County Commission for Women recognized her with a Lifetime Achievement Award for outstanding community service. Commissioner Kelly has served on the Charles County Library Board of Trustees, College of Southern Maryland Foundation Board of Directors, and Southern Maryland Women's League Foundation, Inc. Commissioner Kelly has been elected Secretary/Treasurer of the Board of Directors of Washington Council of Governments (COG). She was also elected 1<sup>st</sup> Vice President of the Board of Directors of Tri-County Council of Southern Maryland and is a member of the Board of Directors of Maryland Association of Counties (MACo). She is a member of the Fourth and Fifth District Democratic Club, Western Charles County Democratic Club; Northern Charles County Democratic Club; United Democratic Women's Clubs of Maryland, Southern Maryland Women's League, and the Charles County Garden Club. Commissioner Kelly is the County Commissioner representative on the Civista Board of Trustees, Maryland Association of Counties Legislative Committee (MACo), Area Council on Aging, COMREL (Naval Support Activity South Potomac Civilian-Military Community Relations Council, College of Southern Maryland (CSM) Advisory Board, and the Charles County Scholarship Fund. A graduate of the Institute of Notre Dame High School in Baltimore, Maryland, Commissioner Kelly has a Bachelors of Arts degree in Communication Studies from the University of Maryland, University College.

*Reuben B. Collins, II, Esq.* – Vice President, County Commissioner, was elected in November 2006. He is a lifelong resident of Charles County, raised in Bryans Road. He attended and graduated from Charles County public schools, earned his B.A. degree in Political Science from Fisk University in Nashville, Tennessee, then went on to earn his law degree from the District of Columbia School of Law. Commissioner Collins currently practices law in La Plata, Maryland. Commissioner Collins is licensed to practice law in Maryland, New Jersey, and the District of Columbia, as well as in several courts that are part of the federal circuit. Prior to his election as County Commissioner in 2006, his involvement in government, civic, and public affairs began more than 23 years ago as a participant in a tutoring program sponsored by Metropolitan United Methodist Church in Pomonkey. Since then, Commissioner Collins has been involved in many community and civic organizations. He is president and founder of the Black Leadership Council for Excellence; former board member, United Way of Charles County; chairman and founder, Akoben Political Action Committee; member, American Bar, D.C. Bar, Maryland State Bar, Salome Howard Bar and Charles County Bar Associations; member, Metropolitan Washington Employment Lawyers Association; past board member, Charles County Economic Development Commission; chief counsel, The Working Men Associated Enterprises; board member, Charles County Club, Kiwanis International, and Kappa Alpha Psi, Fraternity, Inc.; and member, Charles County Redistricting Committee for the 2000 Census. Commissioner Collins is the County Commissioner representative on the Charles County Chamber of Commerce Transportation Committee, Commission to Study Southern Maryland Transportation Needs, The Transportation Planning Board, and Tri-County Council's Veterans Regional Advisory Committee.

*Ken Robinson* – County Commissioner, was elected in November 2010. He is the Principal of Potomac View Communications (PVC), LLC. Founded in 1995, PVC is a firm specializing in the fields of public relations, multimedia content, Internet-delivered distance education, and video production. A resident of Swan Point, Commissioner Robinson served as president of the Swan Point Property Owners Association from 2004 through 2009. Commissioner Robinson was creator, producer, and host of the nationally syndicated radio program "The Travel Minute." This program aired on more than 200 radio stations throughout the nation between 1995 and 2001. He traveled extensively for this series and possesses expertise in the areas of hospitality and aviation. Serving for 12 years as a producer and correspondent for the United Press International (UPI) Radio Network, Commissioner Robinson was involved in almost every major news story of the 1980's and early 1990's. He covered major stories such as the superpower summits of the 1980's (serving as on-site producer in Iceland and Malta), political campaigns and conventions, space launches (including the Challenger disaster), and day-to-day coverage of the White House and Capitol Hill. In addition, he served as network radio pool producer for the weekly radio addresses of both Presidents Reagan and Clinton. From 1993-1998, Commissioner Robinson coordinated media projects for The George Washington University's (GWU) International Institute of Tourism Studies. Project highlights include the production of an educational video series on tourism and the environment. Also, Commissioner Robinson has guest lectured at several colleges and universities, including GWU, on media applications in tourism. Commissioner Robinson is the County Commissioner representative on the Chesapeake Bay Critical Area Commission, Lower Potomac River Tributary Team, Metropolitan Washington Air Quality Committee, Southern Maryland Agricultural Development commission, and the Patuxent River Commission. Commissioner Robinson served on the Charles County Board of Zoning and Appeals from 2008 to 2010, when he was elected Charles County Commissioner for District 1.

*Debra M. Davis, Esq.* – County Commissioner, was elected in November 2010. She was raised in Upper Marlboro, Maryland. She earned a Bachelor of Science degree in Criminology from the University of Maryland in College Park and a Juris Doctorate from the University of Baltimore's School of Law. Commissioner Davis has been practicing law for the past 16 years. She is a civil litigator who practices law in her own firm, the Law Office of Debra M. Davis, in Upper Marlboro. She is licensed to practice law in the State of Maryland and the District of Columbia as well as the United States District Courts of Maryland and the United States District Court for the District of Columbia. Prior to her entry into politics, she was a leader for many years in government and civic organizations. She was appointed by Governor O'Malley to the Real Property Tax Assessment Appeals Board for Charles County in 2009, and in 2008 to the Maryland

Commission on African American History & Culture. Commissioner Davis served as the president of the J. Franklyn Bourne Bar Association. She is a member of the American Bar Association, Maryland State Bar Association, Prince George's County Bar Association, the J. Franklyn Bourne Bar Association, Salome A. Howard Bar Association, and Kiwanis International. She is a 2009 graduate of Leadership Southern Maryland, a 1999 Maryland State Bar Association Leadership Fellow, a member of Charles County African American Heritage Society, LLC, and served on the African American Leadership Summit for the U.S. Congress in 2004. Commissioner Davis will serve as president of the Prince George's County Bar Association, an organization of more than 1,200 lawyers and judges who live and or practice law in Prince George's County. She has received numerous awards and commendations, including the NAACP Foot Soldiers Award for outstanding community service, the J. Franklyn Bourne Bar Association Legal Excellence Award, and the President's Award. Commissioner Davis is the County Commissioner representative on the Charles County Commuter Ferry Stakeholders Group, Charles County Economic Development Executive Board, Blue Ribbon Commission on Diversity & Intergroup Relations, Tourism Advisory Board, and the Charles County Unity in OUR Community Diversity Forum Planning Committee.

*Bobby Rucci* – County Commissioner, was elected in November 2010. He is a longtime Charles County resident, a REALTOR®, and the owner of two businesses in Charles County. Commissioner Rucci is also on the Board of Directors of the Charles County Crime Solvers, a member of the La Plata Rotary, and a member of the Charles County Chamber of Commerce. Commissioner Rucci is the County Commissioner representative on the Board of Fire & Rescue Commissioners, and the Fire/EMS Scholarship Committee. Commissioner Rucci is a supporter of Hospice of Charles County, the Greater Waldorf Jaycees, Angels' Watch Shelter, Civista Health Foundation, Lions Camp Merrick, The Southern Maryland Woman's League, ZONTA, and the Charles County Humane Society.

### **Appointed Officials**

*Mark Belton*, Appointed County Administrator in December 2012. Mr. Belton is responsible to the County Commissioners for the day-to-day operations of County Government; assuring County Commissioners' assignments are conducted thoroughly, efficiently and in accordance with Commissioner directives; administering the various functions of government in accordance with laws, policies and procedures promulgated by the County Commissioners; preparing policy recommendations for Commissioners' approval; approving the weekly meeting agenda of the County Commissioners; assisting the Commissioners in establishing long and short range goals and objectives for the County; maintaining liaison and coordinating efforts with other State, Federal, County and non-profit agencies; and supervising and evaluating department heads. Mr. Belton has more than 29 years of organizational leadership experience. Appointed to the Queen Anne's County, Maryland Board of Education in 1992, he was elected to the Queen Anne's County Board of County Commissioners in 1994 and served as President of that governing body. Subsequent positions held by Mr. Belton include Executive Director for Pride of Baltimore, Inc.; County Administrator for Queen Anne's County, Maryland; and Assistant Secretary for Management Services for the Maryland State Department of Natural Resources. His most recent position in local government was as County Administrator for Page County, Virginia from January 2005 through December 2012. Mr. Belton's civilian career is complemented with service in the United States Navy. A member of the Navy's reserve component, he has held command and staff positions of increasing size and scope and currently holds the rank of Rear Admiral (O8). He was recalled to active duty in 2009-2010 serving at the U.S. Embassy in Baghdad as the Multi-National Force liaison to the Iraqi Ministries of Oil and Electricity. He currently commands the Navy Expeditionary Logistics Support Group headquartered in Williamsburg, VA.

*Barbara L. Holtz* – appointed County Attorney for Charles County in October 2011. She graduated with a Bachelor of Arts degree from the University of Maryland in 1967 and was awarded a Juris Doctor from the University of Maryland School of Law in 1970. She has been a member of the Maryland Bar since 1970. She worked from 1970 to 1975 as Director of the Judiciary Office and Assistant to the Chancellor at the University of Maryland, College Park. In 1975, she began a 30 year career for the Prince George's County, Maryland government, serving as Associate County Attorney, Deputy County Attorney,

and County Attorney. She also worked as Deputy Chief Administrative Officer for Government Operations in the Office of the County Executive and County Council Administrator.

*Peter Aluotto*- appointed Director of the Planning & Growth Management Department on October 3, 2011. Mr. Aluotto is the former director of Planning & Growth Management for Hillsborough County, Florida, a county of 1.2 million residents. In this role, he directed the planning, development services, building permitting and inspections, and administrative services divisions, and was responsible for all aspects of planning and development approvals. Prior to his years of service in Hillsborough County, he served as the director of Planning and Zoning in Escambia County, Florida, director of Development Services in Daytona Beach, Florida, and executive director of the Community Redevelopment Agency in the City of Pinellas Park, Florida. In total, Mr. Aluotto has more than 30 years of experience in comprehensive planning, economic development, and redevelopment. Mr. Aluotto holds Master of Urban Planning and Master of Public Administration degrees from the University of Southern California, in addition to a Bachelor of Arts degree in Political Science from Seton Hall University in New Jersey.

*Deborah E. Hudson, CPA* – appointed Director of Fiscal and Administrative Services on October 29, 2007, holds a Master's in Business Administration and a Bachelor's of Science from the University of Baltimore. Ms. Hudson graduated Magna Cum Laude and received her Certificate of Public Accounting (CPA) in 1992. Prior to Ms. Hudson's experience in government; she worked in the public accounting industry. In addition to her public accounting background, Ms. Hudson possesses over 15 years experience in Governmental Accounting and Finance. She manages the Information Technology, Treasury, Budget, Accounting and Purchasing Divisions and is responsible for the day to day fiscal operations of the County. In addition, Ms. Hudson participates in the Charles County Retirement Plan Committee (vice-chair), the Sheriff's Office Retirement Plan Committee, the Length of Service Award Program for Volunteer firefighters, and the Sheriff's Office Disability Review Board. Ms. Hudson is an active member in the Governmental Finance Officers Association and the Maryland Association of Certified Public Accountants (MACPA). Ms. Hudson is past President and Treasurer of the Southern Maryland Chapter of the MACPA and has held the position of President twice.

*Eileen Minnick* – appointed Director of Community Services in May 2011, Ms. Minnick has worked for over 20 years in County Government. Ms. Minnick began her service with Charles County Government in the Department of Community Services Recreation Division, was later promoted to Community Centers Supervisor and from 2000-2010 held the position of Chief of Recreation. Prior to her appointment, she served as the Acting Director of the Department of Community Services from 2010-2011. Ms. Minnick serves on various boards and committees, including the Council of Governments (C.O.G) Housing Directors Authority Board, United Way of Charles County Board of Directors, and the Special Olympics Committee.

*William A. Shreve, Sr.* – appointed Director of Utilities in July 2008 and Director of Public Works in July 2010 when Utilities and Facilities merged. Mr. Shreve has over 35 years of experience in all aspects of operating, directing and managing public utilities in Baltimore City, Anne Arundel County, St. Mary's County and Maryland Environmental Service's Southern Region. His experience in Public Administration includes managing operations and maintenance functions, administering regulatory compliance programs, and preparing and utilizing budgets to manage annual Operating and Capital Improvement costs. He has been appointed by Maryland's Governor and confirmed by the Senate to serve on the state's Board of Certification for Water and Waste System Operators; he is the current Chair for this Board and also chairs the State's Training Review and Evaluation Committee. He served on and worked with the boards of several local and regional Professional Associations as well as environmental and community activist groups.

*Stephen A. Brayman* – appointed Director of Human Resources in August 2006. Mr. Brayman holds a Bachelor of Arts degree in Economics and a Master of Education degree in Industrial Technology, both from the University of Maryland at College Park. Mr. Brayman has over 32 years of local government experience in Maryland, 12 years of concurrent service on the College Park City Council, the last eight of which as the mayor. Mr. Brayman remains actively involved in his community, and is currently a volunteer member of the Board of Directors for the College Park City-University Partnership.

*William D. Stephens* – appointed Director of Emergency Services in November 2008. Mr. Stephens public safety career began 22 years ago with the City of Myrtle Beach, South Carolina where he served as the city's Risk & Emergency Manager. During his career Mr. Stephens has directed response and recovery operations to a wide range of major disasters including Hurricane Hugo in 1989, and provided professional technical recovery assistance to the Dade County, and the City of Homestead in Florida following Hurricane Andrew in 1992. Mr. Stephens serves on a number of regional, statewide and federal Homeland Security committees and is a member of the International Association of Emergency Managers. Mr. Stephens is a graduate of Durham Community College with an Associates Degree in Business Administration.

*Kwasi Holman* – appointed Director of Economic Development in July 2012. Mr. Holman has more than 30 years of economic development, banking, small business turnaround, legislative affairs, policy analysis, and marketing experience. From 2004-2011, Mr. Holman was President and CEO of the Prince George's County Economic Development Corporation (PGEDC). Prior to his employment with PGEDC, Mr. Holman was President and CEO of the New York Avenue Development Corporation; Executive Vice-President of the District of Columbia Chamber of Commerce; Executive Director of the Ellington Fund; Senior Vice-President of the National Bank of Washington; and Executive Director of the District of Columbia Office of Business and Economic Development. As a principal of The Holman Group, Mr. Holman provides strategic advice to clients on a range of economic development projects and strategies. Mr. Holman currently serves as a Board Member of The Community Foundation of Prince George's County. He is a Past President of the Maryland Economic Development Corporation. Mr. Holman holds a Juris Doctor degree from Howard University School of Law, a Bachelor of Arts degree from Wesleyan University, and a certificate in Principles of Fundraising from The Fundraising School of the Center for Philanthropy at Indiana University.

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## Remuneration of Certain Officials

The following table sets forth the current annual remuneration to be paid to certain County officials effective January 1, 2013.

<u>Official Title</u>	<u>Salary by Law(1)</u>	<u>Salary(1)</u>
President, County Commissioners.....	\$58,000	
Member, Board of County Commissioners .....	48,000	
County Administrator .....		\$170,000
County Attorney .....		165,009
Director of Planning and Growth Management .....		138,664
Director of Fiscal and Administrative Services .....		149,526
Director of Community Services.....		124,858
Director of Public Works .....		129,987
Director of Human Resources .....		134,608
Director of Emergency Services.....		126,477
Director of Economic Development.....		142,018

(1) Remuneration does not include fringe benefits.

Source: Charles County Department of Fiscal and Administrative Services.

## Pension and Retirement Programs

*General County Employees.* The County provides retirement benefits for general employees (non-public safety and public safety) through a defined benefit pension plan under a group annuity contract with Prudential Retirement. A non-public safety participant may retire at normal retirement at age 60 with 20 years of service or age 62 with at least 5 years of service. There is an early retirement provision whereby a participant who is at least 52 years of age with at least 5 years of service is eligible for retirement, but would incur a reduction in their annuity benefit. The annuity benefit payable to a retiring participant is the average of the highest 3 consecutive rates of annual earnings of the last 10 years before retirement for each year of credited service. Credited Service is calculated at the rate of 1.5% for each of the first 5 years of eligible employment; 1.75% for each of the next 5 years of eligible employment; 2.0% for years 11 through 15, 2.25% for years 16 through 20 and 2.5% for all years in excess of 20 with a maximum benefit of 65%.

A public safety participant's normal retirement date is the earlier of: (1) the participant's 60<sup>th</sup> birthday or (2) the later of: (a) the date the participant completes 25 years of service or (b) the date the participant ceases employment. The annuity benefit payable to a retiring participant is the average of the highest 3 consecutive rates of annual earnings of the last 10 years before retirement for each year of credited service. Credited service is calculated at the rate of 2% for all years of service with a maximum benefit of 75%.

The plan provides a surviving spouse and death benefit for all eligible participants and a disability benefit for only public safety participants. Beginning January 1, 1992, the plan was changed from a voluntary post-tax plan to a mandatory pre-tax plan for all employees hired on or after July 1, 1991. The pension plan also provides annual cost of living adjustments to the annuity benefit at a rate of increase equal to the preceding year's increase in the Consumer Price Index. This cost of living adjustment may not exceed 4% per year. If the consumer price index decreases, the participant's annual benefit may not decrease by more than 4% or where such amount would be less than the participant's annual benefit on the benefit commencement date.

For fiscal year 2014, the County's annual required contribution for this plan is \$5,335,700 which represents 12.65% of the total general payroll. For fiscal year 2012 and fiscal year 2013, the County met 100%

of the annual required contribution. Mandatory employee contributions to the plan are 4% of earnings for non-public safety and 7% of earnings for public safety with interest credited at the assumed rate of 7.75% per year, compounded annually.

The actuarial value of the pension fund established under this group annuity contract was \$126,255,246 as of July 1, 2012 for fiscal year 2014; at the same date the actuarial accrued liability was estimated to be \$141,184,288. The overall funded ratio for the plan is 89.4%.

*Sheriff's Department Employees.* The County also provides retirement benefits for employees of the Charles County Sheriff's Office through a defined benefit pension plan. Under the Sheriff's Office Retirement Plan, a participant is eligible if they are a Sworn Officer, Correctional Officer or Communications Dispatcher. The normal retirement date for a participant in the plan will be the earlier of (1) the participant's 60<sup>th</sup> birthday or (2) the later of: (a) the date the participant completes 25 years of service or (b) the date the participant ceases employment. Sworn Officers employed prior to July 1, 1986 are eligible to retire at age 60 or after 20 years of service. There is an early retirement provision for Sworn Officers whereby a participant may retire 5 years early, but would incur a reduction in their annuity benefit. The annuity benefit payable to a retiring participant is the average of the highest 3 consecutive rates of annual earnings of the last 5 years before retirement for each year of credited service. For Sworn Officers' credited service is calculated at a rate of 3% for the first 20 years and 2% for any years in excess of 20 years with a maximum benefit of 80%. Correctional Officers' credited service is calculated at 2.25% for all years of service with a maximum benefit of 75%. Communications Dispatchers credited service is calculated at 2% for all years of service with a maximum benefit of 75%. The plan also provides surviving spouse, death and disability benefits to all eligible participants.

The Board of County Commissioners approved a Deferred Retirement Option Plan (DROP) for sworn officers on October 16, 2006. An employee must continue to contribute 8% of pay to the pension plan; however, the participant's monthly benefit payment would be deposited into a "DROP" account for the employee. The employee is required to terminate employment within 5 years of the DROP participation date. The DROP account accrues interest at a rate of 7% per annum.

The pension plan provides annual cost of living adjustments in the annuity benefit, which are identical to those under the pension plan for the County's general employees.

For fiscal year 2014, the County's annual required contribution for this plan is \$9,822,863, which represents 39.1% of the total Sheriff's Department payroll. For fiscal year 2012 and fiscal year 2013, the County met 100% of the annual required contribution. Mandatory employee contributions to the plan are 8% of earnings for sworn officers and 7% of earnings for correctional officers and communication dispatchers.

The actuarial value of the pension fund established under this group annuity contract was estimated to be \$147,974,939 as of June 30, 2014; at the same date the actuarial accrued liability was estimated to be \$200,021,772. The overall funded ratio for the plan is 74%.

As part of the employer pension cost for this plan, additional contributions were made by the County during the years beginning July 1, 1976 to the pension fund established under this pension plan to reduce the unfunded past service liability. The unfunded past service liability for this plan is estimated to be \$52,046,833 as of June 30, 2014.

The County intends to make additional annual contributions of approximately \$4,005,391 per year as recommended annually by the trustee of the plan to this fund, which contributions would eliminate unfunded past service liability by the year 2033.

*Elected Officials.* Section 27-16, Sub-section E of the Code of Public Local Laws of Charles County requires that the County annually appropriate a retirement salary to each person 65 years of age and older who no longer

holds elective public office, but who held elective office in the County, as Commissioner, Judge of the Orphan's Court, or State's Attorney, for a combined total of four full terms. Each recipient is entitled to receive an annual amount, payable monthly, equal to the total of 5% of each of the highest annual salaries received by the person for each year such person held office, but not exceeding 80% of the highest annual salary the person received while holding elective office. A pension payable pursuant to this law is offset to the extent of any pension payable pursuant to the person's coverage by any other retirement plan of the County. At the present time, two individuals are receiving this benefit.

*Volunteer Fire and Rescue Squads Personnel.* The County is required by the Code of Public Local Law of Charles County to administer a Length of Service Award Program ("LOSAP") for volunteer fire, rescue squad, Mobile Intensive Care Unit ("MICU"), and dive team personnel. This obligation is being met through an investment management contract with Branch Banking & Trust Company. Contributions are funded solely from \$.01 per \$100 of market value on personal property and \$.004 per \$100 of market value on real property allocated for such purpose from the special fire and rescue tax. (See "REVENUES OF THE COUNTY-Special Fire and Rescue Tax").

Any person 60 years or older who has completed 25 years or more of certified active volunteer service with any County volunteer fire company or rescue squad is entitled to receive benefits in the amount of \$250.00 per month for life plus an additional payment of \$10.00 per month for each full additional year of volunteer service. Seventy-five percent of a volunteer's benefit accrues to his or her surviving spouse until death or remarriage of the spouse. Beginning October 1, 1999, a volunteer with 25 years of credited service can opt to begin receiving benefits at age 55 at 75% of the normal benefit value. This option, once exercised, cannot be rescinded.

### **Other Post-employment Benefits**

The County provides its employees with other post-employment benefits (OPEB). Beginning in fiscal year 2009, the County has contributed annually an amount between the minimum amount and the annual required contribution. The annual contribution in fiscal year 2012 was \$1,906,500 and is estimated to be \$2,242,800 in fiscal year 2013 and appropriated for \$2,747,100 in fiscal year 2014. The County's actuary has determined, as of July 1, 2012, that the County's unfunded OPEB actuarial liability related to active and retired County employees, excluding the Board of Education, is \$154,462,185 and the annual required contribution is \$14,216,000. The County has adopted a 20 year funding plan that ramps up to meet the annual required contribution.

### **Labor Relations**

As of January 1, 2013, the County employed 1,272 full-time permanent employees and 341 part-time or temporary employees. The County is not a party to any collective bargaining agreement. The Uniformed Personnel of the Charles County Sheriff's Office voted recently to recognize the local chapter of the Fraternal Order of the Police as their bargaining unit for the negotiation of benefits. The County has not experienced any work stoppage and considers its present relationship with its employees to be satisfactory.

### **Accounting and Financial Operations**

*Fund Accounting System.* The County uses a "fund" accounting system. A "fund" is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

*Basis of Accounting.* The financial operations of the General, Special Revenue, Trust and Agency, Debt Service and Capital Projects Funds of the County are maintained on a modified accrual basis of accounting. Revenues are recorded when received in cash, except for revenues considered to be both measurable and



available to finance current year appropriations, which are recognized as revenue when earned. Revenues of a material amount that have not been received at the normal time of receipt, if any, also are accrued. Expenditures are recorded at the time liabilities are incurred except for interest on long-term debt which is considered an expenditure when due and accrued annual leave which is considered an expenditure when paid. The financial operations of the Enterprise Fund are maintained on a full accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded at the time liabilities are incurred.

*Encumbrance Accounting.* Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve a portion of an applicable appropriation, is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are voided and re-encumbered against budget funds of the following fiscal year.

The General Fund Statement of Actual Revenues and Expenditures included in this Official Statement under the heading “REVENUES OF THE COUNTY–Historical Revenues and Expenditures” employs encumbrance accounting.

## **Budgeting**

*Annual Operating Budget.* The Board annually adopts an operating budget for the County. Expenditure requests for the ensuing fiscal year from units of government are compiled by the Charles County Department of Fiscal and Administrative Services beginning in January of each year. The Director of Fiscal and Administrative Services simultaneously prepares revenue estimates and, following review and recommendations by the County Administrator of both revenue estimates and expenditure requests, the proposed budget is sent to the Board in March. Following a public hearing and public work sessions, a revised operating budget is developed by the County Commissioners and staff and is presented to the Board for adoption prior to July 1. The budget is monitored on an on-going basis by the preparation of monthly income statements and year-end estimates by the Budget Division, which are reviewed by the Director of Fiscal and Administrative Services and the County Administrator prior to being presented to the Board.

The General Fund fiscal year 2014 Original Adopted Budget, for the fiscal year ending June 30, 2014 was approved on April 30, 2013, in the amount of \$339,071,600, an increase of 4.3% over the General Fund fiscal year 2013 Original Adopted Budget. This budget includes an increase of \$7,625,600 in real and business personal property tax receipts, an increase in the income tax of \$8,127,200, and an increase of \$815,900 in Fines and Forfeitures due to the Red Light and Speed Camera programs. The use of Fund Balance decreased by \$2,075,100 primarily from utilizing less fund balance reserves. The amount of the Capital Lease proceeds decreased by \$1,119,800. Revenue variances to fiscal year 2013 for all other sources, other than the ones previously mentioned, net to a total increase of \$623,900.

The expenditure budgets for fiscal year 2014 increased by \$13,397,700. One of our highest priorities, Public Education, increased 3.3% and will be receiving \$5 million more to meet teacher pension funding requirements due to the second year of the shift in responsibility from the State to local governments and other operating costs. The fiscal year 2014 budget continues supporting a plan for a “Tourist Destination” to attract visitors, to increase funding for Economic Development per a strategic plan proposal, and to increase the State’s Attorney staffing level. The fiscal year 2014 budget also supports pay increases for Sheriff deputies and other government personnel, ten new Sheriff deputies, and funds vehicle and equipment purchases. The Board of Education continues to receive the majority of County funding with an appropriation of \$159,010,300 of the total \$339,071,600. Sheriff and Detention Center budgets receive the second largest allocation of County funding at \$76,861,800; an 11.4% increase.

The adopted fiscal year 2014 budget estimates that property tax and income tax will represent 59% and 31% of total revenues, respectively. Tax revenues from other sources for fiscal year 2014 are expected to equal 4% of the total. Revenue sources from interest earnings, program fees, intergovernmental, and miscellaneous represent the remaining 6%.

The property tax rate (exclusive of the special fire and rescue district tax) is \$1.141 for Real Property and \$2.8525 for Business Personal Property per \$100 of assessed value. The local income tax rate for calendar year 2014 is 3.03% of an individual's Maryland taxable income. Appropriation from Fund Balance Reserves of \$2.9 million was approved for fiscal year 2014 for various one-time costs.

### **Current Budget Developments**

*General Fund Operating Budget.* Operating revenues for fiscal year 2013 are expected to end the year \$1.3 million less than the amended budget of \$326,702,850. The largest revenue source, Property Tax, is estimated to end the year at \$189,900,000 or approximately 3% greater than fiscal year 2012. The second largest source of revenue, Income Tax, is currently exceeding budget and is estimated to finish \$3.8 million above fiscal year 2012 for a total of \$101,000,000. Operating expenditures are expected to finish with a year-end estimate of \$326 million or 5% greater than fiscal year 2012.

*Five-Year Capital Budget and Program.* The Board annually adopts a five-year capital budget and program, following a public hearing. Included in each capital budget and program are both a single-year capital budget for the then current fiscal year, which reflects actual appropriations by the Board, and a capital improvements program for the subsequent four fiscal years which is considered a statement of intent by the Board but which may be altered in the future. The five-year capital budget and program provides the County with a means to project its long-range capital facilities requirements and related fiscal needs and goals.

Included in the capital budget and program are all capital projects intended to be financed in whole or in part by appropriations of the Board. In addition to general government capital projects, the County funds capital construction costs of the Board of Education, the College of Southern Maryland, the Water and Sewer Enterprise Fund, Watershed Protection and Restoration Fund, and the Solid Waste Enterprise Fund.

The fiscal year 2014, five-year approved capital budget program totals \$320.4 million, of which approximately \$97.4 million is eligible to be funded from non-County sources (subject to the availability of funds). Of the remaining \$223 million, approximately \$1.6 million is expected to be appropriated as "pay-as-you-go" capital funding. The County expects to fund the remaining \$221.4 million through future bond issues of \$201.8 million and New School Capacity Construction Bonds of \$19.6 million. Of the total \$320.4 million capital budget program, approximately \$90 million is allocated to water and sewer facility construction; \$77 million is allocated to public school construction and maintenance; \$53.2 million is allocated to transportation and road construction; \$35.2 million is allocated to the College of Southern Maryland; \$5 million is allocated to parks; \$8 thousand is allocated to Landfill Operations; with the balance of \$59.2 million allocated to construction and improvements to other general government facilities. (See "CERTAIN DEBT INFORMATION-Future Plans to Incur Debt".)

## **REVENUES OF THE COUNTY**

### **Major Sources of Revenue**

The primary source of County revenue is generated by the annual tax levy on real and business personal property assessments. This tax revenue source accounted for 60% of the total revenues recorded in fiscal year 2012, as indicated on the following schedule of General Fund Statement of Actual Operating Revenues and Expenditures. The second largest source of revenues comes from income taxes, representing approximately 31% of actual revenues for fiscal year 2012. Property taxes and Income taxes increased approximately 1% and 5% respectively between fiscal year 2011 and 2012. Local tax revenue decreased by 7% due primarily to a decline in recordation taxes.

*State of Maryland.* In fiscal year 2012, the County received approximately \$5,358,676 from the State, of which \$1,260,463 was applied to the general operations; \$437,872 represented highway user tax revenue; \$1,213,327 for capital projects revenue; \$988,350 for Human Services Partnership; \$368,464 was designated for mass transit programs; and the remaining \$1,090,200 was provided for various grant programs.

*Federal Government.* During fiscal year 2012, the County received approximately \$17,019,548 of Federal financial assistance; \$8,106,578 designated for housing and community developments; \$2,111,188 specified for mass transit programs; \$1,509,475 for Public Safety Grants; \$2,129,352 for capital projects; \$615,226 for Judicial Grants; \$1,291,194 for Presidentially declared disasters; and the remaining \$1,256,535 available for miscellaneous programs and studies.

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## Historical Revenues and Expenditures

The following tables set forth the actual revenues and expenditures recorded in the General Fund and the Water and Sewer Enterprise Fund of the County on a budgetary basis for each of the five most recent fiscal years:

### General Fund Statement of Actual Operating Revenues and Expenditures

	<u>FY-2008</u>	<u>FY-2009</u>	<u>FY-2010</u>	<u>FY-2011</u>	<u>FY-2012</u>
<b>Operating Revenues</b>					
Property Taxes.....	\$150,828,923	\$169,977,156	\$177,986,438	\$181,734,630	\$183,892,786
Income Taxes.....	81,823,096	82,314,287	86,513,316	92,049,627	97,179,582
Local Taxes <sup>(1)</sup> .....	17,357,682	11,795,782	11,263,590	11,071,612	10,321,319
Highway User Taxes.....	9,142,897	8,077,769	437,492	631,126	473,872
Licenses & Permits.....	950,529	917,419	894,118	892,291	911,711
Intergovernmental.....	5,588,123	3,328,143	3,304,549	1,863,269	3,056,565
Service Charges.....	5,997,931	5,830,423	6,056,685	6,221,978	5,851,163
Interest Income.....	5,499,165	2,103,658	339,568	238,602	149,152
Miscellaneous.....	2,946,899	2,650,263	2,332,236	3,689,813	7,435,504
Total Operating Revenues	<u>\$280,135,245</u>	<u>\$286,994,900</u>	<u>\$289,127,992</u>	<u>\$298,392,949</u>	<u>\$309,271,654</u>
<b>Operating Expenditures</b>					
General Government.....	\$18,621,317	\$19,837,632	\$17,283,272	\$15,854,747	\$17,950,055
Public Safety.....	69,917,888	72,468,906	71,598,070	72,203,531	75,431,112
Planning & Growth Management <sup>(2)</sup> .....	3,312,307	3,624,372	3,137,525	2,375,316	2,330,106
Health & Social Services.....	4,478,799	4,291,905	4,185,225	4,173,338	4,187,990
Community Services <sup>(3)</sup> .....	4,378,098	4,197,458	3,558,418	3,311,300	3,329,545
Public School Education.....	135,535,000	138,145,100	145,093,200	145,296,600	145,620,700
Comm. College & Other Education.....	9,145,100	9,153,500	9,149,200	9,147,600	9,148,700
Public Works <sup>(4)</sup> .....	16,348,378	17,714,209	19,171,226	16,650,347	15,550,813
Library.....	2,181,169	2,251,235	2,192,335	2,175,382	2,169,347
Conservation of Natural Resources.....	593,574	602,244	551,419	560,986	585,556
Economic Development.....	1,395,032	1,446,160	1,281,413	441,977	924,966
Debt Service.....	20,196,012	21,798,358	22,780,796	23,983,867	20,438,481
Total Operating Expenditures	<u>\$286,102,674</u>	<u>\$295,531,077</u>	<u>\$299,982,099</u>	<u>\$296,174,991</u>	<u>\$297,667,370</u>
Excess of Operating Revenues Over (Under) Operating Expenditures.....	(\$5,967,429)	(\$8,536,176)	(\$10,854,107)	\$2,217,957	\$11,604,284
<b>Other Financing Sources (Uses):</b>					
Transfers-in <sup>(5)</sup> .....	799,802	1,815,192	7,395,000	1,259,700	1,456,608
Premium on issuance of debt.....	623,446	1,504,644	1,358,311	3,214,979	9,169,214
Issuance of Debt.....	2,548,291	13,219,097	5,475,432	17,985,000	33,971,380
Transfers out -					
Capital Project Fund.....	(6,950,490)	(526,980)	(1,025,000)	(1,262,820)	(5,590,000)
Special Revenue Funds <sup>(6)</sup> .....	(2,705,762)	(3,054,380)	(3,135,080)	(3,177,669)	(3,123,620)
Debt Service Fund.....	(6,896,982)	0	0	(2,153,972)	0
Enterprise Funds.....	(84,304)	(101,452)	(69,618)	(388,762)	(404,107)
Payment to Refunded Debt Escrow.....	0	(11,728,871)	(5,276,539)	(18,495,286)	(40,051,360)
Extraordinary loss from natural disasters, net income.....	0	0	0	0	(1,909,773)
Net Change in fund balance	<u>(\$18,633,429)</u>	<u>(\$7,408,925)</u>	<u>(\$6,131,602)</u>	<u>(\$800,876)</u>	<u>\$5,122,626</u>

(1) Includes recordation taxes, admission taxes and hotel/motel taxes.

(2) Planning & Growth Management consists of Planning, Inspection & Enforcement, Codes & Permits, Resource & Infrastructure Management, and Administration for these operations.

(3) Community Services consists of Aging & Community Centers, Housing & Community Development, Transportation, Recreation, and Administration for these operations.

(4) Public Works consists of Building & Trades, Parks & Grounds, Vehicle Maintenance, Road Maintenance, and Administration for these operations.

(5) Includes transfers from the Capital Project Fund, Solid Waste Fund, and Cable TV/I-Net Fund.

(6) County funding for grant local match.

Source: Audited financial statements of the County for fiscal years 2008-2012.

## Water and Sewer Operations

The Water and Sewer Enterprise Fund ended 2012 with an increase to the net change in assets of \$1.5 million. An operating gain of \$3.9 million was realized, before non-operating revenues and expenses are included. Service charge revenues increased 1% between fiscal year 2011 and fiscal year 2012.

The fiscal year 2013 adopted budget increased 2% in comparison to fiscal year 2012 adopted budget. The total budget is now \$25 million. Fiscal year 2013 is estimated to finish with an operating gain of \$855,000. The fiscal year 2014 budget was adopted at \$26.2 million; a 5% increase over the fiscal year 2013 adopted budget.

### Water and Sewer Enterprise Fund Statement of Actual Revenues and Expenses

	<u>FY-2008</u>	<u>FY-2009</u>	<u>FY-2010</u>	<u>FY-2011</u>	<u>FY-2012</u>
<b>OPERATING REVENUES:</b>					
Service Charges.....	\$18,116,210	\$18,147,333	\$19,611,001	\$20,835,144	\$21,044,197
Penalties.....	399,129	401,596	447,542	477,965	472,313
Other Fees.....	1,006,233	1,290,418	1,268,231	1,265,723	1,095,175
Total Operating Revenue	<u>\$19,521,572</u>	<u>\$19,839,346</u>	<u>\$21,326,774</u>	<u>\$22,578,832</u>	<u>\$22,611,685</u>
<b>OPERATING EXPENSES:</b>					
Operating & Maintenance.....	\$18,216,982	\$19,324,887	\$18,198,312	\$21,274,678	\$17,964,886
Interest on Long Term Debt <sup>(1)</sup> .....	914,148	897,868	801,524	842,320	744,780
Total Operating Expenses.....	<u>\$19,131,130</u>	<u>\$20,222,755</u>	<u>\$18,999,836</u>	<u>\$22,116,998</u>	<u>\$18,709,666</u>
Operating Income / (Loss)					
Before Depreciation Expense.....	\$390,443	(\$383,409)	\$2,326,938	\$461,834	\$3,902,019
<b>NON-OPERATING REVENUES:</b>					
Connection Fees.....	\$4,132,186	\$4,133,108	\$4,369,768	\$4,186,757	\$4,736,925
Interest Income/Miscellaneous.....	122,126	111,627	107,942	115,039	131,348
Front Foot Assessment.....	462,342	459,724	460,721	460,157	459,774
Total Non-Operating Revenue.....	<u>\$4,716,653</u>	<u>\$4,704,459</u>	<u>\$4,938,431</u>	<u>\$4,761,953</u>	<u>\$5,328,047</u>
<b>NON-OPERATING EXPENSES:</b>					
New Meter Expense.....	\$90,389	\$76,360	\$86,320	\$77,991	\$98,386
Interest on Long Term Debt <sup>(2)</sup> .....	1,315,439	1,360,323	1,508,352	1,635,677	1,447,713
Total Non-Operating Expenses....	<u>\$1,405,828</u>	<u>\$1,436,683</u>	<u>\$1,594,672</u>	<u>\$1,713,668</u>	<u>\$1,546,100</u>
Non-Operating Income / (Loss).....	\$3,310,825	\$3,267,776	\$3,343,760	\$3,048,286	\$3,781,947
Gross Income.....	\$3,701,268	\$2,884,367	\$5,670,697	\$3,510,120	\$7,683,966
Depreciation Expense.....	(5,349,069)	(5,741,349)	(5,650,377)	(6,578,836)	(6,887,290)
Net Income / (Loss).....	<u>(\$1,647,802)</u>	<u>(\$2,856,981)</u>	<u>\$20,320</u>	<u>(\$3,068,716)</u>	<u>\$796,676</u>
Net Change in Contributed Capital.....	1,630,229	9,306,828	1,098,729	335,928	684,803
Change in Net Assets.....	<u>(\$17,572)</u>	<u>\$6,449,847</u>	<u>\$1,119,049</u>	<u>(\$2,732,788)</u>	<u>\$1,481,479</u>
NET ASSETS-BEGINNING OF YEAR..	\$96,053,297	\$96,035,724	\$102,485,572	\$103,604,621	\$100,871,833
NET ASSETS-END OF YEAR.....	<u>\$96,035,724</u>	<u>\$102,485,572</u>	<u>\$103,604,621</u>	<u>\$100,871,833</u>	<u>\$102,353,312</u>

(1) Includes interest on bonds issued for capital maintenance projects, supported with revenues collected from user fees.

(2) Includes interest on bonds issued for capital projects that provide additional capacity, supported with revenues collected from new customer connection fees and interest on bonds related to special assessments.

Source: Audited financial statements of the County for fiscal years 2008-2012.

## **Special Fire and Rescue Tax**

Since July 1, 1965, the Board has levied a special tax in each fiscal year on all taxable real and personal property in the County for the benefit of all fire and rescue companies. For fiscal year 2013, the annual levy is \$.16 per \$100 of assessed value for personal property and \$.064 per \$100 of assessed value for real property. Of the tax collected, 31.25% is applied for rescue squad and mobile intensive care unit purposes, 62.5% is applied for fire services and 6.25% is applied to fund the County's Length of Service Award Program (LOSAP) obligation with respect to its volunteer fire and rescue squad's personnel. For fiscal year 2012, a total of \$10,803,001 was distributed to the 13 volunteer fire companies and 16 volunteer rescue squad and emergency medical service companies in the County as directed by the seven member County Board of Fire and Rescue Commissioners, the membership of which is determined by County law. A contribution for the LOSAP of \$748,700 was made to the program's trustee.

## **Income Tax**

The rate of local income taxation is set by the County, but collections are administered by the State. The local income tax is levied as a percentage of Maryland taxable income. Alternatively, the County must levy a local income tax at a rate equal to at least 1.00%, but not in excess of 3.20%. For calendar year 2014, the County's local income tax rate will increase from 2.90% to 3.03%. A distribution to the County of local income tax collections is made by the State in ten periodic payments.

## **Property Tax Information**

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency. Real property is assessed at market value (full cash value). All property is physically inspected once every three years and any increase in full cash value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments, although a decline in assessed valuation becomes fully effective in the first year. Non-computer business tangible personal property is assessed at cost, less 10% depreciation for each year held to a minimum of 25% of cost with no inflation allowance, and is determined from annual personal property reports filed with the State Department of Assessments and Taxation. Computer equipment is depreciated under the accelerated depreciation method.

Under current law, residents of owner-occupied residential real estate pay real property taxes semiannually on September 30 and December 31, without interest but with a service charge on the second installment, unless they elect to pay these taxes in one annual payment before September 30. The first installment is due July 1 and is in arrears on October 1. The second installment is due December 1, and is in arrears on January 1. Appropriate service charges will be applied to all semi-annual payment plans as provided by law, calculated based on a three-month delay in payment and the lost interest limited to .03% of the amount of the second installment.

## **Property Tax Credit Programs**

Section 9-105 of the Tax-Property Article of the Annotated Code of Maryland provides for a property tax credit against real property taxes on certain owner-occupied residential property. The tax credit is computed by multiplying the County's tax rate by the amount by which the current year's assessment exceeds 110% of the prior year's assessment (or such lesser percentage, but not less than 100%, as shall be established by the County). The County has adopted 107% as the rate to be used in calculating the tax credit for tax bills dated July 1, 2013. The purpose of the tax credit is to provide tax relief to homeowners whose property tax assessments increase by more than 7% per year.

The following tables set forth information regarding assessed values of property classes, assessments of the County's leading taxpayers, tax rates, tax levies and tax collections for the fiscal years indicated.

**Charles County, Maryland**  
**Assessed and Estimated Market Value of All Property Classes**  
**Fiscal Years Ended June 30**

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Business Personal Property</b>	<b>Railroads &amp; Public Utilities</b>	<b>Ordinary Business Corporations</b>	<b>Total Assessed Value</b>	<b>Estimated Market Value</b>
	<b>Full Year</b>	<b>Partial Yr.</b>					
2009 .....	\$17,572,236,940	\$185,557,591	\$5,640,570	\$195,176,080	\$808,399,180	\$18,767,010,361	\$19,272,897,466
2010 .....	18,848,560,018	161,648,430	5,233,180	205,119,670	802,289,680	20,022,850,978	20,612,660,488
2011 .....	17,816,915,953	99,737,589	7,900,630	262,616,650	785,847,980	18,973,018,802	19,681,322,333
2012 .....	16,566,496,729	138,407,890	8,284,230	255,917,670	693,247,980	17,662,354,499	17,918,272,169
2013* ...	15,750,000,000	164,180,500	7,980,000	267,011,000	640,459,000	16,829,630,500	17,096,641,500
2014* ...	15,338,900,000	200,850,000	7,980,000	272,350,000	644,300,000	16,464,380,000	16,736,730,000

\* Estimate at March 31, 2013 by the Charles County Department of Fiscal and Administrative Services.  
Source: Maryland State Department of Assessments and Taxation.

**Ten Leading Taxpayers (Fiscal Year 2013)**

<b>Taxpayer</b>	<b>Property Tax Billed</b>	<b>Property Assessment</b>
NRG Energy, Inc. (formerly GenOn Energy, Inc.).....	\$14,625,603	\$643,982,590 <sup>(1)</sup>
Southern Maryland Electric Coop Inc .....	2,600,7908	98,421,600
Dominion Cove Point LNG,LP.....	1,632,052	61,761,680 <sup>(2)</sup>
Charles Mall Company LTD Partnership.....	1,474,515	139,500,000
Verizon Maryland Inc .....	1,221,597	46,228,850
API Town Center South LLC .....	739,898	69,999,900
Washington Gas Light Company .....	695,418	26,316,680
Madison Waldorf LLC .....	492,819	46,624,400
Potomac Electric Power Company .....	473,090	17,903,130
SVF Waldorf LLC .....	468,780	44,350,100

Source: Maryland State Department of Assessments and Taxation.

<sup>(1)</sup> Estimated personal property assessment based on fiscal year 2011 assessment.

<sup>(2)</sup> Estimated personal property assessment based on fiscal year 2012 assessment.

**County-Wide Tax Rates and Levies by Purpose**  
**County-Wide Rates Per \$100 Assessed Value**

<b>Fiscal Year</b>	<b>Real Property</b>				<b>Public Utility Property, Railroad Personal, Corporate Personal, and Business Personal Property</b>			
	<b>General County (Including Education)</b>	<b>Fire and Rescue Tax</b>	<b>State</b>	<b>Total</b>	<b>General County (Including Education)</b>	<b>Fire and Rescue Tax</b>	<b>State</b>	<b>Total</b>
2009 .....	\$0.962	\$0.064	\$0.112	\$1.138	\$2.405	\$0.16	\$0.28	\$2.845
2010 .....	0.962	0.064	0.112	1.138	2.405	0.16	0.28	2.845
2011 .....	0.962	0.064	0.112	1.138	2.405	0.16	0.28	2.845
2012 .....	1.0025	0.064	0.112	1.1785	2.50625	0.16	0.28	2.94625
2013 .....	1.057	0.064	0.112	1.233	2.6425	0.16	0.28	3.0825
2014 .....	1.141	0.064	0.112	1.317	2.8525	0.16	0.28	3.2925

<b>Fiscal Year</b>	<b>Tax Levies <sup>(1)</sup></b>		
	<b>General County (Including Education)</b>	<b>Fire and Rescue Tax</b>	<b>State</b>
2008 .....	\$165,599,544	\$11,017,019	\$16,885,433
2009 .....	194,249,210	12,923,024	19,822,354
2010 .....	206,470,878	13,736,111	21,223,149
2011 .....	197,305,606	13,065,673	19,995,819
2012 .....	190,760,517	12,178,228	19,347,608
2013 <sup>(2)</sup> .....	191,523,471	12,187,869	19,333,336

(1) Tax levies exclude additions and abatements.

(2) Fiscal year 2013 estimated by Charles County Department of Fiscal and Administrative Services.

Source: Audited financial statements of the County for fiscal years 2008-2012.

**Tax Levies and Collections**  
**General County Only (including Education)**  
**Fiscal Years Ended June 30**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Year Taxes Collected During Year</b>	<b>Percent of Levy Collected During Year</b>	<b>Prior Year Taxes Collected During Year</b>	<b>Total Collected During Year</b>	<b>Accumulated Delinquent Taxes at June 30</b>
2008 .....	\$165,599,545	\$164,805,575	99.52%	\$1,625,881	\$166,431,456	\$1,549,470
2009 <sup>(1)</sup> .....	194,249,210	190,150,739	97.89	453,443	190,604,181	5,205,491
2010 .....	206,470,878	205,523,547	99.54	3,735,096	209,258,643	2,420,843
2011 .....	197,305,606	196,383,396	99.53	631,034	197,014,430	2,716,409
2012 .....	190,760,517	190,062,217	99.63	692,878	190,755,095	2,762,575

Source: Audited financial statements of the County for fiscal years 2008-2012.

(2) Delinquent Taxes as of June 30, 2009 includes a supplemental billing of the County's largest taxpayer of \$3.2 million that was paid in fiscal year 2010.



## **CERTAIN DEBT INFORMATION**

### **General**

As of June 30, 2012, the ratio of the County's net direct debt (\$174,534,173) to the assessed value of all property in the County (\$17,662,354,499) is .99%. The net direct debt per capita based upon an estimated population of 149,130 is \$1,170.35.

Estimated for June 30, 2013, the ratio of the County's net direct debt, excluding the Bonds (\$161,160,222) to the assessed value of all property in the County (\$16,829,630,500) will be .96%. The net direct debt per capita, based upon an estimated population of 151,148 will be \$1,067.04.

The County's long range financial planning assumes debt service does not exceed 8% of operating revenues. The County's rapid debt payoff will allow for significant new debt.

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**Statement of Direct and Underlying Debt  
And Estimate as of June 30, 2013  
(Including the Bonds)**

**Direct Debt Outstanding:**

Public School Construction .....	\$25,712,977
Fair Share Excise Tax Bonds (New School Construction) .....	35,595,000
Hospital Facilities .....	5,799,714
College Facilities .....	9,821,277
Nursing Home Bonds .....	532,418
St. Charles Children Center .....	536,682
Southern Maryland Sports & Entertainment Complex .....	6,795,115
St. Charles Companies Taxable Bonds .....	26,654,250
Consolidated Public Improvements .....	118,543,262
73 FHA Loan .....	51,820
Water and Sewerage(1) .....	57,446,467
Water Quality Revolving Loans(1) .....	9,994,694
Environmental Service Fund .....	3,985,529
Recreation Fund .....	5,187,310
Capital Equipment Lease .....	7,525,438
<b>Total Direct Debt .....</b>	<b>\$314,181,953</b>
Consolidated Public Improvement Bonds of 2013 .....	28,200,000
<b>Total Direct Debt (Outstanding and the Bonds) .....</b>	<b>\$342,381,953</b>

**Less Self-supporting Debt:**

Water and Sewer Debt(1) .....	\$77,792,194
CIVISTA Hospital Bonds (2) .....	5,799,714
Nursing Home Bonds(3) .....	532,418
Landfill Fund(4) .....	15,069
Environmental Service Fund(4) .....	5,748,468
Inspection & Review Fund(4) .....	21,425
Recreation Fund(4) .....	607,687
Capital Project Fund(5) .....	3,667
Fair Share Excise Tax Bonds (6) .....	40,595,000
St. Charles Companies Taxable Bonds (7) .....	30,354,250
Southern Maryland Sports & Entertainment Complex (8) .....	6,795,115
College of Southern Maryland (9) .....	536,682
<b>Net Direct Debt (Outstanding and the Bonds)(10) .....</b>	<b>\$173,580,264</b>

**Underlying Debt Outstanding:**

Town of La Plata .....	1,773,349
Town of Indian Head .....	2,149,878
<b>Total Underlying Debt Outstanding .....</b>	<b>\$3,923,227</b>

- (1) Self-supporting water and sewerage debt of the County. (See "CERTAIN DEBT INFORMATION–Water and Sewerage Debt.").
- (2) CIVISTA Medical Center is responsible to the County for payment of the debt associated with these issues.
- (3) The Charles County Nursing Home, Inc., a not-for-profit corporation, is responsible to the County as lessee for payment of the debt.
- (4) Self-supporting Enterprise Fund debt of the County.
- (5) Self-supporting Capital Project Fund debt of the County.
- (6) Self-supporting Special Revenue Fund debt of the County. (See "CERTAIN DEBT INFORMATION – Public School Construction Financing – Fair Share School Construction Excise Tax").
- (7) St. Charles Companies (SCC) is responsible to the County for payment of the debt associated with this issue. SCC's payment obligation is secured by a letter of credit issued to the County.
- (8) Southern MD Baseball Club LLC., is responsible to the County for payment of the debt associated with this issue. The payment obligation is secured by a letter of credit issued to the County.
- (9) The College of Southern Maryland is responsible to the County for payment of the debt associated with the St. Charles Children Center.
- (10) Includes County Commissioners of Charles County Refunding Bonds of 2013.

Source: Charles County Department of Fiscal and Administrative Services.

The table below shows trends for the County for the five most recent fiscal years in various debt and property value ratios, and an estimate for the fiscal year ending June 30, 2013, excluding the Bonds.

### Debt Ratios

<u>Fiscal Year</u>	<u>Population<sup>(1)</sup></u>	<u>Assessed Value<sup>(2)</sup></u>	<u>Assessed Value per Capita</u>	<u>Net Direct Debt</u>	<u>Net Direct Debt to Assessed Value</u>	<u>Net Direct Debt Per Capita</u>
2008.....	140,672	\$ 16,036,771,870	\$114,001	\$149,387,085	0.93%	\$1,061.95
2009.....	141,444	18,767,010,361	132,682	165,009,967	0.88	1,166.61
2010.....	142,226	20,022,850,978	140,782	164,498,278	0.82	1,156.60
2011.....	146,551	18,973,018,802	129,464	173,091,309	0.91	1,181.10
2012.....	149,130	17,662,354,499	118,436	174,534,173	0.99	1,170.35
2013*.....	151,148	16,829,630,500	111,295	161,160,222	0.96	1,067.04

(1) Source: Charles County Department of Planning and Growth Management and the U.S Census Bureau.

(2) Source: Maryland State Department of Assessments and Taxation.

\*Estimated by Charles County Department of Fiscal and Administrative Services.

### General Fund Debt Service Expenditures As a Percentage of General Fund Revenues

<u>Fiscal Year</u>	<u>Total Operating Revenue</u>	<u>General Fund Debt Service</u>	<u>Percent of Revenue</u>
2009 .....	\$288,810,092	\$21,798,358	7.55%
2010 .....	296,522,991	22,780,796	7.68
2011 .....	299,652,649	23,983,867	8.00
2012 .....	310,728,262	20,438,481	6.58
2013* .....	317,691,900	19,617,300	6.17
2014* .....	334,490,600	20,429,600	6.11

Source: Audited financial statements for fiscal years 2009-2012.

\*Estimated by Charles County Department of Fiscal and Administrative Services.

The following table shows the rapidity of all debt repayment by the County:

<u>Years</u>	<u>Principal Amortized*</u>	<u>Percentage of Total Paid</u>
5 .....	\$141,755,000	47.8%
10 .....	249,085,000	84.0
15 .....	292,145,000	98.5
20 .....	296,610,000	100.0

\*Does not include Bonds offered herein.

The following table sets forth certain information regarding County bonds outstanding for fiscal year 2013 excluding the Bonds.

**Bond Issues Outstanding<sup>(1)</sup>**  
**Estimates as of June 30, 2013**

	<b>Years of Maturity</b>	<b>Original Principal Amount</b>	<b>Principal Balance as of 6/30/13</b>
Consolidated Public Improvement Bonds 2004 .....	2004-2019	\$80,770,000	\$7,675,000
Consolidated Public Improvement Bonds 2005 .....	2005-2020	50,655,000	6,315,000
Consolidated Public Improvement Bonds 2006 .....	2006-2021	53,000,000	12,770,000
Consolidated Public Improvement Bonds 2007 .....	2007-2022	53,000,000	16,730,000
Consolidated Public Improvement Bonds 2008 .....	2008-2023	47,000,000	23,710,000
Consolidated Public Improvement Bonds 2009 .....	2009-2029	38,000,000	31,370,000
Consolidated Public Improvement Bonds 2009 (refunding).....	2009-2016	14,540,000	5,760,000
Consolidated Public Improvement Bonds 2010 .....	2010-2025	29,970,000	24,850,000
Consolidated Public Improvement Bonds 2010 (refunding).....	2010-2017	6,175,000	5,080,000
Consolidated Public Improvement Bonds 2011 .....	2011-2028	39,800,000	39,800,000
Consolidated Public Improvement Bonds 2011 (refunding).....	2011-2029	17,985,000	17,985,000
Consolidated Public Improvement Bonds 2011 (refunding).....	2011-2020	24,505,000	24,505,000
Consolidated Public Improvement Bonds 2012 .....	2012-2032	44,800,000	42,815,000
Consolidated Public Improvement Bonds 2012 (refunding).....	2012-2021	10,440,000	10,440,000
Consolidated Public Improvement Bonds 2013 (refunding).....	2013-2023	26,805,000	26,805,000
<b>Total.....</b>		<b><u>\$537,445,000</u></b>	<b><u>\$296,610,000</u></b>

(1) This table does not include a \$250,000 loan made by Farmers Home Administration to the County in 1973, or the Maryland Water Quality Revolving Loans issued in 2004. The FHA loan is payable in annual installments between 1974 and 2023 and bears interest at the rate of 3.649% per year. Estimated as of June 30, 2013, the outstanding principal balance of this loan is \$51,820 with an annual payment of \$10,947 to maturity. The County is also obligated to the Maryland Water Quality Administration for debt issued to construct certain water and sewer projects. The estimated outstanding balance as of June 30, 2013 is \$9,994,694.

The following tables set forth the debt service payments due on the County's general obligation bonded indebtedness outstanding estimated for fiscal year 2013, and those debt service payments, adjusted for the issuance of the Bonds.

### Schedule of Debt Service Requirements <sup>(1)</sup>

As of June 30, 2013

Fiscal Year	General Obligation Bonds		Self-Supporting Bonds (2)		Enterprise Funds Revenue Bonds (3)		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$22,359,041	\$7,818,962	\$4,159,953	\$1,807,431	\$5,841,004	\$2,564,365	\$44,550,757
2015	19,022,833	6,905,273	4,124,434	1,622,112	6,017,732	2,333,870	40,026,254
2016	18,134,878	6,257,182	4,207,400	1,431,425	5,717,723	2,080,616	37,829,225
2017	16,374,148	5,339,037	4,540,019	1,247,520	5,800,832	1,826,760	35,128,317
2018	14,797,892	4,633,729	4,872,108	1,043,135	5,785,000	1,574,243	32,706,107
2019	14,501,525	4,037,230	5,089,137	813,572	5,214,337	1,333,430	30,989,232
2020	14,076,753	3,405,011	3,448,145	598,610	5,205,102	1,102,061	27,835,682
2021	14,145,118	2,786,536	2,924,554	438,044	4,260,328	884,377	25,438,957
2022	13,652,608	2,174,548	2,065,593	296,940	4,111,798	712,781	23,014,270
2023	13,553,213	1,633,602	1,861,834	169,517	3,219,952	575,661	21,013,780
2024	10,063,055	1,171,251	765,000	110,918	2,321,945	429,102	14,861,271
2025	7,945,141	863,474	610,000	80,043	2,409,859	343,840	12,252,356
2026	4,910,054	604,191	635,000	57,608	1,334,946	254,034	7,795,833
2027	5,124,041	405,822	660,000	33,908	1,385,959	200,503	7,810,233
2028	3,524,383	201,237	355,000	7,988	1,015,617	141,800	5,246,025
2029	2,070,100	86,292	0	0	909,900	101,783	3,168,075
2030	0	0	0	0	480,000	63,113	543,113
2031	0	0	0	0	495,000	42,713	537,713
2032	0	0	0	0	510,000	21,675	531,675
	<u>\$194,254,786</u>	<u>\$48,323,378</u>	<u>\$40,318,179</u>	<u>\$9,758,768</u>	<u>\$62,037,035</u>	<u>\$16,586,727</u>	<u>\$371,278,873</u>

(1) This table does not include a \$250,000 loan made by Farmers Home Administration to the County in 1973, or the Maryland Water Quality Revolving Loans issued in 2004. The FHA loan is payable in annual installments between 1974 and 2023 and bears interest at the rate of 3.649% per year. Estimated as of June 30, 2013, the outstanding principal balance of this loan is \$51,820 with an annual payment of \$10,947 to maturity. The County is also obligated to the Maryland Water Quality Administration for debt issued to construct certain water and sewer projects. The estimated outstanding balance as of June 30, 2013 is \$9,994,694.

(2) Bonds issued by the County for St. Charles Companies (SCC), Southern MD Baseball Club LLC., College of Southern Maryland, CIVISTA Hospital, and the Charles County Nursing Home are secured by Bond Repayment Agreements, Letters of Credit, and by the full faith and credit of the County's General Fund.

(3) Self-supporting debt incurred by the Water & Sewer, Solid Waste Management, Environmental Services, and Recreation Enterprise Funds. Supported by user fees, service charges, and by the full faith and credit of the County's General Fund.

Source: Charles County Department of Fiscal and Administrative Services.

**Schedule of Debt Service Requirements as  
Adjusted for the Issuance of the Bonds**

<b>Fiscal Years Ending June 30</b>	<b>Total Debt Service(1)</b>	<b>Consolidated Public Improvement Bonds of 2013 (Tax Exempt)</b>		<b>Consolidated Public Improvement Bonds of 2013 (Taxable)</b>		<b>Adjusted Total Debt Service (1)</b>
		<b>Principal</b>	<b>Interest (2)</b>	<b>Principal</b>	<b>Interest (3)</b>	
2014.....	\$44,550,757	\$ -	\$ 603,786	\$ -	\$ -	\$ 45,154,543
2015.....	40,026,254	1,280,000	1,149,419	220,000	61,937	42,737,609
2016.....	37,829,225	1,380,000	1,102,619	225,000	116,578	40,653,421
2017.....	35,128,317	1,425,000	1,039,394	225,000	109,903	37,927,613
2018.....	32,706,107	1,470,000	967,019	230,000	103,153	35,476,278
2019.....	30,989,232	1,510,000	892,519	230,000	96,328	33,718,078
2020.....	27,835,682	1,575,000	815,394	235,000	89,428	30,550,503
2021.....	25,438,957	1,635,000	735,144	235,000	82,453	28,126,553
2022.....	23,014,270	1,700,000	651,769	240,000	75,403	25,681,441
2023.....	21,013,780	1,765,000	565,144	245,000	68,278	23,657,201
2024.....	14,861,271	1,855,000	474,644	250,000	61,003	17,501,917
2025.....	12,252,356	1,160,000	399,269	260,000	53,578	14,125,202
2026.....	7,795,833	1,220,000	339,769	265,000	45,603	9,666,204
2027.....	7,810,233	1,280,000	277,269	270,000	36,806	9,674,308
2028.....	5,246,025	1,345,000	211,644	280,000	27,308	7,109,976
2029.....	3,168,075	1,415,000	142,644	290,000	16,990	5,032,709
2030.....	543,113	115,000	104,394	-	5,800	768,307
2031.....	537,713	120,000	98,519	-	-	756,232
2032.....	531,675	125,000	92,394	-	-	749,069
2033.....	-	135,000	85,894	-	-	220,894
2034.....	-	140,000	79,019	-	-	219,019
2035.....	-	150,000	72,519	-	-	222,519
2036.....	-	155,000	66,419	-	-	221,419
2037.....	-	160,000	60,119	-	-	220,119
2038.....	-	170,000	53,519	-	-	223,519
2039.....	-	180,000	46,406	-	-	226,406
2040.....	-	190,000	38,775	-	-	228,775
2041.....	-	195,000	30,834	-	-	225,834
2042.....	-	205,000	22,584	-	-	227,584
2043.....	-	215,000	13,922	-	-	228,922
2044.....	-	230,000	4,744	-	-	234,744
<b>Total.....</b>	<b>\$371,278,873</b>	<b>\$24,500,000</b>	<b>\$11,237,502</b>	<b>\$3,700,000</b>	<b>\$1,050,543</b>	<b>\$411,766,920</b>

(1) Totals may not add due to rounding.

(2) Interest rates range from 3% to 5%.

(3) Interest rates range from 3% to 4%.

## **Public School Construction Financing**

*State Assumption of Certain Costs.* Legislation enacted by the Maryland General Assembly in 1971 provides for the assumption by the State, under certain conditions, of the costs of public school construction projects and public school capital improvements on a State-wide basis. Generally, this law provides that the State will pay “the costs in excess of available Federal funds of all public school construction projects and public school capital improvements” in the counties and Baltimore City which have been approved by the State, and empowers the State to define by regulation what constitutes an approved construction or capital improvement cost. The local jurisdiction must provide the school sites and pay architectural and engineering fees and certain equipment and development fees. In 1988, the program regulations were amended to limit the amount of construction costs paid by the State. The amendment institutes a maximum State project allocation for each school construction project funded through the program. Under the new formula, the State’s share is computed by applying the applicable percentage to the eligible portion of school construction costs. For Charles County, this maximum State share will equal 67% of approved construction costs beginning in fiscal year 2014.

*Fair Share School Construction Excise Tax.* Article 24, Section 9-10B-01 of the Maryland Annotated Code authorizes the County to levy and collect a fair share school construction excise tax on new residential construction in the County. For fiscal year 2014, the fair share school construction excise tax will be levied in a maximum amount of \$13,139 for a single-family detached home, \$12,461 for a town house and \$9,482 for a multifamily housing unit. For fiscal year 2015 and succeeding fiscal years, these maximum amounts will be altered by the same percentage as the change in the producer price index for the materials and components for construction, as reported by the United States Department of Labor, for the fiscal year preceding the year for which the maximum amount is being calculated. The fair share school construction excise tax will be collected annually over a period of 10 years at level amortized payments of principal and interest and may be prepaid at any time. The rate of interest payable by a property owner will be the rate of interest paid by the County on the new school capacity construction bonds issued in the first year the tax is levied on that property owner. The proceeds of the fair share school construction excise tax may only be used to pay principal of and interest on the new school capacity construction bonds. For fiscal year 2014, the County will levy the fair share school construction excise tax in amounts equal to the maximum amounts set forth above. In addition, Section 9-10B-01 authorizes the County to issue new school capacity construction bonds, as needed, to fund the costs incurred by the County to construct new capacity for public school facilities in the County. These bonds are payable first from the fair share school construction excise tax and second from general county taxes and are secured by the County’s full faith and credit and unlimited taxing power. The new school capacity construction bonds have a maturity of 10 years and may be issued without limitation as to principal amount.

## **Water and Sewerage Debt**

By State law enacted in 1976, the Charles County Sanitary District, Inc. (the “District”), a quasi-public corporation, was abolished and all then-existing obligations of the District were assumed by the County. The water and sewer systems formerly operated by the District are operated now by the County Department of Utilities. The operation and maintenance of these systems, and the financing thereof, are conducted on an enterprise basis.

At the time of the County’s assumption of indebtedness previously incurred by the District, three subordinate sanitary districts (together encompassing the entire land area of the County except that included in the Town of La Plata and the Town of Indian Head) were replaced by three special taxing districts. In Waldorf Special Taxing District Number One, encompassing an area of approximately 21 square miles and located in the north central part of the County, both water and sewer services are provided. At present, limited water and sewer services are provided by the County at the eastern edge of the Mattawoman Special Taxing District. This district encompasses approximately 74 square miles in the northwestern portion of the County adjacent to and directly west of Waldorf Special Taxing District Number One. The remainder of the County (except the Towns of La Plata and Indian Head), with an area of about 355 square miles, is designated as Special Taxing District Number Three.

The County is authorized to issue general obligation bonds to finance water systems, sewerage systems, solid waste disposal systems and solid waste acceptance systems, provided that the principal amount of the outstanding bonds relating to such improvements in any special taxing district not exceed 10% of the total value of the property assessed for County taxation purposes within that special taxing district. The three special taxing districts are authorized to levy charges, assessments and taxes to pay the debt service on bonds previously issued by the respective districts and bonds issued by the County after their creation in 1976. The County expects to pay debt service on its water and sewerage debt from special assessments, connection charges, and charges for the upkeep of sewer and sewer service charges pertaining to the respective systems for which the indebtedness was incurred. If required at any time to pay debt service on water and sewerage debt incurred to finance water and sewer facilities in a particular special taxing district, the County is authorized to levy a tax on the assessable property in the special taxing district. If for any reason any such levy should prove inadequate, the County is authorized to levy a tax on the assessable property throughout the County in order to raise the required funds to pay such debt service.

For the levy year commencing July 1, 2012, the respective estimated market value of properties assessed in the three special taxing districts are as follows: Waldorf Special Taxing District Number One – \$7,108,541,532; Mattawoman Special Taxing District Number Two – \$3,990,126,233; and Special Taxing District Number Three – \$5,609,011,986. As of June 30, 2012, the aggregate principal amount of outstanding County water and sewerage debt was \$86,026,995, which was issued to finance water and sewer facilities in all three special taxing districts referred to above.

### **Debt Limitations**

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County has also enacted public local laws authorizing the issuance of general obligation bonds. After the issuance of the Bonds, the County will have \$183,691,100 of authority remaining under this existing authority for future issues generally designated as follows:

Public Facilities .....	\$175,453,100
Detention Center Facilities.....	3,180,000
Landfill Facilities.....	<u>5,058,000</u>
Total .....	<u>\$183,691,100</u>

As a Code Home Rule county, the County may 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 refund any of its outstanding general obligation or revenue bonds under the authority of Section 24 of Article 31 of the Annotated Code of Maryland. No referendum is required.

The County may issue economic development revenue bonds under State law which provides that such bonds shall not constitute an indebtedness or charge against the general credit or taxing power of the County. In addition, the County may participate in State loans for school and highway construction, secured solely by the County's portion of certain State-shared revenues.

The County is authorized to issue bonds for water and sewer and solid waste management projects in an amount not to exceed 10% of the total value of property assessed for County tax purposes within the Special Taxing District in which such project is located, as described under "CERTAIN DEBT INFORMATION– Water and Sewerage Debt".



## Leases and Other Contracts

The County currently leases certain facilities and equipment, as indicated in the following table, for terms of five years or less.

### Leased Facilities and Equipment estimated as of June 30, 2013

<u>Facilities</u>	<u>Annual Lease</u>
Agricultural Extension Service office.....	\$57,082
Police Substation.....	63,700
Election Board.....	113,100
Economic Development.....	30,388
<u>Operating Lease Equipment</u>	
Photocopy Equipment.....	\$92,886
Election Board Voting System.....	160,000
<u>Capital Lease Equipment</u>	
FY '07 Water & Sewer-Vehicle & Other Equipment.....	470,542
FY '08 General Fund-Vehicle & Other Equipment.....	176,638
FY '08 General Fund- Portable Radios.....	197,811
FY '08 Water & Sewer-Vehicle & Other Equipment.....	34,798
FY '08 Environmental Service Fund- Equipment.....	2,803
FY '09 General Fund-Vehicle & Other Equipment.....	443,219
FY '09 Water & Sewer-Vehicle & Other Equipment.....	114,687
FY '09 Recreation - Heavy Duty Utility Vehicle.....	3,229
FY '09 Inspection & Review Fund - Electronic Filing system (85%).....	43,620
FY '09 Capital Improvement Fund - Electronic Filing system (15%).....	7,468
FY '09 Environmental Service Fund- Equipment.....	18,940
FY '09 Solid Waste Fund- Equipment.....	30,695
FY 10 General Fund-Vehicle & Other Equipment.....	183,895
FY 10 Water & Sewer-Vehicle & Other Equipment.....	53,126
FY 10 Recreation- Equipment.....	4,003
FY 12 General Fund-Vehicle & Other Equipment.....	296,141
FY 12 Water & Sewer-Vehicle & Other Equipment.....	175,313
FY 12 Environmental Service Fund- Equipment.....	14,838
FY 13 General Fund-Vehicle & Other Equipment.....	178,194
FY 13 Water & Sewer-Vehicle & Other Equipment.....	72,702
FY 13 Environmental Service Fund- Equipment.....	2,576
Total Annual Payments.....	\$3,042,393

Source: Charles County Department of Fiscal and Administrative Services.

## Future Plans to Incur Debt

The County intends to issue approximately \$221.5 million in bonds to fund its Five-Year Capital Improvement Program through fiscal year 2018. Various bonding authority will be used to issue the total debt required. The schedule below provides additional detail as to the specific funding sources and uses planned over the next five years.

	<b>Fiscal Year</b>					
	<b>(Amounts in 000's)</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>TOTAL</b>
<b><u>Project Category</u></b>						
Board of Education.....	\$24,480	\$11,186	\$3,306	\$15,932	\$22,121	\$77,025
College of Southern Maryland.....	10,743	2,670	8,870	927	11,990	35,200
General Government.....	7,967	13,785	8,335	5,245	3,469	38,801
Parks.....	334	1,853	1,023	1007	791	5,008
Transportation.....	11,184	11,835	11,068	10,770	8,338	53,195
Water .....	4,648	3,526	3,088	2,533	2,384	16,177
Sewer .....	13,802	18,139	16,567	11,329	13,997	73,833
Landfill.....	0	824	0	0	0	824
Watershed Protection & Restoration....	5,258	3,277	3,408	3,563	4,826	20,332
<b>Total</b>	<b><u>\$78,416</u></b>	<b><u>\$67,094</u></b>	<b><u>\$55,665</u></b>	<b><u>\$51,305</u></b>	<b><u>\$67,915</u></b>	<b><u>\$320,395</u></b>

	<b>Fiscal Year</b>					
	<b>(Amounts in 000's)</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>TOTAL</b>
<b><u>Source of Funding</u></b>						
General Obligation ("G.O.") Bonds.....	\$20,637	\$28,400	\$20,438	\$17,428	\$14,671	\$101,574
Other G.O. Bonds* .....	5,258	3,277	3,408	3,563	4,826	20,332
Solid Waste Bonds .....	0	824	0	0	0	824
Fair Share Excise Tax Bonds .....	3,996	2,203	3,306	2,322	7,792	19,620
Water & Sewer Bonds.....	15,982	18,798	17,035	12,508	14,801	79,124
<b>Future Plans to Incur Debt</b>	<b>\$45,873</b>	<b>\$53,502</b>	<b>\$44,187</b>	<b>\$35,821</b>	<b>\$42,090</b>	<b>\$221,473</b>
County Pay-as-you-go.....	11,744	(4,598)	(7,351)	1,061	701	1,556
Other Local .....	1,801	2,153	2,146	1,268	1,490	8,858
State.....	18,998	15,934	16,683	13,155	23,634	88,404
Federal.....	0	104	0	0	0	104
<b>Total Funding</b>	<b><u>\$78,416</u></b>	<b><u>\$67,094</u></b>	<b><u>\$55,665</u></b>	<b><u>\$51,305</u></b>	<b><u>\$67,915</u></b>	<b><u>\$320,395</u></b>

\* G.O. Bonds with specific revenue sources to pay debt service.  
Source: Charles County Department of Fiscal and Administrative Services.

For years, the County has utilized a multitude of plans for “pay-as-you-go” financing. For example, the County has structured the landfill tipping fee to allow for annual contributions to a sinking fund reserve for future landfill construction. The County has also financed the construction of various capital projects with appropriations from the General Fund. By doing so, the County has reduced the aggregate amount of general obligation indebtedness issued that would otherwise bear interest to finance the construction of the capital projects. The following table sets forth the County’s pay-as-you-go and actual bond funding for the five most recent fiscal years and an estimate for the fiscal year ending June 30, 2013 and 2014:

#### **Pay-as-you-go Sources**

<b>Fiscal Year</b>	<b>General Fund</b>	<b>Landfill Reserve</b>	<b>Other</b>	<b>Total</b>	<b>Bonds Issued*</b>
2014 est.....	\$1,213,000	\$6,517,000	\$365,500	\$8,095,500	\$45,800,000
2013 est.....	1,100,000	200,000	521,600	1,821,600	24,500,000
2012.....	5,590,000	26,289	135,800	5,752,089	30,000,000
2011.....	1,262,820	6,996	198,894	1,468,710	35,800,000
2010.....	1,025,000	16,288	898,602	1,939,890	30,000,000
2009.....	526,980	667,085	340,281	1,534,346	36,000,000
2008.....	6,950,490	3,954,442	323,336	11,228,268	35,500,000
<b>Total</b>	<b>\$17,668,290</b>	<b>\$11,388,101</b>	<b>\$2,784,013</b>	<b>\$31,840,403</b>	<b>\$237,600,000</b>

\*Does not include bonds for which the Charles County Nursing Home, Inc, CIVISTA Hospital, St. Charles Companies (SCC), and Southern MD Baseball Club LLC. are obligated to repay debt service to the County.

#### **Tax Increment Bonds**

On March 25, 2008, the Board approved the creation of the Swan Point Economic Development District (the “TIF District”), a tax increment district, and the Swan Point Special Taxing District (the “Special Taxing District”), a special taxing district, and approved the issuance of up to \$38,000,000 of bonds to finance public infrastructure improvements in the TIF District. The bonds will not be general obligations of the County, but will be payable solely from the incremental real property taxes, if any, collected from property owners in the TIF District and, if necessary, special taxes levied on the commercial properties located in the Special Taxing District. The incremental real property taxes must be used first to pay debt service on the bonds and related expenses before such funds can be used for other County purposes. The bonds have not yet been issued and no closing date has been scheduled.

### **ECONOMY OF THE COUNTY**

#### **Overview**

Charles County, a suburb of Washington, D.C., is the county with the 11<sup>th</sup> highest median household income county in America (2011 ACS 1-year estimates) and is part of the Washington, DC Metropolitan Statistical Area (“MSA”). The County’s current population is 150,592 (2012 Census). Between April 1, 2010 and July 2012, the County’s population increased by 4,041.

#### *Location*

Charles County rests in the center of the Washington DC/Baltimore/Richmond metropolitan region, located 30 minutes from Ronald Reagan National Airport and 40 minutes from the nation’s Capital, the White House, and major federal government offices. The County’s northern urbanized areas are within 60 minutes driving time of Baltimore and Annapolis and have easy access to the Washington Capital Beltway (I-495), just 15 minutes north of the County line. The southern end of the County is bordered by the Potomac River directly across from King George County, Virginia and 75 miles from Richmond, Virginia.

## *Population*

The trend for population diversity in the County continues. According to the 2010 Census, 51% of the residents are white alone, 40.8% black or African American alone, and 9% other. The Hispanic/Latino population (of any race) is 4%, and mixed race is 0.5%. According to the American Community Survey release (2009-2011 3-year estimates), the County by gender is 51.5% women and 48.5% men.

The unincorporated community Waldorf has a population of 69,509 (American Community Survey 2009-2011), including St. Charles, one of the country's largest planned unit developments (PUD). It is also the County's commercial center with extensive retail business, services, and professional offices. In 2012, Waldorf was ranked as one of CNN Money Magazine's "Best Places to Live".

Charles County has three incorporated municipalities:

- The Town of La Plata is the largest of these, with a population of 8,896 (2012 Census) and extensive new commercial, office and residential development.
- The Town of Indian Head on the western side of the County adjoins the United States Navy military installation, Naval Support Facility Indian Head, which is today a Department of Defense ("DoD") military research and development base employing over 3,000 people, including the Navy's highest concentration of scientists and researchers. The town has a population of 3,884 (2010 Census).
- Port Tobacco served as the first County seat and was a major port during colonial days. Today, the community includes a small number of historical buildings and homes and is currently the site of ongoing archeological research.

## *Zoning*

The northern third of the County is a designated development district zoned for concentrated urban and suburban growth. Approximately half of the County's population lives in the development district. Outside of this district, zoning regulations and other land use policies encourage the preservation of open space with low density development, agricultural lands, outdoor recreation areas, and conservation regions. Bordered on three sides by water, Charles County has approximately 300 miles of shoreline.

## *Housing*

The County has a total of 50,479 housing units and a vacancy rate of 8.4% (2009-2011 ACS). The median home value is \$317,100 with 80% of these being owner-occupied. Charles County has a total of 50,479 households with 38,055 of those consisting of families. The average household size is 2.88 people, and the average family size is 3.34 people (ACS 2009-2011).

## *Labor Force*

According to the US Census Bureau's American Community Survey release (2009-2011 3-year estimates), the County has a civilian labor force (16 years and older) of 80,580 with another 1,556 residents in the Armed Forces. The civilian workforce in Charles County continues to reflect the large number of working professionals that are moving into the County. The County median household income is \$91,725 (ACS 2009-2011). The average unemployment rate for 2012 was 5.9% according to the Maryland Department of Labor and Licensing Regulation. According to recent Census data, a few of the major high growth areas for the County are; Professional Scientific, and Technical Services, Health Care and Construction Services, which make up close to 30% of the industries with the greatest employments.

The top occupations for County residents (by number employed) are:

- Office and administrative support (23.4%)
- Management (12.42%)
- Sales and related (11.74%)
- Computer and mathematical (9.85%)
- Business and financial operations (8.36%)
- Construction and extraction (8.35%)
- Education, Training and library (8.34%)
- Transportation and material moving (6.6%)
- Protective service (5.6%)
- Architecture and engineering (5.27%)

### *Businesses*

For calendar year 2011, the County had an average of 3,009 reporting units (employers) in the Maryland Department of Labor and Licensing Regulation (“DLLR”) database with an annual average employment of 40,421 and a weekly wage of \$781. There were 2,906 private-sector employers in the DLLR annual average and 103 government employers. These numbers do not include self-employed proprietors or other businesses and workers that are exempt from paying unemployment insurance. According to Census data, there are more than 11,000 firms conducting business in the County: 29% of these firms are black-owned, and another 30% are woman-owned. The data indicate that there are 2,668 non-farm establishments and 9,215 non-employer establishments within the County.

### *Commercial Growth*

From 2011 to 2012, the County’s Rentable Building Area increased by 97,188 square feet - nearly one percent - and commercial vacancy decreased from 8.3% to 7.7% between first quarter of 2012 and the first quarter of 2013. A 2012 Charles County Department of Economic Development analysis revealed that the County’s first quarter 2012 commercial vacancy rate was the lowest among peer and adjacent counties in the DC metropolitan area. Analysis of data from CoStar revealed that Charles County’s 7.4% vacancy rate was more than 3 percentage points lower than the DC Metropolitan Statistical Areas (MSA) overall rate of 10.7%, and nearly a full percent lower than next-ranking Prince William County’s 8.2%.

### *Educational Attainment*

The gain in educational attainment in the County remains consistent. Of the population 25 years and older, 31.5% are high school graduates, 33.1% have some college or associate degrees, 16.2% have bachelor’s degrees, and 10.0% have graduate degrees. The current percentage of Charles County residents with bachelor’s degrees or higher of 26.2% is an increase from 20% in Census 2000. (Source: American Community Survey release 2009-2011 3-year estimates.)

## Commercial Industrial Base

The next chart illustrates the significant increase in the total property tax base that has occurred since 2008, and the increasing importance of the commercial/industrial sector as a core component of the total tax base. Between 2008 and 2012, the commercial/industrial total property tax base increased by \$341,083,700.

### Total Property Tax Base (in Thousands) for Charles County (2008-2012)

<u>Land Use</u>	<u>July 01, 2008</u>	<u>%</u>	<u>July 01, 2012</u>	<u>%</u>
Residential.....	\$14,824,503	84.6%	\$12,779,388	81.1%
Commercial/Industrial.....	2,216,217	12.7%	2,557,301	16.2%
Agricultural.....	475,518	2.7%	425,534	2.7%
Total.....	\$17,516,238	100.0%	\$15,762,223	100.0%

The increase of the commercial/industrial base is important because the County's cost of providing services to commercial/industrial development is considerably lower than residential development. The County continues to emerge as an active market for private investments. In fiscal year 2012, permits were issued for 183,257 square feet of new commercial construction, 400,222 square feet of commercial alterations, and 86,626 square feet of commercial additions. Estimated construction costs for commercial construction were \$17,472,800 for new construction, \$6,963,983 for commercial alterations, and \$6,476,353 for commercial additions.

The following is a description of the major commercial and industrial projects underway in the County.

## HWY 301 CORRIDOR

The community of Waldorf includes nearly 10 million square feet of commercial space. This portion of the County is the primary designated growth area in the County's Comprehensive Plan. Waldorf, at the very northern border of the County, is easily accessible to the Washington DC region via Maryland Routes 301 and 5 which connect the County with the Capital Beltway, Washington DC, and the northern and eastern suburbs. Maryland Route 228 runs east/west through Charles County connecting Route 301 in Waldorf to Maryland Route 210 in the west and providing the commercial core with another major arterial access to the Capital Beltway. Several business parks and mixed-use projects are currently in development in Waldorf.

## St. Charles

The planned community of St. Charles – in the southern half of Waldorf – consists of a 9,100 acre Planned Unit Development (PUD) and is one of the nation's largest PUD. It includes approximately 1,000 acres of existing industrial parks, offices, and retail centers in the commercial developed portion of the PUD. Total commercial square footage developed to date is estimated at 5 million square feet. Most of the industrial buildings are located in four business parks comprising over 1.5 million square feet of industrial space. St. Charles Towne Center Mall is a 1.1 million square foot, regional shopping mall with just over 980,000 square feet of gross leasable area owned and operated by Simon Property Company. Macy's, Macy's Home Store, Sears, Kohl's, Dick's Sporting Goods, and JC Penney anchor the Mall. St. Charles commercial centers draw from a regional base of customers in excess of 1.5 million from throughout Southern Maryland, southern Washington DC, Prince George's County, and central Virginia.

## CPV St. Charles Energy Center Electrical Generating Facility

In 2007, power generation developer Competitive Power Ventures, Inc. (CPV) secured site control of a 76 acre site in the St. Charles Piney Reach Industrial Park. In December 2007, CPV filed an application with the State of Maryland for authorization to construct a 725-megawatt electrical generating station (Project).

During 2008, CPV and the County completed negotiations and executed a comprehensive agreement for the Project that included, among other things, providing grey water (clean sewage plant effluent) to the Project for cooling purposes.

The original expectation was that CPV would begin construction in the first quarter of 2009 with the Project commencing operation in 2011. National economic conditions the past few years have made obtaining financing challenging, necessitating that CPV obtain a long term power purchase agreement with a utility in order to secure financing to construct the Project. In 2012, the Maryland Public Service Commission (PSC) issued a competitive RFP to secure up to 1,500 megawatts of generating capacity and on April 12, 2012, ordered the state's three investor-owned utilities to enter into long-term power purchase agreements with CPV for the sale of power. These agreements provide CPV with a revenue stream necessary to secure financing to construct the 725-megawatt natural gas-fired combined-cycle electrical generating station. The CPV project was the only project to obtain such an award as a result of the RFP. Since the award, three lawsuits were filed in various Maryland Circuit Courts for judicial review of the PSC order. The lawsuits were subsequently consolidated and will be heard in the Maryland Circuit Court for Baltimore County. An additional lawsuit filed in Federal District Court requesting declaratory judgment and injunctive relief alleged that the PSC's April 12, 2012 order violates the US Constitution. The state trial has not yet been scheduled and the federal trial concluded in March 2013. A decision in the federal trial is expected during the summer of 2013.

CPV has indicated that a favorable resolution is expected, given that CPV's project received the only award issued by the PSC and that the need for increased power generating capacity in Maryland still exists. It is anticipated that construction on this project could commence in early 2014, resulting in commercial operations beginning in early 2016.

CPV's St. Charles Energy Center represents a \$530,000,000 capital investment in Charles County. During the construction phase, CPV estimates that 350 to 400 skilled construction jobs will be created. Operation of the facility will result in 25 highly-skilled permanent jobs with an estimated payroll of \$1.4 million. The CPV St. Charles Energy Center will use clean natural gas and state-of-the-art technology to produce electricity in a highly efficient and environmentally friendly manner. Once the generating facility is operational, the PSC projected an average ratepayer credit of \$0.49/month for residential ratepayers over the 20-year life of the contract, based on the CPV proposal.

## **Waldorf Station**

The Waldorf Station property is located at the northern end of Waldorf on the Charles County boundary with Prince George's County. It is situated at the intersection of US Route 301, the Route 5 Bypass, and the future Western Parkway, all major travel routes in the County.

The project consists of approximately 140 acres, with nearly 500,000 s.f. of space allocated for commercial use. Two major sub-areas are bisected by US 301 right of way, and the CSX rail line crosses the southeast area. A mix of commercial businesses is proposed including office, hospitality, entertainment amenities, retail, residential, and recreation and civic amenities. Waldorf Station will be a transit-oriented mixed-use village.

The project's developer, Chaney Enterprises, is an aggregate mining company headquartered in Charles County. The firm employs more than 200 people and has large land holdings throughout southern Maryland, including the County. Chaney Enterprises has been in the process of planning this project for several years. In 2004, the developer and the County entered into a development agreement for Waldorf Station (formerly named Waldorf Crossing) that specified certain parameters for the design, residential and commercial mix, as well as other features to support the TOD designation and County economic development objectives.

In 2009, due to changes in the marketplace, the developer submitted a request for changes to the development agreement. Planning and Economic Development staff reviewed the requested changes with company representatives to ensure that the amended agreement maintained an appropriate mix of residential and commercial uses and that the project will be phased in a manner to maintain that balance throughout the development process. The agreement calls for a total of 798 residential units and 453,000 square feet of commercial space. The developer has recently launched new marketing efforts that include a development web site, print collateral, and a presence at conferences and trade shows.

### **Acton Lane Industrial Park**

Acton Lane Industrial Park is a 60-acre site consisting of fully developed lots ranging from 3 to 18 acres with zoning that allows heavy industrial uses. Approximately 2/3 of the acreage has been sold, with the largest user being a modular construction and storage solution business on a 20-acre site. Sites are ready-to-build, with water and sewer available and with easy access to US 301.

### **Lake Acton**

Lake Acton is a +/- 473- acre project that is being led by Chaney Enterprises in partnership with an experienced mixed use developer. The project is in the pre-development stage with a MX (Mixed Use) zoning overlay application currently under consideration by the County.

The development program includes a 3.65 million square foot mix of office, retail, institutional, and residential uses to be constructed starting in 2015 and continuing until 2035. The proposed program breakdown consists of 730,000 s.f. of office space, 375,000 s.f. of retail uses, 182,000 s.f. of institutional uses, and 2,364 residential units ranging from apartments to single-family detached units.

Employment estimates provided by the developer for the project at full occupancy project a total of 4,586 permanent jobs plus an additional 2,293 generated through the multiplier effect (assumes one half job per worker in the development). The composition of the 4,586 direct jobs is 2,920 office workers averaging an estimated \$75,712 per year, 938 retail positions averaging \$22,568 per year, and 728 medical, government and non-profit jobs averaging \$50,752 annually. The total taxes generated by the project at stabilized occupancy are estimated at \$13.8 million.

The entire Lake Acton site is already owned by Chaney Enterprises. The company has a sand and gravel plant currently operating on the site, and has already secured a special exception to relocate the plant to an adjacent parcel in preparation for Lake Acton's development. The project will also provide a much-needed connection at Maryland Route 5 and Post Office Road.

### **Berry Business Park- Route 228- Berry Road**

Berry Business Park is part of a 300 acre tract zoned as a Business Park, which permits a variety of employment uses. The first section, 92 acres, has received preliminary plan and traffic light approval. The first phase of the 92 acres site is projected to have 60,000 square feet of flex space, 7 pad sites, and a hotel site. At full build-out of the 92 acres, 1.1 million square feet of commercial space is anticipated.

### **Waldorf Technology Park**

The Waldorf Technology Park lies on a 64-acre site on the north side of MD Route 228 / Berry Road, just west of the Route 301 intersection. The park is adjacent to two major retail commercial areas and has major highway access and commercial services access to support new employers. Developed by the Manekin Corporation, this project will accommodate medical healthcare professionals, institutional uses, and engineering/government contractors and will provide nearly 400,000 square feet of commercial space when



complete. A 98-suite, 70,000 s.f. Marriott Residence Inn opened in the park in 2009, and CVS pharmacy relocated to one of the park's pad sites in 2011.

The first flex building completed in 2007, has 35,000 square feet of space. Three tenants have taken occupancy, and the developer is working with the Department of Economic Development to identify other potential tenants. Another 20,000 square foot, Class-A flex building has been fully permitted and can be available for occupancy in as few as nine months.

The developer has recently submitted to the County an application to change the park's zoning overlay from PEP (Planned Employment Park) to MX (Mixed Use), which permits the existing business uses but will also allow a multi-family residential component to be added to the project. This request responds to a high market demand for apartments and is consistent with the trend towards walkable living that currently characterizes suburban and urban development.

The newly proposed mix of uses for this project includes 172,651 s.f. commercial office / flex (20% of leasable building area), 171,618 s.f. commercial retail (20%), 43,200 s.f. commercial / civic (5%), and 474,400 s.f. multi-family residential in 380 one-and two-bedroom apartments (55% of leasable building area ).

Approximately 120,000 s.f. of the project, representing nearly 14% of the leasable building area, has been completed. Assuming the MX application is approved as proposed, an additional 120,000 s.f. of commercial space is projected to be complete by 2015 with the remaining 148,000 s.f. by 2019. The 474,400 s.f. of residential apartments are planned for occupancy between 2015 and 2016.

## **WHITE PLAINS - HWY 301 CORRIDOR**

Two miles south of St. Charles along the US Route 301 Business Corridor is the community of White Plains. The County has made significant progress in creating a major modern employment center in this area, which has been a top priority for several years. The County extended water and sewer service to serve several hundred acres of business and industrially zoned parcels, which include three large business/industrial projects: The White Plains Corporate Center Park, The White Plains/DeMarr Road Business Park, and Fairview Executive Center and Business Park.

### **White Plains Corporate Business Park**

The 48-acre White Plains Corporate Business Park, located on Route 301 south of Billingsley Road, is designed for office, medical and technology-oriented tenants. The Park is planned to be developed in three phases. An upgraded US 301 entrance has been approved and construction will commence soon.

Phase 1 is planned to include 225,000 square feet of office and flex space on a 13-acre site, with seven office or flex buildings, one hotel, and one pad site. The first building, a 60,000 square foot Class A office building, has been fully leased. A second Class A office building totaling 40,000 square feet has also been completed. Space is being offered as office condominiums for sale or lease, and approximately 75% of the units have been sold or leased. Construction of the park's first flex building, a 24,000 square foot single-story structure, was completed in the fall of 2012 and is ready for occupancy. BB&T Bank opened a new branch location in the park in summer of 2012.

Phase 2 of the park, a 25-acre tract at the corner of Route 301 and Route 227 is under development. Phase 3 is planned as the redevelopment of an adjacent 10-acre parcel.

### **White Plains /DeMarr Road Business Park**

The County owns two parcels which total 190 acres of land zoned for business and industrial use with another privately-owned 100-acre parcel adjacent. Over the years, the County has considered possible business park development at this site. However, plans are currently on hold given capacity and more advanced stage of development at other business park sites in the County.

The site has rail access, which has led to discussion of a possible rail yard, commuter station, or transit oriented development. The County recently acquired one of the three adjacent parcels in order to preserve the option of a rail yard for light rail transit in the future.

### **Fairview Executive Center and Business Park**

Fairview Executive Center and Business Park lies on a prime 13-acre site at the intersection of Route 301 and Billingsley Road. With service support facilities in place including a bank and medical pharmacy, the first 24,000 square foot Class A office building was completed and sold as office condominiums to professional users including Johns Hopkins Community Physicians, which opened in 2007. That practice nearly tripled the number of physicians and has expanded to occupy a full floor in the building. The second building, also 24,000 square feet of Class A office space, is now 65% occupied. A single pad site with frontage along US Route 301 remains available.

## **INDIAN HEAD - HWY 210 CORRIDOR**

### **Naval Facility Indian Head**

The western Charles County Town of Indian Head is home to the Department of Defense (“DoD”) Naval installation, Navy Support Facility Indian Head. The base houses tenant commands involved in a diverse and strategically important mix of research and development activities as well as operations support programs serving the US Navy, Marine Corps, Air Force, and Army forces deployed worldwide. In addition to its military value, the Indian Head Navy installation makes a significant economic contribution to the local community by serving as one of the County’s largest employers. Established in 1890 as the Naval Proving Ground, today the installation is DoD’s research and development center for energetics technology as well as ordnance detection and disposal, micro-electronic-mechanical systems, and nanotechnology. The base is a multi-military facility housing the Naval Surface Warfare Center, the Joint Interoperability Test Command (DISA), the Navy’s Explosive Ordnance Disposal Technology Division, the Chemical & Biological Incident Response Force (Marines), other military support activities, and numerous defense subcontractors and support units. Active employment at the base is approximately 3,404 military, civilian, and support personnel.

## **MAJOR COMMANDS AT NSF INDIAN HEAD**

### **Naval Surface Warfare Center Indian Head Division:**

The Naval Surface Warfare Center Indian Head Division (NSWC IHD) is the principal Energetics Center for the DoD. The command’s mission is to provide research, development, test and evaluation, and in-service support of energetics and energetic materials. As the largest DoD full spectrum energetics facility and leader in the Navy’s energetic enterprise, NSWC IHD employs a workforce of over 1,535, of which more than 697 are scientists, engineers and technicians dedicated to every aspect of developing and sustaining explosives, propellants, pyrotechnics, high energy chemicals and their application into war fighting systems. NSWC IHD performs over 60 percent of all Navy energetics workload. Since 1985, 75 percent of all explosives deployed in U.S. weapons were developed by IHD.

### **Naval Explosive Ordnance Disposal Technology Division:**

Naval Explosive Ordnance Disposal Technology Division (EODTECHDIV) is focused on eliminating the hazards from unexploded ordnance that jeopardize U.S. military and related operations. EODTECHDIV is the DoD center of knowledge and expertise on all explosive threats including counter-explosive hazard research, development, testing and evaluation; special tool and equipment development for detection and defeat; comprehensive threat database; development of tactics, techniques, and procedures; and real-time technical

support to EOD responders. The command also operates a wide variety of state-of-the-art facilities such as a robot range, foreign ordnance electronics exploitation laboratory, magnetic signature test facility, ordnance disassembly complex, radiography and photography laboratories, explosive test ranges, hypervelocity test facility, and EOD diver complex.

In March of 2013, Naval Sea Systems Command (NAVSEA) announced the merger of these two divisions, NSWC IHD and EODTECHDIV, effective October 1, 2013. Command officials emphasize that the technical missions, functions, and personnel of the departments will remain unchanged, and there are no plans to change employees' current locations, and no reductions in force or forced elimination of civilian positions are planned as a result of this merger.

#### **Joint Interoperability Test Command:**

Joint Interoperability Test Command (JITC) is one of the key organizational elements of the Defense Information Systems Agency (DISA) and serves as DISA's developmental and operational test organization. As designated by the Joint Chiefs of Staff, JITC is also the authority that certifies that Department of Defense information technology (IT) and national security systems meet interoperability requirements for joint military operations. JITC also provides direct support to the Department of Homeland Security and the Federal Emergency Management Agency (FEMA).

#### **U.S. Marine Corps Chemical Biological Incident Response Force:**

U.S. Marine Corps Chemical Biological Incident Response Force (CBIRF) responds to terrorist incidents involving the use of chemical, biological, radiological, or nuclear explosive (CBRNE) weapons of mass destruction. CBIRF assists local, state, or federal agencies and designated commanders in post-incident mitigation by providing agent detection and identification; casualty extraction, extrication, and decontamination; and emergency medical care and stabilization of contaminated personnel. CBIRF's primary mission is saving lives. More than 500 Marines from more than 40 military occupational specialties train to complete those missions. The unit is equipped with six major sections, including Explosive Ordnance Disposal, Technical Rescue Decontamination, Identification Detection Platoon (IDP), medical, and casualty extraction.

NSF Indian Head was designated for continued operations post-BRAC 2005 and is undergoing a modernization and redevelopment plan to strengthen its role as the designated "center for excellence" in energetics research and related support services. NSWC/IHD has developed the "NSWC NAV 2020 Plan" to address facilities modernization, security, and efficiency. The plan calls for the command to relocate and consolidate all sensitive activities to secure areas of the more remote sections of the peninsula on which the base is located. Buildings near the front of the base will be vacated, and those parts of the installation redeveloped with modern office space for government personnel and to lease to contractors.

Since fiscal year 2008, \$74.5 million in new military construction projects for the NSWC-IHDIV have been completed, adding to its military value to the Department of Defense. Other projects already funded for the NSWC/IHD and under construction or awaiting a contract award total another \$46.3 million. Military construction projects authorized in fiscal years 2015-2019 total another \$96.2 million

In order to allow military tenants to focus on core missions, Naval Facilities (NAVFAC) manages the installation and its physical assets – land, buildings, and infrastructure – under the Command of Naval Support Activity, South Potomac Division. A major upgrade to the steam distribution system and power generation facility was fully funded in the fiscal year 2012 military construction budget and is on schedule to be operational in August, 2016. The contract for \$68 million was awarded in October 2012 to Clark Construction/The Bell Company; the project includes steam distribution throughout the installation, a 3.5

megawatt co-generation facility for electricity and steam, and construction of a natural gas pipeline through western Charles County to the base. The new power plant will improve ongoing operational costs and significantly reduce environmental impacts.

A four-year shoreline restoration project was completed along the installation's Potomac River shore in October of 2012. Over 3 miles of shoreline were stabilized, protecting \$54 million of base infrastructure. The project created 18 acres of intertidal wetland and riparian floodplain habitat while eliminating future shoreline erosion. Cost for the project was \$20 million.

At the end of March 2013, Naval Support Activity South Potomac issued a report on the economic impact of the base. For fiscal year 2012, NSF Indian Head generated over \$301 million funneled directly into the local economy in the form of payroll dollars and defense contracts. Fiscal year 2012 data were not available for the Joint Interoperability Test Command (JITC) at the time the report was written. An accompanying news release stated that the organization accounted for an additional \$7.5 million in federal civilian payroll and another \$22.8 million in local defense contract spending in the previous fiscal year.

### **Indian Head Science & Technology Park (IHSTP)**

Located in Bryans Road near Maryland Airport and 5 miles north of the main gate for the Naval Support Facility Indian Head, this 268-acre business and technology campus/office park was initiated as a public/private partnership between the County and a private joint venture to support the growth of government and defense contractors as well as tenants at Indian Head.

The private joint venture is a partnership between Corporate Office Properties Trust (COPT) and The Facchina Companies. COPT is a national real estate investment trust and is one of the Washington DC region's largest developers of federal and defense information technology office space with over 20 million square feet of property. The Facchina Group of Companies, a locally headquartered private firm, is one of Charles County's major employers. The County owns 52 acres of the Indian Head Science and Technology Park site, and the partnership has acquired the adjacent land planned for inclusion in the park. The park's main entrance is on MD Highway 210 (Indian Head Highway), providing easy access to NSF Indian Head as well as to the Washington, DC National Capital Beltway about 15 miles to the north.

In 2009, the Charles County Planning Commission and the County Commissioners approved a zoning overlay request to make the entire park site a Planned Employment Park to allow the IHSTP to be developed as a master-planned campus.

In March 2012, the Planning Commission approved the Final Preliminary Plan for the Indian Head Science and Technology Park ("IHSTP"), which calls for 1.5 million square feet of employment space. The current development program includes 1,100,000 square feet of office space, 379,000 square feet of industrial space, and 20,000 square feet of ancillary retail space. The IHSTP is the only business park site in the County with the ability to offer Anti-terrorism/Force Protection site compliance.

The County will be acquiring the partnership-owned parcels on or before August, 2014 for approximately \$6.4 million. A request for proposals (RFP) is underway to secure professional real estate advisory services for the development or sale of the project. Water service has been provided to the site, and sewer service can be completed within 12-16 months.

A 2007 Economic and Fiscal Impact Study – the most recent available – projects that the IHSTP project will generate nearly \$282 million in construction spending during development resulting in an estimated \$12.4 million in annual post-construction spending, and support approximately 3,300 full-time equivalent workers. The project's net fiscal impact to the county is estimated at \$1.5 million annually.

## **TOWN OF LA PLATA / SOUTH/CENTRAL HUB - HWY 301 CORRIDOR**

Six miles south of White Plains is the county seat of La Plata with a residential population of 8,896. As a center for government, the Town Center houses the Municipal Town Hall, Charles County Central Government Offices, the Charles County Courthouse, Civista Medical Center, and many other medical and government offices. In the immediate area are the County's Board of Education administrative headquarters and area service centers. The Town has a major redevelopment and new development effort underway with new office buildings, streetscape improvements, and other commercial space completed in the central development area.

### **La Plata Executive/Professional Center**

The Facchina Group of Companies - developer of the Centennial Plaza office complex in La Plata – continues leasing of condominium office space on and around Centennial Street. Centennial Plaza contains a total of 144,000 square feet of office and retail space. The first building constructed is a 3-story, Class-A office building with an area of 45,000 square feet and two levels of below-grade parking. Completed in 2003, it houses The Facchina Group of Companies' headquarters.

South Centennial Street office condominiums – part of Centennial Plaza - is a multi-building for-sale condominium project containing four, 3-story buildings and 70,000 gross square feet of space. The last of the four buildings was completed in 2007. Owners and tenants of these office condos are primarily Professional Services businesses.

A second 3-story, Class A office building with 26,000 square feet of space and below-grade parking was completed in 2008. Occupants include SAIC, a major government/defense contractor.

## **OTHER COUNTY LOCATIONS AND PROJECTS**

### **Blossom Point U.S. Army Research Facility**

The Blossom Point Research Facility (BPRF) occupies about 1,600 acres in the County on a peninsula formed by two tributaries of the Potomac River – the Port Tobacco River and Nanjemoy Creek. It was first leased to the Federal Government in 1943 and later purchased by the Department of the Army in 1980. Today, Blossom Point serves as a test range for DoD and defense-related customers; it is the only US Army garrison capable of explosives testing.

The US Army employs six people at BPRF and 74 people are employed there by the Naval Research Laboratory.

In 2012, the Department of Defense Office of Economic Adjustment completed and presented a Joint Land Use Study “to identify land use measures needed to ensure that future public and private civilian development adjacent to military installation are compatible with the mission of the installation.” The

County's Department of Planning and Growth Management engaged a consultant to do the study under its supervision. The plan includes a number of recommendations to address potential encroachment issues identified in the study and to protect the mission of the facility. This study, supported by the Charles County Commissioners, indicates the intent of the Department of Defense to maintain this installation in Charles County.

### **Waldorf Urban Redevelopment Corridor**

In 2010, the Charles County Commissioners adopted design guidelines and zoning to encourage commercial investment in the strategic redevelopment of a portion of Waldorf and to accommodate future rapid transit. The Waldorf Urban Redevelopment Corridor (WURC) is a +/- 300-acre, rectangular area immediately to the northeast of Waldorf's busiest intersection, MD Route 5 / Leonardtown Road and US 301 / Crain Highway.

The Maryland Transit Administration defined in 2010 a high-capacity, fixed route mass transit alignment corridor between Waldorf and Washington, DC. The alignment is immediately adjacent to the CSX railroad right-of-way and will offer Charles County a service connection between the Metrorail transit station at Branch Avenue in Prince George's County and both Waldorf and White Plains in Charles County. Both Prince George's County and Charles County have endorsed the alignment.

The WURC corridor development plan is proposed as a Transit Oriented Design, high-density, mixed-use redevelopment project to be completed in three or more general phases. The area is bordered by US 301 / Crain Highway on the west and the CSX rail line to the east. The north end encompasses the area surrounding Acton Lane, and the south end surrounds the prime intersections where MD Route 5 / Leonardtown Road intersects MD Route 925 and US 301.

In 2013, consultants working on behalf of the County completed an analysis and recommendations for implementing "Phase One" of the WURC redevelopment project. The Phase One development program consists of 659,000 s.f. of mixed use development – residential, commercial office, and retail - within a quarter-mile walk of a future transit station. The development is planned around but not depended upon mass transit.

Funds for the light rail local share, some road enhancements, and part of the water service work needed to prepare the site for redevelopment have already been included in the county's Capital Improvement Program. A formal public presentation to the County Commissioners regarding the implementation will be held in 2013, and further implementation steps are being considered and are expected to be solidified this year. An RFP for development services for some or all of the private development is expected to be released in 2013 or early 2014.

### **Swan Point Resort**

The community of Swan Point -- located along Charles County's southern Potomac shores -- is an existing 18-hole championship golf course resort community on approximately 900 acres, surrounded on three sides by the Potomac River and Cuckhold Creek, being developed by Swan Point Development Company (Brookfield Homes and U.S. Steel Corporation). As the County's only Waterfront Planned Community, it is designed to include a resort hotel and conference center; a second, larger marina and associated commercial facilities; and an additional 1,500 dwelling units. The hotel component is being redesigned from its original concept to provide a luxurious, but eco-friendly hotel/conference center. It is likely to be developed in two phases, with the first phase being located more centrally on the Potomac shoreline.

Although tax increment financing was approved by the County in 2008 for the resort/hotel infrastructure, all possible financing options are being evaluated to achieve the appropriate financing mix for this post-

recession economy. A \$16 million state-of-the-art sewage treatment plant has been completed and a \$5 million shoreline stabilization project was completed in 2012, aimed at reversing the previous loss of land into the River at the average rate of more than ten feet per year. (SEE “CERTAIN DEBT INFORMATION – Tax Increment Bonds”)

### **Hughesville Revitalization**

Hughesville is a rural village community located at the crossroads of the Charles County, Calvert County, and St. Mary’s County markets. It is accessed by the recently expanded four-lane Maryland Route 5. Its central regional location led to the town center’s growth in the late 1800’s and early 1900’s, and today, it is the site of the headquarters for the regional electrical utility, Southern Maryland Electric Cooperative (SMECO), the offices of the Tri-County Council for Southern Maryland, and the offices of the Southern Maryland Association of Realtors.

Historically, the community was the center of the tobacco trade industry and main-street Hughesville is dominated by older, partly abandoned tobacco barns. A major revitalization effort for the Village of Hughesville is now underway. Included in the Hughesville Revitalization plan is the restoration of approximately 72,000 square feet of the historic tobacco auction barn located in the heart of Hughesville. Once completed, the Barns at Hughesville will provide a regional venue for major arts and entertainment events as well as a facility for corporate meetings, trade shows, auctions, and general convention/meeting area for groups ranging in size from 50 to 2,000 people.

In addition to SMECO’s corporate headquarters located on Burnt Store Road in Hughesville, SMECO has recently opened its new Engineering and Operations Center located along old Route 5. This new state-of-the-art facility is more than 150,000 square feet and houses the employees who were at SMECO’s office in White Plains. In addition to the White Plains service and construction personnel, the new facility hosts the cooperative’s contact center, its systems operations center, and its engineering and operations Department. The building has been designed to LEED standards, and officially opened during the first quarter of 2013.

Southern Maryland’s first utility-scale solar farm is also located in Hughesville. SMECO’s 5.5 megawatt solar farm occupies nearly 50 acres of land along Route 5 just north of downtown Hughesville. The solar project received approval of a Special Exception in January 2012 and began producing green power for SMECO’s customer-members in November of 2012. SMECO has recently announced plans to issue another Request for Proposals for the development of a two to ten megawatt solar farm in its service area, and sites in Charles County will be considered.

The Hughesville Station Business Center is a 50-acre business park complex in a campus design proposed to contain nine individual buildings totaling approximately 200,000 square feet. Hughesville Station has frontage on and access to MD Route 5, offering an ideal location for businesses serving the tri-county area. As a Planned Employment Park, the project may include office, flex, and industrial facilities. Targeted markets include educational, institutional, medical, and professional firms.

The College of Southern Maryland announced that it will be developing a 70 acre Hughesville Campus, which will house a 40,000 s.f. Center for Trades and Energy training facility. Other buildings proposed are a Health Sciences Facility and Fine Arts Center.

## Commercial and Industrial Land

The Maryland Department of Assessments and Taxation reported the following amounts of improved and unimproved commercial and industrial land in acres, as of March 2013:

	<b>Total</b>	<b>Non-exempt</b>	
	<b>Commercial</b>	<b>Commercial</b>	<b>Industrial</b>
	<b><u>Land</u></b>	<b><u>Land</u></b>	<b><u>Land</u></b>
With improvements.....	18,774	5,783	1,202
Without improvements (available)...	5,458	4,674	3,793

The 2006 adopted comprehensive land use plan identifies employment industrial park districts and commercial business park districts. One of the main implementing tools of the comprehensive plan is the Zoning Ordinance. The Zoning Ordinance created five commercial zones: neighborhood commercial, village commercial, community commercial, central business, and business park zones. There are two industrial zones, general industrial and heavy industrial, and two floating zones, planned employment park and mixed-use park. The County is currently in the process of developing the 2013 comprehensive plan.

## Income Tax Data

Data from 2011 Maryland income tax returns displays a stable income posture. Total Federal adjusted gross income (“AGI”) reported on County taxable and non-taxable 2011 returns of \$4,440,248,422 rose above the comparable 2010 amount of \$4,345,071,152 by 2.2%.

The County accounted for 2.4% of the total taxable returns filed in the State, 8.5% of the taxable returns showed AGI between \$40,000 and \$50,000, 31.1% of the taxable returns showed AGI between \$50,000 and \$100,000, and 25.9% of all taxable returns are over \$100,000. There has been a 0.9% increase between 2007 and 2011 in total taxable returns filed by County taxpayers (54,419 versus 54,932).

### 2011 Returns with AGI between \$40,000 and \$100,000

	<b><u>Statewide</u></b>	<b><u>Charles County</u></b>	<b><u>Carroll County</u></b>	<b><u>Frederick County</u></b>	<b><u>Calvert County</u></b>	<b><u>Baltimore County</u></b>	<b><u>Prince George's County</u></b>	<b><u>Montgomery County</u></b>	<b><u>Howard County</u></b>
No. of Res. Returns .....	820,834	21,760	23,348	34,175	12,324	123,620	135,091	133,708	38,135
% of State .....	100.00%	2.65%	2.84%	4.16%	1.50%	15.06%	16.45%	16.28%	4.64%
% of Maryland 2010 Census .....	100.00%	2.54%	2.89%	4.04%	1.54%	13.94%	14.95%	16.83%	4.97%
Proportion Difference:									
No. of Returns with AGI \$40,000 - \$99,999/Statewide Population .....		1.04	0.98	1.03	0.97	1.08	1.10	0.97	0.93

Source: Office of the Maryland Comptroller of the Treasury.  
U.S. Census Bureau – 2010 Census Data.

### 2011 Returns with AGI between \$100,000 and Over

	<b><u>Statewide</u></b>	<b><u>Charles County</u></b>	<b><u>Carroll County</u></b>	<b><u>Frederick County</u></b>	<b><u>Calvert County</u></b>	<b><u>Baltimore County</u></b>	<b><u>Prince George's County</u></b>	<b><u>Montgomery County</u></b>	<b><u>Howard County</u></b>
No. of Res. Returns .....	495,166	14,202	17,445	24,234	10,176	59,355	52,616	121,860	42,376
% of State .....	100.00%	2.86%	3.562%	4.89%	2.05%	11.98%	10.62%	24.61%	8.55%
% of Maryland 2010 Census .....	100.00%	2.54%	2.89%	4.04%	1.54%	13.94%	14.95%	16.83%	4.97%
Proportion Difference:									
No. of Returns with AGI \$100,000+									
Statewide Population .....		1.13	1.23	1.21	1.33	0.86	0.71	1.46	1.72

Source: Office of the Maryland Comptroller of the Treasury. U.S. Census Bureau – 2010 Census Data.



### Growth in Number of Total Residents Returns Filed in 2007 Versus 2011

St. Mary's .....	2.8%	Frederick.....	-0.2%
Howard .....	3.6%	Anne Arundel .....	-0.5%
<b>Charles</b> .....	<b>0.9%</b>	Carroll.....	-2.7%
Calvert.....	-1.3	Prince George's County .....	-0.3%
Montgomery County .....	1.4%	Washington .....	-5.7%

Source: Office of the Maryland Comptroller of the Treasury.

Data from 2011 Maryland income tax returns indicate that while the County represents 2.4% of total State returns filed, Adjusted Gross Income categories between \$50,000 and over, exceeded this percentage, indicating a higher than State average for these income brackets. Additionally, 57% of all taxable County returns filed were above \$50,000.

### Number of Charles County 2011 Income Tax Returns, by Maryland Adjusted Gross Income Class, Percent of State Total

<u>Maryland Adjusted Gross Income</u>	<u>Number of Returns</u>	<u>% of Total</u>	<u>Charles County as % of Maryland</u>
\$0-\$9,999 .....	1,239	2.3%	1.8%
\$10,000 under \$20,000 .....	6,551	11.9	2.1
\$20,000 under \$30,000 .....	5,996	10.9	2.0
\$30,000 under \$40,000 .....	5,184	9.4	2.0
\$40,000 under \$50,000 .....	4,664	8.5	2.2
\$50,000 under \$100,000 .....	17,096	31.1	2.8
\$100,000 and over.....	<u>14,202</u>	<u>25.9</u>	<u>2.9</u>
Taxable Returns .....	54,932	100.0%	2.4%
Non-Taxable.....	<u>11,601</u>		<u>2.0</u>
Total-All Returns .....	66,533		2.3%

Source: Office of the Maryland Comptroller of the Treasury.

## Sales and Use Tax Collections

As indicated in the following table, Charles County's sales and use tax receipts for fiscal year 2012 increased by 3.7% from fiscal year 2011, which is less than the State average increase of 4.7%.

### Sales and Use Tax Receipts by County Fiscal Year Ended June 30<sup>th</sup> (Dollars in Thousands)

	Fiscal Year 2012	Fiscal Year 2011	% Change	% of Fiscal Year 2012 Total
Kent .....	\$ 13,365	\$ 11,912	12.2%	0.3%
Cecil .....	36,949	34,223	7.9	0.9
Anne Arundel .....	394,152	366,604	7.5	9.6
Worcester .....	78,749	73,313	7.4	8.0
Calvert .....	35,197	32,897	6.9	0.8
Harford .....	124,625	116,582	6.9	3.0
Dorchester .....	14,175	13,289	6.6	0.3
Queen Anne's .....	23,046	21,608	6.6	0.5
Washington .....	97,575	91,704	6.4	2.3
Talbot .....	36,985	34,785	6.3	0.9
District of Columbia .....	37,433	35,284	6.0	0.9
Prince George's .....	481,737	454,394	6.0	11.7
Frederick .....	137,105	129,435	5.9	3.3
Carroll .....	94,602	89,566	5.6	2.3
Baltimore City .....	331,361	316,095	4.8	1.9
Montgomery .....	523,568	500,212	4.6	12.7
Howard .....	174,362	166,888	4.4	4.2
Caroline .....	7,250	6,960	4.1	0.1
St. Mary's .....	49,934	47,929	4.1	1.2
<b>CHARLES .....</b>	<b>104,559</b>	<b>100,746</b>	<b>3.7</b>	<b>2.5</b>
Baltimore County .....	553,569	535,496	3.3	13.5
Other/Out-of-State .....	618,987	604,865	2.3	15.1
Wicomico .....	68,123	66,664	2.1	1.6
Garrett .....	17,441	17,111	1.9	0.4
Allegany .....	37,683	37,127	1.5	0.9
Somerset .....	3,172	3,135	1.1	0.1
Grand Total .....	\$4,095,706	\$3,908,824	4.7%	100%

Source: Retail Sales Tax Division, Office of the Maryland Comptroller of the Treasury.

**Charles County Sales and Use Tax Collections**  
(Dollars in Thousands)

<u>Class of Business</u>	<u>Fiscal Year 2012*</u>	<u>Fiscal Year 2011*</u>	<u>% Change</u>	<u>% of Fiscal Year 2012 Total</u>
General Merchandise .....	\$26,720	\$26,789	-0.2%	25.6
Food and Beverage.....	24,510	22,397	9.4	23.5
Building and Contractors .....	15,289	15,520	-1.4	14.6
Utilities and Transportation .....	9,536	8,543	11.6	9.1
Automotive.....	7,422	7,645	-2.9	7.1
Furniture, Fixtures, and Appliance.....	6,909	6,995	-1.2	6.6
Miscellaneous .....	6,728	5,947	13.1	6.4
Apparel .....	6,011	5,306	13.2	5.7
Hardware, Machinery and Equipment .....	<u>1,101</u>	<u>1,094</u>	<u>0.6</u>	<u>1.0</u>
Total	\$104,226	\$100,227	4.0%	100%
Assessment Collections .....	<u>332</u>	<u>519</u>	<u>-36.0</u>	
<b>Grand Total</b>	<b>\$104,559</b>	<b>\$100,746</b>	<b>3.8%</b>	

\*Detail may not sum to totals due to rounding, due to processing times amounts may not match total revenues collected.  
Source: Retail Sales Tax Division of the Office of the Maryland Comptroller of the Treasury.

## Agriculture

Agriculture is an important part of the economic base of the County. In part due to this, the County has adopted a preservation goal to set aside 50% of the County's land mass as open space. Field crops, in general, comprise the mainstay of the County's agricultural production. According to the 2007 Census of Agriculture, Charles County produced \$8,898,000 worth of agricultural products in 2007.

The 2007 Census of Agriculture also indicates that 418 farms remain in the County, with an average farm size of 125 acres. In that year, approximately 52,147 acres, or 18% of the County's total land area of 295,600 acres, was farmland. In 2007, the average farm value was \$7,000 per acre.

Charles County farmers are also recipients of the tobacco settlement buyout program. Ninety-four percent of eligible tobacco has been taken out of production forever as 877 growers participated in Maryland's Tobacco Buyout. This represents 7.8 million pounds of tobacco. This has provided an income source for many County farmers while significantly reducing the County's production of tobacco.

## Natural Resources

*Minerals.* Ample supplies of construction sand, gravel and structural clay are available in the County (as deposits in the Baltimore-Washington, D.C. Corridor are exhausted) for use in residential construction. Although impacted by the nationwide slowdown in the residential market, construction remains brisk in northern Charles County and southern Prince George's County. Ceramic clay suitable for face brick or structural tile is available in the Marlboro Clay, a relatively thin but persistent and homogeneous unit outcropping found in the northwestern portion of the County. Mineral resources other than these conventional construction materials are relatively insignificant in the County.

## Construction

As set forth in the Ten-Year Building Permit Summary, the value of building permits issued annually has generally increased each year from 2003 to 2006. Permit value has declined due to current housing and economic conditions, but in 2011 the County returned 2008 levels in the number of issued permits. Total number of permits issued and estimated construction costs continued to increase in 2012.

### Charles County, Maryland Ten-Year Building Permit Summary

<b>Calendar Year</b>	<b>No. of New Residential Permits</b>	<b>No. of New Commercial Permits</b>	<b>Number of Res. Misc. Permits</b>	<b>No. of Comm. Alter./Add. Permits</b>	<b>Total Number of Permits</b>	<b>Total Estimated Construction Costs</b>
2003.....	946	29	1,295	188	2,458	\$282,769,370
2004.....	807	37	1,283	203	2,330	243,840,425
2005.....	783	29	1,402	209	2,423	320,473,399
2006.....	1,043	32	1,381	237	2,693	515,266,408
2007.....	581	22	1,103	271	1,977	302,263,342
2008.....	397	41	930	268	1,636	221,314,567
2009.....	524	14	723	221	1,482	222,629,345
2010.....	520	15	761	206	1,502	189,021,394
2011.....	576	18	751	259	1,604	207,318,445
2012.....	643	15	935	261	1,854	247,602,902

Source: Charles County Department of Planning & Growth Management, Division of Codes, Permits, & Inspection Services.

As shown below, the County experienced a dramatic rise in the estimated average cost per single family dwelling unit between 2003 and 2006. From 2007 to 2012, the average cost of construction has remained relatively consistent.

### Single Family Dwelling Units

<b>Calendar Year</b>	<b>Estimated Construction Costs</b>	<b>No. of New Units</b>	<b>Estimated Average Cost per Unit</b>	<b>% Change from Prior Year</b>
2003.....	\$142,739,547	826	\$172,808	11.00%
2004.....	159,923,707	807	198,171	14.68
2005.....	171,982,185	773	222,487	12.27
2006.....	221,421,651	901	245,751	10.46
2007.....	124,848,057	489	255,313	3.89
2008.....	94,786,848	377	251,424	-1.52
2009.....	87,588,186	363	241,290	-4.03
2010.....	117,998,807	497	237,422	-1.60
2011.....	110,281,837	432	255,282	7.52
2012.....	112,328,874	474	236,981	-7.17

Source: Charles County Department of Planning and Growth Management, Division of Codes, Permits, & Inspection Services.

## New Residential Construction Permits

The overall value of new residential private construction for the Washington Metropolitan Area experienced a 13.1% increase between 2011 and 2012. The value of the permits issued for Charles County decreased by 1.9%.

### Total Valuation of Private New Residential Construction Permits 2011 – 2012

<u>Jurisdiction</u>	<u>Cost</u>		<u>Percent Change</u>
	<u>2011</u>	<u>2012*</u>	
<b>Washington Metropolitan Area...</b>	\$2,937,160,000	\$3,322,646,000	13.1%
<b>Maryland:</b>			
Calvert County.....	58,350,000	55,182,993	-5.4%
<b>Charles County.....</b>	145,399,629	142,621,533	-1.9%
Frederick County.....	128,600,651	163,552,525	27.2%
Montgomery County.....	434,450,024	495,789,815	14.1%
Prince George's County.....	189,089,563	185,534,742	-1.9%
<b>Virginia:</b>			
Arlington County.....	128,217,287	154,815,853	20.7%
Fairfax County.....	141,258,409	191,691,026	35.7%
Loudoun County.....	473,703,694	630,395,751	33.1%
Prince William County.....	229,527,232	389,541,871	69.7%
Stafford County.....	85,606,077	140,738,433	64.4%
<b>District of Columbia.....</b>	609,367,922	471,528,176	-22.6%

Source: U.S. Census Bureau, Construction Statistics Division Building Permits Branch.

\*FY2012 numbers are preliminary and subject to change.

## Transportation

**Roads.** The County contains an extensive road network, consisting of approximately 2,200 miles of roadway, 400 of which are State owned and maintained. The major highways serving the County include U.S. Route 301, which runs north toward Baltimore and south toward Richmond, Virginia; Maryland Route 5, which runs from lower St. Mary's County, through Waldorf in northern Charles County, north to Washington, D.C.; and Maryland Route 228 west of U.S. Route 301 to Waldorf to Maryland Route 210, which runs from the Naval Support Facility at Indian Head north to Washington D.C. Throughout the County, an extensive system of State and secondary highway and County roads link all parts of the County with these main highways.

The Maryland State Highway Administration has been conducting a Project Planning Study for the Waldorf Upgrade/Bypass, including the National Environmental Policy Act (NEPA) planning process. Completion of this study will result in the selection of a highway alignment to benefit local citizens and interstate commerce. Through the annual meeting with Maryland Secretary of Transportation, the County Commissioners have consistently supported the US 301 Waldorf Improvement Study as well as the initiative to bring high-capacity fixed rail transit to the urban core of Waldorf. To support these projects the County's integrated transportation and land use strategy is detailed in the Waldorf Urban Design Study, which includes a series of recommendations on land use, mass transit and improvements to State and local roads. The genesis of the concept was based on the County's 2006 Comprehensive Plan Update adopted by the County Commissioners in May 2006.

A phase I implementation plan for the redevelopment area was completed in March 2013 and sets a strategy to advance transit oriented development. The County's Capital Improvement Program for transportation is funded and moving forward for design and construction of Western Parkway Phases 2 and 3, and Radio Station Road. Over the last several years, the program has completed Middletown Road, Western Parkway Phase 1, Cross County Connector (through phase 4), Rosewick Road, and St. Charles Parkway as part of the County's development of a comprehensive roadway network.

*Public Transportation.* VanGO is a countywide public transit system that provides transportation to citizens six days a week in the more populated areas of Waldorf, St. Charles, Indian Head, and La Plata. The deviated-fixed and fixed routes serve numerous desired primary destinations including employment locations in La Plata and Waldorf, the College of Southern Maryland, shopping centers, medical facilities, recreation and senior centers, and community centers. VanGO's public transit component includes fourteen routes operating Monday through Saturday from 6:30 a.m. to 10:30 p.m., providing maximum opportunities with limited ride durations. VanGO also connects daily to the St. Mary's County Transit System providing the first inter-county local connection in Southern Maryland. Last year, VanGO provided over 700,000 trips on its public transit routes. In addition to the public routes, VanGO also offers various specialized services to complement the public transit service, including demand response service for senior citizens and disabled individuals, ADA complementary paratransit services for disabled individuals, medical assistance transportation for Maryland Medical Assistance program participants, and service in support of the Department of Social Services welfare reform initiatives. VanGO vehicles are wheelchair accessible.

*Water Transportation.* The Port of Baltimore is approximately 50 miles north of Waldorf. With a 35' channel from the Delaware Bay and a 50' channel through the Chesapeake Bay, more than 23 million tons of foreign cargo pass through the private and public terminals at the Port of Baltimore in an average year. Cruise ships also sail from Baltimore. The Port of Baltimore is regarded as one of America's top container terminals, with state-of-the-art facilities and one of the best cargo handling records. Baltimore is one of the nation's leading ports for automobiles, roll-on/roll-off, construction and agricultural equipment, paper, and wood pulp. Arteries connecting Charles County and Baltimore's Port include interstate 95 and its spurs as well as Highway 301 into and through the County. Channel depth of the Potomac River is sufficient to support shipping directly to Charles County.

*Motor Freight Service.* The development district in the northern part of the County is part of the Washington, D.C. Commercial Trucking Zone.

## **Air Transportation**

The County is well served by three major airports located within 50 miles of La Plata, the County seat. These airports provide all levels of short, long, and international flight services. In addition, there is one general aviation airport, Maryland Airport, located in the County.

MARYLAND AIRPORT is a privately owned general aviation facility located in the County about 12 miles west of central Waldorf and adjacent to the Indian Head Science and Technology Park. An airport expansion is currently underway to add a new 4,300 foot runway, a new taxiway, lighting, hangars, and a new terminal building. The owner has been working with the State of Maryland and the Federal Aviation Administration (FAA) towards these improvements for several years and has received significant funding from those agencies. Phase III of the expansion is on schedule for completion in the Summer of 2013. This phase includes the new runway to 3,750 feet and new taxiway. Phase IV will extend the runway to its full 4,300 feet and is targeted for completion in 2015. A site for the new terminal has also been identified and plans for a terminal building are in development. The improvements will facilitate business travel, intraregional transportation, and access to the new National Harbor development on the Potomac River near Washington D.C. as well as to the District of Columbia itself. Once the project is completed, Maryland Airport becomes the closest airport— private or commercial – to Washington, D.C. that can handle private and corporate jet traffic without the requirement of additional security agents.

REAGAN NATIONAL AIRPORT is located 29 miles from the County in Arlington, Virginia across the Potomac River from Washington, D.C. The 860 acre site was selected by President Franklin D. Roosevelt in 1938, 733 acres of the site is situated on land and 127 acres is underwater. With 391 daily departures, the airport provides daily flights to 78 destinations via 11 carriers. In 2012, Reagan National Airport served more than 19.5 million passengers and had close to 300,000 intermittent flight operations. Facilities include 44 gates and parking for almost 9,000 vehicles. Reagan National Airport is also served by METRORAIL, the Washington DC area's public transportation system.

WASHINGTON DULLES INTERNATIONAL AIRPORT is located in Fairfax and Loudoun Counties in Virginia. Dulles has a total of 139 gates, including 317 daily domestic departures to 83 destinations on 8 carriers. International flights serve 49 destinations on 24 carriers with 415 weekly departures. In 2012, the airport served 15.8 million passengers on 10 domestic carriers and 6.7 million passengers on 24 international carriers. Dulles Airport is about an hour drive from Charles County via the Washington Beltway and the Dulles Access Road and has parking for over 25,000 vehicles.

BALTIMORE WASHINGTON INTERNATIONAL THURGOOD MARSHALL AIRPORT is located in Anne Arundel County, Maryland and served approximately 22.4 million passengers in 2012. In a 2011 economic impact study the airport claimed that it created over \$5.6 Billion in revenue for the state and was responsible for over 90,000 jobs. The airport is served by 27 commercial airlines plus 9 commuters, charter, and cargo services, with scheduled flights to 66 domestic and 10 international destinations. Facilities include 5 concourses (4 domestic, 1 international), 68 jet gates, and 5 gates dedicated to commuter aircraft. The airport is accessible from the County via Interstate 95, the Baltimore/Washington Parkway, or Interstate 97 and has parking for approximately 31,300 vehicles.

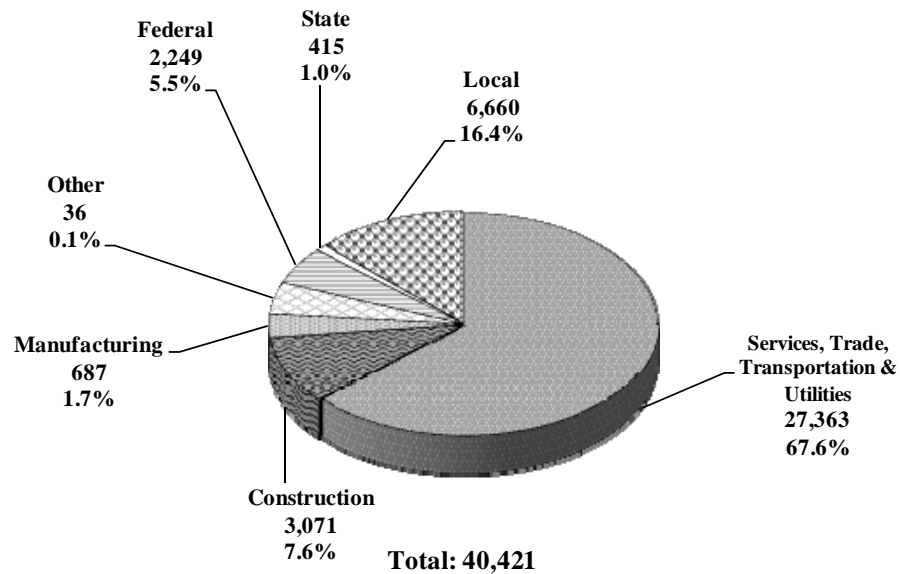
### **Financial Institutions**

Many financial institutions maintain offices in Charles County. Two southern Maryland regional banks have corporate headquarters in Charles County, Community Bank of Tri-County and County First Bank. A third southern Maryland bank, Maryland Bank and Trust merged with Old Line Bank in 2011, with headquarters 30 minutes away in Bowie, Maryland. Old Line has maintained a significant presence in Charles County with a number of branch locations and strong involvement with the business community. Other major banking institutions with branches in the County include Branch Banking and Trust (BB&T), Capital One Bank, 1<sup>st</sup> Mariner Bank, M&T Bank, PNC Bank, Bank of America, NRL Federal Credit Union, Provident Bank, Suntrust Bank & Suntrust Mortgage, The Washington Savings Bank, and Wells Fargo Bank. There are a number of federal credit unions within the County as well as mortgage companies, finance companies, and commercial credit companies that also maintain offices in the County.

## Employment by Category

As indicated on the following chart, two-thirds of the County's employment base is comprised of Services, Trade, Transportation, and Utilities jobs. The average annual employment within the County increased from 40,390 in 2010 to 40,421 in 2011, for an increase of 0.1%. The private sector employed 77.1% of the total number of jobs.

**2011 Average Annual Employment**



Source: Maryland Department of Labor, Licensing and Regulation.



## Employment

As indicated in the following table, employment in the County decreased from 42,248 in 2007 to 40,421 in 2011, a loss of 1,827 jobs and a 4.3% decrease in total employment. Growth in the public sector of employment outpaced the private sector between 2007 and 2011. At the end of the third quarter of 2012, Charles County had 2,940 companies employing 40,401 people.

The following table indicates the numbers of persons employed by industrial category and by type of governmental employer for the calendar years indicated.

### Five-Year Employment Statistics

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>% Change '07 to '11</u>	<u>2012 3rd Quarter</u>
<b><u>GOVERNMENT</u></b>							
Federal .....	2,170	2,190	2,231	2,353	2,249	3.6%	2,272
State .....	386	391	391	400	415	7.5%	686
Local .....	<u>6,338</u>	<u>6,592</u>	<u>6,594</u>	<u>6,591</u>	<u>6,600</u>	<u>4.1%</u>	<u>6,360</u>
Subtotal .....	8,894	9,173	9,216	9,344	9,264	4.2%	9,318
<b><u>INDUSTRY</u></b>							
Services, Trans., Comm., & Utilities .....	27,738	27,507	26,755	27,109	27,363	-1.4%	27,050
Construction .....	4,411	4,468	3,630	3,129	3,071	-30.4%	3,336
Manufacturing .....	1,090	856	797	750	687	-36.9%	669
Other .....	<u>115</u>	<u>108</u>	<u>87</u>	<u>58</u>	<u>36</u>	<u>-68.7%</u>	<u>28</u>
Subtotal .....	<u>33,354</u>	<u>32,939</u>	<u>31,269</u>	<u>31,046</u>	<u>31,157</u>	<u>-6.6%</u>	<u>31,083</u>
<b>Total .....</b>	<u>42,248</u>	<u>42,113</u>	<u>40,485</u>	<u>40,390</u>	<u>40,421</u>	<u>-4.3%</u>	<u>40,401</u>

Source: Maryland Department of Labor, Licensing and Regulation.

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Between 2007 and 2011, job growth in Charles County decreased 4.3% for all sectors as compared to a decline of 3.7% and 2.6% for the Maryland portion of the DC MSA and State of Maryland, respectively. Charles County's growth was predominately in the Local Government sector.

**Job Growth for Charles County  
Compared to Metropolitan Area and State  
(2007-2011)**

	<b><u>CHARLES COUNTY</u></b>	<b><u>MD portion of WASHINGTON DC MSA</u></b>	<b><u>MARYLAND</u></b>
<b><u>GOVERNMENT</u></b>			
Federal .....	3.6%	12.8%	15.7%
State .....	7.5%	12.3%	3.8%
Local .....	<u>4.1%</u>	<u>0.8%</u>	<u>1.3%</u>
Subtotal .....	<b>4.2%</b>	<b>6.5%</b>	<b>5.8%</b>
<b><u>INDUSTRY</u></b>			
Services, Transportation, Comm., & Utilities.....	-1.4%	-3.1%	-1.7%
Construction.....	-30.4%	-25.2%	-23.8%
Manufacturing.....	-36.9%	-20.0%	-14.1%
Other .....	<u>-68.7%</u>	<u>-41.7%</u>	<u>-14.4%</u>
Subtotal .....	<u>-6.6%</u>	<u>-6.3%</u>	<u>-4.5%</u>
<b>Total .....</b>	<b><u>-4.3%</u></b>	<b><u>-3.7%</u></b>	<b><u>-2.6%</u></b>

Source: Maryland Department of Labor, Licensing and Regulation.

## Wages

Between 2007 and 2011, average weekly wages of jobs in Charles County increased 8.9% for all sectors as compared to 11.2% and 10.2% for the Maryland portion of the DC MSA and the State of Maryland, respectively. In 2011, the average weekly wage in Charles County was about 69% of the MSA amount and 76% of the State of Maryland amount.

**Average Weekly Wage  
(2007-2011)**

	<b><u>CHARLES COUNTY</u></b>	<b><u>MD portion of WASHINGTON DC MSA</u></b>	<b><u>MARYLAND</u></b>
2007 .....	\$717	\$1,006	\$928
2011 .....	\$781	\$1,119	\$1,023
% Change....	8.9%	11.2%	10.2%

Source: Maryland Department of Labor, Licensing and Regulation.

## Employers

The largest employer is the Charles County Board of Education. The Naval Support Facility at Indian Head is currently the County's second largest employer. This facility has been a major employer in the County since it was established. Other firms which have established operations and become major employers in the County include Civista Medical Center, Wal-Mart, Facchina Group of Companies, Safeway, Target, Southern Maryland Electric Company, Genesis Health Care, various restaurants, and various anchor stores located in the St. Charles Town Center.

### Major Employers

Employer	Number of Employees
Charles County Board of Education .....	3,430
Naval Support Facility (NSF) Indian Head .....	3,404
Charles County Government .....	1,638
Civista Medical Center .....	850
College of Southern Maryland .....	819
Wal-Mart/Sam's Club.....	592
The Facchina Group of Companies .....	550
Safeway .....	475
Target.....	400
McDonald's.....	396
Southern Maryland Electric Coop. ( SMECO).....	386
Genesis Health Care .....	312
Bloomin' Brands (formerly (OSI Restaurant Partners).	300
Charles County Nursing and Rehabilitation Center .....	255
Darden Restaurants.....	253
Macy's.....	250

Source: Maryland Department of Business and Economic Development and Charles County Economic Development Office as of March 2012. In cases where the headquarters office is based in the County, the firm's total employment is shown.

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## Unemployment

The average unemployment rate in the County was well below the national average in each of the five years shown. The 2012 average unemployment rate of 5.9% for the County was below both the 8.9% rate for the United States as a whole and the 6.8% rate for the State of Maryland for the time period.

The following table sets forth the County's unemployment rate as compared with the other selected counties of Maryland, the State of Maryland and the United States for the calendar years 2008-2012.

### Average Annual Unemployment Rate

	<u>2012</u>	<u>2011*</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
Calvert County .....	5.6	5.9	6.6	6.2	3.5%
<b>Charles County</b> .....	<b>5.9</b>	<b>6.0</b>	<b>6.6</b>	<b>6.2</b>	<b>3.6</b>
Frederick County .....	5.7	6.1	6.6	6.6	3.6
Montgomery County.....	5.0	5.2	5.8	5.6	3.2
Prince George's County.....	6.7	7.0	7.7	7.3	4.4
St. Mary's County.....	5.8	6.0	6.5	5.9	3.6
State of Maryland.....	6.8	7.0	7.8	7.4	4.3
United States <sup>1</sup> .....	8.9	8.9	9.6	9.3	5.8

Source: Maryland Department of Labor, Licensing, and Regulation.

\*Estimates are revised to the 2011 benchmark from the Current Population Survey. Published April 2012

<sup>1</sup>U.S. Department of Labor, Bureau of Labor Statistics

The number of persons living in the County who were available for work and comprised the County labor force numbered 80,551 in March 2013, while the total employment of this force was 75,705 resulting in an unemployment rate of 6.0%. Comparative unemployment rates are given below for March 2013.

Calvert County .....	5.6%
<b>Charles County</b> .....	<b>6.0</b>
Frederick County.....	5.7
Montgomery County.....	4.9
Prince George's County.....	6.5
St. Mary's County .....	5.9
State of Maryland.....	6.6
United States.....	7.6

Source: "State of Maryland, Civilian Labor Force, Employment and Unemployment by Place of Residence, March 2013." Maryland Department of Labor, Licensing and Regulation. Office of Labor Market Analysis and Information.

United States data is from the U.S. Department of Labor, Bureau of Labor Statistics.

## Income

Median household income and per-capita income for Charles County, the State, and other surrounding counties are shown below. Charles County ranks fourth for Median Household Income and seventh in Per Capita Money Income when compared to the other 22 counties in the State of Maryland and the City of Baltimore.

	<b><u>Median Household Income</u></b>	<b><u>State Ranking</u></b>	<b><u>Per Capita Money Income</u></b>	<b><u>State Ranking</u></b>
Anne Arundel County.....	\$85,690	5	\$39,857	3
Calvert County .....	92,981	3	37,321	6
<b>Charles County .....</b>	<b>92,135</b>	<b>4</b>	<b>36,519</b>	<b>7</b>
Frederick County .....	82,668	8	36,343	8
Howard County .....	105,692	1	46,594	2
Montgomery County .....	95,660	2	48,357	1
Prince George's County .....	73,447	11	32,117	14
St. Mary's County .....	82,529	9	34,718	10
State of Maryland.....	72,419		35,751	

Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates (2007-2011).

## Population

The County experienced an increase in population between Census 2000 and Census 2010 of 26,005 residents, a 21% increase compared to the State growth rate of 9%. Nevertheless, the County remains predominantly rural, with population growth occurring primarily in the Waldorf/St. Charles area in the northern section of the County. The primary attractions of this area are its proximity to the Capital Beltway, a limited access dual highway, and the relatively low property tax rate of the County as a whole as compared with the rate in other counties in the Washington, D.C. metropolitan area. The following table sets forth the County's population and the age distribution of the population for the years indicated.

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As of 2012, the percentage of the population under 20 years of age is estimated to be slightly lower than in 2000, currently representing 29.3%.

### Population and Age Distribution

#### Population and Age Distribution

<u>AGE</u>	<u>2000<sup>(1)</sup></u>	<u>2005<sup>(1)</sup></u>	<u>2008<sup>(1)</sup></u>	<u>2009<sup>(1)</sup></u>	<u>2010<sup>(2)</sup></u>	<u>2011<sup>(1)</sup></u>	<u>2012<sup>(3)</sup></u>
Under 5 ...	8,628	9,624	9,497	9,491	9,438	9,604	9,734
5-9 ...	9,891	10,343	10,132	9,939	10,233	10,413	10,554
10-14 ...	10,376	11,486	11,461	11,245	11,668	11,873	12,034
15-19 ...	8,971	10,403	11,386	11,317	11,581	11,785	11,944
20-24 ...	6,118	8,344	8,390	8,590	8,683	8,836	8,955
25-34 ...	17,401	17,167	16,707	16,798	17,175	17,477	17,714
35-44 ...	22,749	25,354	24,726	23,775	23,218	23,627	23,946
45-54 ...	17,062	20,254	22,496	23,292	24,797	25,233	25,575
55-64 ...	10,525	13,185	13,982	14,532	15,906	16,186	16,405
65-74 ...	5,460	6,479	7,605	8,002	8,558	8,709	8,826
75 or older...	<u>4,022</u>	<u>4,541</u>	<u>5,062</u>	<u>5,245</u>	<u>5,294</u>	<u>5,387</u>	<u>5,460</u>
<b><u>All Ages ...</u></b>	<b><u>121,203</u></b>	<b><u>137,180</u></b>	<b><u>141,444</u></b>	<b><u>142,226</u></b>	<b><u>146,551</u></b>	<b><u>149,130</u></b>	<b><u>151,148</u></b>

#### Percent of Population

Under							
20 Years...	31.2%	30.5%	30.0%	29.5%	29.3%	29.3%	29.3%
Over							
64 Years...	7.8%	8.0%	9.0%	9.3%	9.5%	9.5%	9.5%
Median Age...	35.1	35.1	35.1	37.0	37.4	37.4	37.4

(1) Estimates are from the U.S. Bureau of the Census, Population Estimates Program (PEP).  
Population estimates are as of July 1<sup>st</sup>.

(2) The 2010 population is the Census 2010 population count as of 04/01/10.

(3) Based on U.S. Census 2010 data for occupied housing units, with new Charles County U & O permit data added to 2010 number.

The number of housing units in the County increased by 22% over the past 12 years.

### **Persons Per Residential Units and Household**

	<b>Number of Occupied <u>Housing Units</u></b>	<b>Number of Persons per <u>Household</u></b>
1975.....	15,519	3.89
1980.....	22,721	3.38
1985.....	28,498	3.18
1990.....	35,168	3.01
1995.....	39,736	2.93
2000 <sup>(1)</sup> .....	43,002	2.80
2005 <sup>(2)</sup> .....	47,161	2.91
2008 <sup>(2)</sup> .....	50,016	2.81
2009 <sup>(2)</sup> .....	50,686	2.81
2010 <sup>(3)</sup> .....	51,214	2.86
2011 <sup>(4)</sup> .....	51,953	2.83
2012 <sup>(4)</sup> .....	52,666	2.87

(1) U.S. Department of Commerce, U.S. Census Bureau, Census 2000.

(2) Based on U.S. Census 2000 data for occupied housing units, with new Charles County U & O permit data added to each previous year's number of occupied housing units.

(3) U.S. Department of Commerce, U.S. Census Bureau, Census 2010.

(4) Based on U.S. Census 2010 data for occupied housing units, with new Charles County U & O permit data added to 2010 number.

Source: Charles County Department of Planning and Growth Management

## **CERTAIN COMMUNITY RESOURCES IN THE COUNTY**

### **Commercial and Industrial**

Commercial and industrial development is concentrated along U.S. Route 301 in the northern part of the County with smaller areas of development in the incorporated towns, town centers and villages. The current focus of commercial development has been located along the recently completed section of Western Parkway in the center of Waldorf as illustrated by a recently completed 330,000 square foot shopping center. The Waldorf Urban Redevelopment Corridor Plan implementation is anticipated to spur further development and redevelopment of commercial and mixed uses along the Route 301 corridor between the County line and Route 5. Work continues on the Maryland Airport and the Business Parks located in White Plains. The County recently approved two Planned Employment Parks, Hughesville Station located in Hughesville and the Indian Head Science and Technology Park in Bryans Road. In 2012, the County completed the Benedict Historic Village revitalization plan. The Indian Head Tech Park represents a partnership between Charles County and COPT-FACC, Inc. to develop this park in support of the Indian Head Naval Research Center. See "ECONOMY OF THE COUNTY – Economic Development."

### **Housing**

Compared to the quiet, rural character of the past, the last two decades have seen the emergence of the County as a suburban center. With its proximity to Washington, D.C. and the continuing trend of development progressing outward from Washington, D.C., new residents are attracted to Charles County by the lower taxes

and housing costs, and the rural character. The 21% increase in the number of dwelling units in the 11-year period between 2000 and 2011 reflects this overall trend towards suburban growth.

Growth management efforts have been very successful in concentrating residential growth in the County's development district (as defined in the County's Comprehensive Land Use Plan), where public infrastructure is available to serve new development. The comprehensive plan goal is to concentrate 75% of new growth in the development district.

## **Medical Facilities**

*Hospitals.* Civista Health System is comprised of Civista Medical Center, a 110-bed acute care community hospital, an Ambulatory Surgery Center and OB/GYN Centers in Waldorf and La Plata and is now managed by the University of Maryland Medical System. The hospital will change its name to the University of Maryland Charles Regional Medical Center beginning July 1, 2013. The name change reflects the hospital's affiliation with the University of Maryland Medical System, which the hospital entered into in 2011, and also reflect the hospital's strong community ties and history.

At Civista Medical Center, the surgical services suite includes 13 same day surgery prep rooms, 11 PACU/Recovery bays, an endoscopy suite, four operating rooms and two minor procedure rooms. The Civista Center for Orthopedics Joint Replacement Program features a dedicated orthopedic unit and pre-op educational sessions to prepare patients for surgery. The family-friendly birthing center welcomes over 800 newborns each year, and provides a comprehensive range of services from delivery to postnatal care. The unit features all-private patient rooms including the Birthing Center and postpartum rooms, and Civista offers 24 hour in-house pediatric hospitalist coverage. Civista Medical Center earned a Primary Stroke Center designation, and is among only 27 Maryland hospitals to receive this designation granted by the Maryland Institute for Emergency Medical Services Systems (MIEMSS).

MedStar Southern Maryland Hospital, a 358-bed full-service, acute, and 24-bed sub-acute facility with a staff of more than 500 physicians, is located five miles north of Waldorf in southern Prince George's County. It offers a wide range of medical and surgical specialties including a twenty-four hour emergency department and critical care program, outpatient radiology, operating room, a sleep disorders center, adult inpatient and day treatment mental health program, an asthma and allergy center, physical and occupational therapy, and an oncology program. From its renowned centers of excellence in cardiac care and obstetrics to orthopedics and surgical services.

*Nursing Homes and Assisted Living Facilities.* Charles County is home to three nursing homes: the 165-bed Charles County Nursing and Rehabilitation Center (CCNRC); La Plata Center, Genesis Eldercare, a 149-bed facility; and the Waldorf Center Genesis Eldercare with 115 beds for nursing home patients. These facilities offer a full range of services to their residents including recreational activities and physical therapy. Nursing services are available to both the aged and physically handicapped. An adult day care facility is also located on the premises of the CCNRC.



Charles County has approximately 28 assisted living facilities. Morningside House of St. Charles has a bed capacity of 70 plus a special dementia unit with 12 beds. CCNRC Family of Care in La Plata has 32 beds and Fenwick Landing in Waldorf has 30 beds and an adult day care facility is located on the premises. The remaining assisted living facilities range in bed capacity from two to eight. Assisted living is provided in a home-like setting and is a viable alternative to nursing home care.

## **Education**

*Public Elementary and Secondary.* There are more than 26,400 students enrolled in Charles County Public Schools which serves children in pre-kindergarten through grade 12. The school system is composed of 21 elementary schools, grades prekindergarten-5; eight middle schools, grades 6-8; and six high schools, grades 9-12. Additionally, there are a number of other educational centers including an alternative school, adult services centers, and an environmental center. The school system has a five-year plan for student achievement, which focuses on academic achievement, personal responsibility and career readiness. The instructional program is supplemented by guidance counseling, health services, pupil services, psychological services, adult education, vocational-technical programs, special education, and enrichment education.

Policies, procedures, and programs of the public schools are the responsibility of the seven-member elected Board of Education of Charles County. The Board of Education appoints the Superintendent of Schools, who is responsible for the day-to-day operation of the school system.

Charles County Public Schools continues to be one of the fastest growing systems in Maryland. Considering school-age population projections, the Board of Education sees the need for several additions and renovations to existing facilities. The County's 21st elementary school opened in August 2008. A new 1,600 student capacity rated high school is under construction and scheduled to open in August 2014.

*Special Education.* Special education programs are provided for children from birth to age 21. Each public school offers special education and related services. The school system also has a career development program that helps meet the special education needs of the County's physically and mentally handicapped and special needs students. In October 2012, there were 2,518 students enrolled in special education programs.

*Science, Technology and Industry.* Charles County Public Schools offers specialized courses in a Science, Technology and Industry program located at North Point High School in Waldorf. Students from around the County may apply and be accepted into the programs. There are 1,044 students enrolled in the program for the 2012-2013 school year. Training is provided in 18 different career majors ranging from engineering and biotechnology to electrical construction and cosmetology. Each career major offers students a four-year, focused curriculum that will lead to college, technical school or directly to work. These programs have been validated by industry and college professionals and offer students with matching career goals an enhanced opportunity while in high school.

*Nonpublic Schools.* Nine nonpublic schools in the County offer various levels of educational instruction from pre-kindergarten through secondary levels. The Board of Education of Charles County provides transportation to many of these schools without cost to the nonpublic schools.

*Early Childhood Education.* Charles County Public Schools provides a prekindergarten program at all public elementary schools, and offers a comprehensive early childhood enrichment program. Through a combination of academic experiences, exploration, nurturing care, structure, and positive guidance, participants develop critical thinking skills and social maturity needed for success in school. The school system also has six three-year-old programs for at-risk students in order to better prepare these students to enter the regular school program.

## **College of Southern Maryland**

The College of Southern Maryland (CSM) is an open-admissions, comprehensive, regional community college that fosters academic excellence and enhances lives in Southern Maryland. CSM meets the diverse needs of students and the community by providing accessible, accredited, affordable, and quality learning opportunities for intellectual development, career enhancement, and personal growth. The College embraces lifelong learning and service, providing a variety of personal enrichment and cultural programs in a safe and welcoming environment. CSM is the fifth largest community college in Maryland with more than 26,000 annual enrollments (credit and non-credit) and is accredited by the Middle States Commission on Higher Education and the Maryland Higher Education Commission. More than 60 percent of tri-county residents who attend higher education institutions come to CSM.

The staff and faculty at CSM work closely with a diverse student population to provide a variety of educational options. CSM is a leader among Maryland community colleges in offering courses which meet the busy schedules of students, including weekend and evening online classes, and Web-hybrid courses which offer a mix of online and traditional classroom face-to-face instruction. The college offers bachelor's degree partnerships developed with Baltimore International College, Bowie State University, Capitol College, Notre Dame of Maryland University, Embry-Riddle Aeronautical University, George Mason University, Kaplan University, Morgan State University, Stevenson University, Strayer University, St. Mary's College of Maryland, Towson University, University of Maryland- College Park, and University of Maryland University College. Many of these partnerships allow students to earn their bachelor's degrees locally.

### *Other Colleges and Universities.*

The Southern Maryland Higher Education Center is a regional center located in adjacent St. Mary's County offering over 90 graduate university degree programs and 13 bachelor completion degree programs presented by ten university partners. Professional fields of study include engineering, education, management, counseling, information technology, business administration, communications, human resources, health care marketing, and project management.

There are more than 70 accredited institutions of higher education in the Washington, D.C. and Baltimore areas. These include major institutions such as American University; Catholic University; Georgetown University; George Washington University; Howard University; and the University of Maryland-College Park in the Washington D.C. metro region. Baltimore area campuses include The Johns Hopkins University; the University of Maryland Baltimore City and Baltimore County; Loyola University of Maryland; Notre Dame of Maryland University; Towson University; and Morgan State University.

## **Libraries**

The Charles County Public Library System consists of four public library branches and an outreach van. The library system is open six days per week at all sites. Remotely the library is available 24 hours per day, 7 days per week with the library's catalog, databases and community information. A variety of information resources in many formats are available in the library and from other libraries in the State of Maryland via a daily delivery service. Staff members answer reference questions and give assistance navigating the Internet. Reference service is available via instant messaging, email, by phone, in person, or through ASK US NOW, a 24/7 virtual reference service. Staff can answer questions about library accounts or any other information requests. Programming for children, teens and adults is offered year round. Public meeting room space for community activities is available at La Plata, Potomac, and the Waldorf West branches. Outreach services deliver programming and materials to day care centers, day care homes, senior centers, and homebound residents. In October 2005, a computer management system was installed throughout the library system. Envisionware tracks public computer workstation usage and sign-ups for customers. Black and white

copies, as well as color copies, are available from public computer workstations and also walk-up copies. In November 2013, we added radio frequency identification tags to all items at Waldorf West for self check-out, inventory, and security of materials. In April 2004, a library foundation was started to provide an endowment for the library in future years. The “Cooperating Collection” of The Foundation Center providing grant information and resources targeted for use by non-profit organizations was successfully started in May 2007. Databases are available for The Foundation Center at all four branch locations. Technology is one of the library’s key components to delivering service. A Technology Needs Assessment was done through the Gates Foundation and a Technology Plan was completed to upgrade equipment and services. A variety of formats are available to citizens including downloadable ebooks, audio books, dvd’s, Playaways, large print, and books for all ages.

A fourth public library branch is opened in the Waldorf area at O’Donnell Lake and St. Patrick’s Drive on November 13, 2012. The 31,000 square foot state of the art facility is well used. The \$8.5 million project serves as a public library and facilitates a variety of educational and civic functions. The building was awarded silver LEED (Leadership in Energy and Environmental Design) standards. Highlights include assisted and self checkout, an electronic inventory control and book security system, all with radio frequency identification. Public art is sponsored by the Charles County Arts Alliance. In addition to public art space, metal canvases of historic buildings throughout Charles County are incorporated as part of the building design. The opening of the new library nearly doubled the size of the Charles County public library system.

## **Communications Media**

The County is served by two major metropolitan , newspapers: *The Washington Post* and *The Baltimore Sun*, which publish daily and Sunday editions and have electronic editions on-line that are updated throughout each day. *The Washington Post* has an average daily (Monday – Friday) circulation of 462,228 and Sunday circulation of 674,751. In an average month, WashingtonPost.com has 18.8 million unique visitors, and Washington Post Mobile has 8.5 million unique visitors. *The Baltimore Sun* has an average daily circulation of 152,397, Saturday circulation of 236,020, and Sunday circulation of 290,181.

Locally, the County is served by the twice-weekly *Maryland Independent*, which began circulation in 1872. *The Maryland Independent* reaches more than 21,000 households in the County. *The Maryland Daily Examiner* is a bi-weekly newspaper established in 2012. *The Maryland Daily Examiner* reaches 9,000 readers bi-weekly. An online newspaper, *The Baynet.com*, serves Charles, St. Mary’s and Calvert Counties. Southern Maryland Today is a print and online publication serving the communities of St. Mary’s, Charles, and Calvert counties, which includes coverage of local politics, cops and courts, community events, schools, sports, and leisure. *Southern Maryland News Net* is a news website that delivers breaking and community news. *MarylandFreePress.com* is a video news site aimed at educating the public about politics, law enforcement and other issues affecting the Southern Maryland region. These news media provide coverage of news concerning political, government, human interest, and business events in the County and surrounding region.

The County receives radio broadcasts from more than 45 AM and FM stations in the Washington, D.C. metropolitan area. Broadcasts from ten Washington, D.C., area television stations are received in the County, along with telecasts from six Baltimore area stations. Both the Washington D.C. and Baltimore area television stations include ABC, CBS, FOX, NBC, PBS, and PBS affiliates, as well as several independent networks. Cable television service in the County is provided by Comcast Communications. In addition, the County Government provides programming through a Government Access Channel 95 and Verizon Channel 10, two Education Channels, and one Public Access Channel, which were acquired through the County’s Cable Franchise Agreement with Comcast Communications.

## **Churches**

Some of the oldest churches in the nation, several dating back to colonial times, are located in the County. More than 100 churches are located in the County, representing most Christian denominations. A synagogue is located in the County; additional synagogues are located in nearby Prince George's County and Washington, D.C.

## **Recreation**

*County Recreation Programs.* The Charles County Department of Community Services is responsible for providing countywide recreational and leisure time experiences for the citizens of Charles County, including recreational classes and special events, indoor sports leagues for youth and adult, drop-in programs, special population programs and supports the Special Olympics, aquatics programs and swim lessons, summer camps, trips and tours, and amusement park discount ticket sales. Additionally, the Recreation Division administers the Elite Gymnastics and Recreation Center, a state-of-the-art facility and the Port Tobacco Recreation Center. The Capital Clubhouse Recreation Center, a year-round recreation and sports complex, is run under a third party contract.

*Aquatic Facilities.* The Department of Community Services operates five public swimming pools. Year round aquatics programs are offered at two indoor pools at Lackey and North Point High Schools. Seasonal outdoor facilities are located at La Plata, McDonough, and Thomas Stone High Schools. Aquatics programs such as water safety, water aerobics, swim lessons, and birthday/private rentals are offered year-round.

*Community Centers.* There are eight school based community centers located in selected County elementary and middle schools and a recreation center in Port Tobacco which are available for public enjoyment. These facilities offer a variety of programs, sports, services, activities, summer camps, and recreational opportunities to persons of all ages. Community Centers are focal points within their geographic area that generate a sense of community through interaction and programs. Along with traditional recreation activities, community centers provide less structured programs geared toward developing community relations and providing needed supportive services.

In addition to school based community centers, the Nanjemoy Community Center operates Monday through Friday, year round and offers a wide range of programs and services including: recreational programs, summer camps, benefit intake, and facility rental.

*Senior Centers.* The County operates four senior centers, which serve as community focal points where older persons come together in an atmosphere of wellness to promote independence and improve their quality of life. Senior centers address the needs of an ever-increasing older population, providing a wide array of services and activities. An expansion of the Clark Senior Center was completed in the Spring of 2011.

*County Parks.* The County owns and operates a variety of parks. Gilbert Run Park, a 176-acre park containing a 65-acre lake located 10 miles east of La Plata, features boating, fishing and numerous picnic pavilions. White Plains Regional Park and Golf Course is a 209-acre park located near U.S. Route 301 between Waldorf and La Plata which includes an 18-hole professional golf course and lighted outdoor athletic fields. Southern Park located on Neal Sound Waters near Cobb Island, Marshall Hall and Mallows Bay on the Potomac River, and Friendship Landing located on the Nanjemoy Creek afford boating facilities. Conventional parks include Pinefield located north of Waldorf, the Robert Stethem Park in Waldorf, Bensville Park located between Pomfret and Waldorf, Oak Ridge Park in the eastern region of the County, Laurel Springs Park located east of La Plata, Turkey Hill Park located west of La Plata, the Ruth B. Swann Park located in the western region of the County, Bryantown Sports Complex south of Waldorf, Charlie Wright Park in Indian Head, and Mallows Bay Park located in west Nanjemoy. Charles County's most recent park development is the Indian Head Rail Trail. This is a 13 mile long multi-use recreational trail that connects the Town of Indian Head to the White Plains community. Charles County currently operates and maintains over 3,600 acres of public parkland.

*State Parks and Forests.* A variety of parks and forests within the County are owned and operated by the State of Maryland. Smallwood State Park, a 408-acre park located on Mattawoman Creek in the western part of the County, features the restored home of American Revolution hero General William Smallwood and the 3,520-acre Cedarville State Forest and Park located near U.S. Route 301 in Southern Prince George's County and northern Charles County permits camping, fishing and hunting. Doncaster State Forest, comprising 1,464 acres in the southwest part of the County, is available to hunters. Hunting and freshwater fishing in a stocked pond are available at the 800-acre Myrtle Grove Wildlife Management Area near Indian Head. Freshwater fishing also is available at Gilbert Run Park, and at Purse State Park, a 148-acre park located near Nanjemoy. Another State park of more than 800 acres is planned at Chapel Point between the Port Tobacco and Potomac Rivers.

*Other Recreational Facilities.* Other facilities for recreation include four golf courses in or near the County, in addition to the 18 hole course at White Plains Regional Park, and facilities for archery, bowling, horseback riding, roller skating, swimming, and a skateboard park. Hunting for game and waterfowl is pursued at private, as well as public, hunting areas scattered throughout the County. The County's extensive shoreline, its many creeks and numerous marinas provide abundant opportunity for all types of water activities, including both tidewater and freshwater fishing.

## **CERTAIN SERVICES AND RESPONSIBILITIES**

### **Planning and Zoning**

The Charles County Commissioners adopted an updated Comprehensive Plan in 1997, to guide development in the County through the year 2020. In 2006, the Commissioners adopted an update to the 1997 Comprehensive Plan. The County has adopted two sub-area plans for the development district, Bryans Road-Indian Head Sub-Area Plan adopted in 2001 and Waldorf Sub-Area Plan, adopted in 2004. The sub-area plans established a vision for their respective area and are amendments to the comprehensive plan. The County has begun the process of updating the 2006 Comprehensive Plan, which is expected to be completed in the 2013. In addition, the Hughesville Village Revitalization Plan was adopted by the Commissioners in 2007 and focuses on planning and revitalization efforts for Hughesville in two key areas: economic development and physical improvements. The County is also working on a revitalization plan for the village of Benedict and Port Tobacco, which was recently completed. The Zoning Ordinance and maps, which directly implement approximately 40% of the implementation strategies contained in the Comprehensive Plan, have been amended to remain consistent with the Comprehensive Plan. The Comprehensive Plan commits the Board and the Planning Commission to a policy of managed growth, which directs development to those areas of the County where public facilities and services can be provided efficiently and cost effectively.

Primary responsibility for the implementation and revision of the Comprehensive Plan and the Zoning Ordinance is vested in the Charles County Planning Commission. The Planning Commission was created by the Board in 1958 pursuant to State enabling legislation and consists of seven members appointed by the Board to four-year terms. The County Department of Planning and Growth Management administers the Comprehensive Plan, the Zoning Ordinance, the Subdivision Regulations and related ordinances affecting development.

The development philosophy of the County is one of growth management intended to maintain a controlled and moderate pace of growth and development in order to preserve, to the greatest extent possible, the present character of the County while guiding future growth into an efficient and serviceable pattern. This is coupled with significant effort to encourage economic development through commercial and industrial projects. The County has determined that such a philosophy is necessary to cost-effectively sustain adequate levels of public services and facilities in the form of schools, transportation networks, sewer, water, police, fire and health care services which will be required to support present and future residents. Through the use of

an adequate public facility ordinance, school excise tax, school allocation policy and the capital improvement program, the County implements a policy of providing public facilities, particularly roads and schools, at the time development occurs.

The Zoning Ordinance divides the land area of the County into 25 zones. Eight zones are committed for basic residential use. One office residential zone allows low scale commercial uses while maintaining residential uses and character. In 2005, three new mixed-use zones were adopted for the Bryans Road area. In 2010, the County adopted two new mixed-use zones for the Waldorf area to promote higher density, transit-oriented development in Waldorf. Five commercial zones are utilized with one being exclusively for business parks. There are two zones devoted to industrial uses, general and heavy. The remaining five zones are floating zones which are utilized for planned development. These include residential, mixed use, employment parks, transit oriented development and mobile home parks. The Ordinance also employs extensive use of the clustering concept. There are incentives provided for implementation of the goals and objectives of the Comprehensive Plan, particularly in relationship to the floating zone process. The County adopted the Comprehensive Rezoning in 2000.

In early 2008, the County initiated an Urban Design Study to create a downtown urban environment in the vicinity of the two Activity Centers in the Old Washington Road corridor. The purpose of this Study is to implement aspects of the Waldorf Sub-area Plan. This study has developed into the Waldorf Urban Redevelopment Corridor (WURC). The goal is to implement higher development densities, pedestrian-friendly streets, and a mix of office, retail, and residential uses in this area that will support a future rail transit system and contribute to an increased vitality and sense of place in Waldorf. Zoning text, map amendments, vision plan, and design guidelines for the Activity Centers, were adopted in 2010. The County began a study in 2011 to assess the infrastructure needs and costs of this area and to develop alternatives for a Phase I development project to serve as a catalyst for implementation. This was completed in 2013.

## **Police and Fire Protection**

The major law enforcement agency in the County is the Charles County Sheriff's Department, which is authorized to employ 301 officers for fiscal year 2014. Other law enforcement agencies in the County are the La Plata police force (17) and the Maryland State Police (28 sworn). The combined strength of the three law enforcement agencies is 346 officers, or roughly 2.3 law enforcement officers per 1,000 County residents for fiscal year 2014.

There are thirteen fire stations plus a dive/rescue company in the County. Operating and capital funding for the volunteer companies is provided primarily through a County Fire and Rescue Tax. (See "REVENUES OF THE COUNTY—Special Fire and Rescue Tax"). Five volunteer fire companies and one volunteer independent dive/rescue company provide service for water related emergencies. All communications for County 911/Fire/EMS and Police activities is maintained in the County Communications Center in La Plata which is staffed 24 hours a day. Enhanced 911, GIS, and Computer Aided Dispatch Systems are employed to assist in answering and dispatching emergency calls. All Fire/EMS, Police Dispatchers and 911 Calltakers are trained at the Emergency Medical Dispatch ("EMD") level. The County has installed a new 800 MHZ public safety communications system. The new Emergency Services Center opened in December 2002, currently housing Emergency Management personnel, Animal Control Services, False Alarm Reduction Unit ("FARU"), the County Communications Center, the career Emergency Medical Services Division, and the County Weapons of Mass Destruction Unit (Hazmat Response Unit).

## **Ambulance/Emergency Medical Services**

Emergency Medical Services (EMS) are provided 24 hours a day, 7 days a week by a combination career/volunteer system. All EMS providers function under the direction of the County's Jurisdictional Medical Director. EMS transport units are capable of consulting with medical facilities throughout the region/state by

utilizing a communications system which is operated and maintained by the Maryland Institute for Emergency Medical Services System (MIEMSS). Aeromedical transport is primarily provided by the Maryland State Police Aviation Command with back-up services provided by U.S. Park Police and several commercial air transport services in the region. The combined EMS system in Charles County is designed to deliver emergency medical services and care to the citizens within the adopted response times for BLS and ALS services as set-forth by NFPA 1920 and the American Heart Association standards, respectively.

### **Disaster Response and Recovery**

The Department of Emergency Services is responsible for emergency preparedness, emergency medical services, the false alarm reduction unit, animal control services, animal shelter operations, 9-1-1 fire and rescue communications, and the tactical response team (TRT). Its mission is to protect the safety, health and well-being of the community by coordinating and directing disaster preparedness planning, risk mitigation, 24-hour-a-day response, emergency communications systems, and incident recovery activities.

The Emergency Management Division of Emergency Services is responsible for developing, coordinating and promoting a comprehensive emergency management program incorporating planning, preparedness, response, and recovery activities relative to emergencies or disasters whether natural or man-made including:

- Public education and information;
- Promotion of mitigation activities and plans within all jurisdictions of the County;
- Liaison and collaboration with local, state and federal governmental agencies, for profit and nonprofit public and private institutions and volunteer organizations, as well as activities related to the establishment of a comprehensive emergency management program; and
- Develop and maintain the County's emergency operations plan which provides a framework for the coordination of emergency response activities across a broad spectrum of disciplines and agencies.

### **Weapons of Mass Destruction/HazMat**

The Charles County Department of Emergency Services Tactical Response Team (TRT) provides a 24/7 response and mitigation capability for industrial, transportation, or maritime hazardous material releases regardless of size or complexity. In addition, the TRT is fully equipped and trained to respond to and mitigate incidents potentially involving chemical, biological, radiological, nuclear and explosive weapons of mass destruction. Finally, the TRT is a fully certified Clandestine Drug Lab hazardous materials team equipped and trained to assess and mitigate clandestine drug laboratories and chemical dumpsites. In Fiscal Year 2011, the TRT added a maritime component to its capabilities which permits the unit to respond to, mitigate, and protect against a broad range of hazards that may occur on the State's maritime environment. The TRT is the only unit of its type and capability in Southern Maryland. Comprised of collateral duty county personnel representing emergency management, law enforcement, emergency medical services, animal control, communications, public works and public health, the unit is by design, multidisciplinary. This blending of capabilities uniquely equips the TRT with the requisite diversity of skills, capabilities and experience necessary to respond not only to the industrial or transportation related chemical release, but incidents potentially involving weapons of mass destruction. Each member of the TRT is a fully qualified, pro boarded, state certified hazardous materials technician, clandestine drug lab technician/safety officer and has received extensive classroom and practical training to address a broad spectrum of threats.

### **Refuse Collection**

The Towns of La Plata and Indian Head maintain regular municipal trash and garbage collection services. Persons not served by municipal trash and garbage collection must contract with one of the several commercial trash companies licensed to operate within the County, of which Waste Management Co., Inc. is largest.

## **Solid Waste Management**

Presently, Charles County owns and operates a “Subtitle D” landfill in the Waldorf area. This 114-acre site opened on July 1, 1994. Its design allows for the construction of four independent cells. Only waste which originates within the boundaries of the County is eligible to be received at this facility. A combination of actions (recycling and bans on delivery of yard waste and construction and demolition debris to the site) has extended the estimated useful life of the facility approximately 20 more years.

## **Recycling**

The County is required by State law to recycle at least 15% of its solid waste stream. At the end of fiscal year 2012, the County achieved a 59% waste diversion rate. The recycling program consists of curbside collection of more than 35,600 households, two full time, and two part time recycling centers. This comprehensive effort collects the following materials: compost, corrugated cardboard, white office paper, newspaper and magazines, glass bottles, aluminum and tin cans, motor oil, antifreeze, batteries, yard waste, plastic bottles, electronics, waste vegetable oil, scrap metal, and textiles. The recycling efforts are promoted primarily through programs including NPDES, Adopt a Road Program, and Household Hazardous Waste Collection. The Towns of Indian Head and La Plata, with over 4,500 households, also operate their own curbside recycling programs.

## **Utilities**

*Electricity.* Southern Maryland Electric Cooperative (“SMECO”) is a customer-owned, non-profit electric distribution cooperative serving 1,150 square miles in Southern Maryland, including all of Charles and St. Mary’s counties, southern Prince George’s County, and all but the northeastern portion of Calvert County. Founded in 1937, SMECO has more than 150,000 meters in place and remains one of the ten largest electric co-ops in the nation.

On December 14, 2012, NRG Energy, Inc. and GenOn Energy, Inc. completed their merger, creating the largest competitive power generator in the United States. NRG Energy now owns the Morgantown Generating Station located in Charles County on the Potomac River. The Morgantown Plant generates 1.5 megawatts of electricity, second largest of the three Maryland plants, and employs over 200 people. The station has units which operate at base load, intermediate, and peak demand levels. Fuel sources are coal and oil. Morgantown Generating Station began service in 1970.

*Natural Gas.* Washington Gas Light Company (the “Company”) provides natural gas service to more than one million customers in metropolitan Washington, D.C. and parts of Maryland and Virginia. The Company has added an average of approximately 10,500 active customer meters per year during the last three years, primarily because natural gas continues to be the fuel of choice for the vast number of new homes constructed in the region. The company has a consolidated net investment in property, plant and equipment of approximately \$2.7 billion.

During the fiscal year 2012, 78% of the Company’s deliveries were made to residential and firm commercial customers. Initiatives aimed at introducing competition by separating or unbundling operations have no impact on the Company’s regulated utility’s profitability because the utility is only allowed to profit from the delivery of natural gas to customers - not on the cost of gas itself.

*Water.* The greater Waldorf area, St. Charles, Pinefield, Bensville, and White Plains area communities obtain water from a public water system owned and operated by the County. The water for this system is supplied from 17 deep wells. Maximum water production capacity from these wells is about 10 million gallons per day. Present water storage capacity is 7.75 million gallons which is being provided by six elevated storage tanks. The average usage of water for this system is about 6.5 million gallons per day.



La Plata is served by a municipal water system. Water is obtained from six deep well sources. Maximum water production capacity is about 3.484 million gallons per day. Present water storage capacity is 2.1 million gallons which is provided by three elevated and one ground level storage tanks. The average usage of water for this system is about 0.93 million gallons per day.

Indian Head also is served by a municipal water system. Water is obtained from three active wells with a combined maximum water production capacity of about 0.642 million gallons per day. Present water storage capacity is 0.49 million gallons which is provided by two elevated storage tanks. The average usage of water for this system is about 0.250 million gallons per day.

There are 18 other individual community water systems owned and operated by the County, which are located throughout all geographical areas of the County. Collectively, these systems have capacity to pump another 10.0 million gallons per day. The average use for these systems combined is about 1.10 million gallons per day.

There are approximately 60 community water systems throughout the County, which are owned and/or operated by private utility companies or neighborhood associations. For those areas of the County not served by a community water system, individual wells are used for water supply.

In 1999, the County completed a connection to the Washington Suburban Sanitary Commission's ("WSSC") water system. The agreement with WSSC allows the County to purchase up to 1.4 million gallons per day of WSSC water, which began in June 2009, as a means of resting the County's aquifers and allowing them to replenish.

*Sewage Collection and Treatment.* In Pinefield, the greater Waldorf area, St. Charles, White Plains, Bryans Road, and the Bensville area, the County owns and operates a series of collector sewers and pumping facilities. The collected wastewater from these areas all flow to the County's Mattawoman Water Reclamation Facility ("Mattawoman WRF") located in Mason Springs. The facility is an enhanced nutrient removal (ENR) system with tertiary treatment. The facility was one of the first of Maryland's sixty-seven major wastewater treatment systems to accomplish this in advance of the milestone (CY 2010) established in the Chesapeake Bay's Tributary, Maryland Point Source Strategy for Enhanced Nutrient Removal Implementation. The original concept of the plant envisioned an ultimate capacity through expansions of 50.0 million gallons per day. The Maryland Department of the Environment (MDE) has rated the Mattawoman WRF for 20 million gallons per day. The average flow being treated is currently about 12 million gallons per day.

The County also owns and operates five other sewage collection systems and wastewater treatment facilities. These are located at Bel Alton, Mount Carmel Woods, Clifton, Swan Point, and Cobb Island. The total treatment capacity for all five facilities combined is 0.581 million gallons per day. The average flow to these facilities is about 0.151 million gallons per day.

Areas of the County that are not served by a central sewer system and/or wastewater treatment facility are provided sewer service by means of septic tanks and drain fields. The solids that accumulate in these septic tanks are typically pumped and hauled to the County's Mattawoman WRF for treatment and disposal. All sludge generated by County treatment facilities is dewatered at the Mattawoman WRF and most is then land applied for beneficial reuse.

## **INDEPENDENT AUDITORS**

The financial statements as of June 30, 2012, and for the year then ended, included in Appendix A of this Official Statement, have been audited by SB & Company, LLC, independent certified public accountants, as stated in their report included therein. Such financial statements are included in reliance upon the report of SB & Company, LLC. The independent accountants were not requested to review or update such financial statements

or their report in connection with the issuance of the Bonds and such report speaks only as of its date. The independent accountants have not performed any audit procedures subsequent to the date of their report and have not audited any financial statements of the County as of any date, or for any period, subsequent to June 30, 2012.

### **FINANCIAL ADVISOR**

Davenport & Company LLC, Towson, Maryland, has rendered financial advice to the County in the preparation of this Official Statement.

### **SALE AT COMPETITIVE BIDDING**

The Bonds were offered by the County at a competitive sale on June 18, 2013 in accordance with the official Notices of Sale (the forms of which are attached hereto as Appendix C). The interest rates shown on the inside front cover of this Official Statement are the interest rates that resulted from the award of the Bonds at the competitive sale. The initial prices or yields shown on the inside front cover of this Official Statement are based on information supplied to the County by the successful bidders. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidders and not from the County.

### **CERTIFICATE CONCERNING OFFICIAL STATEMENT**

Simultaneously with or before delivery of and payment of the Bonds, the initial purchaser or purchasers thereof shall be furnished a certificate or certificates of appropriate County officials to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

### **AUTHORIZATION OF OFFICIAL STATEMENT**

The execution of this Official Statement and its delivery have been duly authorized by the County.

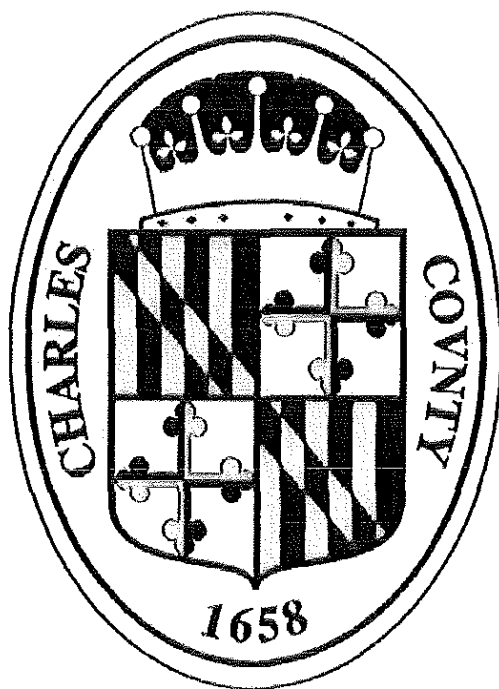
COUNTY COMMISSIONERS OF  
CHARLES COUNTY

By: /S/ CANDICE QUINN KELLY

Candice Quinn Kelly  
President

# CHARLES COUNTY, MARYLAND

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2012

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# Comprehensive Annual Financial Report

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# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Sanison*

President

*Jeffrey R. Emer*

Executive Director



## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The County Commissioners of Charles County  
La Plata, Maryland

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 (the County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Charles County, Maryland, or the Board of Library Trustees for Charles County, Maryland. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustment described in Note 10 that was applied to restate the statement of net assets as of June 30, 2011. In our opinion, such adjustment is appropriate and has been properly applied.



S B & COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*S B & Company, LLC*

Hunt Valley, Maryland  
October 29, 2012



## Management's Discussion and Analysis

Our discussion and analysis of the financial performance of The County Commissioners of Charles County, Maryland provides an overview of the County's financial activities for the Fiscal Year ended June 30, 2012. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 21), and the accompanying notes to those financial statements (beginning on page 38).

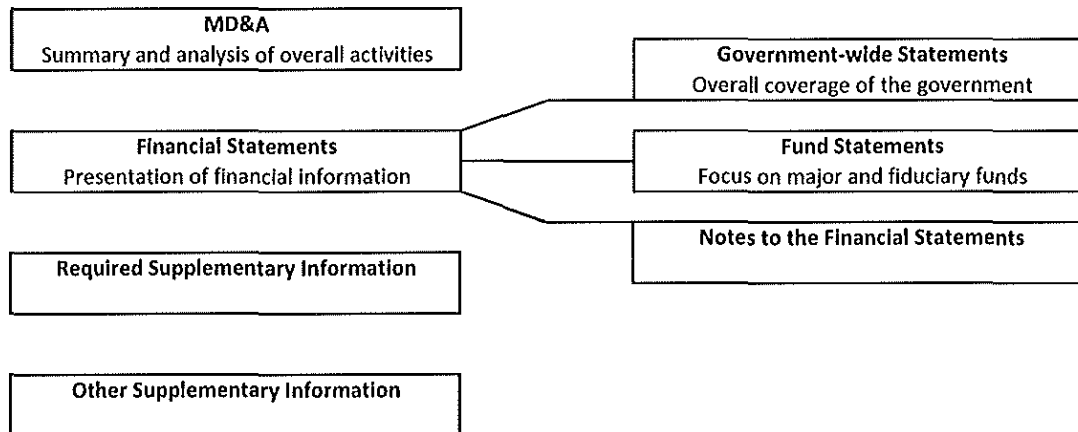
### Financial Highlights

- The government-wide assets of Charles County exceeded liabilities at the close of the current fiscal year by \$443.4 million (*net assets*).
- The County's change in net assets was a slight increase of \$94,255 prior to restatement.
- As of the close of the current fiscal year, Charles County's governmental funds reported a combined ending fund balances of \$143.3 million, an increase of \$11.6 million from the prior year as restated on page 22. Approximately 32% of this total amount is classified as Non-spendable fund balance, or \$47 million. The majority of the total is classified as Restricted, Committed or Assigned fund balance, or \$95.4 million. The remaining portion of fund balance available for spending at the government's discretion is Unassigned fund balance of \$836,477.
- Unassigned fund balance for the General Fund was \$3.9 million or less than 1% of General Fund expenditures at June 30, 2012. The County's revenue policy sets a goal to establish fund balance at a minimum of 8% of operating revenues. For FY2012, \$24.6 million is classified as Committed Fund Balance-Policy Target of the total \$31.5 million noted on page 24.
- The County maintains a long-term financial plan that calls for the reinvestment of fund balance over the course of the next five years of approximately \$1 million to fund capital projects, another \$4 million to fund debt service associated with new schools, and \$2.6 million to stabilize future health care costs.

### Overview of the Financial Statements

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

## Financial Statement Presentation



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

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

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Historical trending of these increases and decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the operations of Charles County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Charles County, Maryland, and the Board of Library Trustees for Charles County,

Maryland (component units). The financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 21-23 of this report.

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

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

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

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

Charles County Government maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation in the governmental fund financial statements. The governmental fund financial statements can be found on pages 24-27 of this report.

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and Solid Waste Fund, which are considered major

funds of the County. The remaining four enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 28-30 of this report.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds include four fund types - pension trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any investment trust funds or private-purpose trusts. The three trust funds maintained by the County are the Sheriff's Office Retirement Plan, The County Employees Retirement Plan, and the Other Post Employment Benefit (OPEB) Trust plan. The single agency fund that the County maintains is the Volunteer Emergency Services Length Of Services Awards Program (LOSAP) plan. The fiduciary fund financial statements can be found on pages 31-32 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 38-99 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 102-105 of this report.

***Other supplementary information.*** Other supplementary information includes the Combining Balance Sheet and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance for other non-major governmental funds. Also presented here are the Combining Statement of Net Assets, the Combining Statement of Revenues, Expenses and Changes in Net Assets, and the Combining Statement of Cash Flows for the other non-major proprietary funds. These reports can be found on pages 110-130 of this report.

## **Government-wide Financial Analysis**

As noted earlier, trend analysis of net assets may serve as a useful indicator of a government's financial position. In Charles County, assets exceeded liabilities by \$443.4 million at the close of the most recent fiscal year, as shown in the summary schedule of net assets below.

By far the largest portion of Charles County's net assets, \$407.6 million (91%), reflects its 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 assets (16%) represents resources that are subject to external restrictions on how they may be used.

**Net Assets**  
**June 30, 2012 and 2011**  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 217,897	\$ 219,562	\$ 47,945	\$ 33,833	\$ 265,842	\$ 253,395
Capital assets, net of depreciation	459,940	445,807	193,982	191,330	653,922	637,137
Total assets	<u>677,837</u>	<u>665,369</u>	<u>241,927</u>	<u>225,163</u>	<u>919,764</u>	<u>890,532</u>
Non-current liabilities	332,793	322,921	109,620	95,846	442,413	418,767
Other liabilities	27,573	61,065	6,335	6,060	33,908	67,125
Total liabilities	<u>360,366</u>	<u>383,986</u>	<u>115,955</u>	<u>101,906</u>	<u>476,321</u>	<u>485,892</u>
Net assets:						
Invested in capital assets, net of related debt	302,757	299,008	104,853	108,355	407,610	407,363
Restricted net assets	74,707	25,906	-	-	74,707	25,906
Unrestricted net assets	(59,993)	(43,531)	21,119	14,902	(38,874)	(28,629)
Total net assets	<u>\$ 317,471</u>	<u>\$ 281,383</u>	<u>\$ 125,972</u>	<u>\$ 123,257</u>	<u>\$ 443,443</u>	<u>\$ 404,640</u>

Changes in Net Assets  
Years ended June 30, 2012 and 2011  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Program revenues:						
Charges for services	\$ 14,077	\$ 16,996	\$ 43,293	\$ 41,423	\$ 57,370	\$ 58,419
Operating grants	20,112	20,481	-	-	20,112	20,481
Capital grants	3,899	3,802	817	1,011	4,716	4,813
General revenues:						
Property taxes	196,368	193,940	-	-	196,368	193,940
Other taxes	113,758	116,051	-	-	113,758	116,051
Other	14,611	7,274	1,183	465	15,794	7,739
Total revenues	<u>362,825</u>	<u>358,544</u>	<u>45,293</u>	<u>42,899</u>	<u>408,118</u>	<u>401,443</u>
Program expenses:						
General government	24,083	13,249	-	-	24,083	13,249
Public safety	102,882	92,757	-	-	102,882	92,757
Education	163,377	171,972	-	-	163,377	171,972
Judicial	4,533	5,524	-	-	4,533	5,524
Health	4,514	5,581	-	-	4,514	5,581
Social services	1,970	1,888	-	-	1,970	1,888
Community services	22,425	21,023	-	-	22,425	21,023
Economic development	1,283	619	-	-	1,283	619
Public facilities	22,261	31,111	-	-	22,261	31,111
Water and sewer	-	-	27,143	30,073	27,143	30,073
Solid Waste	-	-	4,679	3,515	4,679	3,515
Other	18,333	7,081	10,541	10,247	28,874	17,328
Total expenses	<u>365,661</u>	<u>350,805</u>	<u>42,363</u>	<u>43,835</u>	<u>408,024</u>	<u>394,640</u>
Excess(deficit) before transfers	(2,836)	7,739	2,930	(936)	94	6,803
Net transfers	215	211	(215)	(211)	-	-
Change in net assets	<u>(2,621)</u>	<u>7,950</u>	<u>2,715</u>	<u>(1,147)</u>	<u>94</u>	<u>6,803</u>
Net assets - beginning of year	320,092	273,433	123,257	124,404	443,349	397,837
Adjustment to restate beginning	-	38,709	-	-	-	38,709
Net assets - end of year	<u>\$ 317,471</u>	<u>\$ 320,092</u>	<u>\$ 125,972</u>	<u>\$ 123,257</u>	<u>\$ 443,443</u>	<u>\$ 443,349</u>

Overall, the financial position of Charles County increased slightly by 1% prior to restatement compared to FY2011. As shown on the table on page 8, total revenues increased from \$401 million in FY2011 to \$408.1 million in FY2012. Property taxes increased by \$2.4 million, while other taxes decreased by \$2.3 million. Program expenses increased from \$395 million in FY2011 to \$415 million in FY2012.

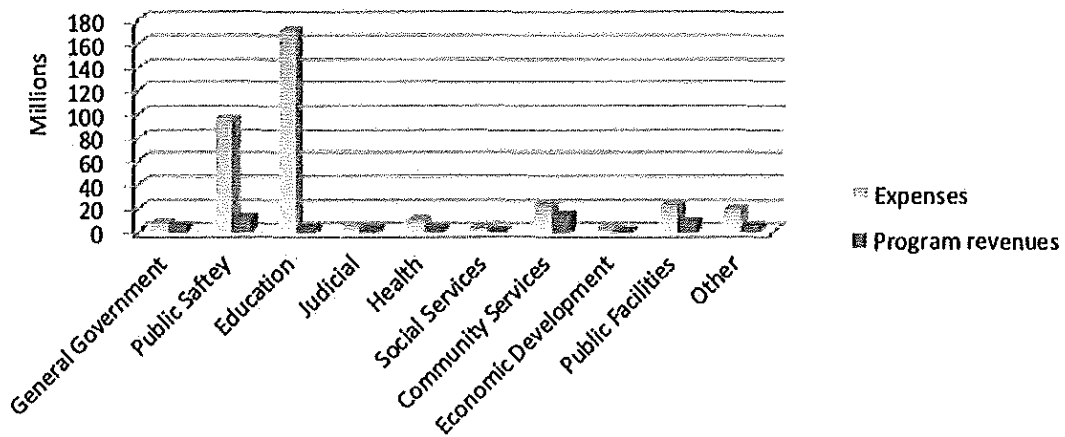
***Governmental activities.*** To aid in the understanding of the Statement of Activities (pg 22-23), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expenses)/Revenue and Changes in Net Assets. 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 net assets of \$94,255 was experienced prior to restatement when all funds are combined, as indicated on page 10. Total expenditures of \$408 million were partially offset by program related service fees, grants, and other contributions of nearly \$82.2 million. The remaining \$327.5 million in expenditures were funded through non-program revenue sources, primarily property and income taxes.

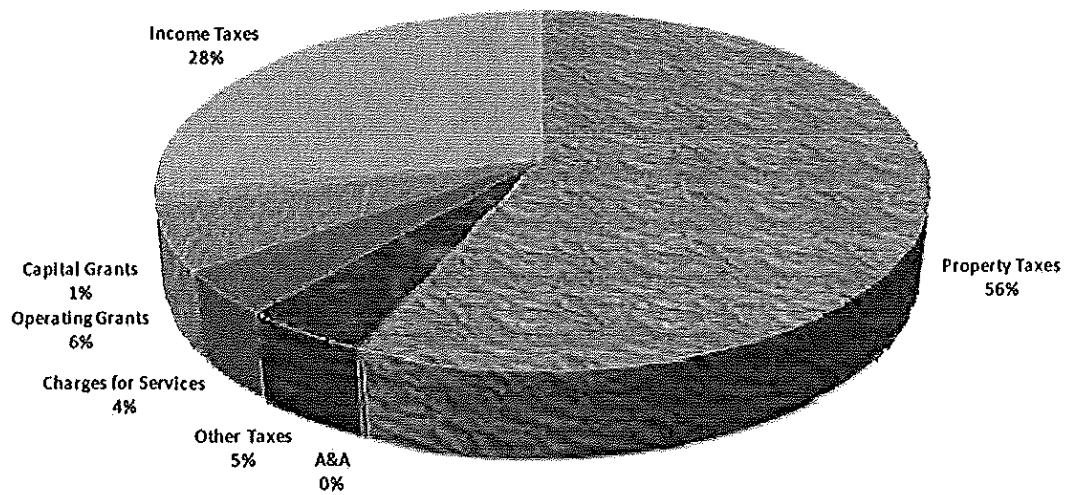
Governmental-type activities, as expected, operated at a \$327.5 million loss, primarily due to Education and Public Safety. As depicted in the bar chart on page 12, Education and Public Safety programs typically have little program revenue, and therefore, rely heavily upon tax revenues to fund the operations. Education and Public Safety required approximately \$252.3 million in non-program revenue.

The County operates many programs on a fee for service basis (business-type activities) in order to help keep the burden on the taxpayer down. Business-type activities account for \$42.4 million of the total \$408 million expended, or approximately 10% of the total, and finished the fiscal year with an operating gain of \$2.7 million.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2012)



General Governmental Revenues by Source - Governmental Activities  
(Year Ended June 30, 2012)



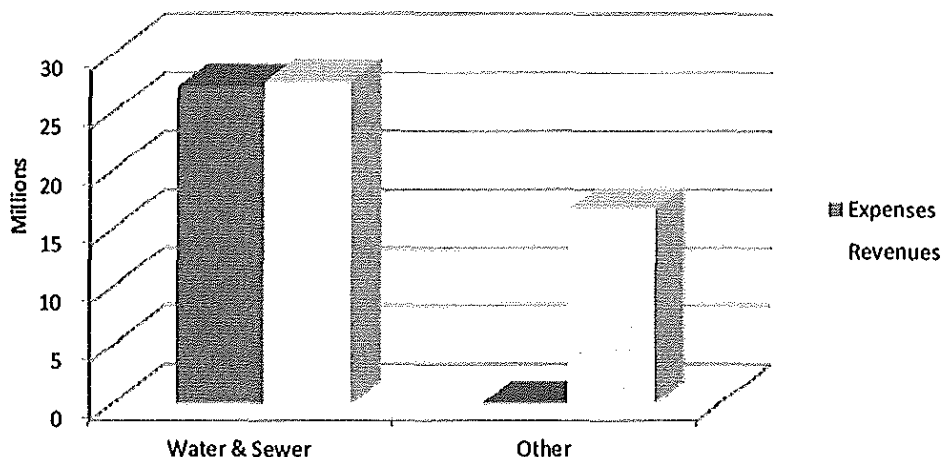


**Business-type activities.** The Water and Sewer Fund is considered a major fund for reporting purposes. In Fiscal Year 2011, the user fee rate structure was adjusted to a tiered method. For Fiscal Year 2012, the rates increased slightly for each tier. The residential rate for water is \$2.67 for the first 18,000 gallons, an increase of five cents. The residential rate for water is \$5.34 from 18,001 to 24,000 gallons, an increase of ten cents. The residential rate for water is \$8.01 for 24,000 gallons and above, an increase of fourteen cents. The residential sewer rate is \$5.83, an increase of thirteen cents, and is capped at 24,000 gallons. The commercial/multi-family rate for water is \$3.45, up eight cents, and sewer is \$5.83 per 1,000 gallons, an increase of thirteen cents.

The Solid Waste Fund is considered a major fund for reporting purposes. The County owns and operates a landfill. The primary source of revenue is derived from tipping fees. The fee of \$70 per ton for commercial and residential refuse was unchanged compared to FY2011. The County recently completed its third expansion of the existing landfill site to accommodate local county waste.

In conjunction with the landfill operation, the County also operates recycling and environmental programs. The recycling operation helps keep reusable items out of the landfill, thus extending the life, which, in turn, defrays the cost of the landfill and defers the need for additional sites. The recycling and environmental programs are funded by an annual user fee of \$75 assessed on each improved property in the County. This was increased by \$1 compared to FY2011. Additional revenue is generated from the sale of recyclable materials.

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



## Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$143.3 million, an increase of \$11.6 million in comparison with the prior year as restated. The general fund increased by \$5.1 million and the capital projects fund increased \$11.1 million for the fiscal year. The debt service and special revenue funds decreased \$3.3 million and \$1.3 million respectively. The County's governmental fund balances at June 30, 2012 includes General Fund reserves of \$1.8 million for inventory and Capital Project reserves of \$49.6 million with the balance of funds as indicated on page 69. The governmental fund balances of the County that are committed or assigned and the largest components include (1) \$2.7 million for health insurance, (2) \$3.5 million for infrastructure, and (3) \$24.6 million as the policy target for bond rating. The un-assigned fund balance for the County at year end was \$836,477. This amount can be used for non-recurring items, emergencies or to offset potential State budget cuts in FY13 and beyond.

The General Fund is the chief operating fund of the Charles County Government. At the end of the current fiscal year, non-spendable and restricted fund balance was \$6.2 million, and the committed fund balance, including the policy target of 8% of the operating revenues, was \$31.5 million. The assigned fund balance for specific purposes was \$3.9 million, and the un-assigned fund balance was \$3.9 million for a total fund balance of \$45.5 million.

The Capital Project Fund experienced an increase of \$11.1 million during the current fiscal year. The increase in fund balance was directly related to receiving \$18.8 million in bond sale proceeds during the latter stages of the fiscal year. The County issues debt annually to fund multi-year capital projects, therefore, a fluctuation in fund balance is to be expected as the use of the bond proceeds will occur during a future fiscal year.

The County's Debt Service Fund balance decreased by \$3.3 million prior to restatement during the current fiscal year as a result of a delinquent payment on a contractual agreement that was expected to be received in Fiscal Year 2012, but rather was delayed to be received prior to the end of Fiscal Year 2013.

**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 assets of the Water and Sewer Fund at the end of the year amounted to \$3.4 million. The unrestricted net assets for the County's Solid Waste Fund was \$17.8 million. Unrestricted net assets of all proprietary funds were \$21.1 million. There was a total increase in net assets for all proprietary funds in the amount of \$2.7 million. Other factors concerning the finances of all these funds have already been addressed in the discussion of the County's business-type activities.

## General Fund Budgetary Highlights

The FY2012 General Fund Operating Budget was adopted at \$303 million. Budget amendments approved during the year equaled \$6.4 million increasing the budget to an amended total of nearly \$310 million. The Budget provided funds to the local Board of Education sufficient to meet the State mandated "Maintenance-of-Effort". Appropriations included nearly \$3 million to fund unexpected multiple storms including a hurricane and a tropical storm.

The FY2012 Operating Budget was adopted and maintained at a level that was flat to the FY2011 Budget. Revenues and other resources continued to be limited due to the economy and housing market. The bright spot in the budget was the better than expected results of income tax receipts which exceeded budget by \$8 million. Although a Fund Balance appropriation of \$5.1 million was approved to balance the budget, favorable budget savings and revenue surpluses eliminated nearly all of the need for the use of Fund Balance. As a result, instead of a Fund Balance decrease of \$5.1 million, an increase of approximately \$5.1 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, 2012, amounts to \$653.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was slightly over 1% (a 1% increase for governmental activities and a 1% increase for business-type activities).

**Capital Assets**  
(net of depreciation)  
June 30, 2012 and 2011  
(amounts are presented in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land (not depreciated)	\$ 62,733	\$ 58,360	\$ 2,174	\$ 2,174	\$ 64,907	\$ 60,534
Construction in progress						
(not depreciated)	84,477	106,358	46,396	44,297	130,873	150,655
Land improvements	8,479	7,450	8,874	9,272	17,353	16,722
Infrastructure	187,174	156,478	98,132	95,816	285,306	252,294
Buildings and improvements	91,403	91,071	9,401	9,881	100,804	100,952
Machinery and equipment	21,378	21,331	28,510	29,325	49,888	50,656
Vehicles	4,296	4,759	495	565	4,791	5,324
Total	<u>\$ 459,940</u>	<u>\$ 445,807</u>	<u>\$ 193,982</u>	<u>\$ 191,330</u>	<u>\$ 653,922</u>	<u>\$ 637,137</u>

Additional information on the County's capital assets can be found in Note 3 on pages 59-61 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had notes and bonds outstanding of \$338 million, which are backed by the full faith and credit of the County.

**Outstanding Debt**  
**General Obligation Bonds and Notes Payable**  
**June 30, 2012 and 2011**  
**(amounts are presented in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 254,043	\$ 260,527	\$ 72,962	\$ 63,488	\$ 327,005	\$ 324,015
Notes payable	60	616	10,701	11,399	10,761	12,015
Total	<u>\$ 254,103</u>	<u>\$ 261,143</u>	<u>\$ 83,663</u>	<u>\$ 74,887</u>	<u>\$ 337,766</u>	<u>\$ 336,030</u>

The County's total debt during the current fiscal year increased by \$1.7 million. The issuance of bonds at favorable interest rates combined with the County's strategic long term financial policy of primary 15-year bond terms resulting in rapid pay down of debt, has provided the County with the ability to issue new debt without a large negative fiscal impact. During the year, the County issued \$55.2 million of general obligation bonds, of which \$4 million was Taxable Bonds. The bond issue included \$30 million in new money to finance various capital projects and nearly \$21.2 million in bonds to refund existing debt.

The County continues to maintain an "AA" rating from Standard & Poor's, and an "AAA" from Fitch Investors Service. According to the press release issued by Fitch, the rating reflects the County's lower but healthy reserves, narrow yet stable and wealthy economy, a healthy debt profile, and a decline in assessable base. Charles County maintains a "Aa1" rating from Moody's Investors Service.

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County has also enacted public local laws authorizing the issuance of general obligation bonds. The County currently has \$85,391,100 of general obligation bond authority.

State statutes limit the amount of general obligation debt a governmental entity may issue for water, sewer, and solid waste infrastructure to ten percent of its total assessed valuation. This debt is typically backed first by revenue bonds from the various enterprise funds and secondly by the full faith and credit of the County. The current debt limitation for Charles County is \$1.8 billion, which significantly exceeds the County's current outstanding general obligation debt related to revenue bonds. Additional information on the County's long-term debt can be found in Note 3 on pages 67-71 of this report.

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

- The FY2013 General Fund Budget was adopted at \$325,073,900, representing a 6% increase compared to FY2012.
- In FY2013, the County's largest revenue source, Property Tax, was budgeted at \$194 million, representing an increase of 2% compared to the FY2012 Adjusted Budget. The second largest revenue source, Income Tax, was adopted at \$98 million, an 11% increase compared to the FY2012 Adjusted Budget. Other revenues combined are budgeted \$1 million more than the FY2012 budget. A Fund Balance appropriation of \$5 million was also approved to balance the budget representing \$4 million more than FY2012.
- The County experienced a decline in property tax assessments due to a general decline in the real estate market. In an effort to offset decreasing assessments and maintain essential services such as public safety and education, the tax rate was increase by five cents representing a 5% increase in the property tax rate.
- Income tax revenue was budgeted 11% more than FY2012 due to better than expected results from FY2012. The local tax rate remained the same.
- Expense budgets increased in total by 5% compared to the FY2012 Budget. The County exceeded the State mandated funding requirement for the public school education system known as the "Maintenance of Effort", by providing salary increases for school personnel. New State legislation also required an increase in public school funding in order to pay for the teachers' pension in the amount of \$3.9 million. The second largest increase in expenditures is \$4.4 million for the Sheriff's Office. The additional funding provides for pay increases that were frozen for the past three years, to keep pace with State payroll salary scale changes, and to adequately fund the annual pension contribution.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2013.

## **Requests for Information**

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

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

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

# **Basic Financial Statements**

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 14,073,198	\$ 1,175,858	\$ 15,249,056	\$ 49,615,586
Short-term investments	90,414,785	-	90,414,785	-
Other receivables	49,180,865	23,594,146	72,775,011	8,775,683
Notes receivable	-	202,633	202,633	-
Excise tax receivable	35,590,320	-	35,590,320	-
Taxes receivable	2,762,740	-	2,762,740	-
Internal balances	(22,219,902)	22,219,902	-	-
Inventory	1,775,484	526,918	2,302,402	825,515
Other current assets	492,932	121,379	614,311	8,865,645
Restricted assets	45,826,546	103,932	45,930,478	-
Capital assets, net of accumulated depreciation:				
Land	62,732,829	2,174,186	64,907,015	16,849,701
Construction in progress	84,476,901	46,395,411	130,872,312	14,261,931
Land improvements	8,478,530	8,873,816	17,352,346	2,572,351
Infrastructure	187,174,205	98,132,083	285,306,288	-
Buildings and improvements	91,402,624	9,401,292	100,803,916	224,576,283
Machinery and equipment	21,378,417	28,510,071	49,888,488	8,128,469
Vehicles	4,296,200	495,072	4,791,272	-
<b>Total assets</b>	<b>677,836,674</b>	<b>241,926,698</b>	<b>919,763,372</b>	<b>334,471,164</b>
<b>LIABILITIES:</b>				
Accounts payable	6,698,503	2,695,155	9,393,658	9,576,974
Accrued expenses	5,436,830	1,240,874	6,677,704	23,587,891
Unearned revenue	4,168,753	336,823	4,505,576	4,524,739
Other liabilities	11,265,584	2,061,578	13,327,162	98,397
Noncurrent liabilities:				
Due within one year	26,607,684	7,742,866	34,350,550	1,989,594
Due in more than one year	306,188,000	101,877,051	408,065,051	111,213,459
<b>Total liabilities</b>	<b>360,365,354</b>	<b>115,954,346</b>	<b>476,319,700</b>	<b>150,991,054</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	302,756,883	104,852,725	407,609,608	266,388,735
Restricted for:				
Capital projects	26,591,676	-	26,591,676	-
Debt Service	41,644,683	-	41,644,683	-
Cable Franchise	3,224,631	-	3,224,631	-
Public housing	1,542,534	-	1,542,534	-
Public safety	1,329,252	-	1,329,252	-
Mental Health	285,552	-	285,552	-
Transportation	43,175	-	43,175	-
Judicial	34,373	-	34,373	-
Aging Services	11,978	-	11,978	-
Unrestricted	(59,993,417)	21,119,627	(38,873,790)	(82,908,625)
<b>Total net assets</b>	<b>\$ 317,471,320</b>	<b>\$ 125,972,352</b>	<b>\$ 443,443,672</b>	<b>\$ 183,480,110</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Legislative	\$ 1,204,649	\$ -	\$ -	\$ -
Judicial	4,533,124	69,879	926,429	-
Law	1,083,290	-	-	-
General government	24,082,988	1,657,043	1,497,484	-
Elections	882,927	-	-	-
Public safety	102,882,389	4,665,257	3,441,391	2,353,414
Planning and growth management	4,586,880	2,063,713	479,184	616,857
Health	4,514,298	129,025	1,086,926	-
Social services	1,970,383	-	-	-
Community services	22,425,245	2,322,769	11,774,685	10,404
Public facilities	22,261,400	569,207	-	901,455
Economic development	1,283,074	-	43,829	17,814
Education	163,377,207	2,600,740	861,712	-
Conservation of natural resources	585,556	-	-	-
Interest expense on long term debt	9,987,993	-	-	-
Total governmental activities	365,661,403	14,077,633	20,111,640	3,899,944
Business-type activities:				
Water and sewer	27,143,056	26,766,118	748,692	-
Inspection and review	3,166,989	2,728,062	-	-
Recreation	3,710,602	3,450,168	68,548	-
Solid waste	4,678,951	6,255,357	-	-
Environmental services	3,521,933	3,942,562	-	-
Vending machines	141,609	150,481	-	-
Total business-type activities	42,363,140	43,292,748	817,240	-
Total primary government	\$ 408,024,543	\$ 57,370,381	\$ 20,928,880	\$ 3,899,944
COMPONENT UNITS:				
Board of Education of Charles County, Maryland	\$ 389,919,995	\$ 6,689,171	\$ 97,215,748	\$ 6,867,582
Board of Library Trustees for Charles County	5,236,137	148,548	25,064	800,000
Total component units	\$ 395,156,132	\$ 6,837,719	\$ 97,240,812	\$ 7,667,582

General revenues:

Taxes:

- Local property taxes
- Local taxes - Excise
- Local taxes - Admissions & Amusement
- Local taxes - Recordation
- Local taxes - Hotel/Motel
- Local taxes - Heavy Equipment
- Income taxes
- State shared revenue - Unrestricted
- County and state appropriations
- Other income
- Interest and Investment earnings

Net transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Adjustment to restate beginning balances

Net assets - beginning of year, as restated

Net assets - end of year

See accompanying notes.

Net (Expenses)Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (1,204,649)	\$ -	\$ (1,204,649)	\$ -
(3,536,816)	-	(3,536,816)	-
(1,083,290)	-	(1,083,290)	-
(20,928,461)	-	(20,928,461)	-
(882,927)	-	(882,927)	-
(92,422,327)	-	(92,422,327)	-
(1,427,126)	-	(1,427,126)	-
(3,298,347)	-	(3,298,347)	-
(1,970,383)	-	(1,970,383)	-
(8,317,387)	-	(8,317,387)	-
(20,790,738)	-	(20,790,738)	-
(1,221,431)	-	(1,221,431)	-
(159,914,755)	-	(159,914,755)	-
(585,556)	-	(585,556)	-
(9,987,993)	-	(9,987,993)	-
(327,572,186)	-	(327,572,186)	-
-	371,754	371,754	-
-	(438,927)	(438,927)	-
-	(191,886)	(191,886)	-
-	1,576,406	1,576,406	-
-	420,629	420,629	-
-	8,872	8,872	-
-	1,746,848	1,746,848	-
(327,572,186)	1,746,848	(325,825,338)	-
-	-	-	(279,147,494)
-	-	-	(4,262,525)
-	-	-	(283,410,019)
196,368,356	-	196,368,356	-
5,783,998	-	5,783,998	-
717,119	-	717,119	-
8,462,994	-	8,462,994	-
1,066,852	-	1,066,852	-
74,354	-	74,354	-
97,179,582	-	97,179,582	-
473,872	-	473,872	-
-	-	-	258,964,286
11,269,786	1,119,570	12,389,356	286,181
3,339,228	63,882	3,403,110	30,921
214,743	(214,743)	-	-
324,950,884	968,709	325,919,593	259,281,388
(2,621,302)	2,715,557	94,255	(24,128,631)
281,383,056	123,256,795	404,639,851	207,608,741
38,709,566	-	38,709,566	-
320,092,622	123,256,795	443,349,417	207,608,741
\$ 317,471,320	\$ 125,972,352	\$ 443,443,672	\$ 183,480,110

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 13,803,284	\$ -	\$ -	\$ 269,914	\$ 14,073,198
Investments	89,414,785	-	-	1,000,000	90,414,785
Other receivables	45,718,923	1,546,722	6,271	1,908,949	49,180,865
Excise tax receivable	-	-	35,590,320	-	35,590,320
Taxes receivable	2,762,740	-	-	-	2,762,740
Due from other funds	-	54,051,318	-	8,306,161	62,357,479
Inventory	1,775,484	-	-	-	1,775,484
Other assets	492,932	-	-	-	492,932
Restricted assets	1,059,315	-	44,767,231	-	45,826,546
<b>Total assets</b>	<b>\$ 155,027,463</b>	<b>\$ 55,598,040</b>	<b>\$ 80,363,822</b>	<b>\$ 11,485,024</b>	<b>\$ 302,474,349</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Accounts payable	\$ 3,241,379	\$ 2,608,431	\$ -	\$ 848,693	\$ 6,698,503
Accrued expenditures	1,640,018	-	-	-	1,640,018
Deferred revenue	15,418,923	3,337,458	35,584,694	696,532	55,037,607
Due to other funds	80,561,138	-	3,134,445	881,798	84,577,381
Other liabilities	7,599,763	20,000	-	2,586,506	10,206,269
Payable from restricted assets	1,059,315	-	-	-	1,059,315
<b>Total liabilities</b>	<b>109,520,536</b>	<b>5,965,889</b>	<b>38,719,139</b>	<b>5,013,529</b>	<b>159,219,093</b>
<b>Fund balances:</b>					
Nonspendable fund balance	\$ 2,257,418	\$ -	\$ 44,767,231	\$ -	\$ 47,024,649
Restricted fund balance	3,896,913	32,353,125	-	1,246,450	37,496,488
Committed fund balance	31,526,041	-	-	-	31,526,041
Assigned fund balance	3,867,530	17,279,026	-	5,225,045	26,371,601
Unassigned fund balance	3,959,025	-	(3,122,548)	-	836,477
<b>Total fund balances</b>	<b>45,506,927</b>	<b>49,632,151</b>	<b>41,644,683</b>	<b>6,471,495</b>	<b>143,255,256</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 155,027,463</b>	<b>\$ 55,598,040</b>	<b>\$ 80,363,822</b>	<b>\$ 11,485,024</b>	<b>\$ 302,474,349</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

Total Governmental Fund Balance	\$ 143,255,256
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	459,939,706
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	(265,546,885)
Loans and notes payable	(60,261)
Capital leases payable	(2,255,985)
Health insurance claims	(822,812)
Net pension obligation	(360,466)
Accrued interest	(3,799,812)
Net OPEB obligation	(49,371,755)
Unearned revenue	50,868,854
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds	(14,374,520)
Net assets of Governmental Activities	<u>\$ 317,471,320</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes - local property	\$ 183,892,784	\$ -	\$ -	\$ 12,377,507	\$ 196,270,291
Taxes - Income	97,179,582	-	-	-	97,179,582
Taxes - Excise	-	-	5,783,998	-	5,783,998
Taxes - Admissions and Amusement	717,119	-	-	-	717,119
Taxes - Recordation	8,462,994	-	-	-	8,462,994
Taxes - Hotel/Motel	1,066,852	-	-	-	1,066,852
Taxes - Heavy Equipment	74,354	-	-	-	74,354
Taxes - state shared	473,872	-	-	-	473,872
Charges for services	6,762,876	1,713,273	-	5,601,484	14,077,633
Intergovernmental	3,056,565	4,761,656	-	16,193,363	24,011,584
Interest income	149,152	-	3,183,069	7,007	3,339,228
Other income	7,435,504	-	3,546,573	287,709	11,269,786
<b>Total revenues</b>	<b>309,271,654</b>	<b>6,474,929</b>	<b>12,513,640</b>	<b>34,467,070</b>	<b>362,727,293</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Education	156,938,747	3,964,330	-	994,611	161,897,688
Public safety	75,718,639	2,419,828	-	14,501,776	92,640,243
Other general government	17,024,330	-	-	-	17,024,330
Public facilities	15,550,813	12,042,658	-	-	27,593,471
Financial administration	7,938,619	-	-	-	7,938,619
Community services	3,329,545	-	-	17,992,843	21,322,388
Judicial	3,088,309	86,926	-	1,304,426	4,479,661
Planning and growth management	2,344,887	1,193,174	-	1,041,867	4,579,928
Health	3,140,788	97,044	-	1,115,167	4,352,999
Economic development	1,169,460	-	-	113,614	1,283,074
Social services	1,047,202	-	-	923,181	1,970,383
Legislative	1,365,756	-	-	7,100	1,372,856
Law	1,083,290	-	-	-	1,083,290
Conservation of natural resources	585,556	-	-	-	585,556
Elections	882,927	-	-	-	882,927
<b>Debt service:</b>					
Principal	-	-	16,488,429	-	16,488,429
Interest	6,458,502	-	3,772,975	-	10,231,477
<b>Total expenditures</b>	<b>297,667,370</b>	<b>19,803,960</b>	<b>20,261,404</b>	<b>37,994,585</b>	<b>375,727,319</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>11,604,284</b>	<b>(13,329,031)</b>	<b>(7,747,764)</b>	<b>(3,527,515)</b>	<b>(13,000,027)</b>
<b>Other financing sources (uses):</b>					
Issuance of debt	1,129,500	18,800,000	-	-	19,929,500
Premium on issuance of debt	9,169,214	-	-	-	9,169,214
Bond Proceeds from debt refunding	32,841,880	-	4,415,672	-	37,257,552
Defeased Bonds	(40,051,360)	-	-	-	(40,051,360)
Transfers in	1,456,608	5,609,050	-	3,129,523	10,195,181
Transfers out	(9,117,727)	-	-	(862,711)	(9,980,438)
<b>Total other financing sources (uses)</b>	<b>(4,571,885)</b>	<b>24,409,050</b>	<b>4,415,672</b>	<b>2,266,812</b>	<b>26,519,650</b>
<b>Extraordinary loss from natural disasters, net of income</b>	<b>(1,909,773)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,909,773)</b>
<b>Net change in fund balance</b>	<b>5,122,626</b>	<b>11,080,019</b>	<b>(3,332,092)</b>	<b>(1,260,703)</b>	<b>11,609,850</b>
<b>Fund balance - beginning of year</b>	<b>40,384,301</b>	<b>38,552,132</b>	<b>209,544</b>	<b>7,732,198</b>	<b>86,878,175</b>
<b>Adjustment to restate beginning balances</b>	<b>-</b>	<b>-</b>	<b>44,767,231</b>	<b>-</b>	<b>44,767,231</b>
<b>Fund balance - beginning of year, as restated</b>	<b>40,384,301</b>	<b>38,552,132</b>	<b>44,976,775 *</b>	<b>7,732,198</b>	<b>131,645,406</b>
<b>Fund balance - end of year</b>	<b>\$ 45,506,927</b>	<b>\$ 49,632,151</b>	<b>\$ 41,644,683</b>	<b>\$ 6,471,495</b>	<b>\$ 143,255,256</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

Net change in fund balance - Governmental Funds	\$ 11,609,850
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	14,132,583
Governmental funds report costs associated with the issuance of debt as revenues and expenditures. However, in the government-wide statements, these revenues and expenses are amortized in the statement of activities.	(7,150,189)
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.	(9,816,477)
Governmental funds report revenues based on the availability of of the funds. However, in the government-wide statements revenues are recorded based on collectibility.	387,630
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Amortization of deferred charges	(914,685)
Compensated absences	(885,652)
Self-Insurance Claims - IBNR	(233,653)
Net pension obligation	23,334
Accrued interest	243,484
Net OPEB current year expense	(10,017,527)
Change in Net Assets of Governmental Activities	<u>\$ (2,621,302)</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 200	\$ 2,000	\$ 1,173,658	\$ 1,175,858
Other receivables	22,090,908	647,345	855,893	23,594,146
Notes receivable	202,633	-	-	202,633
Due from other funds	3,634,998	18,346,474	4,304,080	26,285,552
Inventory	476,523	-	50,395	526,918
Other current assets	1,624	3,200	116,555	121,379
Total current assets	26,406,886	18,999,019	6,500,581	51,906,486
Noncurrent assets:				
Net capital assets	171,158,168	10,637,557	12,186,207	193,981,932
Restricted assets	-	103,932	-	103,932
Total noncurrent assets	171,158,168	10,741,489	12,186,207	194,085,864
Total assets	197,565,054	29,740,508	18,686,788	245,992,350
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	2,301,207	60,263	333,685	2,695,155
Accrued expenses	1,054,134	28,487	158,253	1,240,874
Due to other funds	-	-	4,065,650	4,065,650
Unearned revenue	683	-	336,140	336,823
Current portion of long-term debt	6,809,527	50,637	882,702	7,742,866
Total current liabilities	10,165,551	139,387	5,776,430	16,081,368
Noncurrent liabilities:				
Other liabilities	1,957,646	103,932	-	2,061,578
Bonds payable	57,637,779	-	9,184,171	66,821,950
Net deferred bond issue premiums	4,385,938	(2,930)	308,197	4,691,205
Long-term debt	10,988,469	6,706,586	275,433	17,970,488
Net pension obligation	95,238	14,814	26,766	136,818
Net OPEB obligation	5,657,278	886,352	1,308,768	7,852,398
Capital lease obligation	4,323,844	15,054	65,294	4,404,192
Total noncurrent liabilities	85,046,192	7,723,808	11,168,629	103,938,629
Total liabilities	95,211,743	7,863,195	16,945,059	120,019,997
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	98,933,356	4,077,223	1,842,146	104,852,725
Unrestricted	3,419,956	17,800,090	(100,419)	21,119,627
Total net assets	\$ 102,353,312	\$ 21,877,313	\$ 1,741,727	\$ 125,972,352

See accompanying notes.



THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Operating revenues:				
Charges for services	\$ 26,766,118	\$ 6,255,357	\$ 10,271,273	\$ 43,292,748
Other income	1,072,326	3,035	44,209	1,119,570
Total operating revenues	27,838,444	6,258,392	10,315,482	44,412,318
Operating expenses:				
Personnel services	11,010,715	2,148,301	4,945,656	18,104,672
Utilities	2,642,896	36,827	369,270	3,048,993
Repairs and maintenance	1,124,427	153,232	272,995	1,550,654
Insurance costs	181,107	6,615	44,601	232,323
Indirect costs	384,000	184,000	57,712	625,712
Supplies	1,761,474	234,077	664,341	2,659,892
Contract services	588,606	110,860	3,001,322	3,700,788
Other operating costs	370,048	1,160,797	414,084	1,944,929
Depreciation	6,887,290	641,560	612,714	8,141,564
Total operating expenses	24,950,563	4,676,269	10,382,695	40,009,527
Operating income (loss)	2,887,881	1,582,123	(67,213)	4,402,791
Nonoperating revenues (expenses):				
Interest income	37,399	15,895	10,588	63,882
Intergovernmental	748,692	-	68,548	817,240
Interest expense	(2,192,493)	(2,682)	(158,438)	(2,353,613)
Gain on disposal of capital assets	-	-	-	-
Total nonoperating revenues (losses)	(1,406,402)	13,213	(79,302)	(1,472,491)
Income (loss) before transfers	1,481,479	1,595,336	(146,515)	2,930,300
Transfers in	-	-	404,107	404,107
Transfers out	-	(599,800)	(19,050)	(618,850)
Change in net assets	1,481,479	995,536	238,542	2,715,557
Net assets - beginning of year	100,871,833	20,881,777	1,503,185	123,256,795
Net assets - end of year	\$ 102,353,312	\$ 21,877,313	\$ 1,741,727	\$ 125,972,352

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 12,595,798	\$ 6,120,292	\$ 11,076,460	\$ 29,792,550
Cash paid to suppliers	(6,531,629)	(1,474,634)	(4,705,728)	(12,711,991)
Cash paid to employees	(11,050,365)	(2,143,377)	(4,927,127)	(18,120,869)
Net cash from operating activities	(4,986,196)	2,502,281	1,443,605	(1,040,310)
Cash flows from investing activities:				
Interest received	37,399	15,895	10,588	63,882
Net cash from investing activities	37,399	15,895	10,588	63,882
Cash flows from noncapital financing activities:				
Intergovernmental	748,692	-	68,548	817,240
Transfers in (out)	-	(599,800)	385,057	(214,743)
Receipts from interfund loans	3,966,496	(1,251,370)	(1,103,371)	1,611,755
Repayments of Interfund loans	-	-	242,654	242,654
Net cash from noncapital financing activities	4,715,188	(1,851,170)	(407,112)	2,456,906
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	23,063,875	-	751,370	23,815,245
Proceeds from new loan	-	-	-	-
Principal payments on bonds payable	(13,578,595)	-	(810,830)	(14,389,425)
Principal payments on capital lease obligations	(468,104)	(28,299)	(95,626)	(592,029)
Principal payments on loans	(698,151)	-	-	(698,151)
Interest paid	(2,192,493)	(2,682)	(158,438)	(2,353,613)
Proceeds from disposal of assets	-	-	-	-
Cash paid for capital expenses	(5,892,923)	(636,025)	(487,448)	(7,016,396)
Net cash from capital and related financing activities	233,609	(667,006)	(800,972)	(1,234,369)
Net Increase in cash and cash equivalents	-	-	246,109	246,109
Cash and cash equivalents - beginning of year	200	2,000	927,549	929,749
Cash and cash equivalents - end of year	\$ 200	\$ 2,000	\$ 1,173,658	\$ 1,175,858

	Business-type activities			
	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating Income (loss)	\$ 2,887,881	\$ 1,582,123	\$ (67,213)	\$ 4,402,791
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	6,887,290	641,560	612,713	8,141,563
Increase (decrease) in compensation-related liabilities included in long-term debt	(33,559)	6,640	(9,832)	(36,751)
Increase in landfill closure liabilities included in long-term debt	-	219,854	-	219,854
(Increase) decrease in other receivables	(15,294,455)	(138,100)	736,781	(14,695,774)
(Increase) decrease in notes receivable	52,437	-	-	52,437
(Increase) decrease in inventories	(8,321)	-	7,280	(1,041)
(Increase) decrease in other current assets	(1,624)	(3,200)	(59,519)	(64,343)
(Increase) decrease in restricted assets	(945,253)	(109)	-	(945,362)
(Increase) decrease in deferred bond issue costs	(2,756,122)	-	-	(2,756,122)
Increase (decrease) in accounts payable	(650,001)	9,627	(111,203)	(751,577)
Increase (decrease) in accrued expenses	(13,495)	4,924	30,367	21,796
Increase (decrease) in other liabilities	3,708,779	109	-	3,708,888
Increase (decrease) in Net Pension Obligation	(320)	438	(572)	(454)
Increase (decrease) in Net OPEB Obligation	1,181,195	178,415	280,606	1,640,216
Increase (decrease) in deferred revenue	(628)	-	24,197	23,569
Net cash from by operating activities	\$ (4,986,196)	\$ 2,502,281	\$ 1,443,605	\$ (1,040,310)

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Solid Waste Fund	Other Proprietary Funds	Total
Borrowing under capital lease	352,200	-	50,000	402,200

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012

	<u>Pension and OPEB Trust Funds</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 5,121,282
Interest receivable	<u>298,031</u>
Total current assets	<u>5,419,313</u>
Investments at fair value:	
Bond mutual funds	74,295,098
Equity securities	<u>190,513,252</u>
Total investments	<u>264,808,350</u>
Total assets	270,227,663
LIABILITIES:	
Accrued expenses	<u>41,398</u>
NET ASSETS:	
Held in trust for pension benefits and OPEB benefits	<u>\$ 270,186,265</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2012

	Pension and OPEB Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	\$ 14,467,929
Employee contributions	4,304,395
Total contributions	<u>18,772,324</u>
Investment earnings:	
Interest	11,943,848
Net change in fair value of investments	<u>(3,839,312)</u>
Total investment earnings	8,104,536
Less investment expenses	<u>(1,301,874)</u>
Net investment earnings	<u>6,802,662</u>
Total additions	<u>25,574,986</u>
DEDUCTIONS:	
Benefits paid to members	10,306,537
Administrative costs	<u>51,958</u>
Total deductions	<u>10,358,495</u>
Changes in net assets	15,216,491
Net assets - beginning of year	<u>254,969,774</u>
Net assets - end of year	<u>\$ 270,186,265</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET ASSETS  
 COMPONENT UNITS  
 JUNE 30, 2012

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 49,558,609	\$ 56,977	\$ 49,615,586
Short-term investments	-	-	-
Accounts receivable	8,445,364	330,319	8,775,683
Inventory	825,515	-	825,515
Other assets	8,756,418	109,227	8,865,645
Capital assets			
Land	16,849,701	-	16,849,701
Construction in progress	14,261,931	-	14,261,931
Land improvements	2,572,351	-	2,572,351
Buildings	224,576,283	-	224,576,283
Machinery and equipment	6,823,771	1,304,698	8,128,469
Total assets	<u>332,669,943</u>	<u>1,801,221</u>	<u>334,471,164</u>
<b>LIABILITIES:</b>			
Accounts payable	9,282,394	294,580	9,576,974
Accrued expenses	23,515,958	71,933	23,587,891
Unearned revenue	4,524,739	-	4,524,739
Other liabilities	98,397	-	98,397
Non-current liabilities:			
Due within one year	1,989,594	-	1,989,594
Due in more than one year	109,343,014	1,870,445	111,213,459
Total liabilities	<u>148,754,096</u>	<u>2,236,958</u>	<u>150,991,054</u>
Invested in capital assets, net of related debt	265,084,037	1,304,698	266,388,735
Unrestricted assets	<u>(81,168,190)</u>	<u>(1,740,435)</u>	<u>(82,908,625)</u>
Total net assets	<u>\$ 183,915,847</u>	<u>\$ (435,737)</u>	<u>\$ 183,480,110</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 YEAR ENDED JUNE 30, 2012

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	\$ 389,919,995	\$ 6,689,171	\$ 97,215,748	\$ 6,867,582
Board of Library Trustees for Charles County	5,236,137	148,548	25,064	800,000
Total component units	<u>\$ 395,156,132</u>	<u>\$ 6,837,719</u>	<u>\$ 97,240,812</u>	<u>\$ 7,667,582</u>

General revenues:

County and state appropriations

Other income

Interest and investment earnings

Miscellaneous

Total general revenues and transfers

Change in net assets

Net assets - beginning of the year

Net assets - end of year

See accompanying notes.

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
\$ (279,147,494)	\$ -	\$ (279,147,494)
-	(4,262,525)	(4,262,525)
(279,147,494)	(4,262,525)	(283,410,019)
254,464,635	4,499,651	258,964,286
-	-	-
30,334	587	30,921
265,845	20,336	286,181
254,760,814	4,520,574	259,281,388
(24,386,680)	258,049	(24,128,631)
208,302,527	(693,786)	207,608,741
\$ 183,915,847	\$ (435,737)	\$ 183,480,110

See accompanying notes.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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June 30, 2012

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**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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* and modified by GASB Statement 39 *Determining Whether Certain Organizations are Component Units*, 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 Assets and a Combining Statement of Activities for the component units are also provided. Each discretely presented component unit has a June 30 year end.

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

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

The members of the Board of Education are elected by the residents of Charles County every four years. The Board of Education is financially accountable to the Charles County Government because the Board of Education's annual budget is subject to approval of the elected County Commissioners. The Board of Education is presented as a governmental fund type. The County provided \$145,620,700 in operating funds and \$3,756,247 in capital funding to the Board of Education during fiscal year 2012.

**The Board of Library Trustees for Charles County, Maryland (the Library)** is a legally separate entity under Maryland state law. The Library's Trustees are appointed by the Governor of Maryland and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the elected County Commissioners. The Library is presented as a governmental fund type. The County provided \$1,899,500 in operating funds to the Library during fiscal year 2012.

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), vending commissions, White

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

Plains golf course, recreation and development services are classified as business-type activities.

**Government-wide Statements**

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

In the government-wide Statement of Net Assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Net assets should be reported as restricted when constraints placed on the net asset's use are either externally imposed by creditors (such as thru debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset 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,

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

intergovernmental revenues, interest income, etc.), which are not properly included among program revenues.

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

**Fund Financial Statements**

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

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

**1. Governmental Funds:**

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

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

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**2. Proprietary Funds:**

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

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

**3. Fiduciary Funds:**

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

The County's fiduciary and pension trust funds account for the retirement benefits for the Charles County Maryland Sheriff's Office Retirement Plan, the Charles County Pension Plan, the Volunteer Fireman/EMS Associations LOSAP plan, and the OPEB Trust plan. Since,

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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by definition, these assets are held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. They are presented in the fiduciary fund financial statements.

**C. Basis of Accounting and Measurement Focus**

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

**Basis of Accounting**

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

b. **Modified Accrual Basis** – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. “Measureable” 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 judgments, are recorded only when due.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 assets (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 assets.

**D. Financial Statement Amounts**

**1. Cash and Cash Equivalents:**

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

**2. Investments:**

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

**3. Receivables:**

All trade, excise and property tax receivables are reported at fair value. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billings during the month



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following the close of the fiscal year. Taxes, special assessments, utility charges and accrued interest are deemed collectible in full. Property taxes attach as an enforceable lien when levied on July 1 of each fiscal year. The taxes are payable without interest by September 30.

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

**4. Inter-fund Transactions:**

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

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

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

**5. Inventories:**

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

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**6. Prepaid Items:**

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

**7. Restricted Assets:**

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

**8. Capital Assets:**

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

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

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

Charles County Government

Buildings	30 years
Improvements	10 -30 years
Water and sewer systems	30 -50 years
Infrastructure	10 -50 years
Machinery and equipment	5 -10 years
Vehicles	5 years
Computers and software	3 – 5 years
Other infrastructure	10 -50 years

The Board of Education

Building s and improvements	30 years
Land improvements	10 years
Furniture and equipment	5 -10 years

The Library

Leasehold improvements	15 -39 years
Furniture and equipment	7 years
Vehicles and Computer Equipment	5 years
Books and audio visual materials	3 years

**9. Net Assets/Fund Equity:**

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

- a. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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

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

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

**10. Compensated Absences:**

Employees of the County earn annual leave, compensatory time and sick leave in varying amounts. It is the County’s policy to permit employees to accumulate earned but unused annual leave, compensatory time, and sick pay benefits. Upon separation of service with the

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

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

**11. Long-term Obligations:**

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

In the fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital leases are recorded in the same manner.

**12. Revenues, Expenditures, and Expenses:**

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

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

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

**13. Accounting Estimates:**

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

**14. Implementation of New GASB Pronouncements**

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*, effective for periods beginning after December 15, 2011, improves financial reporting by addressing issues related to service concession agreements (SCA's), which are a type of public-private or public-partnership. The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

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

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, incorporates into the GASB's authoritative literature certain

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accounting and financial reporting guidance from these two sources so long as they do not conflict with or contradict any GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, provides financial reporting guidance to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reports as assets and liabilities as outflows or resources (expenses or expenditures) or inflows of resources (revenues). The County intends to implement the new requirements, if deemed applicable, for the Fiscal Year 2013 financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, which is an amendment of GASB Statement No. 25, is effective for periods beginning after June 15, 2013. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27, is effective for periods beginning after June 15, 2014, however earlier application is encouraged. Both of these statements are a result of a comprehensive review of the existing standards and aim to improve the accounting and financial reporting of State and local governments for pensions. The County intends to implement the new requirements for the Fiscal Year 2014 financial statements.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

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

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

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the program level. However, with proper approval by the County Commissioners, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2012.

**B. Deficit Fund Equity**

The Recreation Fund had a deficit fund balance of \$1,198,326 as of June 30, 2012. The deficit fund balance is primarily the cumulative result of operations from an indoor recreation complex which was acquired by the County in May 2006. A contract was awarded to Rink Management Services for the operation of this facility and commenced on July 5, 2008. After four years of managing the facility, significant improvements have been achieved in operations, including a gain for the past fiscal year. However, the cumulative effect of the past results and continued recording of the growing annual OPEB liability share for the Recreation Fund as a whole will continue to reflect a deficit fund balance into the short-term future.

The Inspection and Review Fund ended with a deficit fund balance of \$351,761 as of June 30, 2012. Some revenue fees collected in one fiscal year are often related to expenses incurred in the following fiscal year(s). In addition, the continued recording of the growing annual OPEB liability share for the Inspection Fund as a whole will continue to reflect a deficit fund balance into the short term future.

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County's Chief of Treasury is charged with the responsibility for selecting depositories and investing idle funds as directed by the State and County Codes. The Chief of Treasury is further restricted as to the types of deposits and investments in accordance with the County's investment policy.



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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 \$16,398,589 and the bank balances were \$17,863,060. Of the bank balance, \$7,728,221 was covered by Federal depository insurance and \$10,134,839 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 \$13,715.

At year-end, the carrying amount of the Board of Education's deposits was \$17,781,134 and the bank balances were \$22,223,353. 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 \$24,462 and the bank balances was \$44,860. The bank balance was covered by Federal depository insurance. The amount of cash on hand was \$1,230.

Investments

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

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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	\$ 6,555	\$ -	\$ 7,160	\$ 13,715
Deposit Accounts	14,066,643		1,168,698	15,235,341
U.S. government securities				
Agencies	22,982,682	-	-	22,982,682
Repurchase agreements (sweep)	5,000,000	-	-	5,000,000
Money Market	826,620	5,121,282	-	5,947,902
Certificates of deposit	19,000,000	-	-	19,000,000
Maryland local government pool	42,605,483	-	-	42,605,483
Bond mutual funds	-	74,295,098	-	74,295,098
Equity securities	-	190,513,252	-	190,513,252
Restricted assets	1,059,315	-	103,932	1,163,248
Total cash and investments	<u>\$ 105,547,298</u>	<u>\$ 269,929,632</u>	<u>\$ 1,279,790</u>	<u>\$ 376,756,721</u>

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

Cash on hand and deposits	\$ 6,858,493
Repurchase agreements	8,500,007
Maryland local government investment pool	34,200,109
Total cash and investments	<u>\$ 49,558,609</u>

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

Cash on hand and deposits	\$ 25,692
Maryland local government investment pool	31,285
Total cash and investments	<u>\$ 56,977</u>

The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The State Treasurer of Maryland exercises administrative oversight responsibility over the MLGIP. Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. A single financial institution, PNC Institutional Investments, is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP maintains an AAAM credit quality rating from Standard and Poor's. The MLGIP uses the

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

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

**Interest Rate Risk**

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

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counter party or the counter party's trust department or agent, but not in the government's name. The County's policy relating to credit risk of investments require that securities underlying all certificates of deposit, repurchase agreements and reverse repurchase agreements have a market value of at least 102 percent of the cost plus accrued interest of the investment. County policies also require that a third party custodian hold investments securities and the collateral underlying all investments, in the government's name. The County's Chief of Treasury recognizes investment diversification as an important safeguard of County assets. Investment instruments, investment maturities, and financial institutions doing business with the County shall be diversified in such a way to insure that there is no concentration of risk in any of these categories. These diversification standards, as outlined in the County's Joint Statement of Investment Policies, are applied at the time of each investment. As of June 30, 2012, the County's investments were not exposed to custodial credit risk.

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**B. Receivables**

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

	General	Capital Projects	Debt Service	Water and Sewer Fund	Solid Waste Fund	Non-major Funds	Total
Receivables:							
Interest	\$ 120,012	\$ -	\$ -	\$ 8,187	\$ -	\$ -	\$ 128,199
Taxes	23,368,975	-	35,590,320	-	-	-	58,959,295
Accounts	24,992,176	1,546,722	-	22,100,203	647,345	2,717,337	52,003,783
Special assessments	-	-	6,271	185,151	-	-	191,422
Intergovernmental	500	-	-	-	-	47,506	48,006
Total receivables	<u>\$ 48,481,663</u>	<u>\$ 1,546,722</u>	<u>\$ 35,596,591</u>	<u>\$ 22,293,541</u>	<u>\$ 647,345</u>	<u>\$ 2,764,842</u>	<u>\$ 111,330,704</u>

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

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ -	\$ 3,032,439	\$ 3,032,439
Deferred property taxes receivable (Debt Service)	-	35,578,423	35,578,423
Deferred income tax reserve	-	12,251,721	12,251,721
Agricultural preservation taxes	471,852	-	471,852
Special assessments not yet due (Debt Service)	-	6,271	6,271
School construction impact fees	3,337,458	-	3,337,458
Grant draw-downs prior to meeting all eligibility requirements	249,163	-	249,163
Other unearned revenue	110,280	-	110,280
Total unearned revenue for governmental funds	<u>\$ 4,168,753</u>	<u>\$ 50,868,854</u>	<u>\$ 55,037,607</u>

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**C. Property Taxes Receivable**

The County levies a property tax each July 1 on the assessed value of all taxable real property location within the County on that date. Assessed values are established by the Maryland Departments of Assessments and Taxation at assessed market value. A reassessment of all property is required to be completed every three years. The rates of the levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. The real property tax rate was increased during the year ended June 30, 2012 from \$0.962 to \$1.0025 per \$100 of assessed value. Property taxes attach as an enforceable lien on the property when levied on July 1 of each year. The taxes are payable without interest by September 30.

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

**D. Notes Receivable**

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

<u>Loan &amp; Year</u>	<u>Total Borrowed</u>	<u>Term &amp; Rate</u>	<u>Principal Balance 6/30/2012</u>
Hospital 2004	\$ 15,000,000	15 years, 3.04831%	\$ 9,568,353
St. Charles Companies 2004	\$ 8,000,000	15 years, 4%-5%	\$ 4,190,000
St. Charles Companies 2005	6,000,000	15 years, 5%-5.125%	3,472,500
St. Charles Companies 2006	10,000,000	15 years, 5.125%-8%	6,590,000
St. Charles Companies 2007	3,000,000	15 years, 5.25%-5.75%	2,211,250
St. Charles Companies 2008	3,000,000	15 years, 4.90%-5.25%	2,330,812
St. Charles Companies 2009	2,000,000	15 years, 4%-5.375%	1,643,333
St. Charles Companies 2011	4,000,000	15 years, 2%-4.5%	4,000,000
St. Charles Companies 2012	4,000,000	15 years, 2%-3.25%	4,000,000
Subtotal: ACPT	<u>\$ 40,000,000</u>		<u>\$ 28,437,895</u>
So. MD Baseball LLC 2008	9,248,200	15 years, 4.90%-5.25%	\$ 6,165,465
CSM 2005	1,000,000	15 years, 3.67%	\$ 595,518
Total Notes Receivable	<u><u>\$ 65,248,200</u></u>		<u><u>\$ 44,767,231</u></u>

Bonds issued by the County for St. Charles Companies, Southern MD Baseball Club LLC, College of Southern Maryland, and Civista Hospital are secured by Bond Repayment

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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 year ended June 30, 2012 are as follows:

	Civista	St. Charles Companies	So. MD Baseball	CSM	Total
2013	\$ 1,247,234	\$ 2,794,428	\$ 894,000	\$ 86,791	\$ 5,022,453
2014	1,247,234	3,734,964	894,000	86,791	5,962,989
2015	1,247,234	3,652,687	894,000	86,791	5,880,712
2016	1,112,981	3,623,190	894,000	86,791	5,716,962
2017	1,247,234	3,668,058	894,000	86,790	5,896,082
2018-2022	4,677,008	13,806,570	4,470,000	253,163	23,206,741
2023-2027	-	3,889,876	-	-	3,889,876
Subtotal	<u>10,778,925</u>	<u>35,169,773</u>	<u>8,940,000</u>	<u>687,118</u>	<u>55,575,816</u>
Less: Interest	<u>1,210,572</u>	<u>6,731,878</u>	<u>2,774,535</u>	<u>91,600</u>	<u>10,808,585</u>
Total future minimum note payments receivable	<u>\$ 9,568,353</u>	<u>\$ 28,437,895</u>	<u>\$ 6,165,465</u>	<u>\$ 595,518</u>	<u>\$ 44,767,231</u>

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**E. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

**Primary Government**

Governmental Activities	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not depreciated:				
Land	\$ 58,360,178	\$ 4,454,651	\$ 82,000	\$ 62,732,829
Construction in progress	106,357,896	41,664,644	63,545,638	84,476,901
Total capital assets, not depreciated	<u>164,718,074</u>	<u>46,119,294</u>	<u>63,627,638</u>	<u>147,209,730</u>
Capital assets, depreciated:				
Land Improvements	10,093,116	1,504,931	-	11,598,047
Infrastructure	321,204,819	45,118,108	2,671,168	363,651,759
Buildings and Improvements	149,647,251	4,573,239	-	154,220,490
Machinery and Equipment	40,510,685	2,627,220	289,536	42,848,370
Vehicles	21,426,446	1,574,214	624,903	22,375,757
Total capital assets, depreciated	<u>542,882,318</u>	<u>55,397,712</u>	<u>3,585,607</u>	<u>594,694,423</u>
Less: accumulated depreciation for:				
Land Improvements	(2,643,711)	(475,806)	-	(3,119,517)
Infrastructure	(164,726,219)	(11,751,335)	-	(176,477,554)
Buildings and Improvements	(58,576,030)	(4,241,837)	-	(62,817,866)
Machinery and Equipment	(19,179,653)	(2,579,130)	(288,830)	(21,469,953)
Vehicles	(16,667,657)	(2,013,871)	(601,971)	(18,079,557)
Total accumulated depreciation	<u>(261,793,269)</u>	<u>(21,061,979)</u>	<u>(890,801)</u>	<u>(281,964,447)</u>
Total capital assets, depreciated net	<u>281,089,049</u>	<u>34,335,733</u>	<u>2,694,805</u>	<u>312,729,976</u>
Governmental activities, capital assets, net	<u>\$ 445,807,123</u>	<u>\$ 80,455,027</u>	<u>\$ 66,322,444</u>	<u>\$ 459,939,706</u>

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Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 2,174,186	\$ -	\$ -	\$ 2,174,186
Construction in progress	44,296,685	10,614,289	8,515,562	46,395,412
Total capital assets, not depreciated	<u>46,470,871</u>	<u>10,614,289</u>	<u>8,515,562</u>	<u>48,569,598</u>
Capital assets, depreciated:				
Land Improvements	14,786,658		-	14,786,658
Infrastructure	208,519,655	7,707,479		216,227,134
Buildings and Improvements	14,155,422		-	14,155,422
Machinery and Equipment	38,566,347	769,772	103,622	39,232,497
Vehicles	4,754,842	222,594	351,572	4,625,864
Total capital assets, depreciated	<u>280,782,924</u>	<u>8,699,845</u>	<u>455,194</u>	<u>289,027,575</u>
Less: accumulated depreciation for:				
Land Improvements	(5,514,798)	(398,044)	-	(5,912,842)
Infrastructure	(112,704,403)	(5,390,648)	-	(118,095,051)
Buildings and Improvements	(4,274,025)	(480,107)	-	(4,754,132)
Machinery and Equipment	(9,240,871)	(1,585,176)	(103,622)	(10,722,425)
Vehicles	(4,189,597)	(287,589)	(346,394)	(4,130,792)
Total accumulated depreciation	<u>(135,923,694)</u>	<u>(8,141,564)</u>	<u>(450,016)</u>	<u>(143,615,241)</u>
Total capital assets, depreciated net	<u>144,859,230</u>	<u>558,281</u>	<u>5,178</u>	<u>145,412,333</u>
Business-type, capital assets, net	<u>\$ 191,330,101</u>	<u>\$ 11,172,570</u>	<u>\$ 8,520,740</u>	<u>\$ 193,981,931</u>



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

Governmental Activities:

General Government	\$ 2,723
Public Safety	3,650,626
Legislative	121,359
Judicial	53,463
Financial Administration	121,180
Health	161,299
Community Services	1,116,445
Public Facilities	15,787,208
Education	47,674
Total depreciation expense- Governmental Activities	<u>\$ 21,061,979</u>

Business-Type Activities:

Water and Sewer	\$ 6,887,290
Solid Waste	641,560
Environmental Services	198,806
Recreation Programs	367,140
Inspection and Reviews	46,769
Total depreciation expense-Business-type Activities	<u>\$ 8,141,564</u>

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**Construction Commitments**

The County has active construction projects as of June 30, 2012. The projects include widening and reconstruction of existing streets and bridges, maintenance of existing roads, landfill expansion, construction of a new Courthouse building, and the improvement and expansion of existing water and sewer facilities. At year-end, the County's project commitments are as follows:

<u>Division / Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Transportation		
Road and bridge expansions	\$ 29,191,419	\$ 14,144,476
Other transportation projects	1,040,588	3,254,952
General government		
Buildings and improvements	27,070,511	5,366,919
Other general government projects	5,908,825	6,884,915
Water and sewer		
Expansions and improvements	40,146,620	71,106,559
Parks		
Expansions and improvements	5,506,898	7,719,752
Environmental service		
Various environmental service projects	1,598,978	8,958,962
Total	<u>\$ 110,463,839</u>	<u>\$ 117,436,535</u>

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

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**Discretely Presented Component Units**

Capital asset activity for the Board of Education for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 16,849,701	\$ -	\$ -	\$ 16,849,701
Construction in progress	14,081,454	6,707,098	(6,526,621)	14,261,931
Total capital assets, not depreciated	<u>30,931,155</u>	<u>6,707,098</u>	<u>(6,526,621)</u>	<u>31,111,632</u>
Capital assets, depreciated:				
Buildings	421,141,033	7,337,321	-	428,478,354
Land Improvements	8,757,217	528,855	(15,142)	9,270,930
Furniture and Equipment	27,760,720	1,575,991	(1,726,665)	27,610,046
Total capital assets, depreciated	<u>457,658,970</u>	<u>9,442,167</u>	<u>(1,741,807)</u>	<u>465,359,330</u>
Less: accumulated depreciation for:				
Buildings	(192,692,587)	(11,209,484)	-	(203,902,071)
Land Improvements	(6,320,994)	(392,727)	15,142	(6,698,579)
Furniture and Equipment	(20,693,865)	(1,788,561)	1,696,151	(20,786,275)
Total accumulated depreciation	<u>(219,707,446)</u>	<u>(13,390,772)</u>	<u>1,711,293</u>	<u>(231,386,925)</u>
Total capital assets, depreciated net	<u>237,951,524</u>	<u>(3,948,605)</u>	<u>(30,514)</u>	<u>233,972,405</u>
Board capital assets, net	<u>\$ 268,882,679</u>	<u>\$ 2,758,493</u>	<u>\$ (6,557,135)</u>	<u>\$ 265,084,037</u>

Capital asset activity for the Library for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, depreciated:				
Furniture and Equipment	\$ 617,550	\$ 478,308	\$ (17,176)	\$ 1,078,682
Library books and AV material	912,075	572,820	(255,647)	1,229,248
Total capital assets, depreciated	<u>1,529,625</u>	<u>1,051,128</u>	<u>(272,823)</u>	<u>2,307,930</u>
Less: accumulated depreciation	<u>(1,010,675)</u>	<u>(265,380)</u>	<u>(272,823)</u>	<u>(1,003,232)</u>
Library capital assets, depreciated, net	<u>\$ 518,950</u>	<u>\$ 785,748</u>	<u>\$ -</u>	<u>\$ 1,304,698</u>

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

The General Fund is the main fund used to collect, invest, and disburse monies for governmental and proprietary funds. This creates temporary inter-fund balances. The composition of inter-fund balances as of June 30, 2012, is as follows:

Due (to) from other funds:

	Governmental Activities	Business-type Activities
General Fund	\$ (80,561,134)	\$ -
Capital Projects Fund	54,051,318	-
Debt Service Fund	(3,134,445)	-
Water and Sewer Fund	-	3,634,998
Solid Waste Fund	-	18,346,474
Other Non-major Funds	7,424,359	238,430
Total	<u>\$ (22,219,902)</u>	<u>\$ 22,219,902</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	\$ -	\$ 5,590,000	\$ 3,123,620	\$ 404,107	\$ 9,117,727
Capital Projects Fund	-	-	-	-	-
Non-major Governmental Funds	856,808	-	5,903	-	862,711
Solid Waste Fund	599,800	19,050	-	-	618,850
Non-major Enterprise Funds	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers In:	<u>\$ 1,456,608</u>	<u>\$ 5,609,050</u>	<u>\$ 3,129,523</u>	<u>\$ 404,107</u>	<u>\$ 10,599,288</u>

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**G. Leases**

Capital Leases

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

- Fiscal Year 2007 – Various equipment for the General Fund, Inspection Fund, Parks Fund, and Water and Sewer Fund – semiannual payments of \$238,797 over five years ending August 2011, including interest at a rate of 6.10%, equipment capitalized at \$2,150,000.
- Fiscal Year 2007 – Meter Replacement Lease for the Water and Sewer Fund – semiannual payments starting at \$132,965 and increasing to \$396,605 over fifteen years ending February 2022, including interest at a rate of 4.14%, various components expended at \$5,862,900.
- Fiscal Year 2008 – Various equipment for the General Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$214,240 over five years ending August 2012, including interest at a rate of 3.72%, equipment capitalized at \$2,000,000.
- Fiscal Year 2008 – Public Safety Portable Radios – semiannual payments of \$98,905 over five years ending January 2013, including interest at a rate of 3.50%, equipment capitalized at \$900,160.
- Fiscal Year 2009 – Various equipment for the General Fund, Water and Sewer Fund, Inspection Fund, and the Environmental Service Fund – semiannual payments of \$330,929 over five years ending September 2013, including interest at a rate of 3.65%, equipment capitalized at \$3,000,000.
- Fiscal Year 2010 – Various equipment for the General Fund, Golf Course Fund, Water and Sewer Fund, and the Environmental Service Fund – semiannual payments of \$120,512 thru FY13 except for a scheduled payment of \$378,268 in October 2011. Over the remaining period, scheduled payments of \$22,557 ending October 2014, including interest at a rate of 3.30%, equipment capitalized at \$1,102,600.

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

The 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	9,372,939	2,083,894
Vehicles	5,219,671	2,690,287
Total capital assets	<u>14,683,516</u>	<u>4,774,181</u>
Less accumulated depreciation:		
Building and Improvements	(49,565)	-
Machinery and equipment	(8,036,568)	(1,721,307)
Vehicles	(4,653,647)	(2,241,683)
Total accumulated depreciation	<u>(12,739,780)</u>	<u>(3,962,990)</u>
Total capital assets, net	<u>\$ 1,943,737</u>	<u>\$ 811,191</u>

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2012, were as follows:

	Governmental Activities	Business-type Activities	Total
2013	\$ 1,237,863	\$ 868,036	\$ 2,105,899
2014	492,365	688,762	1,181,127
2015	253,497	588,684	842,181
2016	236,286	598,312	834,598
2017	118,143	571,669	689,812
2018-2022	-	2,829,485	2,829,485
2023-2027	-	-	-
Subtotal	<u>2,338,154</u>	<u>6,144,948</u>	<u>8,483,102</u>
Interest	<u>(82,169)</u>	<u>(1,066,104)</u>	<u>(1,148,273)</u>
Present value of minimum lease payments	<u>\$ 2,255,985</u>	<u>\$ 5,078,844</u>	<u>\$ 7,334,829</u>

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
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**H. Long-Term Debt**

**General Obligation Bonds**

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year ended June 30, 2012, general obligation bonds totaling \$55,240,000 were issued for consolidated public improvement, of which \$4,000,000 were taxable.

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

Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/12	Business-type Activities Balance 6/30/12
Consolidated Public Improvement Bonds of 2003	\$ 22,090,000	15 yrs, 2% - 4%	1,645,700	1,264,300
Consolidated Public Improvement Bonds of 2003	\$ 6,910,000	10 yrs, 2% - 4%	785,000	-
Consolidated Public Improvement and Refunding Bonds of 2004	\$ 41,270,000	15 yrs, 2% - 4%	8,770,117	945,450
Consolidated Public Improvement and Refunding Bonds of 2004	\$ 31,500,000	10 yrs, 2% - 4%	3,594,433	-
Consolidated Public Improvement Bonds (Taxable) of 2004	\$ 8,000,000	15 yrs, 4% - 5%	1,100,000	-
Consolidated Public Improvement and Refunding Bonds of 2005	\$ 52,550,000	15 yrs, 3% - 4.5%	3,333,269	2,606,731
Consolidated Public Improvement and Refunding Bonds of 2005	\$ 10,160,000	10 yrs, 3% - 4.5%	3,545,000	-
Consolidated Public Improvement Bonds (Taxable) of 2005	\$ 6,000,000	15 yrs, 5% - 5.125%	1,220,000	-
Consolidated Public Improvement Bonds of 2006	\$ 26,880,000	15 yrs, 4% - 5%	5,835,937	914,063
Consolidated Public Improvement Bonds of 2006	\$ 16,120,000	10 yrs, 4% - 5%	7,135,000	-
Consolidated Public Improvement Bonds (Taxable) of 2006	\$ 10,000,000	15 yrs, 5.125% - 8%	2,665,000	-
Consolidated Public Improvement Bonds of 2007	\$ 33,700,000	15 yrs, 3.5% - 4%	12,748,264	10,631,736
Consolidated Public Improvement Bonds of 2007	\$ 16,300,000	10 yrs, 3.5% - 4%	8,895,000	-
Consolidated Public Improvement Bonds (Taxable) of 2007	\$ 3,000,000	15 yrs, 5.75% - 5.51%	975,000	-
Consolidated Public Improvement Bonds of 2008	\$ 25,400,000	15 yrs, 3% - 5%	12,397,618	7,407,382

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Consolidated Public Improvement Bonds of 2008	\$ 1,600,000	10 yrs, 3% - 5%	1,020,000	-
Consolidated Public Improvement Bonds (Taxable) of 2008	\$ 20,000,000	15 yrs, 5% - 5.25%	15,820,000	-
Consolidated Public Improvement Bonds of 2009	\$ 49,640,000	20 yrs, 2% - 4.25%	31,417,768	7,912,232
Consolidated Public Improvement Bonds of 2009	\$ 900,000	10 yrs, 2% - 4.25%	645,000	-
Consolidated Public Improvement Bonds (Taxable) of 2009	\$ 2,000,000	15 yrs, 4% - 5.375%	1,680,000	-
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 22,730,000	10 yrs, 2% - 5%	12,112,907	7,582,093
Consolidated Public Improvement and Refunding Bonds of 2010	\$ 2,000,000	10 yrs, 2% - 5%	-	1,635,000
Consolidated Public Improvement Taxable BAB Bonds of 2010	\$ 11,415,000	5 yrs, 5% - 5.3%	6,115,178	5,299,822
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 36,960,000	16 yrs, 2% - 4%	35,385,000	1,575,000
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 15,500,000	10 yrs, 2% - 4%	15,500,000	-
Consolidated Public Improvement and Refunding Bonds of 2011	\$ 1,325,000	10 yrs, 2% - 4%	-	1,325,000
Consolidated Public Improvement Bonds (Taxable) of 2011	\$ 4,000,000	15 yrs, 2% - 4.5%	4,000,000	-
Refunding Bonds of Nov 2011	\$ 24,505,000	8 yrs, 4% - 5%	17,255,932	7,249,068
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 40,740,000	15 yrs, 2% - 5%	34,626,250	6,113,750
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 3,000,000	10 yrs, 2% - 5%	-	3,000,000
Consolidated Public Improvement and Refunding Bonds of 2012	\$ 7,500,000	20 yrs, 2% - 5%	-	7,500,000
Consolidated Public Improvement Bonds (Taxable) of 2012	\$ 4,000,000	15 yrs, 2% - 3.25%	4,000,000	-
Total bonds outstanding			<u>254,043,374</u>	<u>72,961,626</u>
<hr/> Loan Description and Year <hr/>				
FHA Loan 1973	\$ 250,000	40 yrs, 3.649%	60,261	-
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	\$ 14,767,900	20 yrs, 1.200%	-	10,701,223
Total loans outstanding			<u>60,261</u>	<u>10,701,223</u>
Total bonds and loans outstanding			<u>\$ 254,103,635</u>	<u>\$ 83,662,849</u>



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**Advanced Refunding and Defeased Debt**

On November 22, 2011, the County committed to an issue for \$24,505,000 in general obligation bonds to defease \$24,825,000 in outstanding road debt maturities of the County's Consolidated Public Improvement Bonds of 2003, 2004 & 2005. In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. As a result of this refunding, the County achieved a net present value savings of \$1,128,144.

On June 19, 2012, the County committed to issue \$55,240,000 in general obligation bonds, \$4,000,000 were Taxable Bonds, \$30,000,000 were new money tax exempt bonds, and \$21,240,000 was issued to defease old bonds. The new money portion of \$30,000,000 was used to finance certain capital projects in the County.

Of the \$55,240,000 of general obligation bonds that were issued, \$21,240,000 was used to defease \$22,305,000 in outstanding debt maturities of the County's Consolidated Public Improvement Taxable Bonds of 2004, 2005, 2006 & 2007, and the Tax Exempt Bonds of 2006. In prior years the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2012, the amount of defeased debt outstanding but removed from the financial statements amounted to \$22,305,000. As a result of this refunding, the County achieved a net present value savings of \$1,123,219.

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**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 260,526,767	\$ 55,882,182	\$ (62,365,575)	\$ 254,043,374	\$ 24,238,954
Plus deferred amounts for bond premiums	10,104,955	9,709,214	(1,386,628)	18,427,541	-
Less deferred loss on refunding	(2,442,513)	(2,194,214)	301,964	(4,334,763)	-
Less deferred bond issue costs	(1,568,623)	(364,811)	169,979	(1,763,455)	-
Total bonds payable	266,620,586	63,032,371	(63,280,260)	266,372,697	24,238,954
Notes payable	615,570	-	(555,309)	60,261	8,441
Capital leases	2,458,503	1,129,500	(1,332,018)	2,255,985	1,187,962
Net Pension obligation	383,800	-	(23,334)	360,466	-
Net OPEB obligation	39,354,229	10,017,526	-	49,371,755	-
Compensated absences	13,488,868	885,652	-	14,374,520	1,172,327
Governmental activities noncurrent liabilities	322,921,556	75,065,049	(65,190,921)	332,795,684	26,607,684
<b><u>Business-type activities:</u></b>					
General obligation bonds	63,488,233	23,862,818	(14,389,425)	72,961,626	6,139,035
Plus deferred amounts for bond premiums	2,519,577	3,632,159	(368,402)	5,783,334	-
Less deferred loss on refunding	(279,044)	-	68,422	(210,622)	-
Less deferred bond issue costs	(373,066)	(551,733)	43,293	(881,506)	-
Total bonds payable	65,355,700	26,943,244	(14,646,112)	77,652,832	6,139,035
Notes payable	11,399,375	-	(698,152)	10,701,223	706,529
Capital leases	5,620,873	363,464	(905,493)	5,078,844	675,293
Landfill closure costs	5,417,251	1,101,605	-	6,518,856	-
Net Pension obligation	137,272	-	(454)	136,818	-
Net OPEB obligation	6,212,182	1,640,216	-	7,852,398	-
Compensated absences	1,703,341	-	(24,394)	1,678,947	222,009
Business-type activities noncurrent liabilities	95,845,993	30,048,529	(16,274,605)	109,619,918	7,742,866
Total primary government noncurrent liabilities	\$ 418,767,549	\$ 105,113,578	\$ (81,465,526)	\$ 442,415,601	\$ 34,350,550
<b><u>Component units:</u></b>					
Board of Education	\$ 81,523,663	\$ 29,808,945	\$ -	\$ 111,332,608	\$ 1,989,594
Library	\$ 169,094	\$ 13,543	\$ -	\$ 182,637	\$ 182,637

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

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The annual requirements to amortize all debt outstanding as of June 30, 2012, including interest of \$90,089,264 and excluding compensated absences, net pension obligation, OPEB obligation and landfill closure costs, are as follows:

Year ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 25,435,357	\$ 9,932,063	\$ 7,520,857	\$ 3,082,015	\$ 45,970,292
2014	26,871,367	9,571,068	7,616,772	3,106,947	47,166,154
2015	22,872,467	8,442,622	7,601,634	2,805,394	41,722,117
2016	21,869,002	7,615,276	7,521,794	2,513,534	39,519,606
2017	20,495,821	6,503,736	7,465,535	2,202,556	36,667,648
2018-2022	86,741,913	19,978,334	33,691,856	6,632,521	147,044,624
2023-2027	46,124,210	5,133,642	13,912,728	1,902,956	67,073,536
2028-2032	5,949,483	295,517	3,410,517	371,083	10,026,600
	<u>\$ 256,359,620</u>	<u>\$ 67,472,258</u>	<u>\$ 88,741,693</u>	<u>\$ 22,617,006</u>	<u>\$ 435,190,577</u>

Conduit Debt

Charles County Government has issued five economic development revenue bonds for the express purpose of providing capital financing for specific third parties that are not a part of the Charles County's financial reporting entity. These bonds neither constitute an indebtedness nor do they represent a pledge of the full faith and credit of the Charles County Government and are not reported as liabilities on the accompanying financial statements. Of these five issues, three of them have been satisfied or paid in full. For the two issues remaining, the aggregate principal amount outstanding at June 30, 2012 is \$788,286.

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.

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**I. Restricted Assets**

The details of the restricted assets are as follows:

Governmental Activities

Cash and cash equivalents

Inmate account	\$ 35,835
County Attorney escrow	10,028
SAO Restitution account	3,145
Lease deposits	10,034
Construction Escrow	<u>1,000,273</u>

Total cash and cash equivalents	\$ 1,059,315
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Notes Receivable

Civista	\$ 9,568,353
St. Charles Companies	28,437,896
So. MD Baseball LLC	6,165,465
College of Southern MD	<u>595,517</u>

Total notes receivable	<u>44,767,231</u>
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Total Governmental Activities	45,826,546
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Business-type Activities

Cash and cash equivalents

Landfill Bonds	<u>103,932</u>
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TOTAL PRIMARY GOVERNMENT	<u><u>\$ 45,930,478</u></u>
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**J. Fund Balance Analysis**

The following are the components of Fund Balance in the governmental funds:

Fund balances:	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>					
Inventory	\$ 1,775,484	\$ -	\$ -	\$ -	\$ 1,775,484
Prepay Items	481,934	-	-	-	481,934
Long Term Note Receivable	-	-	44,767,231	-	44,767,231
	<u>2,257,418</u>	<u>-</u>	<u>44,767,231</u>	<u>-</u>	<u>47,024,649</u>
<u>Restricted</u>					
Capital Outlay	717,426	32,353,125	-	-	33,070,551
Economic Development	502,688	-	-	-	502,688
Debt Service	-	-	-	904,103	904,103
Fire and Rescue	-	-	-	342,347	342,347
Animal Control	51,106	-	-	-	51,106
Bond Premium	2,625,693	-	-	-	2,625,693
	<u>3,896,913</u>	<u>32,353,125</u>	<u>-</u>	<u>1,246,450</u>	<u>37,496,488</u>
<u>Committed</u>					
Policy Target 8%	24,638,379	-	-	-	24,638,379
Housing	275,286	-	-	-	275,286
Public Safety	718,468	-	-	-	718,468
CIP/Pay-go	2,371,000	-	-	-	2,371,000
Infrastructure	3,522,908	-	-	-	3,522,908
	<u>31,526,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,526,041</u>
<u>Assigned</u>					
Aging Grants	-	-	-	6,900	6,900
Judicial Grants	-	-	-	34,373	34,373
Capital Outlay	-	17,279,026	-	-	17,279,026
Transportation	-	-	-	43,174	43,174
Public Safety	-	-	-	577,177	577,177
Housing	189,192	-	-	638,431	827,623
Aging Services	-	-	-	5,079	5,079
Animal Control	-	-	-	48,368	48,368
Drug Enforcement	-	-	-	361,360	361,360
Mental Health	-	-	-	285,552	285,552
Cable Franchise	-	-	-	3,224,631	3,224,631
Health Ins Rate Stabilization	2,795,425	-	-	-	2,795,425
CIP & Operations	882,913	-	-	-	882,913
	<u>3,867,530</u>	<u>17,279,026</u>	<u>-</u>	<u>5,225,045</u>	<u>26,371,601</u>
<u>Unassigned</u>					
Other unassigned	3,959,025	-	(3,122,548)	-	836,477
Total fund balances (deficit)	<u>\$ 45,506,927</u>	<u>\$ 49,632,151</u>	<u>\$ 41,644,683</u>	<u>\$ 6,471,495</u>	<u>\$ 143,255,256</u>

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**NOTE 4. RISK MANAGEMENT**

Liability Insurance

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

Self Insured Health Care

The County is self-insured for employee health insurance through agreements with CareFirst BlueCross BlueShield, CareFirst BlueChoice, and Delta Dental. Employees contribute 30% of the estimated cost of the plan, and the County contributes 70%. Certain outside agencies and some retirees are also covered under this agreement with varying contribution levels. The health insurance agreements are claims-made policies with administrative fees paid to all carriers. The policies include stop-loss provisions for claims in excess of \$125,000 per person/per year for CareFirst. Claims in excess of this limit are covered by the insurance carrier. Delta Dental does not have a stop-loss provision. At June 30, 2012, a liability of \$1,180,000 (\$822,812 in governmental funds and \$357,188 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.

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

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>End of Year</u>
2004	\$ 750	\$ 410	\$ 1,160
2005	\$ 1,160	600	\$ 1,760
2006	\$ 1,760	-	\$ 1,760
2007	\$ 1,760	(800)	\$ 960
2008	\$ 960	(90)	\$ 870
2009	\$ 870	-	\$ 870
2010	\$ 870	210	\$ 1,080
2011	\$ 1,080	(180)	\$ 900
2012	\$ 900	280	\$ 1,180

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; worker's compensation, 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, 2012, which have not resulted in any findings or liabilities. The County does not expect any disallowances of grant expenditures in the future.

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**B. Litigation**

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



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**NOTE 6. PENSION & TRUST PLANS**

The County maintains two separate single-employer, defined benefit pension plans: one for the Sheriff's Office and Communications employees and one for substantially all other full-time County employees. The two pension plans are maintained as Pension Trust Funds.

Charles County also administers a single employer length of service award program (LOSAP) for volunteer fire and rescue members of all Charles County Companies and Departments. The County does not produce separate comprehensive financial reports for any of the fiduciary plans. Therefore, all required disclosures for the plans are included within this report.

The following are the required note disclosures for the County's Fiduciary Funds, including the OPEB trust funds that are explained in detail under Note 7 starting on page 90. Charles County allocates the net other postemployment benefit obligation based on active and retiree counts for personnel services based on the respective allocation to the general fund or proprietary fund. Charles County is liquidating the net pension obligation for the County pension plan with the allocation between the general fund and those proprietary funds with charges for personnel services.

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**A. Sheriff's Office Retirement Plan**

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

Membership in the plan consisted of the following at July 1, 2011, the date of the last actuarial valuation:

	<u>Sworn Officers</u>	<u>Correctional Officers</u>	<u>Communications Employees</u>
Active plan members	287	140	39
Retirees and beneficiaries receiving benefits	93	10	6
Disabled, receiving benefits	15	-	-
Vested termination	5	-	-
	<u>400</u>	<u>150</u>	<u>45</u>

Prior to July 1, 1995, the County contracted with an insurance company to provide the guaranteed payment of benefits for retirees of the SORP. Beginning July 1, 1995, the County enacted significant changes in the eligible classes of employees and in the investment policies. Currently, the insurance company has responsibility for payment of benefits only for those employees who retired before July 1, 1995. The funding of continued benefits for those pre-7/1/95 retirees comes from the County, based on quarterly calculations made by the insurance company. Assets held by the insurance company for payment of benefits totaled \$5,146,528 as of June 30, 2012, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2012 totaled \$1,152,486.

**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

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

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

**Investment Concentrations** – At June 30, 2012, net assets were invested in fixed income mutual funds (38%) and Equity mutual funds (62%).

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

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

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

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

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

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

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

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

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

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

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

<u>Years early</u>	<u>Sworn (post 7/1/86)</u>	<u>Communications &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

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

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

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

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

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

Communications Dispatchers are not eligible for this benefit.

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

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

**Annual Pension Cost and Net Pension Obligation** – The annual pension cost for the year ended June 30, 2012 was equal to the amount of the Annual Required Contribution of \$7,390,446. There was no net pension obligation at June 30, 2012. The Annual Required Contribution for the current year was determined as part of the July 1, 2011 actuarial valuation. The actuarial assumptions and methods include:

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

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

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Interest – 7.75% compounded annually. (8% in prior valuation)

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

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

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

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

Sample rates are:

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

These factors are based on Blue Collar Male Mortality at 8%. DROP account accrues interest at 7% per year and DROP credits increase each year by the COLA.

Disability – Sample rates are as follows:

<u>Age</u>	<u>Rate</u>
25	0.19%
35	0.28%
45	0.98%

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

Assumed Disability Benefit – 66-2/3% of average compensation reduced by \$5,000 per year to model the offsetting benefits.

Turnover – Sample rates for those with 0-10 years of service are as follows:

<u>Age</u>	<u>Sworn Officers</u>	<u>Corrections and Communications</u>
25	6.03%	15.45%
35	5.26%	13.72%
45	3.35%	10.33%

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The turnover rates for those with 10-15 years of service are assumed to be 50% of those with 0-10 years of service. The rates for those with more than 15 years of service are assumed to be 10% of the base rates for the Deputy Sheriff's and 37.5% of the base rates for the Correctional and Communications Employees.

**Retirement –**

Sheriff's hired prior to 7/1/1986

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

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

Sheriff's hired after to 7/1/1986

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

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

**Corrections & Communications**

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

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

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

**Military Service** – Actual service.

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Loading – A 0.5% loading expense is added to the liabilities and normal cost for administrative expenses and \$95,000 is added to the normal cost for investment expenses. The \$95,000 was added with the 2008 valuation.

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

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

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

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

The salary provided is as of July 1, 2011. It is assumed to be the salary for the next 12 months and not part of the accrued benefit when measuring projected benefits.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**SHERIFF'S OFFICE RETIREMENT PLAN**

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



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**SCHEDULE OF FUNDING PROGRESS  
SHERIFF'S OFFICE RETIREMENT PLAN**

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

Note: \*Before mortality change.

\*\*Before plan change.

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

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**B. County Employees Retirement Plan**

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

Membership in the plan consisted of the following at July 1, 2011, the last date of the last actuarial valuation:

Active plan members	761
Terminated, entitled to but not yet receiving benefits	132
Retirees and beneficiaries receiving benefits	<u>234</u>
	<u><u>1,127</u></u>

**Summary of Significant Accounting Policies: Basis of Accounting and Investment Valuation –**

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

**Contributions and Reserves** – The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Active non-public safety plan members are required to contribute 4% of their base earnings to the Plan and no contributions are required after 31 years of credited service. Public safety plan members are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted only once annually, on July 1. The County normally makes employer contributions annually as actuarially determined. For the year ended June 30, 2012, the County

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fully funded the ARC of \$6,078,783 to the Plan as recommended in the actuarial report as of July 1, 2011. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

**Investment Concentrations** – At June 30, 2012, the County's Plan's net assets were invested in the following types of investments:

Guaranteed Deposit	22%
Fixed Income - Domestic	19%
Large Cap Stock	28%
International Stock - Blend	12%
Special Equity - Real Estate Fund	5%
Mid Cap Stock	6%
Small Cap Stock	8%

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

Normal Retirement Date – For non-public safety participants, the first day of the month coinciding with or next following the earlier of (a) age 62 with 5 years of service or (b) age 60 with 20 years; for participants in the Plan prior to July 1, 1977., the retirement date is assumed to be age 60. For public safety participants, the first day of the month coinciding with or next following the earlier of a participant's 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 Increases – Provides for an annual increase/decrease in the annuity benefit in proportion to the last annual increase in the Consumer Price Index. This increase/decrease shall not be in excess of 4% per year.

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

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

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

*For non-public safety participants:*

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

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

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

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

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

To a maximum benefit of 65% of final average earnings

*For public safety participants:*

Final average earnings X 2.0% X credited years of service

To a maximum benefit of 75% of final average earnings

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

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

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

Participation Eligibility – Making employee contributions to the Plan.

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

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

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

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

Employee Contributions

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

*Interest Credited* – 5% per annum

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

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

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

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

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

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

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

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

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For public safety participants:

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

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

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

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

Eligibility (C): Death while receiving disability benefits.

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

**Annual Pension Cost and Net Pension Obligation** – The annual pension cost for the year ended June 30, 2012 was slightly less than the Annual Required Contribution made of \$6,078,783, as shown in the historical chart that follows. As a result, the net pension obligation at June 30, 2012 was decreased to a balance of \$497,284. The Annual Required Contribution for the current year was determined as part of the July 1, 2011 actuarial valuation. The actuarial assumptions and methods included:

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

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

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

Post Retirement COLA Increases – 2.75% compounded annually.

Inflation – 2.5%

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

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Salary Increases – 4.5% compounded annually.

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

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

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

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

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

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

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

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

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

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

Calculation of Net Pension Obligation (NPO)

Annual Required Contribution	\$ 6,078,783
Interest on NPO	40,383
Annual Required Contribution Adjustment	<u>(64,171)</u>
Annual Pension Cost	6,054,995
Contribution made	<u>(6,078,783)</u>
Change in NPO	(23,788)
NPO Beginning of Year	<u>521,072</u>
NPO End of Year (6/30/12)	<u><u>\$ 497,284</u></u>

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT PLAN

<u>Fiscal Year</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net Pension</u>
<u>Ending</u>	<u>Required</u>	<u>ARC</u>	<u>Obligation</u>
<u>Contribution</u>	<u>Contribution</u>		
6/30/2004	\$ 2,777,724	75.6%	\$ 680,966
6/30/2005	2,955,490	100.1%	\$ 486,180
6/30/2006	3,911,688	100.0%	\$ 265,085
6/30/2007	5,104,225	100.0%	\$ 608,499
6/30/2008	5,527,452	100.0%	\$ 586,176
6/30/2009	6,169,831	100.0%	\$ 563,700
6/30/2010	6,547,222	100.0%	\$ 542,086
6/30/2011	5,765,963	100.0%	\$ 521,072
6/30/2012	6,078,783	100.0%	\$ 497,284



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**SCHEDULE OF FUNDING PROGRESS**  
**COUNTY EMPLOYEES RETIREMENT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a % of Covered Payroll ((b-a)/c)
	(a)	(b)	(b - a)			
6/30/04	\$ 49,323,829 **	\$ 55,688,894	\$ 6,365,065	88.6%	\$ 27,278,917	23.3%
6/30/05	54,479,225 **	66,420,831	11,941,606	82.0%	31,571,806	37.8%
6/30/06	62,164,097 **	79,752,141	17,588,044	77.9%	37,819,645	46.5%
6/30/07	73,598,316 **	91,470,194	17,871,878	80.5%	41,645,118	42.9%
6/30/08	84,890,274 **	105,247,008	20,356,734	80.7%	44,697,536	45.5%
6/30/09	90,444,095 **	115,830,778	25,386,683	78.1%	44,478,995	57.1%
6/30/10	107,512,136 **	130,111,643	22,599,507	82.6%	41,506,048	54.4%
6/30/11	117,535,957 **	132,661,815	15,125,858	88.6%	40,461,488	37.4%
6/30/12	126,255,246 **	144,311,657 ***	18,056,411 ***	87.5% ***	n/a	n/a

*Notes:*

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

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

\*\*\* estimated

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

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

The contributions for this plan have historically not been actuarially determined. For the fiscal year and future, the plan was funded from the revenue derived from one cent of the fire and rescue tax levied by the County in accordance with Section 123 of the Article noted above. Contributions made to the program for the year ended June 30, 2012 totaled \$748,700 from the 2011/12 tax levy. The County Commissioners were not obligated to fund the plan, only to administer it.

Program assets are held in trust during the year by a custodian. As of June 30, 2012, M&T held the fair value of net assets for the plan benefits in the amount of \$287,657.

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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, 2012, BB&T held the fair value of these assets in the amount of \$10,790,525.

**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., Hartford Life Insurance Companies, and MetLife. The plans, available to all full-time and full-time reduced hours employees permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

	Nationwide	Hartford	Metlife	Total
Participants	179	236	466	881
Plan Assets	\$ 10,825,243	\$ 8,052,657	\$ 2,129,147	\$ 21,007,048
Annual Employee Contribution	\$ 801,998	\$ 782,781	\$ 151,314	\$ 1,736,093

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

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

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

<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, 2012, there were 290 former employees and family members with medical coverage, 345 with dental, and 321 with vision. For the fiscal year ended June 30, 2012, the County incurred and recorded \$1,656,500 in health care expenditures for these participants on the pay-go basis.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 14,093,000
Interest on OPEB obligation	1,963,000
Annual required contribution adjustment	<u>(1,840,000)</u>
Annual OPEB cost (expense)	14,216,000
Pay-go contribution made	(1,656,500)
Trust contribution made	<u>(250,000)</u>
Increase in net OPEB obligation	12,309,500
Net OPEB obligation - beginning of year	<u>46,757,723</u>
Net OPEB obligation - end of year	<u><u>\$ 59,067,223</u></u>

The Library's pro-rata share of the Net OPEB obligation at the end of the current fiscal year is \$1,687,808.

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

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

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

\* estimated

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 was as follows:

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

**Actuarial Methods and Assumptions**

These notes to the financial statements disclose that (1) actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and (2) actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. In the effective June 30, 2010 actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement was used. The actuarial assumptions included a 4.25% investment rate of return over the long term and a 4% per year on future salary increases. The asset valuation method used was the fair market value. The annual healthcare cost trend rate is 8% initially, reduced to an ultimate rate of 4.20% after year 2080. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012 was 26 years.

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**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, 2012 were \$70,185.

**B. Charles County Landfill**

State and federal laws and regulations require the County to place a final cover on the County landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is located on a 70 acre site, estimated to provide nearly 5.3 million cubic yards of landfill space. As of June 30, 2012, approximately 59% of this space remains available for future waste disposal. The County is developing the landfill in sections so that when one section closes another is ready to open. At the close of the fiscal year, the landfill had Phase I, IIA, and IIIA open. The \$6,518,856 reported as landfill closure and post-closure care liability at June 30, 2012, 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 \$1,101,605.

**THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9. EXTRAORDINARY ITEMS**

In Fiscal Year 2012, the County was impacted by multiple disaster events that each earned Presidential Disaster Declaration. The first declaration of the fiscal year began with Hurricane Irene on August 26. Irene caused massive power outages, road closures, and county-wide debris. Response costs for the County totaled approximately \$687,000. The majority of the response costs were due to debris clean-up county-wide. SMECO, the local power, reported the highest amount of power outages in their history during Irene.

Directly following Hurricane Irene, Tropical Storm Lee impacted the County beginning on September 5<sup>th</sup> causing multiple building damages, flooding, washed out roads, and power outages. The response costs for Lee were greater than Irene mostly due to severe damages to County infrastructure. The response and repair costs totaled \$1,436,767.

Claims have been filed with the Maryland Emergency Management Agency (MEMA) and the Federal Emergency Management Agency (FEMA) for 75% reimbursement of response costs.

On June 29<sup>th</sup>, Charles County received another declaration for the Derecho storm event. Once again, the County was impacted by massive power outages. This storm event was the third highest amount of outages in SMECO's history behind Hurricane Irene, and Tropical Storm Isabel in 2003. Response costs for the Derecho totaled approximately \$223,988, the majority of which was incurred in the first month of Fiscal Year 2013 and as such, will be reflected in those financial statements as well.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 10. PRIOR YEAR RESTATEMENT**

The County has restated the accompanying government-wide statements as of June 30, 2012, to reflect the correct deferred revenue and accrued interest expense.

Net assets previously reported	\$ 404,639,851
Restatement	<u>38,709,566</u>
Net assets as of June 30, 2011	<u>\$ 443,349,417</u>

The County has restated the accompanying statements as of June 30, 2012, to reflect the correction to a previously reported deferred revenue within the Debt Service fund to non-spendable fund balance.

Fund Balance previously reported	\$ 209,544
Restatement	<u>44,767,231</u>
Fund Balance as of June 30, 2011	<u>\$ 44,976,775</u>

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## **Required Supplementary Information**

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012

	Budgeted amounts		Actual amounts	Variance with
	Original	Final	budgetary basis	final budget positive (negative)
Revenues:				
Taxes - local property	\$ 186,153,400	\$ 190,213,000	\$ 183,892,784	\$ (6,320,216)
Taxes - income	85,695,000	89,266,200	97,179,582	7,913,382
Taxes - other local	11,951,000	11,939,600	10,321,319	(1,618,281)
Taxes - state shared	413,000	480,000	473,872	(6,128)
Charges for services	7,315,200	7,311,900	6,762,876	(549,024)
Intergovernmental	1,387,400	3,302,130	3,056,565	(245,565)
Interest income	1,500,000	500,000	149,152	(350,848)
Other income	3,255,100	3,367,520	7,435,504	4,067,984
Total revenues	297,670,100	306,380,350	309,271,654	2,891,304
Expenditures:				
Education	156,658,000	156,969,600	156,938,747	30,853
Public safety	73,164,430	77,237,250	75,718,639	1,518,611
General government (including contingencies)	18,398,200	17,651,260	17,024,330	626,930
Public facilities	16,142,400	17,053,840	15,550,813	1,503,027
Financial administration	8,049,480	8,294,850	7,938,619	356,231
Judicial	3,023,270	3,156,560	3,088,309	68,251
Planning and growth management	2,340,000	2,382,450	2,344,887	37,563
Community services	3,661,950	3,783,120	3,329,545	453,575
Health services	3,110,300	3,142,300	3,140,788	1,512
Economic development	584,800	1,377,150	1,169,460	207,690
Social services	1,037,900	1,167,960	1,047,202	120,758
Legislative	1,417,500	1,481,870	1,365,756	116,114
Law	865,900	920,000	1,083,290	(163,290)
Conservation of natural resources	603,680	609,600	585,556	24,044
Elections	1,287,100	961,000	882,927	78,073
Debt service				
Interest	7,234,500	6,556,300	6,458,502	97,798
Total expenditures	297,579,410	302,745,110	297,667,370	5,077,740
Excess (deficiency) of revenues over (under) expenditures	90,690	3,635,240	11,604,284	7,969,044
Other financing sources (uses):				
Proceeds from capital lease agreement	-	1,129,500	1,129,500	-
Premium on debt proceeds	-	-	9,169,214	9,169,214
Bond Proceeds from debt refunding	-	-	32,841,880	32,841,880
Defeased Bonds	-	-	(40,051,360)	(40,051,360)
Transfers in	1,259,700	1,456,600	1,456,608	8
Transfers out	(7,439,200)	(9,223,060)	(9,117,727)	105,333
Total other financing sources (uses)	(6,179,500)	(6,636,960)	(4,571,885)	2,065,075
Extraordinary loss from natural disasters, net of income	-	(2,092,300)	(1,909,773)	182,527
Net change in fund balance	(6,088,810)	(5,094,020)	5,122,626	10,216,646
Fund balance - beginning of year	40,384,301	40,384,301	40,384,301	-
Fund balance - end of year	\$ 34,295,491	\$ 35,290,281	\$ 45,506,927	\$ 10,216,646

See independent auditor's report.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll ( c )	UAAL as a % of Covered Payroll ((b-a)/c)
<b>Deputy Sheriffs</b>						
7/1/08	\$ 98,067,749	\$ 121,806,238	\$ 23,738,489	80.5%	\$ 18,653,670	127.3%
7/1/09	104,966,686	128,639,635	23,672,949	81.6%	19,245,648	123.0%
7/1/10	108,062,149	137,307,331	29,245,182	78.7%	19,205,628	152.3%
7/1/11	114,289,962	149,856,138	35,566,176	76.3%	19,353,984	183.8%
<b>Corrections Officers</b>						
7/1/08	\$ 13,315,300	\$ 17,613,334	\$ 4,298,034	75.6%	\$ 7,834,547	54.9%
7/1/09	15,073,431	19,618,794	4,545,363	76.8%	8,062,697	56.4%
7/1/10	16,414,905	22,163,811	5,748,906	74.1%	8,144,022	70.6%
7/1/11	18,593,033	24,902,764	6,309,731	74.7%	8,110,710	77.8%
<b>Communications Employees</b>						
7/1/08	\$ 4,243,211	\$ 5,352,606	\$ 1,109,395	79.3%	\$ 1,948,764	56.9%
7/1/09	4,646,894	5,496,181	849,287	84.5%	1,956,033	43.4%
7/1/10	4,883,743	5,849,245	965,502	83.5%	2,025,663	47.7%
7/1/11	5,254,696	6,508,011	1,253,315	80.7%	1,949,646	64.3%
<b>Total</b>						
7/1/08	\$ 115,626,260	\$ 144,772,178	\$ 29,145,918	79.9%	\$ 28,436,981	102.5%
7/1/09***	117,768,804	153,754,610	35,985,806	76.6%	29,264,378	123.0%
7/1/09	124,687,011	153,754,610	29,067,599	81.1%	29,264,378	99.3%
7/1/10	129,360,797	165,320,387	35,959,590	78.2%	29,375,313	122.4%
7/1/11	138,137,691	181,266,913	43,129,222	76.2%	29,414,340	146.6%

Note \*\*\*Before changeto five year Smoothing Method.

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	( c )	((b-a)/c)
6/30/08	\$ 84,890,274 **	\$ 105,247,008	\$ 20,356,734	80.7%	\$ 44,697,536	45.5%
6/30/09	90,444,095 **	115,830,778	25,386,683	78.1%	44,478,995	57.1%
6/30/10	107,512,136 **	130,111,643	22,599,507	82.6%	41,506,048	54.4%
6/30/11	117,535,957 **	132,661,815	15,125,858	88.6%	40,461,488	37.4%
6/30/12	126,255,246 **	144,311,657 ***	18,056,411 ***	87.5% ***	n/a	n/a

Notes:

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

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

\*\*\* estimated

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT PLAN

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage of</u> <u>ARC</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2008	\$ 5,527,452	100.0%	\$ 586,176
6/30/2009	6,169,831	100.0%	563,700
6/30/2010	6,547,222	100.0%	542,086
6/30/2011	5,765,963	100.0%	521,072
6/30/2012	6,078,783	100.0%	497,284

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

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

\* estimated

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

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	\$ 15,162,000	9.35%	\$ 13,743,245
June 30, 2009	11,904,000	13.60%	24,028,146
June 30, 2010	12,858,000	12.51%	35,277,146
June 30, 2011	13,269,000	14.06%	46,757,723
June 30, 2012	14,216,000	13.76%	58,911,961

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**DRAFT APPROVING OPINIONS OF BOND COUNSEL**

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**Draft Approving Opinion of Bond Counsel  
Tax-Exempt Bonds**

**(Letterhead of McGuireWoods LLP)**

(Closing Date)

County Commissioners of Charles County  
La Plata, Maryland

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by County Commissioners of Charles County (the “County”) of \$24,500,000 general obligation bonds designated “County Commissioners of Charles County Consolidated Public Improvement Bonds of 2013” (the “Bonds”), which are described as follows:

Dated the date of initial delivery, interest payable semiannually on January 15 and July 15 of each year, commencing January 15, 2014, until maturity or prior redemption; fully registered in form in the denomination of \$5,000 each or any integral multiple thereof; issued under the provisions of Section 97-1 of the Code of Charles County (2001 Edition, as amended), Article 25B, Sections 14 through 21, inclusive, of the Annotated Code of Maryland (2011 Replacement Volume), Bill No. 2013-05, Article 24, Section 9-10B-01 of the Annotated Code of Maryland (2012 Supplement) and Ordinance 02-97, as amended by Ordinance No. 03-04 (collectively, the “Acts”); authorized to be issued and awarded by Resolutions adopted by the Board of County Commissioners of Charles County on May 14, 2013 and June 18, 2013, respectively (collectively, the “Resolutions”); and maturing on July 15 in each of the years and in the amounts, and bearing interest at the rates, set forth in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to an executed and authenticated Bond which we have examined and Bonds similarly executed and authenticated, it is our opinion under existing law that:

(a) The County is a validly created and existing body politic and corporate of the State of Maryland, possessing the authority under the Acts to issue the Bonds.

(b) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, including the Acts, and the Resolutions.

(c) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, payable as to both principal and interest from ad valorem taxes which the County is empowered and directed to levy, without limitation of rate or amount, upon all property subject to taxation by the County.

(d) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Resolutions, has covenanted to levy said ad valorem taxes in each fiscal year in which provision must be made for the payment of such principal and interest.

(e) Under existing law, the interest on the Bonds (i) is excludable from gross income of the owners thereof for Federal income tax purposes, and (ii) is not an enumerated item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations.

In rendering the opinion expressed above in paragraph (e), we have assumed continuing compliance with the covenants and agreements set forth in the Non-Arbitrage Certificate and Tax Covenants of even date herewith executed and delivered by the County, which covenants and agreements are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder. Failure by the County to comply with such covenants and agreements could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their issue date.

(f) Under existing law of the State of Maryland, the interest on the Bonds is exempt from taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon.

This opinion is given as of its date and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

It is to be understood that the rights of any holder of the Bonds and the enforceability of Bonds may be subject to (a) any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other similar laws affecting creditors' rights generally, (b) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and (c) the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State of Maryland or other governmental units having jurisdiction.

Very truly yours,

McGuireWoods LLP

**Draft Approving Opinion of Bond Counsel  
Taxable Bonds  
(Letterhead of McGuireWoods LLP)**

(Closing Date)

County Commissioners of Charles County  
La Plata, Maryland

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by County Commissioners of Charles County (the “County”) of \$3,700,000 general obligation bonds designated “County Commissioners of Charles County Consolidated Public Improvement Bonds of 2013 (Taxable)” (the “Bonds”), which are described as follows:

Dated the date of initial delivery, interest payable semiannually on January 15 and July 15 of each year, commencing January 15, 2014, until maturity or prior redemption; fully registered in form in the denomination of \$5,000 each or any integral multiple thereof; issued under the provisions of Section 97-1 of the Code of Charles County (2001 Edition, as amended), Article 25B, Sections 14 through 21, inclusive, of the Annotated Code of Maryland (2011 Replacement Volume) and Bill No. 2013-05 (collectively, the “Acts”); authorized to be issued and awarded by Resolutions adopted by the Board of County Commissioners of Charles County on May 14, 2013 and June 18, 2013, respectively (collectively, the “Resolutions”); and maturing, subject to prior redemption, on July 15 in each of the years and in the amounts, and bearing interest at the rates, set forth in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to an executed and authenticated Bond which we have examined and Bonds similarly executed and authenticated, it is our opinion under existing law that:

(a) The County is a validly created and existing body politic and corporate of the State of Maryland, possessing the authority under the Acts to issue the Bonds.

(b) The Bonds have been duly authorized and legally issued in accordance with the Constitution and Public Laws of the State of Maryland, the Acts and the Resolutions.

(c) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit are pledged, payable as to both principal and interest from ad valorem taxes which the County is empowered and directed to levy, without limitation of rate or amount, upon all property subject to taxation by the County.

(d) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Resolutions, has covenanted to levy said ad valorem taxes in each fiscal year in which provision must be made for the payment of such principal and interest.

(e) Interest on the Bonds is includable in gross income for Federal income tax purposes.

(f) Under existing law of the State of Maryland, the interest on the Bonds is exempt from taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon.

This opinion is not intended or written to be used, and cannot be used, by an owner of the Bonds for purposes of avoiding United States Federal income tax penalties that may be imposed on such owner of the Bonds. The opinion in this paragraph (e) is provided to support the promotion or marketing of the Bonds. Each owner of Bonds should seek tax advice based on such owner's particular circumstances from an independent tax advisor.

This opinion is given as of its date and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

It is to be understood that the rights of any holder of the Bonds and the enforceability of Bonds may be subject to (a) any applicable bankruptcy, insolvency (including, without limitation, laws relating to preferences and fraudulent transfers or conveyances), reorganization, moratorium and other similar laws affecting creditors' rights generally, (b) the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and (c) the valid exercise of constitutional powers of the United States of America and of the sovereign police and taxing powers of the State of Maryland or other governmental units having jurisdiction.

Very truly yours,

McGuireWoods LLP

## **APPENDIX C**

### **OFFICIAL NOTICES OF SALE**

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**CHARLES COUNTY, MARYLAND**  
**NOTICE OF SALE OF**  
**\$24,500,000\***  
**COUNTY COMMISSIONERS OF CHARLES COUNTY**  
**CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2013 (TAX-EXEMPT)**  
**General Obligation Bonds**  
**Dated: Date of Initial Delivery**

Electronic bids via **PARITY®** will be received by the Board of County Commissioners of Charles County at the County Commissioners' Meeting Room, Charles County Government Building, 200 Baltimore Street, La Plata, Maryland 20646, until 11:00 a.m. local time on Tuesday,

June 18, 2013,

for the purchase of the above-designated bonds (the "Bonds") of County Commissioners of Charles County (the "County").

**Terms of the Bonds**

The Bonds are all dated their date of initial delivery, and bear interest payable semiannually on January 15 and July 15, commencing January 15, 2014, until maturity or earlier redemption. The Bonds mature, subject to prior redemption, on July 15 in each of the years 2014 to 2043, inclusive, as follows:

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount*</u>	<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount*</u>
2014	\$1,280,000	2029	\$115,000
2015	1,380,000	2030	120,000
2016	1,425,000	2031	125,000
2017	1,470,000	2032	135,000
2018	1,510,000	2033	140,000
2019	1,575,000	2034	150,000
2020	1,635,000	2035	155,000
2021	1,700,000	2036	160,000
2022	1,765,000	2037	170,000
2023	1,855,000	2038	180,000
2024	1,160,000	2039	190,000
2025	1,220,000	2040	195,000
2026	1,280,000	2041	205,000
2027	1,345,000	2042	215,000
2028	1,415,000	2043	230,000

\*Preliminary, subject to adjustment as provided herein.

The Bonds are being issued under the provisions of Section 97-1 of the Code of Charles County (2001 Edition, as amended), Article 24, Section 9-01B-01 of the Annotated Code of Maryland (2012 Supplement), Article 25B, Sections 14 through 21, inclusive, of the Annotated Code of Maryland (2011 Replacement Volume), Ordinance No. 02-97, as amended by Ordinance No. 03-04, and Bill No. 2013-05, and a Resolution of the Board of County Commissioners of Charles County (the "Board") adopted on May 14, 2013 (the "Resolution"), for public purposes which include financing the acquisition, planning, design, engineering, construction, renovation, expansion and equipping of certain public buildings, facilities, equipment and grounds in Charles County, Maryland.

The full faith and credit and unlimited taxing power of the County are unconditionally pledged to the payment of the principal of the Bonds and of the interest to accrue thereon.

### **Optional Redemption**

The Bonds maturing on or before July 15, 2023 are not subject to redemption prior to their maturities. The Bonds maturing on or after July 15, 2024, are subject to redemption at any time on or after July 15, 2023, as a whole or in part, at the option of the County, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the particular maturities to be redeemed shall be selected by the County. If selection by lot within a maturity is required, Manufacturers and Traders Trust Company (the "Registrar" and "Paying Agent"), shall by random selection of the names of the registered owners of the entire annual maturity select the Bonds to be redeemed until the total amount of Bonds to be redeemed has been reached, except that so long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the sole registered owner of the Bonds, the particular Bonds or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate Bond in the selection by lot of Bonds to be redeemed.

If the County elects to redeem all or a portion of the Bonds outstanding, it shall deliver a redemption notice to DTC not less than 30 days prior to the date fixed for redemption by a secure means as prescribed in the Resolution. If the book-entry system is discontinued for the Bonds, the County shall give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Bonds to be redeemed at their last addresses appearing on the registration books maintained by the Registrar not less than 30 days prior to the redemption date. Failure to deliver or mail any such notice with respect to a particular Bond or any defect in such notice, or in the delivery or mailing thereof, shall not affect the validity of the redemption proceedings. From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the Bonds designated for redemption shall cease to bear interest.

### **Book-Entry System**

The Bonds will be issued in fully registered book-entry form and DTC will act as securities depository for the Bonds. One Bond representing each maturity of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds and each such Bond shall be immobilized in the custody of DTC or with the Registrar to be held under DTC's "FAST" system, provided that if DTC requests, certificated Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC.

Interest on the Bonds will be payable when due and principal and redemption price of the Bonds will be payable at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC ("Participants") will be the responsibility of Participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC Participants or persons acting through Participants.

In the event that DTC determines not to continue to act as securities depository for the Bonds or the County determines to discontinue the book-entry system with DTC, and the County does not replace DTC with another securities depository, the County will execute and the Registrar will authenticate and deliver replacement Bonds in certificated form registered in the names of the Participants or, if requested in writing by such



Participants, in the names of the beneficial owners of the Bonds. Replacement Bonds issued to Participants or to beneficial owners shall be in authorized denominations and be in fully registered form in substantially the form set forth in the Resolution.

### **Adjustments**

The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment by the County before the receipt of bids for their purchase. Changes will be announced through TM3 News Service not later than 9:30 a.m. local time on the date of sale (or as soon thereafter as is reasonably practical) and will be used to compare bids and select a winning bidder.

### **Electronic Bids**

Electronic bids via **PARITY®** will be received in the manner described below until 11:00 a.m. local time on June 18, 2013. For purposes of the electronic bidding process, the time as maintained on **PARITY®** constitutes the official time. Bidders may only submit bids electronically via **PARITY®**.

Bids may be submitted electronically via **PARITY®** pursuant to this Notice of Sale until 11:00 a.m. local time, but no bid will be received after the time for receiving bids specified herein. To the extent any instructions or directions set forth in **PARITY®** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY®** potential bidders may contact **PARITY®** at Dalcomp (212) 849-5021.

### **Bid Parameters**

No oral bid and no bid for less than all of the Bonds will be considered by the Board. The right is reserved to waive any irregularity or informality in any bid and to reject any or all bids. The Board's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale.

Each bidder shall submit one bid on an all-or-none basis for the Bonds. Each bid must specify the amount bid for the Bonds, which shall be not less than 100% of par or more than 115% of par. Each bid must specify in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds which exceeds the interest rate stated in such bid for any other Bonds by more than 3%, or (d) any interest rate that exceeds 5.00%.

### **Electronic Bidding Procedures**

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY®**. Bids will be communicated electronically to the County at 11:00 a.m. local time, on Tuesday, June 18, 2013. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **PARITY®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via **PARITY®** to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **PARITY®** shall constitute the official time.

### **Disclaimer**

Each prospective bidder shall be solely responsible to submit its bid via **PARITY®** as described above. Each prospective bidder shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale.

Neither the County nor **PARITY®** shall have any duty or obligation to provide or assure access to **PARITY®** to any prospective bidder, and neither the County nor **PARITY®** shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by **PARITY®**. The County is using **PARITY®** as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Parameters" set forth herein. All costs and expenses incurred by prospective bidders in connection with their submission of bids via **PARITY®** are the sole responsibility of the bidders and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone **PARITY®** at Dalcomp (212) 849-5021 and notify the County's Financial Advisor, Davenport & Company LLC by facsimile at (866) 932-6660.

### **Basis of Award**

Bids will be opened promptly after 11:00 a.m. local time (as determined in accordance with the time maintained on **PARITY®**), Tuesday, June 18, 2013. The award, if made, will be made promptly after the bids are opened to the bidder offering the lowest true interest cost to the County in any legally acceptable bid. The lowest true interest cost shall be determined in accordance with the true interest cost ("TIC") method by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds, and to the price bid. The TIC shall be as determined by the financial advisor to the County based on the terms of this Notice of Sale and all amendments thereto and on each bid as submitted. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, then such award will be made to the bidder offering the highest premium. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, with the same premium, the Bonds will be awarded by lot to one of such bidders.

### **Good Faith Deposit**

A good faith deposit (the "Deposit") is required in connection with the sale and bid for the Bonds. The Deposit may be provided in the form of (i) a federal funds wire transfer in the amount of \$500,000 to be submitted to the County by the successful bidder not later than 3:00 p.m. local time (the "Deposit Deadline") on the date of sale or (ii) a financial surety bond (a "Surety Bond") from an insurance company acceptable to the County and licensed to issue such a bond in the State of Maryland in the amount of \$500,000, each option as described in more detail below. The Deposit of the successful bidder will be retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of the respective bid, the proceeds thereof will be retained as and for full liquidated damages.

If a federal funds wire transfer is used, the County shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the County in its discretion without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

If a Surety Bond is used, it must be submitted to the County prior to 5:00 p.m. local time on the day prior to the date for receipt of bids, and must be in form and substance acceptable to the County, including (without limitation) identifying the bidder whose Deposit is guaranteed by such Surety Bond. If the Bonds are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the County not later than 12:00 p.m. local time on the next business day following the award in accordance with wire instructions delivered by the County to such bidder. If such Deposit is not received by that time, the Surety Bond may be drawn by the County to satisfy the Deposit requirement.

## **Postponement of Sale**

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced by TM3 News Service by notice given not later than 1:00 p.m. local time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced via TM3 News Service at least 48 hours prior to such alternative sale date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent alternative sale date. On any such alternative sale date, any bidder may submit an electronic bid via **PARITY®** for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale, except for the date of sale and except for any changes announced by TM3 News Service at the time the sale date and time are announced.

## **Approving Legal Opinion; Closing Papers**

The Bonds will be issued and sold subject to approval as to legality by McGuireWoods LLP, of Baltimore, Maryland, Bond Counsel, and copies of their approving legal opinion will be delivered, upon request, without charge to the successful bidder for the Bonds. There will also be furnished upon delivery of the Bonds the usual closing papers and, in addition, a certificate signed by appropriate officers of the County certifying that there is no litigation pending or, to the knowledge of the signers of such certificate, threatened affecting the validity of the Bonds and that on the date of the Official Statement mentioned below and at the time of delivery of the Bonds, the statements and information contained in such Official Statement which are made and provided by the County are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit any statement or information which is required to be stated therein or necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading or incomplete in any material respect.

## **Preliminary Official Statement; Continuing Disclosure**

Within seven (7) business days after the award of the Bonds, the County will authorize an Official Statement, which is now expected to be substantially in the form of the Preliminary Official Statement referred to below. The Preliminary Official Statement has been deemed final by the County as of its date for the purposes of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), subject to revision, amendment and completion in the final Official Statement. The County will also issue any supplement or amendment to the Official Statement that may be necessary between the date of the Official Statement and the date of delivery of the Bonds. If requested and furnished to the County in writing by the successful bidder at or before the close of business on the day of sale, the County will include in the Official Statement such pricing and other information relating to the reoffering of the Bonds, if any, as may be so furnished. If no such information is furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidder shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any reoffering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven (7) business days after the award of the Bonds, the successful bidder will also be furnished, without cost, up to 500 copies of the Official Statement (and any amendment or supplement thereto).

The County has made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the Bonds in complying with Rule 15c2-12. Such covenants are described in the Preliminary Official Statement for the Bonds.

## **Bond Insurance**

In the event that all or any part of the Bonds are initially reoffered with bond insurance secured by the successful bidder, the successful bidder shall notify promptly the Director of Fiscal and Administrative Services of the County at the time of sale of such event and shall provide her with any information she reasonably requests regarding such bond insurance, including the amounts paid for such insurance. The County will, at the request and expense of the successful bidder, include customary language in the Official Statement and the form of the Bonds regarding the bond insurance policy upon receipt of such opinions or certificates as the County reasonably may request regarding the accuracy of any information to be included in the Official Statement and the binding nature of the obligations contained in the bond insurance policy with respect to the Bonds. The County shall have no obligation to provide the successful bidder or the issuer of such bond insurance policy with any other documents or opinions relating to the Bonds. Neither the failure of the Bonds to be insured by such bond insurance policy nor any change in the ratings provided by any rating agency with respect to the issuer of such bond insurance policy occurring between the time of the award of the Bonds and the time the Bonds are delivered shall relieve the successful bidder of its contractual obligation to purchase the Bonds.

## **Delivery**

The Bonds will be delivered on July 9, 2013, or as soon as practicable thereafter, upon due notice and at the expense of the County, for the account of the successful bidder, through the facilities of DTC in New York, New York, upon payment of the amount of the successful bid (including any premium), less the Deposit theretofore made. Such payment shall be made in Federal funds.

## **Miscellaneous**

As a condition to the award of the Bonds, the successful bidder shall be required to communicate to the County the initial offering prices at which a bona fide offering of Bonds has been made to the public, which prices are to be shown on the cover of the Official Statement (the "Initial Offering Prices"). Furthermore, as a condition to the delivery of the Bonds, the successful bidder shall be required to furnish to the County a written certificate acceptable to the County's bond counsel to the effect that the successful bidder has made a bona fide public offering of the Bonds at the Initial Offering Prices and that a substantial portion of each maturity of the Bonds has been sold to the public (excluding bond houses, brokers and other intermediaries) at the respective Initial Offering Prices. Such certifications shall be made based on actual facts known to the successful bidder as of the sale date. For purposes of the successful bidder's certificate, a substantial portion of the Bonds is at least 10% in par amount of each maturity of the Bonds. If the successful bidder cannot deliver the certificate as described above, the County's bond counsel will be required to evaluate the facts and circumstances of the offering and sale of the Bonds to confirm compliance with statutory requirements of avoiding the establishment of an artificial price for the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

The Preliminary Official Statement, together with this official Notice of Sale, will be supplied to prospective bidders upon request made in writing to the financial advisor for the issuance of the Bonds, Davenport & Company LLC, 8600 LaSalle Road, Suite 324, Towson, Maryland 21286, or by telephone 410-296-9426.

COUNTY COMMISSIONERS  
OF CHARLES COUNTY

By: Candice Quinn Kelly, President

**CHARLES COUNTY, MARYLAND**  
**NOTICE OF SALE OF**  
**\$3,700,000\***  
**COUNTY COMMISSIONERS OF CHARLES COUNTY**  
**CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2013 (TAXABLE)**  
**General Obligation Bonds**  
**Dated: Date of Initial Delivery**

Electronic bids via **PARITY®** will be received by the Board of County Commissioners of Charles County at the County Commissioners' Meeting Room, Charles County Government Building, 200 Baltimore Street, La Plata, Maryland 20646, until 11:30 a.m. local time on Tuesday,

June 18, 2013,

for the purchase of the above-designated bonds (the "Bonds") of County Commissioners of Charles County (the "County").

**Terms of the Bonds**

The Bonds are all dated their date of initial delivery, and bear interest payable semiannually on January 15 and July 15, commencing January 15, 2014, until maturity or earlier redemption. The Bonds mature, subject to prior redemption, on July 15 in each of the years 2014 to 2028, inclusive, as follows:

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount*</u>	<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount*</u>
2014	\$220,000	2022	\$245,000
2015	225,000	2023	250,000
2016	225,000	2024	260,000
2017	230,000	2025	265,000
2018	230,000	2026	270,000
2019	235,000	2027	280,000
2020	235,000	2028	280,000
2021	240,000		

\*Preliminary, subject to adjustment as provided herein.

The Bonds are being issued under the provisions of Section 97-1 of the Code of Charles County (2001 Edition, as amended) and Bill No. 2013-05, and a Resolution of the Board of County Commissioners of Charles County (the "Board") adopted on May 14, 2013 (the "Resolution"), for public purposes which include financing the acquisition, planning, design, engineering, construction, renovation, expansion and equipping of certain road and sewer infrastructure improvements for Saint Charles Companies.

The full faith and credit and unlimited taxing power of the County are unconditionally pledged to the payment of the principal of the Bonds and of the interest to accrue thereon.

## **Optional Redemption**

The Bonds maturing on or before July 15, 2023 are not subject to redemption prior to their maturities. The Bonds maturing on or after July 15, 2024, are subject to redemption at any time on or after July 15, 2023, as a whole or in part, at the option of the County, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the particular maturities to be redeemed shall be selected by the County. If selection by lot within a maturity is required, Manufacturers and Traders Trust Company (the "Registrar" and "Paying Agent"), shall by random selection of the names of the registered owners of the entire annual maturity select the Bonds to be redeemed until the total amount of Bonds to be redeemed has been reached, except that so long as The Depository Trust Company, New York, New York ("DTC"), or its nominee is the sole registered owner of the Bonds, the particular Bonds or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine. Each \$5,000 portion of a Bond shall be treated as a separate Bond in the selection by lot of Bonds to be redeemed.

If the County elects to redeem all or a portion of the Bonds outstanding, it shall deliver a redemption notice to DTC not less than 30 days prior to the date fixed for redemption by a secure means as prescribed in the Resolution. If the book-entry system is discontinued for the Bonds, the County shall give a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Bonds to be redeemed at their last addresses appearing on the registration books maintained by the Registrar not less than 30 days prior to the redemption date. Failure to deliver or mail any such notice with respect to a particular Bond or any defect in such notice, or in the delivery or mailing thereof, shall not affect the validity of the redemption proceedings. From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the Bonds designated for redemption shall cease to bear interest.

## **Book-Entry System**

The Bonds will be issued in fully registered book-entry form and DTC will act as securities depository for the Bonds. One Bond representing each maturity of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds and each such Bond shall be immobilized in the custody of DTC or with the Registrar to be held under DTC's "FAST" system, provided that if DTC requests, certificated Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates representing each maturity with DTC.

Interest on the Bonds will be payable when due and principal and redemption price of the Bonds will be payable at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC ("Participants") will be the responsibility of Participants and other nominees of beneficial owners. The County will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC Participants or persons acting through Participants.

In the event that DTC determines not to continue to act as securities depository for the Bonds or the County determines to discontinue the book-entry system with DTC, and the County does not replace DTC with another securities depository, the County will execute and the Registrar will authenticate and deliver replacement Bonds in certificated form registered in the names of the Participants or, if requested in writing by such Participants, in the names of the beneficial owners of the Bonds. Replacement Bonds issued to Participants or to beneficial owners shall be in authorized denominations and be in fully registered form in substantially the form set forth in the Resolution.

## **Adjustments**

The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment by the County before the receipt of bids for their purchase. Changes will be announced through TM3 News Service not later than 9:30 a.m. local time on the date of sale (or as soon thereafter as is reasonably practical) and will be used to compare bids and select a winning bidder.

## **Electronic Bids**

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Bids may be submitted electronically via **PARITY®** pursuant to this Notice of Sale until 11:30 a.m. local time, but no bid will be received after the time for receiving bids specified herein. To the extent any instructions or directions set forth in **PARITY®** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY®** potential bidders may contact **PARITY®** at Dalcomp (212) 849-5021.

## **Bid Parameters**

No oral bid and no bid for less than all of the Bonds will be considered by the Board. The right is reserved to waive any irregularity or informality in any bid and to reject any or all bids. The Board's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale.

Each bidder shall submit one bid on an all-or-none basis for the Bonds. Each bid must specify the amount bid for the Bonds, which shall be not less than 100% of par or more than par. Each bid must specify in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds which exceeds the interest rate stated in such bid for any other Bonds by more than 3%, or (d) any interest rate that exceeds 5.25%.

## **Electronic Bidding Procedures**

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY®**. Bids will be communicated electronically to the County at 11:30 a.m. local time, on Tuesday, June 18, 2013. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **PARITY®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds or (3) withdraw its proposed bid. Once the bids are communicated electronically via **PARITY®** to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **PARITY®** shall constitute the official time.

## **Disclaimer**

Each prospective bidder shall be solely responsible to submit its bid via **PARITY®** as described above. Each prospective bidder shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor **PARITY®** shall have any duty or obligation to provide or assure access to **PARITY®** to any prospective bidder, and neither the County nor **PARITY®** shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by **PARITY®**. The County is using **PARITY®** as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for

the Bonds. The County is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Parameters” set forth herein. All costs and expenses incurred by prospective bidders in connection with their submission of bids via **PARITY®** are the sole responsibility of the bidders and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone **PARITY®** at Dalcomp (212) 849-5021 and notify the County’s Financial Advisor, Davenport & Company LLC by facsimile at (866) 932-6660.

### **Basis of Award**

Bids will be opened promptly after 11:30 a.m. local time (as determined in accordance with the time maintained on **PARITY®**), Tuesday, June 18, 2013. The award, if made, will be made promptly after the bids are opened to the bidder offering the lowest true interest cost to the County in any legally acceptable bid. The lowest true interest cost shall be determined in accordance with the true interest cost (“TIC”) method by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from the payment dates to the date of the Bonds, and to the price bid. The TIC shall be as determined by the financial advisor to the County based on the terms of this Notice of Sale and all amendments thereto and on each bid as submitted. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, then such award will be made to the bidder offering the highest premium. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, with the same premium, the Bonds will be awarded by lot to one of such bidders.

### **Good Faith Deposit**

A good faith deposit (the “Deposit”) is required in connection with the sale and bid for the Bonds. The Deposit may be provided in the form of (i) a federal funds wire transfer in the amount of \$74,000 to be submitted to the County by the successful bidder not later than 3:00 p.m. local time (the “Deposit Deadline”) on the date of sale or (ii) a financial surety bond (a “Surety Bond”) from an insurance company acceptable to the County and licensed to issue such a bond in the State of Maryland in the amount of \$74,000, each option as described in more detail below. The Deposit of the successful bidder will be retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of the respective bid, the proceeds thereof will be retained as and for full liquidated damages.

If a federal funds wire transfer is used, the County shall distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the County in its discretion without any financial liability of the County to the successful bidder or any limitation whatsoever on the County’s right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

If a Surety Bond is used, it must be submitted to the County prior to 5:00 p.m. local time on the day prior to the date for receipt of bids, and must be in form and substance acceptable to the County, including (without limitation) identifying the bidder whose Deposit is guaranteed by such Surety Bond. If the Bonds are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the County not later than 12:00 p.m. local time on the next business day following the award in accordance with wire instructions delivered by the County to such bidder. If such Deposit is not received by that time, the Surety Bond may be drawn by the County to satisfy the Deposit requirement.



## **Postponement of Sale**

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced by TM3 News Service by notice given not later than 1:00 p.m. local time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date will be announced via TM3 News Service at least 48 hours prior to such alternative sale date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent alternative sale date. On any such alternative sale date, any bidder may submit an electronic bid via **PARITY®** for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale, except for the date of sale and except for any changes announced by TM3 News Service at the time the sale date and time are announced.

## **Approving Legal Opinion; Closing Papers**

The Bonds will be issued and sold subject to approval as to legality by McGuireWoods LLP, of Baltimore, Maryland, Bond Counsel, and copies of their approving legal opinion will be delivered, upon request, without charge to the successful bidder for the Bonds. There will also be furnished upon delivery of the Bonds the usual closing papers and, in addition, a certificate signed by appropriate officers of the County certifying that there is no litigation pending or, to the knowledge of the signers of such certificate, threatened affecting the validity of the Bonds and that on the date of the Official Statement mentioned below and at the time of delivery of the Bonds, the statements and information contained in such Official Statement which are made and provided by the County are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit any statement or information which is required to be stated therein or necessary to make the statements and information therein, in light of the circumstances under which they were made, not misleading or incomplete in any material respect. **The interest on the Bonds is not excludable from income for Federal income tax purposes.**

## **Preliminary Official Statement; Continuing Disclosure**

Within seven (7) business days after the award of the Bonds, the County will authorize an Official Statement, which is now expected to be substantially in the form of the Preliminary Official Statement referred to below. The Preliminary Official Statement has been deemed final by the County as of its date for the purposes of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), subject to revision, amendment and completion in the final Official Statement. The County will also issue any supplement or amendment to the Official Statement that may be necessary between the date of the Official Statement and the date of delivery of the Bonds. If requested and furnished to the County in writing by the successful bidder at or before the close of business on the day of sale, the County will include in the Official Statement such pricing and other information relating to the reoffering of the Bonds, if any, as may be so furnished. If no such information is furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidder shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any reoffering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven (7) business days after the award of the Bonds, the successful bidder will also be furnished, without cost, up to 500 copies of the Official Statement (and any amendment or supplement thereto).

The County has made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the Bonds in complying with Rule 15c2-12. Such covenants are described in the Preliminary Official Statement for the Bonds.

## **Bond Insurance**

In the event that all or any part of the Bonds are initially reoffered with bond insurance secured by the successful bidder, the successful bidder shall notify promptly the Director of Fiscal and Administrative Services of the County at the time of sale of such event and shall provide her with any information she reasonably requests regarding such bond insurance, including the amounts paid for such insurance. The County will, at the request and expense of the successful bidder, include customary language in the Official Statement and the form of the Bonds regarding the bond insurance policy upon receipt of such opinions or certificates as the County reasonably may request regarding the accuracy of any information to be included in the Official Statement and the binding nature of the obligations contained in the bond insurance policy with respect to the Bonds. The County shall have no obligation to provide the successful bidder or the issuer of such bond insurance policy with any other documents or opinions relating to the Bonds. Neither the failure of the Bonds to be insured by such bond insurance policy nor any change in the ratings provided by any rating agency with respect to the issuer of such bond insurance policy occurring between the time of the award of the Bonds and the time the Bonds are delivered shall relieve the successful bidder of its contractual obligation to purchase the Bonds.

## **Delivery**

The Bonds will be delivered on July 9, 2013, or as soon as practicable thereafter, upon due notice and at the expense of the County, for the account of the successful bidder, through the facilities of DTC in New York, New York, upon payment of the amount of the successful bid (including any premium), less the Deposit theretofore made. Such payment shall be made in Federal funds.

## **Miscellaneous**

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

The Preliminary Official Statement, together with this official Notice of Sale, will be supplied to prospective bidders upon request made in writing to the financial advisor for the issuance of the Bonds, Davenport & Company LLC, 8600 LaSalle Road, Suite 324, Towson, Maryland 21286, or by telephone 410-296-9426.

COUNTY COMMISSIONERS  
OF CHARLES COUNTY

By: Candice Quinn Kelly, President



