

**FINANCIAL**



**SECTION**



## Independent Auditor's Report

The Honorable County Executive and  
Members of the County Council  
Baltimore County, 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 Baltimore County, Maryland (the County) as of and for the year ended June 30, 2009 and the budgetary comparison for the general fund for the year ended June 30, 2009, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 provides a reasonable basis for our opinion.

In our opinion, 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 Baltimore County, Maryland as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedules of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information, such as the introductory section; the combining and individual fund statements and schedules – supplementary information; and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules – supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Gunderson LLP*

Baltimore, Maryland  
December 23, 2009

## **BALTIMORE COUNTY, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS**

Baltimore County, Maryland management is providing this narrative overview and analysis of the financial activities of the primary government (the County) for the fiscal year ended June 30, 2009. Readers are to consider the data presented here in conjunction with the information presented in the transmittal letter at the front of this report and with all the County's financial statements and accompanying notes to those financial statements, which follow this section.

### **Financial Highlights**

#### **Government-wide:**

- The County's assets and liabilities are \$3.965 billion and \$1.933 billion respectively resulting in net assets of \$2.032 billion.
- The County's total net assets decreased by \$60.234 million as a result of current year operations.

#### **Fund Level:**

- The County's governmental funds have combined fund balances of \$199.363 million.
- The General Fund's fund balance is \$260.96 million of which \$82.703 million is unreserved undesignated fund balance.

#### **Long-term Debt:**

- The County's total debt decreased by \$55.042 million during the current year. The key factors in this decrease was the issuance of \$36.7 million in certificates of participation and a \$1.473 million draw on the Maryland Water Quality Revolving Loan Fund offset by debt service payments of \$86.221 million and a net principal reduction of \$6.38 million from bond refundings.

### **Overview of the Financial Statements**

This discussion and analysis is an introduction to the County's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-wide Statements (Reporting the County as a Whole)**

The *Statement of Net Assets* and the *Statement of Activities* are two financial statements that report information about the County's activities that should serve as a useful indicator of whether the County, as a whole, is better or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Assets* on page 14 presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the County's financial position is improving or deteriorating.

The *Statement of Activities* on page 15 presents information showing how the County's net assets changed during fiscal year 2009. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. Both statements report three activities, which include the governmental activities and business-type activities of the primary government and separate reporting for the County's component units.

- *Governmental Activities* – Most of the County's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The general government, public safety, public works, health and human services, culture and leisure services, economic and community development, and education functions fall within the governmental activities.
- *Business-type Activities* – The County charges fees to customers to help it cover all or most of the cost of certain services it provides. The Metropolitan District water and sewer services are the only business-type activity reported.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County reports three component units that are described in the notes to the basic financial statements.

This report includes two summary reconciliations (pages 16 and 18) between the governmental fund financial statements (modified accrual accounting) and the governmental activities (full accrual accounting) reflected on the government-wide financial statements. Note 2 of the notes to the basic financial statements also provides more detail as to the transactions that impact the conversion from the modified accrual basis of accounting to the full accrual basis of accounting.

#### **Fund Financial Statements (Reporting the County's Major Funds)**

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is on major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. The County's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* – Most of the County's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The County reports the General Fund, Gifts and Grants Fund, and the Consolidated Public Improvement Construction Fund as major funds.
- *Proprietary funds* – When the County charges customers for the services it provides, whether to outside customers or to other agencies within the County, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. The County reports the Metropolitan District Fund as a major fund. Internal service funds report activities that provide supplies and services to the County's other programs and activities. Internal service funds are reported as governmental activities on the government-wide statements.
- *Fiduciary funds* – The County is the trustee for its employee pension plans and the post employment healthcare benefits plan. These funds are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the County to finance its operations.

## Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 27.

### Other Information

Required supplementary information includes schedules concerning the County's progress in funding its obligation to provide pension and post employment healthcare benefits to its employees. These schedules can be found starting on page 63. Other supplementary information includes combining and individual fund financial statements and schedules for the General Fund, non-major governmental funds, internal service funds, and fiduciary funds. These statements and schedules can be found starting on page 60.

### Financial Analysis of the County as a Whole

The County's combined net assets decreased \$60.234 million for FY 2009. The net assets of the governmental activities decreased \$64.12 million and business-type activities increased \$3.886 million. The schedule below presents the net assets of the County's governmental and business-type activities as of June 30, 2009.

The largest component of the County's net assets reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related outstanding debt used to acquire the assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not liquid or available for future spending or liquidation of any liabilities. It is important to note that counties in the State of Maryland issue debt for the construction of schools, yet the school buildings are owned by each county's Board of Education. Ownership reverts to the County if the local board determines a building is no longer needed. The County also funds projects for the Community College of Baltimore County. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. The governmental activities negative unrestricted net assets of \$67.683 million reflect the result of recording the liabilities without the corresponding assets. The County has a similar situation where it issues debt to finance capital contributions for Baltimore City owned assets. This is what causes the negative unrestricted net assets of \$137.808 million in the business-type activities. These situations are described in more detail in Note 8.

#### Net Assets as of June 30 (in thousands)

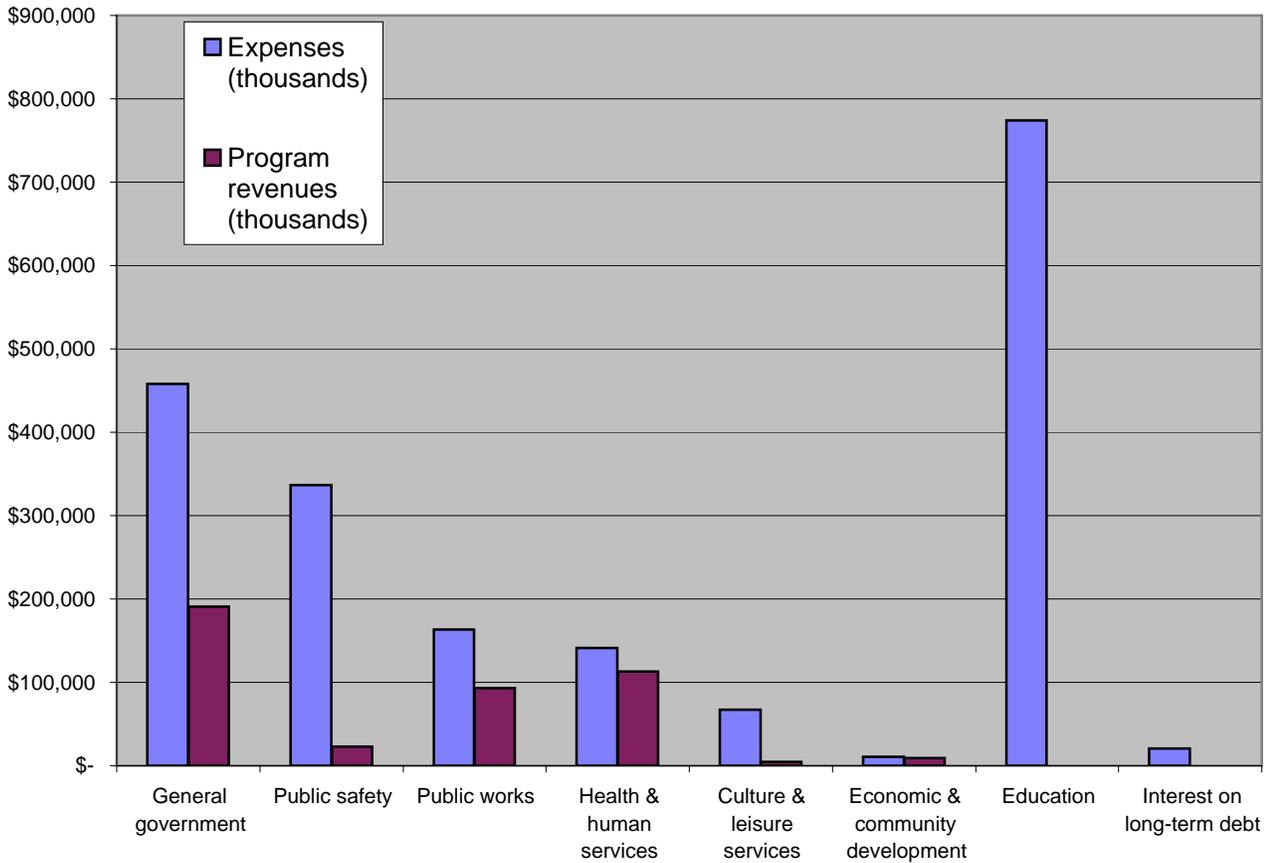
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Assets:</b>						
Current and other non-current assets	\$ 636,121	\$ 824,540	\$ 193,445	\$ 256,381	\$ 829,566	\$ 1,080,921
Capital assets	2,151,382	2,068,254	984,145	936,911	3,135,527	3,005,165
<b>Total assets</b>	<u>2,787,503</u>	<u>2,892,794</u>	<u>1,177,590</u>	<u>1,193,292</u>	<u>3,965,093</u>	<u>4,086,086</u>
<b>Liabilities:</b>						
Current liabilities	446,529	445,596	176,254	120,328	622,783	565,924
Long-term liabilities	739,399	781,503	570,919	646,433	1,310,318	1,427,936
<b>Total Liabilities</b>	<u>1,185,928</u>	<u>1,227,099</u>	<u>747,173</u>	<u>766,761</u>	<u>1,933,101</u>	<u>1,993,860</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	1,595,901	1,523,265	568,225	489,563	2,164,126	2,012,828
Restricted	73,357	122,079	-	-	73,357	122,079
Unrestricted (deficit)	(67,683)	20,351	(137,808)	(63,032)	(205,491)	(42,681)
<b>Total net assets</b>	<u>\$ 1,601,575</u>	<u>\$ 1,665,695</u>	<u>\$ 430,417</u>	<u>\$ 426,531</u>	<u>\$ 2,031,992</u>	<u>\$ 2,092,226</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net assets changed during the fiscal year.

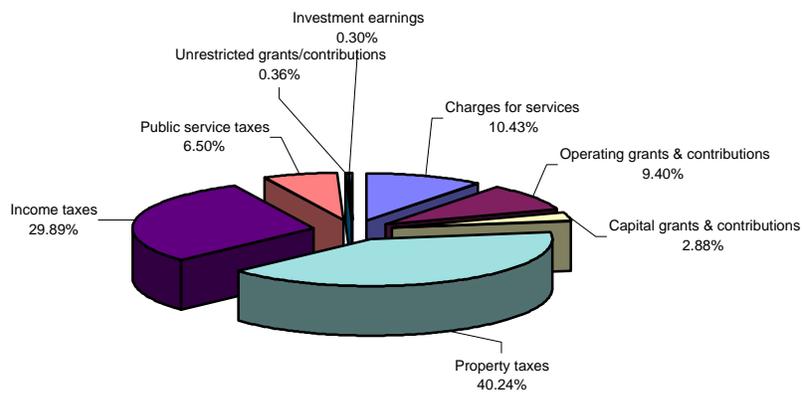
	Changes in Net Assets (in thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 198,815	\$ 199,893	\$ 200,741	\$ 189,246	\$ 399,556	\$ 389,139
Operating grants	179,198	173,666	-	-	179,198	173,666
Capital grants	54,852	53,287	25,585	30,850	80,437	84,137
General revenues						
Property taxes	767,103	712,863	-	-	767,103	712,863
Income taxes	569,736	661,125	-	-	569,736	661,125
Public service taxes	123,863	155,699	-	-	123,863	155,699
Unrestricted grants and contributions	6,954	8,847	-	-	6,954	8,847
Investment earnings	5,688	13,953	1,094	1,219	6,782	15,172
<b>Total revenues</b>	<u>\$ 1,906,209</u>	<u>\$ 1,979,333</u>	<u>\$ 227,420</u>	<u>\$ 221,315</u>	<u>\$ 2,133,629</u>	<u>\$ 2,200,648</u>
<b>Expenses</b>						
General government	457,696	427,611	-	-	457,696	427,611
Public safety	336,325	321,024	-	-	336,325	321,024
Public works	163,493	166,234	-	-	163,493	166,234
Health and human services	141,023	134,693	-	-	141,023	134,693
Culture and leisure services	66,856	62,080	-	-	66,856	62,080
Economic and community development	10,578	8,762	-	-	10,578	8,762
Education	774,053	781,588	-	-	774,053	781,588
Interest on long-term debt	20,305	22,900	-	-	20,305	22,900
Water and sewer services	-	-	223,534	229,829	223,534	229,829
<b>Total expenses</b>	<u>1,970,329</u>	<u>1,924,892</u>	<u>223,534</u>	<u>229,829</u>	<u>2,193,863</u>	<u>2,154,721</u>
<b>Increase (decrease) in net assets before transfers</b>	(64,120)	54,441	3,886	(8,514)	(60,234)	45,927
Transfers	-	110	-	(110)	-	-
Increase (decrease) in net assets	(64,120)	54,551	3,886	(8,624)	(60,234)	45,927
Net assets - beginning	1,665,695	1,611,144	426,531	435,155	2,092,226	2,046,299
<b>Net assets - ending</b>	<u>\$ 1,601,575</u>	<u>\$ 1,665,695</u>	<u>\$ 430,417</u>	<u>\$ 426,531</u>	<u>\$ 2,031,992</u>	<u>\$ 2,092,226</u>

The following graphs and charts depict the expenses and revenues of the governmental activities and business-type activities for the fiscal year which are derived from the government-wide Statement of Activities.

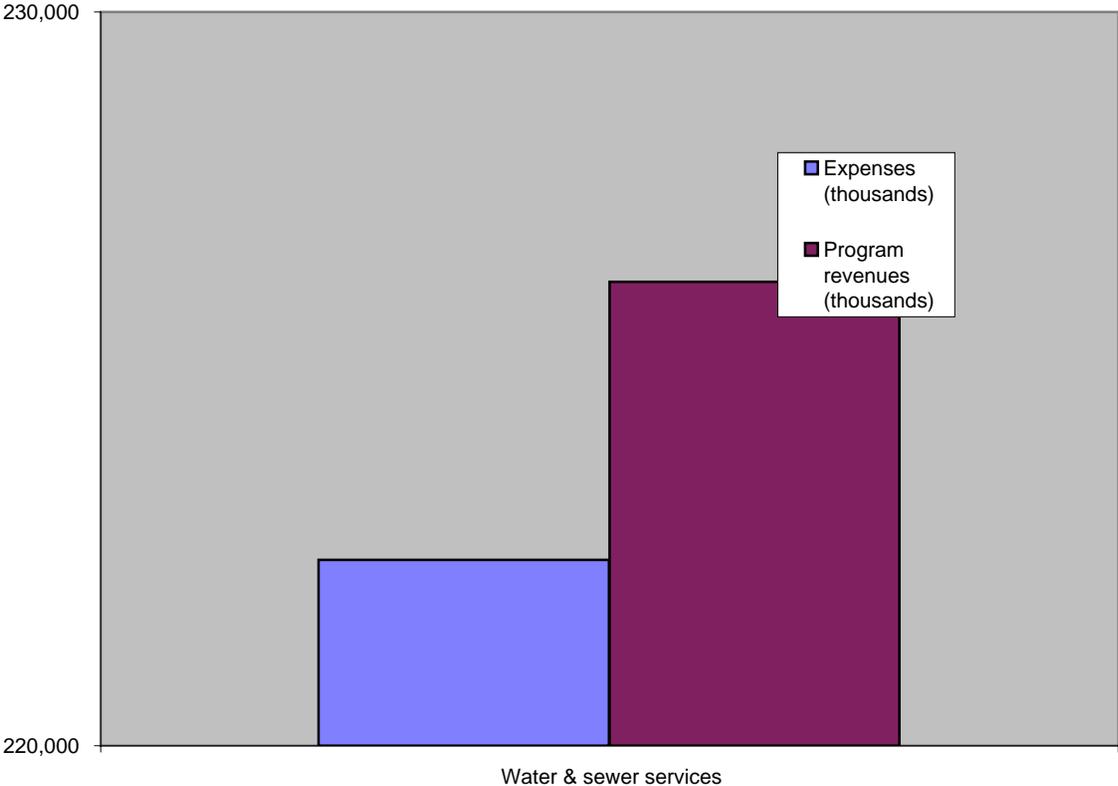
**Expenses & Program Revenues-Governmental Activities**



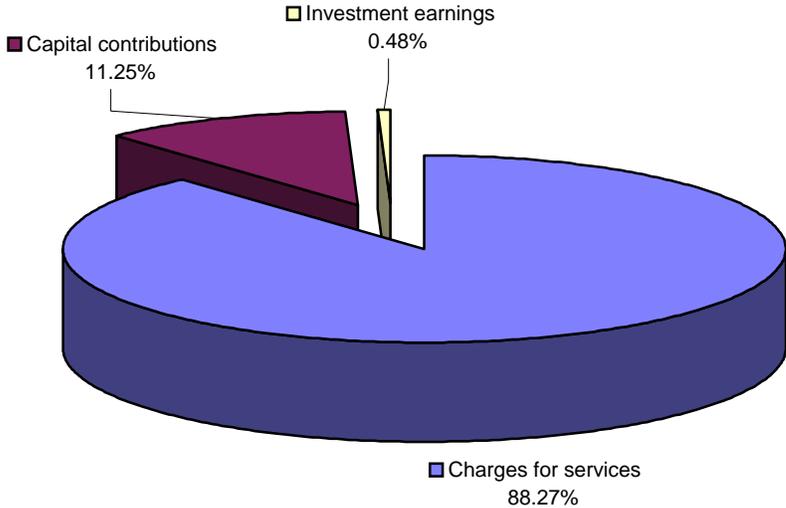
**Revenues by Source-Governmental Activities**



**Expenses and Program Revenues-Business-type Activities**



**Revenues by Source-Business-type Activities**



### **Governmental Activities**

Governmental activities decreased the County's net assets by \$64.12 million. Key elements affecting the decrease in net assets included:

- Total tax revenue from all governmental sources decreased 4.5% in FY09 compared to a 6.7% increase in the prior year:
  - Property taxes provided 40.1% of total revenue with an increase of \$54.24 million. A steady growth in property taxes will continue from reassessment of real property. For most homeowners, they will be taxed on a maximum 4% annual increase according to the County's assessment growth cap no matter how large an increase in the assessed value of their property.
  - Local income taxes decreased \$91.389 million or 13.8% this year. Part of the decrease, estimated at \$53.2 million, is the result of the State of Maryland moving monies from the local subdivisions' income tax reserve account to the State's general fund to help balance their 2010 budget. The State plans to replenish this reserve account by withholding income tax revenues due to the local subdivisions over ten years starting in 2013.
  - Public service taxes decreased 20.4% due primarily to recordation and transfer taxes decreases from the slowed real estate market.
- Capital asset infrastructure donations from developers remained steady at \$27.385 million.

### **Business-type Activities**

Business-type activities increased the County's net assets by \$3.886 million. The key elements of the Metropolitan District operations that affect net assets are as follows:

- The County's net cost sharing contributions to Baltimore City for capital facilities decreased \$18.555 million.
- The County's construction and capital maintenance activities on its sanitary sewer collection system continued to increase due to the County's consent decree with the U.S. Environmental Protection Agency.
- Front foot assessments that are billed over 40 years to County homeowners to recover costs for County construction of water and sewer lines showed a continuing decline of \$5.269 million due to developers assuming the responsibility for construction of these lines.

## **Financial Analysis of the County's Funds**

The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### **Governmental Funds**

The governmental funds provide data on near-term inflows, outflows and balances of spendable resources. This data is useful in assessing the County's financing requirements. The unreserved fund balance serves as a useful measure of the County's financial resources available for appropriation at the end of the fiscal year.

The County's governmental funds reported combined ending fund balances of \$199.363 million as of June 30, 2009, a decrease of \$42.201 million. This includes unreserved fund balance of \$140.64 million, which is available for spending at the County's discretion. The remaining fund balance of \$58.723 million is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the County's chief operating fund. At the end of FY09, unreserved fund balance of the General Fund was \$218.865 million, while total fund balance was \$260.96 million. Unreserved fund balance represents 13.06% of total fund expenditures, while total fund balance represents 15.57% of total expenditures. These ratios are typically useful as a measure of the General Fund's liquidity. Of its unreserved fund balance, the County has designated \$84.08 million to its Revenue Stabilization Reserve account and \$52.082 million to finance, in part, the FY10 operating budget.

The General Fund fund balance decreased by \$9.229 million during the current fiscal year. Factors affecting fund balance are addressed in the discussion of the General Fund budget below.

The Gifts and Grants Fund fund balance of \$13.216 million reflects the accumulation of earned revenue in excess of grant expenditures for the various grant activities administered by the County and is restricted for those activities.

The Consolidated Public Improvement Construction Fund fund balance decreased \$50.111 million. Major fluctuations in fund balance are primarily the result of cash inflows from bond sale proceeds and current expense contributions from the General Fund minus capital expenditure outflows. The County had no bond sale proceeds but made current expense contributions of \$138.5 million in FY09.

### Proprietary Funds

The County's proprietary funds provide more detailed data of the information reported in the government-wide financial statements.

The Metropolitan District Fund net assets increased \$3.898 million. The main factors concerning this increase have already been addressed in the discussion of the County's business-type activities.

### General Fund Budgetary Highlights

The County had no supplemental appropriations to its original budget during the year. Significant differences between the final budget and actual amounts are summarized as follows:

- Real property taxes exceeded budget estimates by \$4.235 million. Also, losses from the Homestead Credit and the Allowance for Uncollectible Taxes were \$4.924 million less than anticipated.
- Title transfer and recordation taxes were \$16.517 less than budget, which is representative of the continued trend of the slowed housing market.
- Income taxes budget estimates were \$7.063 million less due primarily to the significant stock market decline coupled with rising unemployment.
- Investment income was \$3.836 million under budget. The effective rate of return for FY09 was 1.37% down from 3.69% in FY08.
- Debt service savings of \$6 million were realized from the delay in the sale of Certificates of Participation, the conversion of Auction Rate Securities to Commercial Paper, plus lower rates and savings from the bond refunding.
- The full appropriation for employer healthcare contributions to the Health Insurance Fund was not needed due to lower than expected payouts from the Fund during the last quarter of FY08 and positive results during FY09 that would have left the Fund with a surplus close to \$30 million above a \$74.5 million targeted level.

## Capital Asset and Debt Administration

### Capital Assets

The County's investment in capital assets for its governmental and business-type activities totaled \$3.135 billion net of accumulated depreciation. The investment in capital assets includes land, buildings, machinery, vehicles and infrastructure assets.

#### Capital Assets as of June 30 (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 236,396	\$ 216,584	\$ 1,306	\$ 1,304	\$ 237,702	\$ 217,888
Buildings and Improvements	322,169	321,996	81,281	79,510	403,450	401,506
Vehicles and equipment	88,280	91,660	4,668	5,415	92,948	97,075
Infrastructure	1,227,614	1,186,154	686,064	660,386	1,913,678	1,846,540
Construction in Progress	276,923	251,860	210,826	190,296	487,749	442,156
<b>Total</b>	<b><u>\$2,151,382</u></b>	<b><u>\$2,068,254</u></b>	<b><u>\$984,145</u></b>	<b><u>\$936,911</u></b>	<b><u>\$3,135,527</u></b>	<b><u>\$3,005,165</u></b>

The County added \$44.7 million for new or improved roads, \$6.9 million for storm drains, and \$35.6 million for water and sewer lines as a major part of its infrastructure assets for FY09.

Selected capital asset events during the current year were as follows:

- The North County Fire Station was completed at a cost of \$4.733 million.
- Recreational field renovations and trails at various locations through the County were completed costing \$7.102 million.
- The Perry Hall Library was completed at a cost of \$7.7 million.
- Additional renovations of \$2.736 million on the Jefferson Building in Towson were done to relocate certain County agencies.
- The new \$2.47 million Watersedge Community Center and \$9.5 million Dundalk Community Center renovation were completed.

Additional capital asset information can be found in Note 7.

### Long-term Debt

At the end of the current fiscal year, the County had total general obligation debt outstanding of \$1.488 billion. This includes Consolidated Public Improvement bonds and notes of \$749.235 million, Pension Funding bonds of \$46.14 million and Metropolitan District bonds and notes of \$692.248 million. The bonds and notes are backed by the full faith and credit of the County.

#### Outstanding General Obligation Debt as of June 30 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$620,375	\$675,400	\$585,648	\$615,441	\$1,206,023	\$1,290,841
General obligation BANs	175,000	175,000	106,600	106,600	281,600	281,600
Total	<u>\$795,375</u>	<u>\$850,400</u>	<u>\$692,248</u>	<u>\$722,041</u>	<u>\$1,487,623</u>	<u>\$1,572,441</u>

The County's total general obligation debt decreased in 2009 by \$84.818 million (considering new borrowing and debt retirement).

The County maintains an "AAA" rating from both Standard & Poor's and Fitch Investor's Service, and a "Aaa" rating from Moody's Investor's Service for general obligation bonds.

The County Charter limits the amount of general obligation debt that the County may issue for Consolidated Public Improvements to 4% of the County's assessable property base. Metropolitan District debt may be issued up to debt limit of 3.2% of the District's assessable property base. The County's debt is significantly below the respective limits of \$3.28 billion and \$2.31 billion. Additional information on the County's long-term debt can be found in Note 8.

### Economic Factors and Next Years Budgets and Rates

- The County, as well as the State of Maryland, and the Country as a whole, are in the midst of very difficult economic times, which began with the collapse of the real estate market and the sub-prime mortgage crisis.
- State cuts and revenue enhancements that began in November 2007 continue to be insufficient to resolve the State's budget deficit, especially at a time when income tax receipts are declining.
- Estimated personal income growth in the County is 4.24%.
- Revenue from higher property reassessments is mitigated by the County's 4% Homestead Assessment Growth Cap on residential property. The tax credit for homeowners will increase from \$167.9 million in FY09 to \$192.7 million in FY10.

These and other economic indicators were considered when preparing the FY10 General Fund budget, which estimates revenues at \$1.622 billion. General Fund appropriations for FY10 of \$1.674 billion reflect a 2.7% decrease over the FY09 adjusted budget. The most significant change in the FY10 budget with multi-year impact is the third year of required payments for Other Post-Employment Benefits (OPEB). Much of the on-going increase to the budget stems from employee health and retirement increases, utility cost increases, and funding to offset a loss of state aid to the public schools. The difference between estimated revenue and appropriations of \$52 million is covered by fund balance reserves. The projected unreserved fund balance at the end of FY10 is \$133 million or 8% of the estimated FY10 total revenues.

There are no new taxes levied to fund the FY10 budget. The income tax rate of 2.83% is unchanged. The respective real property and personnel property tax rates remain at \$1.10 and \$2.75 per \$100 of assessed value. The Homestead Assessment Growth Cap remains at 4%, excluding home sales, new construction, and non-principal residences. A County-funded supplemental Homeowners' Property Tax Credit is allowed each year to qualified homeowners, which increases the property tax credit up to a maximum of \$160 above the amount that is allowed under the State Homeowners' Property Tax Credit program.

### **Other Significant Matters**

The County administers an Other Post Employment Benefits trust fund (OPEB Plan) to provide for payment of healthcare and life insurance benefits for retirees of Baltimore County Government (County), Baltimore County Board of Education (BOE), the Community College of Baltimore County (CCBC), the Board of Library Trustees for Baltimore County (BLT) and the Baltimore County Revenue Authority (BCRA). In FY08, the BLT was reported as part of the County because their applicable OPEB amounts were considered insignificant. Beginning in FY09, BLT will be reported as a separate employer. Also in FY09, the BCRA has contracted with the County to become the fifth employer to contribute to the OPEB Plan.

At the end of each fiscal year, each employer must report an OPEB contribution deficiency or excess contribution if their actual contributions do not equal their actuarially determined annual required contribution (ARC). At June 30, 2009, the County and its component units had respective net OPEB assets of \$52.786 million and \$28.027 million that are reported in the Governmental Activities of the Government-wide Statement of Net Assets.

### **Information Requests**

This financial report is designed to provide a general overview of Baltimore County's finances for all those with an interest in good government. The report seeks to demonstrate the County's accountability for the monies it receives and for the services it provides. Requests for information regarding this report or additional financial information can be sent to the Baltimore County Office of Budget and Finance, 400 Washington Avenue, Room 149 Towson, Maryland 21204-4665.

The County's component units issue their own separately audited financial statements. These statements may be obtained by directly contacting the component unit (see Note 1).



## **Basic Financial Statements**

Government-wide financial statements combine all of Baltimore County's governmental and business-type activities, as well as its discretely presented components.

Fund financial statements show the financial position and the operating results by fund.

Notes to the Basic Financial Statements are an integral part of the financial statements.

**Baltimore County, Maryland**  
**Statement of Net Assets**  
**June 30, 2009**  
**(In Thousands)**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and investments (Note 3)	\$ 285,918	\$ 23,054	\$ 308,972	\$ 46,283
Receivables, net (Note 5)	249,984	165,541	415,525	42,152
Due from primary government (Note 6)	-	-	-	44,966
Inventories	6,399	499	6,898	3,057
Prepaid costs	7,448	-	7,448	1,426
Deferred charges	2,356	1,415	3,771	129
Net OPEB asset (Note 15)	52,786	-	52,786	28,027
Restricted assets:				
Cash and investments (Note 3)	31,230	2,936	34,166	1,845
Capital assets (Note 7)				
Non-depreciable	513,319	212,132	725,451	229,093
Depreciable (net of accumulated depreciation)	1,638,063	772,013	2,410,076	996,129
Total assets	<u>2,787,503</u>	<u>1,177,590</u>	<u>3,965,093</u>	<u>1,393,107</u>
<b>LIABILITIES</b>				
Accounts payable	40,540	24,627	65,167	37,852
Accrued payroll	13,103	593	13,696	16,892
Accrued interest payable	12,485	8,915	21,400	-
Internal balances	3,032	(3,032)	-	-
Due to component units (Note 6)	45,427	-	45,427	-
Other liabilities	17,590	3,239	20,829	3,026
Unearned revenue (Note 5)	9,970	-	9,970	9,163
Liabilities payable from restricted assets	-	-	-	1,845
Noncurrent liabilities (Note 8)				
Due within one year	304,382	141,912	446,294	20,941
Due in more than one year	739,399	570,919	1,310,318	20,478
Total liabilities	<u>1,185,928</u>	<u>747,173</u>	<u>1,933,101</u>	<u>110,197</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,595,901	568,225	2,164,126	1,208,144
Restricted for:				
OPEB trust	52,786	-	52,786	28,027
Public works	6,463	-	6,463	-
Economic development	892	-	892	-
Education	-	-	-	10,474
Grant projects	13,216	-	13,216	-
Expendable endowments	-	-	-	2,063
Unrestricted (deficit)	(67,683)	(137,808)	(205,491)	34,202
Total net assets	<u>\$ 1,601,575</u>	<u>\$ 430,417</u>	<u>\$ 2,031,992</u>	<u>\$ 1,282,910</u>

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**  
(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
General government	\$ 457,696	\$ 187,868	\$ 3,093	\$ -	\$ (266,735)	\$ -	\$ (266,735)	\$ -
Public safety	336,325	1,935	20,638	-	(313,752)	-	(313,752)	-
Public works	163,493	1,669	36,342	54,852	(70,630)	-	(70,630)	-
Health and human services	141,023	3,916	109,357	-	(27,750)	-	(27,750)	-
Culture and leisure services	66,856	2,856	1,519	-	(62,481)	-	(62,481)	-
Economic and community development	10,578	571	8,249	-	(1,758)	-	(1,758)	-
Education	774,053	-	-	-	(774,053)	-	(774,053)	-
Interest on long-term debt	20,305	-	-	-	(20,305)	-	(20,305)	-
Total governmental activities	1,970,329	198,815	179,198	54,852	(1,537,464)	-	(1,537,464)	-
Business-type activities:								
Water and sewer services	223,534	200,741	-	25,585	-	2,792	2,792	-
Total business-type activities	223,534	200,741	-	25,585	-	2,792	2,792	-
Total primary government	\$ 2,193,863	\$ 399,556	\$ 179,198	\$ 80,437	(1,537,464)	2,792	(1,534,672)	-
<b>COMPONENT UNITS</b>								
Board of Education	\$ 1,387,739	\$ 17,241	\$ 158,470	\$ 94,468	-	-	-	(1,117,560)
Community College	173,233	56,275	71,624	13,161	-	-	-	(32,173)
Board of Library Trustees	44,459	4,231	5,801	2,138	-	-	-	(32,289)
Total component units	\$ 1,605,431	\$ 77,747	\$ 235,895	\$ 109,767	-	-	-	(1,182,022)
General revenues:								
Taxes:								
Property taxes					767,103	-	767,103	-
Income taxes					569,736	-	569,736	-
Public service taxes					123,863	-	123,863	-
Grants and contributions not restricted to specific programs:								
Baltimore County					-	-	-	756,560
State of Maryland					6,954	-	6,954	518,511
Unrestricted investment earnings					5,688	1,094	6,782	(952)
Other					-	-	-	8,766
Total general revenues and transfers					1,473,344	1,094	1,474,438	1,282,885
Change in net assets					(64,120)	3,886	(60,234)	100,863
Net assets at beginning of the year					1,665,695	426,531	2,092,226	1,182,047
Net assets at end of the year					\$ 1,601,575	\$ 430,417	\$ 2,031,992	\$ 1,282,910

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**  
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 152,371	\$ 13,175	\$ -	\$ 23,723	\$ 189,269
Cash and investments - restricted	31,230	-	-	-	31,230
Receivables, net	184,991	31,327	17,843	12,731	246,892
Due from other funds	74,807	-	-	-	74,807
Inventories	5,911	-	-	-	5,911
Total assets	<u>\$ 449,310</u>	<u>\$ 44,502</u>	<u>\$ 17,843</u>	<u>\$ 36,454</u>	<u>\$ 548,109</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 14,750	\$ 3,696	\$ 15,704	\$ -	\$ 34,150
Accrued expenditures	12,386	623	-	15	13,024
Due to other funds	-	-	74,807	-	74,807
Due to component units	35,638	-	9,789	-	45,427
Other liabilities	7,576	1,556	8,458	-	17,590
Deferred revenue	118,000	25,411	7,606	12,731	163,748
Total liabilities	<u>188,350</u>	<u>31,286</u>	<u>116,364</u>	<u>12,746</u>	<u>348,746</u>
Fund balances					
Reserved for:					
Encumbrances	4,985	-	-	2,520	7,505
Inventories	5,911	-	-	-	5,911
Imprest funds	67	-	-	-	67
Equipment financing	31,132	-	-	-	31,132
Loan guarantees and grants	-	13,216	-	892	14,108
Unreserved:					
Designated for subsequent year's expenditures:					
General Fund	52,082	-	-	-	52,082
Special Revenue Funds	-	-	-	21	21
Designated for revenue stabilization	84,080	-	-	-	84,080
Undesignated, reported in:					
General Fund	82,703	-	-	-	82,703
Capital Projects Fund	-	-	(98,521)	-	(98,521)
Special Revenue Funds	-	-	-	20,275	20,275
Total fund balances (deficit)	<u>260,960</u>	<u>13,216</u>	<u>(98,521)</u>	<u>23,708</u>	<u>199,363</u>
Total liabilities and fund balances	<u>\$ 449,310</u>	<u>\$ 44,502</u>	<u>\$ 17,843</u>	<u>\$ 36,454</u>	

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.	2,132,753
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	153,778
Excess other post employment benefits (OPEB) contributions made in relation to the Annual Required Contribution is recognized as a year-end asset.	52,786
Internal service funds are used by management to charge the costs of self insurance, fleet management and reproduction to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	59,809
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 2).	(996,914)
Net assets of governmental activities	<u>\$ 1,601,575</u>

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,518,367	\$ -	\$ -	\$ -	\$ 1,518,367
Licenses and permits	3,539	-	-	632	4,171
Intergovernmental	70,424	115,799	28,988	-	215,211
Repayment of loans	-	868	-	1,622	2,490
Charges for services	8,861	3,439	250	332	12,882
Assessments	-	-	5,249	-	5,249
Fines and forfeitures	3,407	-	-	-	3,407
Investment income	2,864	302	270	344	3,780
Miscellaneous	18,959	1,022	2,194	-	22,175
Total revenues	<u>1,626,421</u>	<u>121,430</u>	<u>36,951</u>	<u>2,930</u>	<u>1,787,732</u>
<b>EXPENDITURES</b>					
Current:					
General government	71,128	2,745	-	631	74,504
Public safety	322,247	7,090	-	-	329,337
Public works	117,215	56	-	-	117,271
Health and human services	36,526	103,112	-	-	139,638
Culture and leisure services	23,507	2,453	-	-	25,960
Economic and community development	2,005	8,753	-	805	11,563
Pension plan contributions	46,446	-	-	-	46,446
Healthcare contributions	81,446	-	-	-	81,446
Loans	-	-	-	3,290	3,290
Miscellaneous	16,686	-	-	-	16,686
Capital projects	-	-	131,929	-	131,929
Payments to component units	745,863	-	77,366	-	823,229
Debt service:					
Principal retirement	40,981	-	-	-	40,981
Interest	25,108	-	-	-	25,108
Fiscal charges	1,027	-	-	-	1,027
Retirement of auction rate notes	-	-	35,000	-	35,000
Total expenditures	<u>1,530,185</u>	<u>124,209</u>	<u>244,295</u>	<u>4,726</u>	<u>1,903,415</u>
Excess (deficiency) of revenues over expenditures	96,236	(2,779)	(207,344)	(1,796)	(115,683)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond anticipation notes proceeds	-	-	35,000	-	35,000
Bond proceeds - Refunding	73,020	-	-	-	73,020
Bond premium - Refunding	8,151	-	-	-	8,151
Proceeds of certificates of participation	34,700	-	-	-	34,700
Proceeds of bond premium - COPS	1,723	-	-	-	1,723
Payment to bond refunding escrow agent	(80,850)	-	-	-	(80,850)
Transfers in	3,510	7,489	138,500	15,669	165,168
Transfers out	(145,719)	(1,335)	(16,267)	(109)	(163,430)
Total other financing sources (uses)	<u>(105,465)</u>	<u>6,154</u>	<u>157,233</u>	<u>15,560</u>	<u>73,482</u>
Net change in fund balances	(9,229)	3,375	(50,111)	13,764	(42,201)
Fund balances (deficit) at beginning of the year	270,189	9,841	(48,410)	9,944	241,564
Fund balances (deficit) at end of the year	<u>\$ 260,960</u>	<u>\$ 13,216</u>	<u>\$ (98,521)</u>	<u>\$ 23,708</u>	<u>\$ 199,363</u>

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

Net change in fund balances-total governmental funds \$ (42,201)

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 those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (Note 2). 62,082

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets (Note 2). 18,879

Some revenues will not be collected for several months after the fiscal year ends. As such these revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased this year. (67,721)

Expenses in the statement of activities are adjusted for the difference between OPEB expense in relation to the Annual Required Contribution (ARC) and contributions made in relation to the ARC. (52,565)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note 2). 19,320

Some 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 (Note 2). 5,019

Internal service funds are used by management to charge the costs of self insurance, fleet management, and reproduction services to individual funds. The net expense of these internal service funds is reported with governmental activities. (6,933)

Change in net assets of governmental activities \$ (64,120)

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Budgetary Comparison Statement - General Fund**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 1,540,933	\$ 1,540,933	\$ 1,518,367	\$ (22,566)
Licenses and permits	5,481	5,481	3,539	(1,942)
Intergovernmental	78,423	78,423	70,424	(7,999)
Charges for services	10,217	10,217	8,861	(1,356)
Fines and forfeitures	3,749	3,749	3,407	(342)
Reimbursement from other funds	5,625	5,625	6,287	662
Interest on investments	8,673	8,673	4,837	(3,836)
Miscellaneous	18,957	18,957	18,483	(474)
Total revenues	<u>1,672,058</u>	<u>1,672,058</u>	<u>1,634,205</u>	<u>(37,853)</u>
<b>EXPENDITURES</b>				
Current:				
General government	77,353	77,400	74,811	2,589
Public safety	315,474	321,222	321,064	158
Public works	119,663	117,963	117,197	766
Health and human services	37,329	37,450	36,521	929
Culture and leisure services	24,193	24,303	24,014	289
Economic and community development	2,070	2,070	2,022	48
Pension plan contributions	46,477	46,477	46,457	20
Healthcare contributions	111,519	111,519	81,410	30,109
Miscellaneous	21,438	17,490	16,686	804
Payments to component units	746,947	746,947	743,667	3,280
Debt service:				
Principal retirement	43,981	43,981	40,981	3,000
Interest	26,765	26,387	25,109	1,278
Fiscal charges	600	600	565	35
Total expenditures	<u>1,573,809</u>	<u>1,573,809</u>	<u>1,530,504</u>	<u>43,305</u>
Excess of revenues over expenditures (budgetary basis)	<u>98,249</u>	<u>98,249</u>	<u>103,701</u>	<u>5,452</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	1,170	1,170
Transfers out	(145,719)	(145,719)	(145,719)	-
Total other financing sources (uses)	<u>(145,719)</u>	<u>(145,719)</u>	<u>(144,549)</u>	<u>1,170</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	<u>\$ (47,470)</u>	<u>\$ (47,470)</u>	<u>(40,848)</u>	<u>\$ 6,622</u>
Adjustments required under generally accepted accounting principles:				
Net change during year in reserve for encumbrances			884	
Unbudgeted equipment financing activity			28,475	
Net change in reserve for inventories, imprest funds and other programs			477	
Prior year encumbrances liquidations			1,783	
Net change in fund balance-GAAP			(9,229)	
Fund balance at beginning of the year			270,189	
Fund balance at end of the year			<u>\$ 260,960</u>	

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**  
**(In Thousands)**

	<b>Metropolitan District Enterprise Fund</b>	<b>Internal Service Funds</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 23,054	\$ 96,649
Cash and investments - restricted	2,936	-
Receivables, net (Note 5)	17,572	3,092
Due from other funds	-	13,397
Inventories	499	488
Prepaid costs	-	7,448
Deferred charges	1,415	-
Total current assets	<u>45,476</u>	<u>121,074</u>
Noncurrent assets:		
Assessments receivable (Note 5)	147,969	-
Capital assets:		
Non-depreciable	212,132	-
Depreciable (net of accumulated depreciation)	772,013	18,629
Total noncurrent assets	<u>1,132,114</u>	<u>18,629</u>
Total assets	<u>1,177,590</u>	<u>139,703</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	24,627	6,390
Accrued payroll	593	79
Accrued interest payable	8,915	-
Due to other funds	-	13,397
Compensated absences	768	236
Claims and judgments	-	33,610
General obligation debt (Note 8)	140,544	-
Certificates of participation	600	-
Other liabilities	3,239	-
Total current liabilities	<u>179,286</u>	<u>53,712</u>
Noncurrent liabilities:		
Compensated absences	616	-
Claims and judgments	-	23,150
General obligation debt (Note 8)	566,711	-
Certificates of participation	3,592	-
Total noncurrent liabilities	<u>570,919</u>	<u>23,150</u>
Total liabilities	<u>750,205</u>	<u>76,862</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	568,225	18,628
Unrestricted (deficit)	(140,840)	44,213
Total net assets	<u>427,385</u>	<u>\$ 62,841</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	3,032	
Net assets of business-type activities	<u>\$ 430,417</u>	

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<b>Metropolitan District Enterprise Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>			
Licenses and permits	\$ 871	\$ 871	\$ -
Charges for services	191,526	191,526	215,985
Assessments	8,124	8,124	-
Miscellaneous	220	220	200
Total operating revenues	<u>200,741</u>	<u>200,741</u>	<u>216,185</u>
<b>OPERATING EXPENSES</b>			
Personal services	21,619	21,619	2,907
Business and travel	99	99	-
Contractual services	54,954	54,954	886
Rents and utilities	4,755	4,755	553
Supplies and maintenance	61,865	61,865	11,769
Insurance claims and expenses	-	-	202,642
Equipment	453	453	-
Fringe benefits and overhead	13,341	13,341	-
Depreciation expense	19,441	19,441	4,371
Other	111	111	700
Total operating expenses	<u>176,638</u>	<u>176,638</u>	<u>223,828</u>
Operating income (loss)	<u>24,103</u>	<u>24,103</u>	<u>(7,643)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	1,094	1,094	2,436
Interest expense	(20,953)	(20,953)	-
Capital contributions to other subdivisions	(25,931)	(25,931)	-
Total nonoperating revenues (expenses)	<u>(45,790)</u>	<u>(45,790)</u>	<u>2,436</u>
Income (loss) before transfers and capital contributions	<u>(21,687)</u>	<u>(21,687)</u>	<u>(5,207)</u>
Transfers in	-	-	223
Transfers out	-	-	(1,961)
Capital contributions from external parties	25,585	25,585	-
Change in net assets	<u>3,898</u>	<u>3,898</u>	<u>(6,945)</u>
Net assets at beginning of the year	<u>423,487</u>		<u>69,786</u>
Net assets at end of the year	<u>\$ 427,385</u>		<u>\$ 62,841</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>(12)</u>	
Change in net assets of business-type activities		<u>\$ 3,886</u>	

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

	<b>Metropolitan District Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 204,914	\$ 216,507
Payments to suppliers	(117,886)	(13,864)
Payments to employees	(35,429)	(2,956)
Payment for interfund services used	-	(700)
Claims paid	-	(203,356)
Other receipts	-	467
Net cash provided (used) by operating activities	<u>51,599</u>	<u>(3,902)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	-	223
Transfers out	-	(1,961)
Advances from other funds	-	1,022
Advances to other funds	-	(1,022)
Capital contributions paid to other subdivisions	(22,794)	-
Net cash provided (used) by noncapital financing activities	<u>(22,794)</u>	<u>(1,738)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	50,151	-
Retirement of bond anticipation notes	(46,600)	-
Capital contributions	16,248	-
Acquisition and construction of capital assets	(50,271)	(7,035)
Principal paid on capital debt	(30,746)	-
Interest paid on capital debt	(28,205)	-
Sales of capital assets	-	498
Net cash provided (used) by capital and related financing activities	<u>(89,423)</u>	<u>(6,537)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	1,094	2,436
Net cash provided by investing activities	<u>1,094</u>	<u>2,436</u>
Net decrease in cash and cash equivalents	(59,524)	(9,741)
Cash and cash equivalents at beginning of the year	85,514	106,390
Cash and cash equivalents at end of the year	<u>\$ 25,990</u>	<u>\$ 96,649</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 24,103	\$ (7,643)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	19,441	4,371
Amortization expense	98	-
Effect of changes in operating assets and liabilities:		
Receivables, net	4,528	522
Prepaid costs	-	(1,771)
Inventories	24	267
Accounts and other payables	3,775	450
Accrued expenses	(370)	(49)
Claims and judgements	-	(49)
Net cash provided (used) by operating activities	<u>\$ 51,599</u>	<u>\$ (3,902)</u>
<b>NONCASH CAPITAL FINANCING ACTIVITIES</b>		
Capital assets acquired through contributions from developers.	\$ 8,237	\$ -

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**  
**(In Thousands)**

	<b>Benefits Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents (Note 3)	\$ 39,015
Collateral for loaned securities (Note 3)	138,604
Receivables:	
Accrued interest & dividend income	5,894
Receivable for investments sold	12,110
Receivables other	2,173
Total receivables	20,177
Investments, at fair value:	
U.S. Government and Agency securities	96,863
Municipal bonds	52,052
Foreign bonds	43,080
Corporate bonds	157,949
Stocks	364,970
Bond mutual funds	140,644
Stock mutual funds	414,078
Real estate equity funds	76,507
Hedge funds	98,136
Private equity funds	81,124
Global asset allocation	275,788
Total investments	1,801,191
Total assets	1,998,987
<b>LIABILITIES</b>	
Collateral for loaned securities	138,604
Investments purchased	29,912
Investment expenses payable	2,251
Refunds payable	252
Other	2,921
Total liabilities	173,940
<b>NET ASSETS</b>	
Net assets held in trust for benefits	\$ 1,825,047

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

	<b>Benefits Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 162,248
Employees	55,050
Other	10,222
Total contributions	227,520
Investment earnings:	
Net decrease in the fair value of plan assets	(514,872)
Interest and dividends	50,245
Investment expenses	(11,887)
Net investment loss	(476,514)
Net income from securities lending:	
Securities lending income	3,609
Less:	
Borrower rebates	(1,677)
Agent fees	(562)
Net loss from securities lending	1,370
Total net investment loss	(475,144)
Total additions (losses)	(247,624)
<b>DEDUCTIONS</b>	
Benefits	268,299
Refunds	3,400
Administrative expense	947
Total deductions	272,646
Change in net assets	(520,270)
Net assets at beginning of the year	2,345,317
Net assets at end of the year	\$ 1,825,047

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Net Assets**  
**Component Units**  
**June 30, 2009**  
**(In Thousands)**

	<u>Board of Education</u>	<u>Community College</u>	<u>Board of Library Trustees</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments (Note 3)	\$ 20,249	\$ 20,986	\$ 5,048	\$ 46,283
Receivables	32,958	8,827	367	42,152
Due from primary government	43,399	1,242	325	44,966
Inventories	1,473	1,373	211	3,057
Prepaid costs	1,417	-	9	1,426
Deferred charges	-	129	-	129
Cash restricted for lease purchase	1,845	-	-	1,845
Net OPEB asset (Note 15)	23,345	3,581	1,101	28,027
Capital assets (Note 7)				
Non-depreciable	217,708	11,385	-	229,093
Depreciable (net of accumulated depreciation)	895,445	90,570	10,114	996,129
Total assets	<u>1,237,839</u>	<u>138,093</u>	<u>17,175</u>	<u>1,393,107</u>
<b>LIABILITIES</b>				
Accounts payable	31,054	6,139	659	37,852
Accrued payroll	12,243	3,065	1,584	16,892
Other liabilities	1,757	1,269	-	3,026
Unearned revenue	4,256	4,832	75	9,163
Liabilities payable from restricted assets	1,845	-	-	1,845
Noncurrent liabilities (Note 8)				
Due within one year	16,825	3,077	1,039	20,941
Due in more than one year	18,834	1,644	-	20,478
Total liabilities	<u>86,814</u>	<u>20,026</u>	<u>3,357</u>	<u>110,197</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,096,082	101,955	10,107	1,208,144
Restricted for:				
Education	6,150	4,324	-	10,474
OPEB	23,345	3,581	1,101	28,027
Expendable endowments	-	1,627	436	2,063
Unrestricted	25,448	6,580	2,174	34,202
Total net assets	<u>\$ 1,151,025</u>	<u>\$ 118,067</u>	<u>\$ 13,818</u>	<u>\$ 1,282,910</u>

The accompanying notes are an integral part of these financial statements.

**Baltimore County, Maryland**  
**Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education	Community College	Board of Library Trustees	Total
<b>BOARD OF EDUCATION</b>								
Public education	\$ 1,205,616	\$ 851	\$ 137,309	\$ 91,213	\$ (976,243)	\$ -	\$ -	\$ (976,243)
Facilities operations	145,712	-	1,570	3,255	(140,887)	-	-	(140,887)
Food service	36,411	16,390	19,591	-	(430)	-	-	(430)
Total Board of Education	<u>1,387,739</u>	<u>17,241</u>	<u>158,470</u>	<u>94,468</u>	<u>(1,117,560)</u>	<u>-</u>	<u>-</u>	<u>(1,117,560)</u>
<b>COMMUNITY COLLEGE</b>								
Educational and general expenses	144,493	49,455	71,624	-	-	(23,414)	-	(23,414)
Facilities operations	19,677	-	-	13,161	-	(6,516)	-	(6,516)
Auxiliary enterprises	9,063	6,820	-	-	-	(2,243)	-	(2,243)
Total Community College	<u>173,233</u>	<u>56,275</u>	<u>71,624</u>	<u>13,161</u>	<u>-</u>	<u>(32,173)</u>	<u>-</u>	<u>(32,173)</u>
<b>BOARD OF LIBRARY TRUSTEES</b>								
Culture and leisure services	44,459	4,231	5,801	2,138	-	-	(32,289)	(32,289)
Total component units	<u>\$ 1,605,431</u>	<u>\$ 77,747</u>	<u>\$ 235,895</u>	<u>\$ 109,767</u>	<u>(1,117,560)</u>	<u>(32,173)</u>	<u>(32,289)</u>	<u>(1,182,022)</u>
General Revenues:								
Baltimore County					680,975	41,913	33,672	756,560
State of Maryland					518,511	-	-	518,511
Unrestricted investment earnings					-	(952)	-	(952)
Other					8,766	-	-	8,766
Total general revenues					<u>1,208,252</u>	<u>40,961</u>	<u>33,672</u>	<u>1,282,885</u>
Change in net assets					90,692	8,788	1,383	100,863
Net assets at beginning of the year					1,060,333	109,279	12,435	1,182,047
Net assets at end of the year					<u>\$ 1,151,025</u>	<u>\$ 118,067</u>	<u>\$ 13,818</u>	<u>\$ 1,282,910</u>

The accompanying notes are an integral part of these financial statements.

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting and reporting policies of the County conform in all material respects to generally accepted accounting principles as applicable to governmental entities in the United States (GAAP). The following is a summary of significant policies.

***Financial Reporting Entity***

Baltimore County, Maryland (the "County") is a corporate polity, performing all local governmental functions within its jurisdiction. Under home rule charter since 1957, the County is governed by an elected County Executive and a seven-member County Council, with each serving executive and legislative functions, respectively.

In accordance with GAAP, the accompanying financial statements include the various departments and agencies governed by the County Executive and County Council (the primary government) and the County's component units. Discretely presented component units are reported separately from the primary government to emphasize that they are legally separate from the County. The component units are included as part of the County's reporting entity because of the significance of their operational or financial relationships with the County. The component units are fiscally dependent on the County and have no taxing authority.

***Discretely Presented Component Units***

The discretely presented component units are all governed by individual boards. The Board of Education of Baltimore County and the Board of Trustees of the Community College of Baltimore County are appointed by the Governor of Maryland. The Board of Library Trustees is appointed by the County Executive. A brief description of the component units follows.

1. The Board of Education of Baltimore County operates all public schools (grades K through 12) within the County.
2. The Board of Library Trustees operates all public libraries within the County.
3. The Board of Trustees of the Community College of Baltimore County operates a two-year college program at three campuses: Catonsville, Dundalk and Essex.

Annual financial reports can be obtained from the respective administrative offices listed below:

Baltimore County Public Schools  
Department of Fiscal Services  
1940G Greenspring Drive  
Timonium, Maryland 21093

Community College of Baltimore County  
Office of Finance  
7200 Sollers Point Road  
Baltimore, Maryland 21222

Board of Library Trustees  
320 York Road  
Towson, Maryland 21204

***Related Organizations***

The County Executive is also responsible for appointing the members of numerous boards, but the County's accountability for these organizations does not extend beyond making appointments. These boards include:

Adult Public Guardianship Review Board  
Advisory Arbitration Panel  
Animal Hearing Board  
Board of Architectural Review  
Board of Liquor License Commissioners  
Board of Social Services  
Children and Youth Council  
Commission on Aging  
Commission on Disabilities  
Criminal Justice Coordinating Council

Advisory Commission on Environmental Quality  
Agricultural Land Preservation Advisory Board  
Board of Appeals  
Board of Health  
Board of Recreation and Parks  
Child Protection Panel  
Commission for Women  
Commission on Arts and Sciences  
Commission on Veterans' Affairs  
Design Review Panel

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Drug and Alcohol Abuse Advisory Council	Electrical Administrative Board
Ethics Commission	Ethnic Diversity Advisory Council
Human Relations Commission	Landmarks Preservation Commission
Local Management Board	Mental Health Advisory Council
Minority and Women Business Enterprise Commission	Personnel and Salary Advisory Board
Plumbing Board	Planning Board
Revenue Authority	Professional Services Selection Committee
Workforce Development Council	Soil Conservation District Board

The amounts that the County appropriated to these organizations during the fiscal year ended June 30, 2009 were immaterial to the basic financial statements taken as a whole.

***Government-Wide and Fund Financial Statements***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Government-Wide Financial Statements***

The statement of net assets and statement of activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Interfund activity within the governmental activities and within the business-type activities have been eliminated from these statements.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**Restricted net assets** result when constraints placed on net asset use are either externally imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. 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. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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The County reports the following major governmental funds:

The General Fund is the County's general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The Gifts and Grants Fund accounts for a number of gifts and grants awarded to the County that are not accounted for in another fund.

The Consolidated Public Improvement Construction Fund accounts for the acquisition or construction and related financing sources for capital facilities of the primary government and for capital contributions made to the County's component units for their capital facilities.

The County reports on the following major enterprise fund:

The Metropolitan District Fund accounts for the operation of the Metropolitan District, which provides water supply and sewerage systems to County residents within the District.

The County also reports the following fund types:

Internal Service Funds account for the operation of a motor pool of passenger vehicles and light duty trucks, a printing facility and a self-insurance program for workers' compensation; general and auto liability insurance; and employee health insurance.

Pension Trust Funds account for the accumulation of assets to be used for pension benefit payments to qualified employees.

Other Post Employment Benefits Trust Fund accounts for the accumulation of assets to be used for healthcare and life insurance benefit payments to qualified employees.

***Basis of Accounting***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is 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 revenue as soon as all eligibility requirements have been met.

The governmental funds financial statements are reported using the modified accrual basis of accounting. The measurement focus of these funds is the determination of financial position and changes in financial position ("current financial resources" focus). Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon thereafter to pay liabilities of the current period. The County considers sales and income taxes, interest income and various intergovernmental revenues available if they are collected within 60 days after year-end. Property tax revenue is recognized on receipts within 30 days of year-end. Revenue related to expenditure driven grants is recognized when the applicable eligibility requirements have been met and to the extent that cash is expected to be received within one year of year-end. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures, other than principal and interest on long-term debt and compensated absences as described below, are recorded when the liability is incurred. Principal and interest on general long-term debt are recorded in the governmental funds as liabilities when due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Enterprise and Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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not meeting this definition are reported as nonoperating revenues and expenses. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

The pension trust funds and the other postemployment benefit trust fund use the accrual basis of accounting. Member contributions are recognized in the period when due. Employer contributions are recognized when due and a formal contribution commitment has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. These transactions are not finalized until settlement date, which occurs approximately three business days after the trade date.

The County reports unearned revenue in the government-wide statements and proprietary fund financial statements when cash is received prior to being earned. Deferred revenue is recognized in the governmental fund statements when revenue is unearned or unavailable.

***Budgetary Data***

As required by Article VII of the Baltimore County Charter, the annual operating budget and the capital budget are prepared by the County Executive and submitted to the County Council for adoption. Such budgets are generally prepared on the modified accrual basis of accounting described above and reflect encumbrance accounting. Prior to adoption of the budgets, the County Council may decrease or delete any item with the exception of those required by the general laws of the State of Maryland, provisions for debt service on outstanding obligations and provisions to eliminate any estimated cash deficits. Requests for supplementary and emergency appropriations may be prepared during the year by the County Executive and adopted by the County Council. There were no supplementary and emergency appropriations adopted for the General Fund operating budget during fiscal year 2009.

Annual budgets are adopted for the General Fund and the nonmajor Liquor License Special Revenue Fund. All other governmental funds have an adopted project-length budget. The operating budget reflects appropriations for the General Fund and the Special Revenue Funds on a function/agency/program basis. Expenditures and encumbrances of such funds may not legally exceed appropriations at the program level. Inter-program transfers of no more than ten percent of appropriations may be authorized by the County Administrative Officer. Inter-program transfers in excess of ten percent of appropriations require the approval of the County Executive and the County Council. Inter-agency transfers between County offices, departments or agencies may be made during the last quarter of the fiscal year only on the recommendation of the County Executive with the approval of the County Council. All unencumbered appropriations of annual budgets lapse at the end of the fiscal year.

The County presents its General Fund budgetary comparison statement as part of the basic financial statements. Unbudgeted equipment financing activity in the General Fund comparison consists of \$36.295 million in new proceeds. \$.368 million of interest income decreased by \$.8.188 million is equipment purchases. The unspent equipment financing proceeds of \$31.132 million are reported as a reservation of fund balance at fiscal year-end.

The capital budget reflects appropriations for the Consolidated Public Improvement Construction Fund at the individual project level. Expenditures and encumbrances may not legally exceed appropriations at that level and unencumbered appropriations lapse at the completion or abandonment of individual projects. Transfers of appropriations between projects must be approved by the County Executive and the County Council.

***Pooled Cash, Cash Equivalents and Investment Income***

The County maintains a cash and investment income pool for all funds except for the fiduciary funds. Based on the availability of cash in various funds, marketable securities are purchased and income on investments is credited to the General, Metropolitan District, and Self-Insurance Program Funds.

For purposes of the statements of cash flows, the County defines cash equivalents to include the following: all highly liquid, unrestricted investments with a maturity of three months or less when purchased; all cash and investment pools that are used essentially as demand accounts; all cash with fiscal agents; and all restricted cash and investments that

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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have been determined to be cash equivalents.

***Debt Retirement***

General obligation long-term debt retirements are paid from the General and Metropolitan District Funds. The Metropolitan District Fund includes \$127 million of receivables for future billings of assessments for water and sewer lateral pipe abutting properties within the District. These assessments, which are levied on individual properties for a period of forty years from the date of installation, represent a significant cash stream that is designated to retire the Metropolitan District long-term debt.

***Investments***

Money market investments and participating interest-earning investment contracts are carried at amortized cost, which approximates fair value. Other investment securities are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the prevailing exchange rates as of June 30, 2009. The fair value of mutual funds is based on the fair values of the underlying securities. The fair value of real estate equity funds is based on independent appraisals. Private equity funds and hedge funds are valued based on information provided by the respective fund managers.

***Inventories***

Inventories in the General Fund and the proprietary funds are accounted for using the purchase method. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets. A reservation of fund balance for the amount of General Fund inventories has been made in the governmental fund statements to reflect the non-availability of those amounts for appropriation or expenditure. Inventories are valued at cost.

***Capital Assets***

Capital assets of governmental funds are recorded in the statement of net assets at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. The County's capitalization levels are \$1,000 for vehicles, machinery and equipment, and \$25,000 for buildings and infrastructure. The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's life are not capitalized. An allowance for depreciation has been provided using the straight-line method over the estimated useful life. The estimated useful lives range from two to fifteen years for vehicles, machinery and equipment, twenty to fifty years for buildings, and twenty to seventy-five years for infrastructure. Major outlays for the construction of buildings and infrastructure are capitalized as constructed. Interest is capitalized during the construction of business-type activities capital assets as it is incurred.

***Outstanding Claims***

The outstanding claims liability includes estimates for all known workers' compensation, personal injury, property damage and health claims and an estimate for claims incurred but not reported at June 30, 2009.

***Compensated Absences***

County employees are granted vacation, personal, and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and personal leave days up to a certain maximum depending on employment classification. Employees are not reimbursed for accumulated sick leave. Payments made to terminated employees for accumulated leave are charged as expenditures/expenses, primarily in the General Fund, Special Revenue Funds, and Proprietary Funds, when paid. Accumulated vacation, personal leave and compensatory time benefits at year-end are recorded as obligations in the statement of net assets and proprietary fund statements.

***Reservations/Designations of Fund Balance***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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fund balance are not legally required, but represent the intent of the County's administration to use fund balance for specific purposes in the future. Designations for subsequent years' expenditures represent funds that will be used to finance, in part, the FY10 General Fund operating budget. Designations for revenue stabilization are intended to protect the County against future revenue shortfalls and may be used upon County Council approval only when certain criteria have been met.

**Restricted Net Assets**

The government-wide statement of net assets reports \$73.357 million of restricted net assets, of which \$59.249 million is restricted by enabling legislation.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (expressed in thousands):

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of the reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$996,914 difference are as follows:

General obligation debt	\$ (795,375)
Certificates of participation and mortgage payable	(79,615)
Add: Issuance premium (to be amortized as reduction to interest expense)	(42,761)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	2,356
Less: Deferred charge on refunding (to be amortized as interest expense)	5,564
Accrued interest payable	(12,485)
Compensated absences	(61,248)
Estimated landfill closing costs	<u>(13,350)</u>
Net adjustment to reduce fund balance - total funds to arrive at net assets of governmental activities	<u><u>\$ (996,914)</u></u>

**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$62,082 difference are as follows:

Capital outlay	\$ 129,203
Depreciation expense	<u>(67,121)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 62,082</u></u>

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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Another element of the reconciliation states that "The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this \$18,879 difference are as follows:

In the statement of activities, only the gain/(loss) on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	\$ (269)
Donations and transfers in of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>19,148</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u><u>\$ 18,879</u></u>

Another element of the reconciliation states that "The issuance of long-term debt (e.g., bonds, certificates of participation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$19,320 difference are as follows:

Debt issued or incurred:	
General obligation debt	\$ (108,020)
Certificates of participation	(34,700)
Add premium	(9,874)
Less debt issuance costs	503
Principal repayments:	
General obligation debt	84,565
Certificates of participation	5,910
Mortgage payable	86
Payment to escrow agent for refunding	<u>80,850</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 19,320</u></u>

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Another element of the reconciliation states that "Some 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." The details of this \$5,019 difference are as follows:

Increase in compensated absences	\$ (3,090)
Decrease in accrued interest	433
Decrease in landfill closure and post-closure costs	3,575
Amortization of issuance costs	(269)
Amortization of deferred charge on refunding	(1,624)
Amortization of premiums	<u>5,994</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 5,019</u></u>

**3. CASH, INVESTMENTS AND SECURITIES LENDING:**

The County maintains a cash and investment pool that is available for use by all funds, except for the fiduciary funds. Each fund's portion of this pool is reported on the statement of net assets as "Cash and investments." The fiduciary funds investments are held and managed separately from those of other County funds.

Deposits

The County maintains cash balances, which are covered by FDIC insurance and collateral held at the Federal Reserve in the County's name. The component units' cash in banks are covered either by FDIC insurance or the County's blanket collateral coverage. At June 30, 2009, the carrying amounts of cash for the primary government and its component units were \$9.635 million and \$8.255 million respectively.

Investments

*Internal Investment Pool (the "Pool")* - The County has adopted an investment policy to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the cash flow demands of the County and conforming to all state and local statutes governing the investment of public funds. Permissible investments include U.S. Government obligations, U.S. Government agency obligations, money market mutual funds, repurchase agreements, banker's acceptances, commercial paper (no more than 10% of the portfolio) and the Maryland Local Government Investment Pool (MLGIP) that is administered by the State Treasurer. Repurchase agreements are collateralized according to Maryland State Investment Code and marked to market daily.

*Pension Trust Funds and Other Post Employment Benefits Trust ("OPEB Plan")* - As provided in Article 5, Title 1 and §10-14-106 of the Baltimore County Code, the Board of Trustees of the Employees' Retirement System (the "System") is empowered to invest the System's and the OPEB Plan's assets jointly and to take appropriate action regarding the investment, management and custodianship of the System's and the OPEB Plan's assets. The System's and the OPEB Plan's investment policy targets 32% in U.S. equities, 13% in international equities, 25% in core-plus fixed income investments, 5% in real estate equity, 5% in hedge funds, 5% in private equities and 15% in Global Asset Allocation Funds. Certain System and OPEB Plan investment managers have invested in the following types of instruments: asset backed securities, warrants, variable rate securities and interest rate swaps, U.S. Treasury interest and principal strips, U.S. Treasury futures and options, and collateralized mortgage obligations. The System's and the OPEB Plan's fixed income managers primarily acquire these types of instruments to increase investment yield and/or decrease investment risk. They represent approximately 2.8% of the System's and the OPEB Plan's portfolio at and during the fiscal year ended June 30, 2009. The Police, Fire and Widows' Pension Plan (the "Pension Plan"), funded through the sale of bonds, invests primarily in fixed income securities.

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Investments for the reporting entity as of June 30, 2009 are as follows (in thousands):

Investments	The Pool	The System	OPEB Plan	Pension Plan	Total Primary Government	Component Units	Reporting Entity
U.S. securities and agencies							
Not on securities loan	\$ -	\$ 65,094	\$ 6,395	\$ -	\$ 71,489	\$ -	\$ 71,489
On securities loan for securities or cash collateral	-	23,104	2,270	-	25,374	-	25,374
MLGIP	-	-	-	-	-	33,001	33,001
Municipal bonds	-	-	-	52,052	52,052	-	52,052
Foreign bonds	-	34,157	3,356	5,567	43,080	-	43,080
Corporate bonds							
Not on securities loan	-	139,517	13,707	-	153,224	-	153,224
On securities loan for securities or cash collateral	-	4,302	423	-	4,725	-	4,725
Bond mutual funds	-	121,549	11,942	7,153	140,644	-	140,644
Money market funds	331,642	35,630	3,501	1,744	372,517	5,027	377,544
Real estate equity funds	-	46,461	4,565	-	51,026	-	51,026
Stocks							
Not on securities loan	-	237,728	23,356	-	261,084	-	261,084
On securities loan for securities or cash collateral	-	94,592	9,293	-	103,885	-	103,885
Stock mutual funds	-	367,975	36,153	9,950	414,078	-	414,078
Venture capital mutual funds	-	97,070	9,537	-	106,607	-	106,607
Hedge funds	-	89,357	8,779	-	98,136	-	98,136
Global Asset Allocation fund	-	251,116	24,672	-	275,788	-	275,788
Securities lending short-term collateral investment pool	-	126,205	12,399	-	138,604	-	138,604
Other	-	-	-	-	-	1,845	1,845
<b>Total</b>	<b>\$ 331,642</b>	<b>\$ 1,733,857</b>	<b>\$ 170,348</b>	<b>\$ 76,466</b>	<b>\$ 2,312,313</b>	<b>\$ 39,873</b>	<b>\$ 2,352,186</b>

*Securities Lending Transactions* - The System's, the OPEB Plan's and the Pension Plan's policies authorize the lending of their securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System's, the OPEB Plan's and the Pension Plan's custodian may lend U.S. government and agency securities, corporate bonds and stocks for collateral in the form of cash, other securities and irrevocable bank letters of credit. Collateral securities, letters of credit and cash are initially pledged at 102% of the market value of the securities lent. Additional collateral is to be provided by the next business day if the collateral value falls to less than 100% of the market value of the securities lent. The System, the OPEB Plan and the Pension Plan did not impose any restrictions during the fiscal year on security loans the custodian made on its behalf. The System, the OPEB Plan and the Pension Plan at year-end had no credit risk exposure to borrowers because the amounts owed to borrowers exceed the amounts the borrowers owe. The System, the OPEB Plan, the Pension Plan or the borrower can terminate securities loans on demand. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted average maturity of 27 days. The relationship between the maturities of the investment pool and the System's, the OPEB Plan's and the Pension Plan's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the System, the OPEB Plan and the Pension Plan cannot determine. The System, the OPEB Plan and the Pension Plan cannot pledge or sell collateral securities received unless the borrower defaults. The collateral held and the fair value of securities on loan as of June 30, 2009 totaled \$138.604 million and \$133.983 million, respectively.

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The following is a listing of the OPEB Plan's and the Pension Trust Funds' fixed income investments of bonds, short-term investments and related maturity schedule (in thousands):

Investment Type	Fair Value	Investment Maturities (in years)					
		Less than 1	1 - 4.9	5 - 9.9	10 - 19.9	20 - 30	More than 30
<b>The System</b>							
U.S. Government Obligations	\$ 52,481	\$ -	\$ 16,350	\$ 9,769	\$ 17,363	\$ 8,478	\$ 521
U.S. Agency Securities	35,717	162	306	739	3,037	22,348	9,125
Corporate Bonds	143,819	3,319	24,084	41,696	21,394	26,961	26,365
Bond Mutual Funds	121,549	14,586	34,034	72,929	-	-	-
Foreign Bonds	34,157	14,931	3,332	7,337	2,587	701	5,269
Total	<u>387,723</u>	<u>32,998</u>	<u>78,106</u>	<u>132,470</u>	<u>44,381</u>	<u>58,488</u>	<u>41,280</u>
<b>OPEB Plan</b>							
U.S. Government Obligations	5,156	-	1,606	960	1,706	833	51
U.S. Agency Securities	3,509	16	30	73	298	2,196	896
Corporate Bonds	14,130	326	2,367	4,096	2,102	2,649	2,590
Bond Mutual Funds	11,942	1,433	3,344	7,165	-	-	-
Foreign Bonds	3,356	1,467	327	721	254	69	518
Total	<u>38,093</u>	<u>3,242</u>	<u>7,674</u>	<u>13,015</u>	<u>4,360</u>	<u>5,747</u>	<u>4,055</u>
<b>Pension Plan</b>							
Municipal Bonds	52,052	859	11,703	16,057	20,689	2,744	-
Bond Mutual Funds	7,153	1,073	3,791	2,289	-	-	-
Foreign Bonds	5,567	2,000	500	-	-	-	3,067
Total	<u>64,772</u>	<u>3,932</u>	<u>15,994</u>	<u>18,346</u>	<u>20,689</u>	<u>2,744</u>	<u>3,067</u>
Total Primary Government	<u>\$ 490,588</u>	<u>\$ 40,172</u>	<u>\$ 101,774</u>	<u>\$ 163,831</u>	<u>\$ 69,430</u>	<u>\$ 66,979</u>	<u>\$ 48,402</u>

*Interest Rate Risk* – To the extent possible, the Pool will attempt to match investments with anticipated cash flow requirements. Unless matched to specific cash flow, the Pool will not directly invest in securities maturing more than one year from the date of purchase. The Pension Trust Funds' and the OPEB Plan's policy guidelines do not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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*Credit Risk* – The Pool’s, the Pension Trust Funds’ and the OPEB Plan’s investment policies are to apply the prudent-person rule: Investments are made as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and in general, avoid speculative investments. As of June 30, 2009, the Pension Trust Funds’ and the OPEB Plan’s fixed income investments had the following risk characteristics:

Moody's Rating or Comparable	The System		OPEB Plan		Pension Plan	
	Percent of Total Investments	Market Value (in thousands)	Percent of Total Investments	Market Value (in thousands)	Percent of Total Investments	Market Value (in thousands)
AAA	7.30%	114,746	7.30%	11,273	6.43%	4,803
AA	0.68%	10,674	0.68%	1,049	24.93%	18,629
A	2.36%	37,070	2.36%	3,642	18.19%	13,593
BAA	3.00%	47,238	3.00%	4,641	12.39%	9,259
BA	1.03%	16,209	1.03%	1,593	0.00%	-
BBB	0.00%	-	0.00%	-	6.71%	5,013
B	0.70%	10,972	0.70%	1,078	0.00%	-
CAA	0.56%	8,746	0.56%	859	0.00%	-
CA	0.18%	2,809	0.18%	276	0.00%	-
C	0.02%	329	0.02%	32	0.00%	-
Not Rated	8.84%	138,930	8.84%	13,650	18.03%	13,475
Total	24.67%	\$ 387,723	24.67%	\$ 38,093	86.68%	\$ 64,772

*Foreign Investments/Forward Exchange Contracts* – Foreign investments include equity and fixed income securities. In conjunction with certain foreign investments, the System and the OPEB Plan have entered into forward exchange contracts to sell or purchase certain foreign currencies at specified rates at stated dates. At June 30, 2009, the System and the OPEB Plan had cash and cash equivalent, and fixed income security futures exposure of \$49 million. The System and the OPEB Plan continues to invest in similar contracts. The Pension Trust Funds’ and the OPEB Plan’s investment policy guidelines include a section on derivatives, which speaks to the use of futures, forwards and other derivative instruments and securities. These guidelines strictly prohibit the use of derivatives to create leverage, create exposure to currencies and securities that would not otherwise be allowed, or increase the actual or potential risk of the portfolio.

*Foreign Currency Risk* – The System’s and the OPEB Plan’s exposure to foreign currency risk is derived from its positions in foreign currency-denominated common stock and fixed asset investments. The System’s and the OPEB Plan’s exposure to foreign currency risk is as follows:

Currency	Fair Value (in thousands)		
	The System	OPEB Plan	Total
Australian Dollar	\$ 4,333	\$ 425	\$ 4,758
British Pound Sterling	20,794	2,043	22,837
Danish Krone	3,810	374	4,184
Euro Currency Unit	44,899	4,411	49,310
Hong Kong Dollar	2,469	243	2,712
Japanese Yen	20,323	1,996	22,319
Malaysian Ringgit	1	-	1
Norwegian Krone	698	69	767
Singapore Dollar	1,007	99	1,106
South Korean Won	1,783	175	1,958
Swedish Krona	1,993	195	2,188
Swiss Franc	9,449	929	10,378
	\$ 111,559	\$ 10,959	122,518

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**4. PROPERTY TAX:**

The major portion of the County's property tax is levied each July 1 on the assessed value listed as of that date for all real and personal property located in the County.

Assessed values are established by the Maryland Department of Assessments and Taxation at one hundred percent of estimated market value. The assessed value of taxable real and personal property in the County for fiscal year 2009 was \$82 billion.

The property tax rate for the year ended June 30, 2009 was \$1.10 for real property and \$2.75 for personal property per \$100 of assessed valuation. The current tax collections for the year were 99.4% of the tax levied. Property taxes are recorded as receivables in the General Fund at the levy date with appropriate allowances for estimated uncollectible amounts as described in Note 5.

The full year property tax calendar is as follows:

\*July 1 - Full year levy assessed for current fiscal year.

\*July 31 - Bills paid during July are granted a 1% discount.

August 31 - Bills paid during August are granted a ½% discount.

September 30 - First semiannual installment is due if eligible property owners elect the semiannual payment option for real property taxes.

October-April - Delinquent taxes accrue interest at the rate of 1% a month from October 1 to date of payment.

December 1 - Second installment due on real property taxes if paying on a semiannual basis.

June - Delinquent real properties are sold at the annual tax sale.

\*A 1% discount is granted if paid within 30 days, for bills dated other than July.

**5. RECEIVABLES (in thousands):**

Receivables as of June 30, 2009 for the County's major funds, Internal Service Funds, and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Gifts and Grants	Consolidated Public Improvement Construction	Metropolitan District	Nonmajor and Other Funds	Total Receivables
Property taxes	\$ 9,005	\$ -	\$ -	\$ -	\$ -	\$ 9,005
Accounts	8,386	-	-	1,212	3,092	12,690
Intergovernmental	167,416	15,259	10,217	388	-	193,280
Assessments	1,591	-	7,626	163,941	-	173,158
Loans	-	35,871	-	-	12,731	48,602
Interest	24	-	-	-	-	24
Total receivables	<u>186,422</u>	<u>51,130</u>	<u>17,843</u>	<u>165,541</u>	<u>15,823</u>	<u>436,759</u>
Allowance for uncollectible accounts	(1,431)	(19,803)	-	-	-	(21,234)
Net total receivables	<u>\$ 184,991</u>	<u>\$ 31,327</u>	<u>\$ 17,843</u>	<u>\$ 165,541</u>	<u>\$ 15,823</u>	<u>\$ 415,525</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 1,388</u>	<u>\$ 14,068</u>	<u>\$ 6,123</u>	<u>\$ 147,969</u>	<u>\$ 11,054</u>	<u>\$ 180,602</u>

At June 30, 2009, the County has recorded \$35.871 million of outstanding loans receivable in the Gifts and Grants Fund. These receivables are for loans made to residents and developers to acquire, rehab, or repair low-income housing units or to provide funds for settlement costs to qualified first-time home buyers under various federally funded financial assistance programs. Approximately \$19.803 million of these loans are offset by an allowance for uncollectible accounts because collections are highly uncertain. In many cases, the loan repayment is forgiven if the resident/developer complies with certain federal requirements, which may include residing in the property for a stated number of years.

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Governmental funds report deferred 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 earned. The various components of deferred revenue and unearned revenue reported in the governmental funds as of June 30, 2009 were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ 7,295	\$ 627	\$ 7,922
Income taxes	108,487	-	108,487
Economic and community development loans	28,799	-	28,799
Special assessments not yet due	9,197	-	9,197
Grant funds received prior to meeting all eligibility requirements	-	9,343	9,343
<b>Total deferred/unearned revenue for governmental funds</b>	<b>\$ 153,778</b>	<b>\$ 9,970</b>	<b>\$ 163,748</b>

**6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS** (in thousands):

The composition of interfund balances as of June 30, 2009 is as follows:

Receivable fund	Payable fund	Purpose	Amount
Self-Insurance Program	Vehicle Operation and Maintenance	Deficit cash balance	\$ 13,397
General	Consolidated Public Improvement	Deficit cash balance	74,807
		Total	<u>\$ 88,204</u>

Interfund transfers for the fiscal year ended June 30, 2009 were as follows:

	Transferred to					Total
	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Internal Service Funds	
Transferred from						
General	\$ -	\$ 7,161	\$ 138,500	\$ -	\$ 58	\$ 145,719
Gifts and Grants	1,170	-	-	-	165	1,335
Consolidated Public Improvement Construction	270	328	-	15,669	-	16,267
Nonmajor Governmental Funds	109	-	-	-	-	109
Internal Service Funds	1,961	-	-	-	-	1,961
<b>Total transfers</b>	<b>\$ 3,510</b>	<b>\$ 7,489</b>	<b>\$ 138,500</b>	<b>\$ 15,669</b>	<b>\$ 223</b>	<b>\$ 165,391</b>

The transfers from the General Fund to the Consolidated Public Improvement Construction Fund are pay-as-you-go funding for capital projects. The transfers from the Gifts and Grants Fund to the General Fund are unused prior years County matching funds. Respective transfers of \$1.961 million, \$0.27 million and \$0.109 million from the Self-Insurance Program Fund, the Consolidated Public Improvement Construction Fund and the Economic Development Revolving Loan Fund to the General Fund are investment income transfers on pooled cash. The remaining transfers are various funding contributions for operations.

Receivables and payables between the primary government and the component units do not equal due to timing differences.

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**7. CAPITAL ASSETS** (in thousands):

A summary of the primary government's changes in capital assets for the year ended June 30, 2009 is reported below:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 216,584	\$ 19,833	\$ (21)	\$ 236,396
Construction in progress	251,860	107,802	(82,739)	276,923
Total capital assets not being depreciated	<u>468,444</u>	<u>127,635</u>	<u>(82,760)</u>	<u>513,319</u>
Capital assets being depreciated:				
Buildings and improvements	427,422	10,158	-	437,580
Machinery and equipment	98,350	7,365	(1,151)	104,564
Vehicles	108,776	7,217	(6,403)	109,590
Infrastructure	2,138,028	85,943	-	2,223,971
Total capital assets being depreciated	<u>2,772,576</u>	<u>110,683</u>	<u>(7,554)</u>	<u>2,875,705</u>
Less accumulated depreciation for:				
Buildings and improvements	(105,426)	(9,985)	-	(115,411)
Machinery and equipment	(58,258)	(7,592)	1,033	(64,817)
Vehicles	(57,208)	(9,432)	5,583	(61,057)
Infrastructure	(951,874)	(44,483)	-	(996,357)
Total accumulated depreciation	<u>(1,172,766)</u>	<u>(71,492)</u>	<u>6,616</u>	<u>(1,237,642)</u>
Total capital assets being depreciated, net	<u>1,599,810</u>	<u>39,191</u>	<u>(938)</u>	<u>1,638,063</u>
Governmental activities capital assets, net	<u>\$ 2,068,254</u>	<u>\$ 166,826</u>	<u>\$ (83,698)</u>	<u>\$ 2,151,382</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,304	\$ 2	\$ -	\$ 1,306
Construction in progress	190,296	63,779	(43,249)	210,826
Total capital assets not being depreciated	<u>191,600</u>	<u>63,781</u>	<u>(43,249)</u>	<u>212,132</u>
Capital assets being depreciated:				
Buildings and improvements	130,423	5,045	-	135,468
Machinery and equipment	1,607	43	-	1,650
Vehicles	10,112	-	(182)	9,930
Infrastructure	890,750	41,055	-	931,805
Total capital assets being depreciated	<u>1,032,892</u>	<u>46,143</u>	<u>(182)</u>	<u>1,078,853</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,913)	(3,274)	-	(54,187)
Machinery and equipment	(908)	(104)	-	(1,012)
Vehicles	(5,396)	(686)	182	(5,900)
Infrastructure	(230,364)	(15,377)	-	(245,741)
Total accumulated depreciation	<u>(287,581)</u>	<u>(19,441)</u>	<u>182</u>	<u>(306,840)</u>
Total capital assets being depreciated, net	<u>745,311</u>	<u>26,702</u>	<u>-</u>	<u>772,013</u>
Business-type activities capital assets, net	<u>\$ 936,911</u>	<u>\$ 90,483</u>	<u>\$ (43,249)</u>	<u>\$ 984,145</u>

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Depreciation expense was charged to primary government functions as follows:

Governmental activities:	
General government	\$ 11,928
Public safety	6,242
Public works, which includes the depreciation of infrastructure assets	41,181
Health and human services	1,442
Culture and leisure services	6,286
Economic and community development	42
Capital assets held by the County's internal service funds is charged to the various activities based on their usage of the assets.	<u>4,371</u>
Total depreciation expense - governmental activities	<u><u>\$ 71,492</u></u>
Business-type activities:	
Water and sewer services, which include the depreciation of infrastructure assets	<u>\$ 19,441</u>
Total depreciation expense - business-type activities	<u><u>\$ 19,441</u></u>

A summary of the component units' changes in capital assets is reported below:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Board of Education:</b>				
Capital assets not being depreciated:				
Land	\$ 25,578	\$ -	\$ -	\$ 25,578
Construction in progress	246,124	86,453	(140,446)	192,131
Total capital assets not being depreciated	<u>271,702</u>	<u>86,453</u>	<u>(140,446)</u>	<u>217,709</u>
Capital assets being depreciated:				
Buildings	1,025,489	134,146	(206)	1,159,429
Improvements other than buildings	49,308	9,291	-	58,599
Equipment and vehicles	118,529	13,515	(13,326)	118,718
Total capital assets being depreciated	<u>1,193,326</u>	<u>156,952</u>	<u>(13,532)</u>	<u>1,336,746</u>
Less accumulated depreciation	<u>(410,778)</u>	<u>(43,285)</u>	<u>12,762</u>	<u>(441,301)</u>
Total capital assets being depreciated, net	<u>782,548</u>	<u>113,667</u>	<u>(770)</u>	<u>895,445</u>
Board of Education capital assets, net	<u><u>\$ 1,054,250</u></u>	<u><u>\$ 200,120</u></u>	<u><u>\$ (141,216)</u></u>	<u><u>\$ 1,113,154</u></u>

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Community College:</b>				
Capital assets not being depreciated:				
Land	\$ 4,798	\$ -	\$ -	\$ 4,798
Construction in progress	15,766	11,370	(20,549)	6,587
Total capital assets not being depreciated	<u>20,564</u>	<u>11,370</u>	<u>(20,549)</u>	<u>11,385</u>
Capital assets being depreciated:				
Buildings and improvements	99,714	19,789	-	119,503
Infrastructure	23,095	987	-	24,082
Equipment and vehicles	17,591	2,955	(732)	19,814
Library materials	5,439	283	-	5,722
Total capital assets being depreciated	<u>145,839</u>	<u>24,014</u>	<u>(732)</u>	<u>169,121</u>
Less accumulated depreciation	<u>(74,000)</u>	<u>(5,154)</u>	<u>603</u>	<u>(78,551)</u>
Total capital assets being depreciated, net	<u>71,839</u>	<u>18,860</u>	<u>(129)</u>	<u>90,570</u>
The Community College of Baltimore County capital assets, net	<u>\$ 92,403</u>	<u>\$ 30,230</u>	<u>\$ (20,678)</u>	<u>\$ 101,955</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Board of Library Trustees:</b>				
Capital assets being depreciated:				
Equipment and vehicles	\$ 10,051	\$ 269	\$ -	\$ 10,320
Circulation materials	16,190	5,516	(4,942)	16,764
Total capital assets being depreciated	<u>26,241</u>	<u>5,785</u>	<u>(4,942)</u>	<u>27,084</u>
Less accumulated depreciation	<u>(16,049)</u>	<u>(5,863)</u>	<u>4,942</u>	<u>(16,970)</u>
Board of Library Trustees capital assets, net	<u>\$ 10,192</u>	<u>\$ (78)</u>	<u>\$ -</u>	<u>\$ 10,114</u>

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**8. LONG-TERM OBLIGATIONS:**

The County's principal long-term obligations are general obligation bonds and commercial paper bond anticipation notes (BANs) issued to finance the construction of county-wide public capital projects, water and sewer facilities within the County's Metropolitan District, and pension obligations for police officers and firefighters hired prior to October, 1959 and their spouses. The County's full faith, credit and unlimited taxing power are irrevocably pledged to the payment of the principal and interest of these bonds and notes.

Other long-term obligations include the accrued liability for vested compensated absences, estimated landfill closing costs, certificates of participation and a mortgage payable. The County considers all non-proprietary funds vested compensated absences to be long-term debt. Of the primary government's general long-term debt, only the redemption of the BANs and the liability for landfill closing costs are expected to be paid with bond proceeds.

The County Charter authorizes the County Council by appropriate resolution to issue bonds, other than metropolitan district bonds, up to a debt limit of 4% of the County's assessable property base, and metropolitan district bonds up to a debt limit of 3.2% of the District's assessable property base. Information related to these limitations is as follows:

	(in thousands)	
	General Bonds	Metropolitan District
Legal limitation for the borrowing of funds and issuance of bonds	\$ 3,280,007	\$ 2,307,669
General obligation debt outstanding applicable to debt limit	795,395	692,248

General obligation debt issuances require approval by voter referendum. Approved and unissued general obligation bonded debt totaled \$907,239,881 as of June 30, 2009, comprised of \$333,463,881 for public schools, \$497,530,000 for public facilities and \$76,246,000 for the Community College. Appropriated and unissued Metropolitan District bonded debt totaled \$267,550,794 at June 30, 2009.

On February 24, 2009, the County settled the issuance of \$97,535,000 related to the refunding of general obligation bonds. The issuance consisted of \$24,515,000 Metropolitan District Bonds – 2009 Refunding Series, \$26,880,000 Consolidated Public Improvement – 2009 Refunding Series, and \$46,140,000 Pension Funding Bonds – 2009 Refunding Series. The net proceeds of the refunding were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. The 2009 Refunding Series bonds were used for the purpose of advance refunding of \$10,500,000 of outstanding Metropolitan District Bonds, and \$9,750,000 of outstanding Consolidated Public Improvement Bonds. The 2009 Refunding Series bonds were also used for the purpose of currently refunding \$14,935,000 of Metropolitan District Bonds, \$18,755,000 of Consolidated Public Improvement Bonds and \$49,975,000 of Pension Funding Bonds. As a result of the refunding, debt service was reduced by \$10,094,081 and produced an economic gain of \$9,180,615 or 8.83% of the refunded bonds. The Metropolitan District and the Consolidated Public Improvement Refunding Series Bonds are due in the years 2009-2018, inclusive. The Pension Funding Refunding Series Bonds are due in the years 2009-2015, inclusive.

On August 12, 2008, the County issued \$81.6 million in Commercial Paper Bond Anticipation Notes for the purpose of redeeming \$81.6 million of Auction Rate Bond Anticipation Notes on September 11, 2008. As of June 30, 2009, the County had \$175 million Consolidated Public Improvement Bond Anticipation Commercial Paper Notes outstanding, and \$106.6 million Metropolitan District Bond Anticipation Commercial Paper Notes outstanding. Commercial Paper notes are sold with an initial maturity of up to 270 days, and upon maturity they are refinanced. This remarketing is backed for liquidity purposes by a line of credit, the terms of which provide that no principal repayments are due by the County until the completion of the agreement. On April 3, 2007, the County entered into a seven-year liquidity agreement with BNP Paribas, which will be in effect until April 3, 2014. The weighted-average maturity of the Commercial Paper Bond Anticipation Notes for FY 2009 was 78 days and interest rates ranged from 0.35% to 5.00%.

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The County entered into a ten-year conditional equipment purchase agreement on August 12, 2008. The Equipment consists of the acquisition of (i) heavy equipment and vehicles for use primarily in the County's public works department, (ii) fire trucks, medic units, and public safety equipment, and (iii) information technology hardware for various departments including 911 equipment. The conditional purchase agreement was financed through the sale of certificates of participation in the aggregate principal of \$36,700,000.

During fiscal year 2009, the County issued \$1,472,731 in Metropolitan District bonds through the Maryland Water Quality Revolving Loan Fund. The Fund subsidizes the interest rate on sewer and water projects. As of June 30, 2009, the balance outstanding was \$80,497,860.

The County defeased certain general obligation bonds in prior years by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2009, \$106,040,000 of bonds outstanding from refundings are considered defeased.

The County issues debt to finance the construction of certain capital facilities of its component units and for major water and sewer projects done in conjunction with the City of Baltimore (the "City"), which decreases the "Unrestricted" net asset component in the statement of net assets. The following summarizes these situations where the County is reporting the debt in its financial statements, while the corresponding assets are reported by the other reporting entity.

- The Board of Education and the Community College have no authority to issue bonded debt. That authority rests with the County subject to voter approval. The County had \$268.928 million of its net Consolidated Public Improvement general obligation bonds outstanding (net of unamortized premiums and deferred charges) that is related to capital facilities of the component units as of June 30, 2009.
- The Metropolitan District Act requires the City to provide water to the County's Metropolitan District. The City also treats sewage from the Metropolitan District at cost. The County has agreed to pay the City on a pro-rata basis for construction of certain City owned sewer and water capital projects that serve the Metropolitan District. The County has contributed approximately \$684.3 million towards these City owned facilities that are funded primarily with bond proceeds. The County estimates 41.25% of its net Metropolitan District general obligation bonds outstanding or \$291.176 million is related to these facilities as of June 30, 2009.

At June 30, 2009, the County has accrued \$13.35 million of estimated closure and postclosure care costs for its one active landfill in the Governmental Activities of the Statement of Net Assets. State and federal laws require the County to place a final cover on its open landfill when it stops accepting waste in approximately 2049 and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs generally will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these costs as a liability in the Governmental Activities of the Statement of Net Assets based on the landfill capacity used as of the end of the fiscal year. The amount included in the landfill closure and postclosure care costs liability at June 30, 2009 represents the cumulative unspent amount reported to date based on the use of 50.1% of the estimated landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$13.3 million as the remaining estimated capacity is filled. The actual cost may differ due to inflation, changes in technology, or changes in regulations. The County intends to finance these costs primarily with bond proceeds in its Consolidated Public Improvement Construction Fund.

Financial assurance provisions of federal regulations require owners and operators of municipal solid waste landfills to demonstrate that adequate funds will be readily available for the costs of closure, post closure care, and corrective action associated with their facilities. The County had demonstrated that it met the local government financial test assurance mechanism as of December 31, 2008 and has placed appropriate documents in the operating record of its active landfill.

The County has participated in the issuance of economic development revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities. The County is not obligated in any manner for repayment of the bonds, and therefore they are not reported as liabilities in the financial statements. The aggregate outstanding principal amount as of June 30, 2009 for bonds issued prior to July 1, 1996 could not be determined, however, the original issue amounts approximate \$576 million. The aggregate principal amount payable for bonds issued after July 1, 1996 was \$408.4 million at June 30, 2009.

**BALTIMORE COUNTY, MARYLAND**  
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Long-term liability activity for the year ended June 30, 2009 is as follows (in thousands):

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General obligation debt					
Consolidated public improvement bonds	\$ 616,290	\$ 26,880	\$ (68,935)	\$ 574,235	\$ 46,640
Pension funding bonds	59,110	46,140	(59,110)	46,140	7,255
Bond anticipation notes	140,000	35,000	-	175,000	175,000
Auction rate notes	35,000	-	(35,000)	-	-
	<u>850,400</u>	<u>108,020</u>	<u>(163,045)</u>	<u>795,375</u>	<u>228,895</u>
Add remaining original issue premium	37,295	8,151	(5,675)	39,771	-
Less deferred amount on refunding	(4,818)	(2,370)	1,624	(5,564)	-
Total general obligation debt	<u>882,877</u>	<u>113,801</u>	<u>(167,096)</u>	<u>829,582</u>	<u>228,895</u>
Certificates of participation	47,310	34,700	(5,910)	76,100	7,650
Add remaining original issue premium	1,586	1,723	(319)	2,990	-
Total certificates of participation	<u>48,896</u>	<u>36,423</u>	<u>(6,229)</u>	<u>79,090</u>	<u>7,650</u>
Other long-term liabilities					
Mortgage	3,601	-	(86)	3,515	93
Compensated absences	58,395	66,949	(63,860)	61,484	34,134
Claims payable	56,809	202,642	(202,691)	56,760	33,610
Estimated landfill closing costs	16,925	-	(3,575)	13,350	-
Total other long-term liabilities	<u>135,730</u>	<u>269,591</u>	<u>(270,212)</u>	<u>135,109</u>	<u>67,837</u>
Total governmental activities long-term liabilities	<u>\$ 1,067,503</u>	<u>\$ 419,815</u>	<u>\$ (443,537)</u>	<u>\$ 1,043,781</u>	<u>\$ 304,382</u>
<b>Business-type activities:</b>					
General obligation debt					
Metropolitan District bonds	\$ 615,441	\$ 25,988	\$ (55,781)	\$ 585,648	\$ 33,944
Bond anticipation notes	60,000	46,600	-	106,600	106,600
Auction rate notes	46,600	-	(46,600)	-	-
	<u>722,041</u>	<u>72,588</u>	<u>(102,381)</u>	<u>692,248</u>	<u>140,544</u>
Add remaining original issue premium	17,039	2,418	(1,193)	18,264	-
Less deferred amount on refunding	(2,734)	(1,384)	861	(3,257)	-
Total general obligation debt	<u>736,346</u>	<u>73,622</u>	<u>(102,713)</u>	<u>707,255</u>	<u>140,544</u>
Certificates of participation	2,400	2,000	(400)	4,000	600
Add remaining original issue premium	133	85	(26)	192	-
Total certificates of participation	<u>2,533</u>	<u>2,085</u>	<u>(426)</u>	<u>4,192</u>	<u>600</u>
Compensated absences	1,377	818	(811)	1,384	768
Total business-type activities long-term liabilities	<u>\$ 740,256</u>	<u>\$ 76,525</u>	<u>\$ (103,950)</u>	<u>\$ 712,831</u>	<u>\$ 141,912</u>
<b>Component Units:</b>					
<b>Board of Education:</b>					
Compensated absences	\$ 17,569	\$ 12,022	\$ (11,003)	\$ 18,588	\$ 10,989
Capital leases	14,597	7,297	(4,823)	17,071	5,836
Total Board of Education	<u>32,166</u>	<u>19,319</u>	<u>(15,826)</u>	<u>35,659</u>	<u>16,825</u>
<b>Community College:</b>					
Compensated absences	4,458	3,201	(2,938)	4,721	3,077
<b>Board of Library Trustees:</b>					
Compensated absences	996	43	-	1,039	1,039
Total component units long-term liabilities	<u>\$ 37,620</u>	<u>\$ 22,563</u>	<u>\$ (18,764)</u>	<u>\$ 41,419</u>	<u>\$ 20,941</u>

**BALTIMORE COUNTY, MARYLAND**  
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**JUNE 30, 2009**

General long-term debt currently outstanding as of June 30, 2009 is as follows:

**Governmental Activities:**  
(in thousands)

**General Obligation Debt:**

**Bonds**

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2009	Unamortized Premium	Unamortized Deferred Difference	Carrying Value 6/30/2009
06/19/01	2002-2021	4.000 - 5.500	\$ 27,000	\$ 2,240	\$ -	\$ -	\$ 2,240
07/02/02	2003-2022	3.000 - 5.250	135,000	40,500	1,021	-	41,521
09/04/02	2003-2015	3.000 - 5.250	83,385 *	54,505	4,387	(818)	58,074
02/04/03	2004-2010	3.000 - 5.000	15,190 *	575	127	-	702
05/06/03	2004-2011	2.000 - 3.250	33,725 *	11,650	47	-	11,697
02/26/04	2005-2024	3.000 - 5.000	152,000	132,800	9,234	-	142,034
02/26/04	2009-2020	3.250 - 5.000	63,085 *	63,085	4,134	(2,651)	64,568
09/27/06	2007-2026	4.000 - 5.000	111,000	103,000	4,561	-	107,561
01/03/08	2009-2028	4.000 - 5.000	140,000	139,000	8,467	-	147,467
02/24/09	2009-2018	2.000 - 5.000	26,880 *	26,880	3,133	(1,336)	28,677
02/24/09	2009-2015	3.000 - 5.000	46,140 *	46,140	4,660	(759)	50,041
			<u>833,405</u>	<u>620,375</u>	<u>39,771</u>	<u>(5,564)</u>	<u>654,582</u>

**Bond Anticipation Notes**

01/03/08	2008-2010	0.450 - 2.150	75,000	75,000	-	-	75,000
01/03/08	2008-2010	0.300 - 5.000	65,000	65,000	-	-	65,000
08/12/09	2009-2010	0.450 - 1.570	35,000	35,000	-	-	35,000
			<u>175,000</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>

**Total General Obligation Debt**    \$ 1,008,405    \$ 795,375    \$ 39,771    \$ (5,564)    \$ 829,582

**Certificates of Participation**

12/18/01	2002-2021	3.500 - 5.125	\$ 22,000	\$ 16,400	\$ 83	\$ -	\$ 16,483
06/01/04	2005-2014	3.000 - 5.000	42,500	25,000	1,244	-	26,244
08/12/09	2009-2018	3.250 - 5.000	34,700	34,700	1,663	-	36,363

**Total Certificates of Participation**    \$ 99,200    \$ 76,100    \$ 2,990    \$ -    \$ 79,090

**Mortgage**

12/30/05	2005-2012	7.770 - 7.770	\$ 3,784	\$ 3,515	\$ -	\$ -	\$ 3,515
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**Total Mortgage**    \$ 3,784    \$ 3,515    \$ -    \$ -    \$ 3,515

\* Refunding issue

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Business-type Activities:**  
(in thousands)

**General Obligation Debt:**

**Bonds**

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2009	Unamortized Premium	Unamortized Deferred Difference	Carrying Value 6/30/2009
07/15/79	1981-2009	5.800 - 5.900	\$ 15,000	\$ 515	\$ -	\$ -	\$ 515
11/27/90	1993-2013	4.894 - 4.894	9,498	2,220	-	-	2,220
12/04/91	1993-2012	4.458 - 4.458	4,071	780	-	-	780
06/23/93	1995-2014	3.250 - 3.250	1,456	443	-	-	443
11/04/94	1997-2016	3.500 - 3.500	7,230	3,110	-	-	3,110
11/04/94	1997-2016	4.750 - 4.750	13,672	6,276	-	-	6,276
03/22/00	2001-2020	2.600 - 2.600	14,417	9,188	-	-	9,188
06/19/01	2003-2031	4.000 - 5.500	98,000	45,500	-	-	45,500
06/22/01	2003-2022	2.300 - 2.300	14,105	10,289	-	-	10,289
06/26/02	2004-2023	2.000 - 2.000	7,005	5,257	-	-	5,257
07/02/02	2003-2032	3.000 - 5.000	65,000	41,020	9	-	41,029
09/04/02	2003-2015	3.000 - 5.250	46,365 *	28,180	2,403	(401)	30,182
02/04/03	2004-2010	3.000 - 5.000	9,435 *	300	61	-	361
03/11/03	2004-2023	1.100 - 1.100	8,206	6,033	-	-	6,033
05/06/03	2004-2011	2.000 - 3.250	11,565 *	3,875	14	-	3,889
02/26/04	2009-2020	3.250 - 5.000	38,645 *	38,645	2,768	(1,610)	39,803
02/26/04	2005-2035	3.000 - 5.000	48,000	41,600	1,840	-	43,440
07/16/04	2006-2025	1.200 - 1.200	6,914	5,001	-	-	5,001
07/16/04	2005-2024	1.200 - 1.200	1,075	806	-	-	806
09/12/05	2006-2024	1.000 - 1.000	20,495	17,224	-	-	17,224
09/27/06	2007-2036	4.000 - 5.000	89,000	83,000	342	-	83,342
07/31/07	2007-2027	1.000 - 1.000	14,144	13,402	-	-	13,402
07/31/07	2007-2027	1.000 - 1.000	606	469	-	-	469
01/03/08	2009-2038	4.250 - 5.000	200,000	198,000	8,494	-	206,494
02/24/09	2009-2018	3.000 - 5.000	24,515	24,515	2,333	(1,246)	25,602
			<u>768,419</u>	<u>585,648</u>	<u>18,264</u>	<u>(3,257)</u>	<u>600,655</u>
<b>Bond Anticipation Notes</b>							
01/03/08	2008-2009	0.300 - 4.000	60,000	60,000	-	-	60,000
08/12/09	2009-2010	0.450 - 1.570	46,600	46,600	-	-	46,600
			<u>106,600</u>	<u>106,600</u>	<u>-</u>	<u>-</u>	<u>106,600</u>
<b>Total General Obligation Debt</b>			<u>\$ 875,019</u>	<u>\$ 692,248</u>	<u>\$ 18,264</u>	<u>\$ (3,257)</u>	<u>\$ 707,255</u>

**Certificates of Participation**

06/01/04	2005-2014	3.000 - 5.000	\$ 4,000	\$ 2,000	\$ 110	\$ -	\$ 2,110
08/12/09	2009-2018	3.250 - 5.000	2,000	2,000	82	-	2,082
<b>Total Certificates of Participation</b>			<u>\$ 6,000</u>	<u>\$ 4,000</u>	<u>\$ 192</u>	<u>\$ -</u>	<u>\$ 4,192</u>

\* Refunding issues

**BALTIMORE COUNTY, MARYLAND**  
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The following is a schedule of the primary government's debt service payments for certain long-term debt as of June 30, 2009:

General Long-Term Debt  
(in thousands)

Fiscal Year Ended June 30	Governmental Activities					
	General Obligation Debt		COPs & Other Long-term Debt		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 228,895	\$ 29,684	\$ 7,743	\$ 3,707	\$ 236,638	\$ 33,391
2011	53,715	25,836	8,091	3,343	61,806	29,179
2012	53,590	23,284	11,351	2,977	64,941	26,261
2013	48,675	20,836	9,080	2,343	57,755	23,179
2014	45,525	18,531	10,125	1,917	55,650	20,448
2015-2019	180,350	63,255	28,485	4,740	208,835	67,995
2020-2024	133,325	26,588	4,740	364	138,065	26,952
2025-2029	51,300	4,355	-	-	51,300	4,355
Total	<u>\$ 795,375</u>	<u>\$ 212,369</u>	<u>\$ 79,615</u>	<u>\$ 19,391</u>	<u>\$ 874,990</u>	<u>\$ 231,760</u>

Fiscal Year Ended June 30	Business-type Activities					
	General Obligation Debt		COPs		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 140,544	\$ 25,719	\$ 600	\$ 177	\$ 141,144	\$ 25,896
2011	34,012	23,444	600	150	34,612	23,594
2012	33,935	21,980	600	124	34,535	22,104
2013	31,930	20,596	600	97	32,530	20,693
2014	28,788	19,338	600	70	29,388	19,408
2015-2019	127,077	80,016	1,000	121	128,077	80,137
2020-2024	101,609	56,696	-	-	101,609	56,696
2025-2029	87,153	36,278	-	-	87,153	36,278
2030-2034	72,900	16,805	-	-	72,900	16,805
2035-2039	34,300	3,590	-	-	34,300	3,590
Total	<u>\$ 692,248</u>	<u>\$ 304,462</u>	<u>\$ 4,000</u>	<u>\$ 739</u>	<u>\$ 696,248</u>	<u>\$ 305,201</u>

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**9. COMMITMENTS:**

***Leases***

The following is a schedule by years of future minimum rental payments for facilities and equipment under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009 (in thousands):

Year ending June 30	Primary Government	Component Units
2010	\$ 2,050	\$ 5,617
2011	1,792	5,326
2012	1,643	5,019
2013	1,546	4,636
2014	1,465	3,234
2015-2019	337	8,360
2020-2024	94	7,312
2025-2029	35	5,217
	\$ 8,962	\$ 44,721

The total rental expenditures for the year ended June 30, 2009, for all leases except those with terms of a month or less that were not renewed were approximately \$4.0 million for the primary government and \$7.2 million for the component units.

***Contracts and Commitments***

Contract commitments in the Consolidated Public Improvement Construction Fund, the Metropolitan District Fund, and the Gifts and Grants Fund amounted to approximately \$86.3 million, \$92.2 million, and \$11.1 million, respectively, at June 30, 2009. Such amounts will be funded by future bond proceeds, approved federal and state grants, and future assessments.

**10. LITIGATION:**

The County is a defendant in various suits claiming damages for personal injury and property damage in automobile and general liability cases, and various personnel actions. In addition, there are various other tort suits alleging violations of individual civil rights pending against the County as well as miscellaneous other litigation, mostly contract claims. Amounts claimed in some of these matters are substantial. In the opinion of the County Attorney, the County should prevail in most of said various tort suits, suits alleging violations of individual civil rights and in miscellaneous other litigation (although the outcome of litigation cannot be predicted with certainty). It is the further opinion of the County Attorney that the likelihood of the County incurring aggregate liability arising from such litigation in an amount that would be material in relation to its financial position is remote.

**11. CONTINGENCIES:**

The County receives significant financial assistance from the U. S. Government and the State of Maryland in the form of grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal and state regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantor requirements. Any disallowances as a result of these audits become a liability of the County. The County estimates that no material liabilities will result from such audits.

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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that aggregate approximately \$.892 million as of June 30, 2009. A reservation of fund balance has been made for this amount.

**12. RISK MANAGEMENT:**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident; and natural disasters. The County manages its risks internally and sets aside assets for claims settlement in an Internal Service Fund, the Self-Insurance Program Fund (SIPF). The County services all claims for risk of loss to which the County is exposed except as noted below. The SIPF allocates County claims payments by charging a "premium" to each fund, or component unit, based on the actuarially determined liability and SIPF net assets.

The County purchases commercial insurance for claims that exceed 120% of projected health care claims and associated administrative expenses, and for real and personal property losses subject to policy deductibles. Settled claims have not exceeded this commercial health care excess coverage for the past three fiscal years.

SIPF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Since actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liability results in an estimate. Certain liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their actual value and are not discounted.

Changes in the balances of claim liabilities during fiscal years 2008 and 2009 were as follows (in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2008	\$ 54,514	\$ 186,744	\$ (184,449)	\$ 56,809
2009	56,809	202,642	(202,691)	56,760

**13. INDIVIDUAL FUND DISCLOSURE:**

At June 30, 2009, the Consolidated Public Improvement Construction Fund had a deficit fund balance of \$98.521 million. This deficit will be eliminated by pay-as-you-go contributions from the General Fund and from bond proceeds.

**14. BENEFIT PLANS:**

***Employees' Retirement System***

*Plan Description:* The Employees' Retirement System of Baltimore County (the "System") is a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent serving five entities including Baltimore County (the "County") and certain employees of the Baltimore County Board of Education, Baltimore County Board of Library Trustees, the Community College of Baltimore County and the Baltimore County Revenue Authority. The System is not an employer. The System provides retirement and disability benefits, cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and maintain the System is specified in Section 5-1-101 of the Baltimore County Code (the "Code").

The System is considered part of the County's reporting entity and its financial statements are included in the County's

**BALTIMORE COUNTY, MARYLAND**  
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basic financial statements as a pension trust fund. The System is fiscally dependent on the County by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. In accordance with Section 5-1-238 of the Code, responsibility for the proper operation of the System is vested in an eight-member Board of Trustees (the "Board"), comprised of a combination of ex-officio and elected representatives. The general administration of the System is vested in the Director of Budget and Finance.

At June 30, 2008, the date of the latest available actuarial valuation, System membership consisted of:

Retirees and beneficiaries currently receiving benefits	
General employees, correctional officers and deputy sheriffs	4,548
Firefighters and police officers	1,902
Terminated employees entitled to benefits but not yet receiving them	
General employees, correctional officers and deputy sheriffs	422
Firefighters and police officers	54
Total retirees and beneficiaries	6,926
Current employees	
Vested - Full-time employees	
General employees, correctional officers and deputy sheriffs	3,880
Firefighters and police officers	2,352
Non-vested - Full-time employees	
General employees, correctional officers and deputy sheriffs	1,771
Firefighters and police officers	561
Part-time employees	
Vested - General employees	570
Non-vested - General employees	436
Total active members	9,570
Non-vested terminations with account balances	110
Members on leave of absence	
General employees, correctional officers and deputy sheriffs	43
Firefighters and police officers	16
Total members on leave of absence	59
Grand Total	16,665

Employees, exclusive of firefighters and police officers, may become System members at any time within the first two years of employment. Employees must become System members at the end of the two-year period as a condition of employment except for elected officials, employees appointed to certain non-merit positions and part-time employees who have the option to join the System within the first two years. Selection of the option must be made within two years of employment. Section 5-1-203 of the Code provides that System members contribute a percentage of their salary to the System

Employees who terminate employment or die in service prior to meeting vesting eligibility are entitled to a refund of their contributions. Interest is credited on member contributions at the rate of 5% per annum. Employers are required to contribute an actuarially determined amount annually to finance the System as specified by Sections 5-1-203 and 5-1-257 of the Code.

Members are eligible for a normal retirement for service based on age and/or years of creditable service. There is no mandatory retirement age for general employees and correctional officers. Firefighters and police officers must retire at age 60 unless approved for continuation of service by the Board on an annual basis.

The County has adopted a Back DROP (Deferred Retirement Option Program), for police officers and firefighters under which eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly

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benefit for life. The DROP period is between three and five years, effective with retirements that occurred on or after July 1, 2004. Police officers and firefighters hired on or after July 1, 2007 are not eligible to participate in the DROP.

The County has adopted a Back Drop for correctional officers and deputy sheriffs hired prior to July 1, 2007. Eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is between three and five years, effective with retirements that occur on or after July 1, 2010. Correctional officers and deputy sheriffs hired on or after July 1, 2007 are not eligible to participate in the DROP.

The County has adopted a Forward Drop for general employees hired prior to July 1, 2007. Eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is between five and ten years, effective with retirements that occur on or after July 1, 2012. General employees hired on or after July 1, 2007 are not eligible to participate in the DROP.

An ordinary disability retirement can be granted to a member who can no longer perform their job due to a non-occupational related injury. A member, hired prior to July 1, 2007, must have five years of creditable service and be medically certified as incapacitated for continued performance of their duties. A member, hired on or after July 1, 2007, must have ten years of creditable service and be medically certified as incapacitated for continued performance of their duties. The ordinary disability retirement allowance is determined in accordance with Section 5-1-222 of the Code.

An accidental disability retirement can be granted to a member who has been incapacitated for duty as a result of an occupational related injury. The accidental disability retirement allowance is determined in accordance with Section 5-1-225 of the Code.

An ordinary death benefit is granted as a result of a member's death from non-occupational causes. A member's designated beneficiary or estate receives a lump sum payment of the member's contributions plus interest.

Additionally, after one year of creditable service, the member's designated beneficiary or estate may receive a minimum one-time payment equal to 100% of the member's annual earnable compensation. If a member was eligible for a service retirement or had 15 years of creditable service at the time of death, the spouse, if designated as beneficiary, may receive a retirement allowance based on service years equivalent to a 100% survivorship option.

An accidental death benefit is granted as the result of death from an occupational related injury. The dependent beneficiary of a general employee may receive an allowance equal to  $66\frac{2}{3}\%$  of average final compensation (AFC) plus the annuity as described below. The dependent beneficiary of a firefighter or police officer may receive an allowance equal to 100% of the annual earnable compensation at the time of death plus the annuity as described below.

Retirement allowances are comprised of an annuity equal to the actuarial equivalent of the accumulated contributions plus a pension which together with the annuity shall provide a total allowance as provided for in the System's plan. The retirement allowance is determined based on the AFC and number of years of creditable service. AFC is defined for the majority of the members as the rate of annual earnable compensation during the twelve or thirty-six consecutive calendar months of service affording the highest average. The normal retirement for service allowance is determined as follows:

**Employee designation**

**Allowance formula for Vested Employees**

General employees  
(Hired prior to July 1, 2007)

1.82% of AFC times the number of years of creditable service for:

- (i) 30 years of creditable service or
- (ii) Age 65 with 5 years of creditable service or,
- (iii) Age 60 as of June 30, 2007 and attain 5 years of creditable service.

General employees hired prior to July 1, 2007, retiring at age 60 with less than 30 years of creditable service, will receive a blended benefit, (i.e. 1.82% of AFC times the number of years of creditable service earned prior to July 1, 2007, plus 1.43% of AFC times the number of years of creditable service earned on or after July 1, 2007.

General employees  
(Hired on or after July 1, 2007)

1.43% of AFC times the number of years of creditable service.

Appointed officials

2.5% of AFC times the number of years of creditable service.

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Elected officials	5.0% of AFC times the number of years of creditable service.
Firefighters	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC for each year in excess of 20 years, and 3.0% of AFC for each year in excess of 30 years for service years on or after July 1, 2007. 2.0% of AFC times the number of years of creditable service – if less than 20 years of creditable service.
Correctional officers and Deputy Sheriffs	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC times the number of years of creditable service in excess of 20 years.  <u>If hired prior to July 1, 2007, with less than 20 years of creditable service at retirement:</u> 1.82% of AFC times the number of years of creditable service earned prior to July 1, 2007, plus 1.43% of AFC times the number of years of creditable service earned after June 30, 2007.  <u>If hired on or after July 1, 2007, with less than 20 years of creditable service at retirement:</u> 1.43% of AFC times the number of years of creditable service.
Police officers	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC for each year of creditable service in excess of 20 years, and 3.0% of AFC for each year of creditable service over of 25 years. The 3% accrual rate does not apply for years of creditable service earned prior to July 1, 2007. 2.0% of AFC times the number of years of creditable service – if less than 20 years of creditable service

In addition to the maximum retirement allowance, members may select one of six retirement allowance options to provide payments to a beneficiary upon the death of a retired member. A selection of an option, reduces the maximum allowance. Eligible police officers and firefighters, may select a 7<sup>th</sup> option that allows 50% of member's retirement to continue to the original beneficiary at no cost to the employee.

In accordance with Section 5-1-235 of the Code, post-retirement allowance adjustments may be granted to retirees who have been retired for more than 12 months, each July 1. The post-retirement allowance adjustment is equal to the increase in the Consumer Price Index - All Urban Consumers (CPI-U) for the previous calendar year, in an amount not to exceed 4%, provided sufficient investment income in excess of valuation requirements has accumulated in a Post-Retirement Increase Fund Balance Account. The maximum Post-Retirement Increase Fund Account Balance is equal to twice the cost of a 4% COLA

**Contributions**

System members contribute a percentage of their salary to the System determined by County Code. The contribution rates for members hired prior to July 1, 2007 is actuarially determined based on the member's age at enrollment and employee classification. Contribution rates for members hired on or after July 1, 2007 are fixed based on employee classification.

The participating employers are required to contribute on an actuarially determined basis. Per Section 5-1-203 of the Code, contribution requirements of the plan members and the participating employers are established and may be amended by the Board. FY 2009 Schedule of Employers' Contributions is shown below (in thousands).

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 49,763	100%

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**Funding Policy**

A pension plan is considered adequately funded when sufficient assets are available to meet all expected future obligations to participants. The System funding objective is to meet long-term benefits through annual employer contributions that remain approximately level as a percentage of covered payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that participants are confident that sufficient assets are available to the payment of current and future member benefits. FY 2008 Schedule of Funding Progress is shown below (in thousands).

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a % of Covered Payroll ((b-a)/c)
2008	\$2,191,623	\$2,491,342	\$299,719	88.0%	\$479,654	62.5%

The County's commitment to provide a financially sound retirement plan for its members is illustrated on two schedules contained in this report. The six year "Schedule of Funding Progress," providing historical trend information, found in the Required Supplementary Information of the Financial Section, expresses plan net assets as a percentage of the actuarial accrued liability, providing one indication of the System's funding status on a going-concern basis.

Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Trends in the unfunded actuarial accrued liability (or excess of) as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. The six year "Schedule of Employer Contributions" found in the Required Supplementary Information of the Financial Section, includes historical trend information about the annual required contributions (ARC) of the employers and the contributions made by the employers in relation to the ARC. The System's percentages indicate a financially sound retirement system.

The information below is based on the latest actuarial valuation available as of June 30, 2008. The actuarial methods and assumptions used to determine the funded status and the ARC is presented below:

Valuation Date:	June 30, 2008
Actuarial Cost Method*:	Projected Unit Credit
Normal Cost Allocation:	Service
Amortization Method:	Level percent closed
Remaining Amortization Period:	30 years
Asset Valuation Method:	4-year smoothed market
Actuarial Assumptions:	
-Investment Rate of Return**	7.875%
-Projected Salaried Increases**	3.00 – 7.50%
-Cost-of-Living Adjustments***	None
-Mortality Rates	Based on the 1995 George B. Buck Mortality Table

\*Cost Method changed to Projected Unit Credit for June 30, 2005 valuation.

All pre-FY07 contributions determined using Entry Age Normal.

\*\*Includes Inflation at 3%.

\*\*\*Increases equal to the CPI up to a maximum of 4% are granted only if sufficient reserves have accumulated in the Post-Retirement Increase Fund Balance Account.

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The condensed financial statements as of and for the year ended June 30, 2009 are as follows (in thousands):

**Statement of Plan Net Assets**  
**Employees' Retirement System**  
**As of June 30, 2009**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 35,623
Investments, at fair value:	1,572,021
Collateral for loaned securities	126,205
Receivables:	
Accrued interest & dividend income	4,539
Receivable for investments sold	11,027
Receivables other	668
Total assets	<u>1,750,083</u>
<b>LIABILITIES</b>	
Collateral for loaned securities	126,205
Investments purchased	27,201
Investment expenses payable	2,016
Other	369
Total liabilities	<u>155,791</u>
<b>NET ASSETS</b>	
Net assets held in trust for benefits	<u>\$ 1,594,292</u>

**Statement of Changes in Plan Net Assets**  
**Employees' Retirement System**  
**For the year ended June 30, 2009**

<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 49,763
Employee	31,423
Total contributions	<u>81,186</u>
Investment earnings:	
Net decrease in the fair value of plan assets	(429,592)
Interest and dividends	42,317
Securities lending income	3,255
Investment expenses	(12,576)
Net investment loss	<u>(396,596)</u>
Total additions (losses)	<u>(315,410)</u>
<b>DEDUCTIONS</b>	
Benefits	147,062
Other	4,347
Total deductions	<u>151,409</u>
Change in net assets	<u>(466,819)</u>
Net assets at beginning of the year	2,061,111
Net assets at end of the year	<u>\$ 1,594,292</u>

**BALTIMORE COUNTY, MARYLAND**  
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***Police, Fire and Widows' Pension Plan***

The County is the administrator of a closed single-employer defined benefit pension plan (the "Pension Plan") providing benefits to County firefighters and police officers hired prior to October 1, 1959 and their spouses. The Pension Plan was created pursuant the County Code. The Pension Plan has not added any new members since October 1, 1959. The pension allowance for retired firefighters and police officers is one-half of the salary of a current employee with the same rank the pensioner held at the time of his retirement. The pension allowance to a widow of a deceased pensioner is one-fourth of the base salary of an active member of the County Police and Fire departments.

The condensed financial statements as of and for the year ended June 30, 2009 are as follows (in thousands):

**Statement of Plan Net Assets**  
**Police, Fire, and Widows' Pension Plan**  
**As of June 30, 2009**

**ASSETS**

Cash and cash equivalents	\$ 1,751
Investment securities	74,722
Interest and dividends receivable	<u>909</u>
Total assets	<u>77,382</u>

**LIABILITIES**

Accounts payable	<u>76</u>
Total liabilities	<u>76</u>

**NET ASSETS**

Net assets held in trust for pension benefits	<u>\$ 77,306</u>
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**Statement of Changes in Plan Net Assets**  
**Police, Fire and Widows' Pension Plan**  
**For the year ended June 30, 2009**

**ADDITIONS**

Contributions:	
Employer	\$ 15
Total contributions	15
Investment earnings:	
Net decrease in the fair value of plan assets	(26,107)
Interest and dividends	3,147
Investment expenses	(153)
Net investment loss	(23,113)
Total additions (losses)	(23,098)

**DEDUCTIONS**

Benefits	13,324
Total deductions	13,324
Change in net assets	(36,422)
Net assets at beginning of the year	113,728
Net assets at end of the year	\$ 77,306

**Other Pension Plans**

The County provides supplemental pension benefits through General Fund appropriations to certain judges, judges' widows and families of members of volunteer fire and ambulance companies killed in the line of duty. The respective costs of these plans are not significant.

Substantially all employees of the component units who do not participate in the System participate in the State of Maryland Teachers' Retirement and Pension Systems. Employer contributions to these systems for the year ended June 30, 2009, 2008 and 2007, of approximately \$78.0 million, \$73.8 million and \$59.0 million, respectively, were made directly by the State of Maryland on behalf of the component units according to State statute. The contributions have been recognized as a revenue and an expense in the component unit statement of activities. Additionally, some professional employees of the Community College participate in an optional private retirement system.

**15. OTHER POST EMPLOYMENT BENEFIT PLAN:**

**Plan Description and Contribution Information**

*Plan Description:* The County's Other Post Employment Benefit Plan (OPEB Plan) is an agent multiple-employer defined benefit postemployment healthcare plan that covers retired employees of the primary government, the Baltimore County Board of Education, the Community College of Baltimore County, the Board of Library Trustees for Baltimore County and the Baltimore County Revenue Authority. In FY 2008 the Board of Library Trustees for Baltimore County was reported as part of the County because their applicable OPEB amounts were considered insignificant. Beginning in FY 2009, the Board of Library Trustees for Baltimore County will be reported as a separate employer. Also, in FY 2009, the Baltimore County Revenue Authority has contracted with the County to become the fifth employer to contribute to the OPEB Plan.

The OPEB Plan was established and will be maintained by the County as a trust fund as specified in Article 10, Title 14 of the County Code. The trust fund is included solely in these financial statements, as an Other Post Employment Benefits Trust Fund. The OPEB Plan provides healthcare and life insurance benefits to eligible retirees and their beneficiaries who receive retirement benefits either from the Employees' Retirement System of Baltimore County under Article 5, Title 1 of the County Code or the State Retirement and Pension System of Maryland. Retiree benefits are in

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accordance with bargaining unit agreements negotiated between each employer's governing body/board and each employee's representative labor organization. At June 30, 2009, the date of the last plan valuation, the OPEB Plan covered a projected 31,816 members; 19,993 active plan members and 11,823 retirees receiving benefits.

*Contributions:* Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward healthcare based on their hire date, years of active service, the medical plan chosen and whether they are Medicare eligible (age 65). The County receives Retiree Drug Subsidy and Prescription Drug Plan reimbursements on Medicare eligible retirees. Each employer is required to contribute its annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Article 10, Title 14 of the County Code gives the Director of Budget and Finance the authority to determine the annual contribution to the trust fund based on the results of the actuarial valuation of the ARC. The annual OPEB cost was calculated based on the ARC and the net OPEB asset. The annual OPEB cost, the amounts actually contributed to the trust, and the net OPEB obligation (NOO) for the fiscal year ended June 30, 2009 were as follows (in thousands):

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 148,892	82.09
2009	\$ 138,858	170.76

	All Employers	The County
Annual required contribution (ARC)	\$ 138,858	\$ 64,857
Interest on net OPEB asset	(8,297)	(5,067)
Adjustment to ARC	6,447	3,937
Annual OPEB cost (expense)	137,008	63,727
Contributions made	(112,470)	(52,175)
Decrease in net OPEB asset	24,538	11,552
Net OPEB asset beginning of year	(105,351)	(64,338)
Net OPEB asset end of year	\$ (80,813)	\$ (52,786)

**Funded Status and Funding Progress**

The funded status of the OPEB Plan as of the most recent actuarial valuation date is as follows (dollars in thousands):

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2008	170,478	1,752,891	1,582,413	9.73	1,165,779	135.74

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revision as actuarial results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing benefit costs between employers and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the calculations. An implicit subsidy amount is factored into the valuation for blended rates charged to retirees who should be contributing at rates much higher than active employees.

The July 1, 2008 actuarial valuation used the projected unit credit method under which the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to all valuation years. The method used to determine the actuarial value of assets was fair value. The actuarial assumptions applied were future salary increases of 3% per year and the interest was assumed to have a discount rate of 7.875%. The discount rate is the rate used to determine the present value of the future cash flows. The unfunded actuarial accrued liability is being amortized over a period of 30 years on a closed basis using level percentage of projected payroll. The remaining amortization period at June 30, 2009 was twenty-eight years. The initial medical trend assumption is 9% decreasing gradually to an ultimate rate of 5.2% after 2079. The medical trend assumption was developed using the Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions. The following assumptions were used as input variables into this model:

Rate of inflation	3.2%
Rate of growth in real income/GDP per Capita	1.9%
Income multiplier for health spending	1.4
Extra trend due to technology and other factors	1.2%
Year for limiting cost growth to GDP growth	2075

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The condensed financial statements as of and for the year ended June 30, 2009 are as follows (in thousands):

**Statement of Plan Net Assets**  
**OPEB Plan**  
**As of June 30, 2009**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,641
Investments, at fair value:	154,448
Collateral for loaned securities (net of unrealized loss)	12,399
Receivables:	
Accrued interest & dividend income	446
Receivable for investments sold	1,083
Receivables other	1,505
Total assets	<u>171,522</u>
<b>LIABILITIES</b>	
Collateral for loaned securities	12,399
Investments purchased	2,672
Investment expenses payable	198
Other	2,804
Total liabilities	<u>18,073</u>
<b>NET ASSETS</b>	
Net assets held in trust for benefits	<u>\$ 153,449</u>

**Statement of Changes in Plan Net Assets**  
**OPEB Plan**  
**For the year ended June 30, 2009**

<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 112,470
Employee	23,627
On-behalf	9,535
Other	687
Total contributions	<u>146,319</u>
Investment earnings:	
Net decrease in the fair value of plan assets	(59,173)
Interest and dividends	4,781
Securities lending income	354
Investment expenses	(1,397)
Net investment loss	<u>(55,435)</u>
Total additions	<u>90,884</u>
<b>DEDUCTIONS</b>	
Benefits	<u>107,913</u>
Total deductions	<u>107,913</u>
Change in net assets	(17,029)
Net assets at beginning of the year	170,478
Net assets at end of the year	<u>\$ 153,449</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**16. SUBSEQUENT EVENTS:**

On November 5, 2009 the County settled the issuance of \$19.4 million of Consolidated Public Improvement Bonds (2009 Series – D) Qualified School Construction Bonds (Tax Credit Bonds).

On November 10, 2009, the County settled the issuance of \$106.6 million Metropolitan District General Obligation Bonds (Federally Taxable – Issuer Subsidy – Build America Bonds), \$123 million of Consolidated Public Improvement General Obligation Bonds (Federally Taxable – Issuer Subsidy – Build America Bonds) and \$32.57 million of Consolidated Public Improvement General Obligation Bonds (2009 – Series C) (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds).





## **Required Supplementary Information**

**BALTIMORE COUNTY, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2009**

**Employees' Retirement System**

Six-year historical trend information about the System is presented herewith as required supplementary information. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other public employee retirement systems. The information presented in the schedules was determined as part of the actuarial valuation at the dates indicated.

**Schedule of Funding Progress**  
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a % of Covered Payroll ((b-a)/c)
June 30						
2003 <sup>(1)</sup>	\$1,740,713	\$1,830,584	\$89,871	95.1%	\$361,013	24.9%
2004 <sup>(2)</sup>	1,803,811	1,924,543	120,732	93.7	370,639	32.6
2005 <sup>(3)</sup>	1,832,922	1,949,611	116,689	94.0	388,052	30.1
2006	1,938,817	2,078,812	139,995	93.3	425,400	32.9
2007 <sup>(4)</sup>	2,101,023	2,289,452	188,429	91.8	439,913	42.8
2008 <sup>(5)</sup>	2,191,623	2,491,342	299,719	88.0	479,654	62.5

- (1) Assumption changes recommended in 2001 experience study were adopted, amortization period was changed to 25 years, Police and Fire DROP were added and Fire (joint and 50) eligibility was changed to 25 years.
- (2) Asset method change: difference between expected and actual return on market value smoothed over 4 years.
- (3) Cost method change: from Entry Age Normal to Projected Unit Credit.
- (4) Assumption changes recommended in 2006 experience study were adopted, plus plan changes to all groups including implementation of DROP programs for general employees, correctional officers and deputy sheriffs.
- (5) Amortization period was changed to 30 years. The amendments of GASB Statement No. 50 were recognized, but they had no impact on the information disclosed.

**Schedule of Employers' Contributions**  
(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	\$ 24,617	100%
2005	29,968	100
2006	34,433	100
2007	40,065	100
2008	44,167	100
2009	49,763	100

**BALTIMORE COUNTY, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
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**OPEB Plan:**

Three year historical trend information about the OPEB Plan will be presented herewith as required supplementary information. This information is intended to help users assess the OPEB Plan's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other public employee retirement systems' OPEB Plans. The following schedule shows only fiscal years 2008 and 2009 information, the first two years of funding.

Schedule of Funding Progress  
(dollars in thousands)

Actuarial Valuation Date July 1	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)
2007	\$ -	\$ 1,765,553	\$ 1,765,553	0%	\$ 1,053,146	167.65
2008	170,478	1,752,891	1,582,413	9.73	1,165,779	135.74





## **Combining Financial Statements**

The combining financial statements provide detailed information concerning financial position and results of operations.

- General Fund
- Nonmajor Governmental Funds
- Internal Service Funds
- Fiduciary Funds

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>General Government:</b>				
Legislative:				
County Council	\$ 1,843	\$ 1,843	\$ 1,666	\$ 177
Judicial:				
Circuit Court:				
Criminal and civil adjudication	5,212	5,212	5,090	122
Orphans Court:				
Adjudication of estates	207	207	190	17
States Attorney:				
Criminal prosecution	8,036	8,036	7,893	143
County Sheriff:				
Conveying prisoners and serving summonses	5,382	5,382	5,279	103
Total	<u>18,837</u>	<u>18,837</u>	<u>18,452</u>	<u>385</u>
Executive:				
Office of the County Executive	1,153	1,153	1,108	45
County Administrative Officer:				
General administration	1,281	1,281	1,253	28
Human relations commission	374	374	261	113
Fair practices	415	415	324	91
Baltimore metropolitan council	131	131	131	-
Total	<u>3,354</u>	<u>3,354</u>	<u>3,077</u>	<u>277</u>
Elections:				
Board of Supervisors of Elections	4,878	4,878	4,100	778
Financial Administration:				
Office of Budget and Finance:				
Budget formulation and administration	1,969	1,852	1,852	-
Financial operations	4,499	4,721	4,713	8
Pay systems	319	269	263	6
Investment and debt management	346	351	347	4
Insurance administration	1,819	1,724	1,719	5
Purchasing and disbursements	1,411	1,380	1,369	11
Total	<u>10,363</u>	<u>10,297</u>	<u>10,263</u>	<u>34</u>
County Auditor	<u>1,534</u>	<u>1,534</u>	<u>1,310</u>	<u>224</u>
Office of Law:				
General legal services	2,227	2,227	1,868	359
Legislative relations	377	377	295	82
Total	<u>2,604</u>	<u>2,604</u>	<u>2,163</u>	<u>441</u>
Other:				
Vehicle Operations and Maintenance	1,295	1,408	1,407	1
Office of Planning and Community Conservation				
General administration	2,408	2,396	2,309	87
Zoning commissioner	331	331	327	4
People's counsel	188	188	183	5
Community conservation	445	457	432	25
Office of Human Resources:				
Personnel administration	2,444	2,444	2,407	37

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Department of Permits and Development Management:				
General administration	1,506	1,524	1,519	5
Electrical licensing and regulation	17	17	17	-
Plumbing licensing and regulation	28	28	27	1
Development processing	2,221	2,245	2,243	2
Code inspections and enforcement	4,966	4,976	4,972	4
Permits and licenses	900	848	836	12
Board of Appeals	257	257	250	7
Cooperative Extension Service	301	301	300	1
Office of Information Technology:				
General administration	2,645	2,455	2,425	30
Applications development	9,754	9,704	9,673	31
Computer and technical services	2,067	2,257	2,253	4
Telecommunications Services	2,167	2,217	2,200	17
Total	<u>33,940</u>	<u>34,053</u>	<u>33,780</u>	<u>273</u>
General Government Total	<u>77,353</u>	<u>77,400</u>	<u>74,811</u>	<u>2,589</u>
<b>Public Safety:</b>				
Police Department:				
General administration	3,611	3,746	3,745	1
Administrative & technical services	23,559	23,707	23,707	-
Criminal/forensic investigations	20,134	20,568	20,568	-
Vice/intelligence/narcotics	8,895	8,908	8,908	-
Patrol/precincts	108,986	111,553	111,553	-
Support operations	11,463	11,817	11,817	-
Human resources	4,732	5,066	5,066	-
School safety	1,330	1,293	1,290	3
Total	<u>182,710</u>	<u>186,658</u>	<u>186,654</u>	<u>4</u>
Bureau of Corrections:				
Custodial care of prisoners	32,896	32,896	32,890	6
Fire Department:				
General administration	1,386	1,330	1,330	-
Investigative services	3,474	3,291	3,291	-
Alarm and communication system	1,028	1,062	1,062	-
Field operations	72,361	74,316	74,313	3
Office of emergency preparedness	467	432	432	-
Field operation administration	1,618	1,550	1,550	-
Fire/rescue academy	1,411	1,439	1,439	-
Contributions - volunteer fire companies	6,643	6,768	6,768	-
Total	<u>88,388</u>	<u>90,188</u>	<u>90,185</u>	<u>3</u>
Communications:				
Central communications center	11,480	11,480	11,335	145
Public Safety Total	<u>315,474</u>	<u>321,222</u>	<u>321,064</u>	<u>158</u>

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Public Works:</b>				
Office of Director of Public Works:				
General administration	723	723	713	10
Metro Financing/Petition Proc	24	24	21	3
Total	<u>747</u>	<u>747</u>	<u>734</u>	<u>13</u>
Bureau of Engineering and Construction:				
General administration	462	447	425	22
Structural design	1,850	1,929	1,925	4
Public buildings design	537	532	524	8
General surveying	365	380	376	4
Contracts and construction inspection	2,066	2,139	2,102	37
Total	<u>5,280</u>	<u>5,427</u>	<u>5,352</u>	<u>75</u>
Bureau of Highways:				
General administration	1,164	1,157	1,157	-
General operations and maintenance	13,459	13,849	13,722	127
Storm emergencies	5,766	6,021	5,871	150
Total	<u>20,389</u>	<u>21,027</u>	<u>20,750</u>	<u>277</u>
Bureau of Solid Waste Management:				
General administration	485	445	436	9
Refuse collection	27,625	27,600	27,587	13
Refuse disposal	20,155	16,927	16,849	78
Recycling	2,310	2,290	2,259	31
Total	<u>50,575</u>	<u>47,262</u>	<u>47,131</u>	<u>131</u>
Bureau of Traffic Engineering and Transportation Planning:				
Traffic planning	9,356	9,306	9,291	15
Traffic sign installation and maintenance	1,849	1,954	1,922	32
Traffic signal operation and maintenance	1,191	1,221	1,190	31
Total	<u>12,396</u>	<u>12,481</u>	<u>12,403</u>	<u>78</u>
Bureau of Utilities:				
Sewer and water maintenance	568	568	568	-
Bureau of Building and Equipment Services:				
Building maintenance	6,686	7,133	7,131	2
Building operation and management	17,465	16,928	16,910	18
Equipment maintenance	5,557	6,390	6,218	172
Total	<u>29,708</u>	<u>30,451</u>	<u>30,259</u>	<u>192</u>
Public Works Total	<u>119,663</u>	<u>117,963</u>	<u>117,197</u>	<u>766</u>

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Health and Human Services:</b>				
Health:				
Department of Health:				
General administration	2,701	2,761	2,701	60
Nursing services	2,603	2,558	2,482	76
Acute communicable disease control	1,374	1,399	1,391	8
Medical environmental health	598	598	590	8
Medical social work service	365	385	375	10
Animal control	1,666	1,696	1,681	15
Maternal and child health	1,607	1,557	1,448	109
School health services	1,242	1,242	1,186	56
Developmental disabilities	601	601	600	1
Home health services	1,619	1,619	1,511	108
Long-term care services	1,784	1,739	1,703	36
Medical assistance and hospital support	952	957	955	2
Dental health services	588	588	519	69
Speech, language and hearing	377	377	353	24
Total	<u>18,077</u>	<u>18,077</u>	<u>17,495</u>	<u>582</u>
Department of Environmental Protection and Resource Management	<u>7,533</u>	<u>7,533</u>	<u>7,506</u>	<u>27</u>
Human Services:				
Department of Social Services:				
Adult foster care assistance	150	159	159	-
Welfare to work program	447	447	415	32
Foster care for children	17	17	12	5
Emergency funds/housing for the homeless	532	483	416	67
Battered spouse program	132	132	132	-
In-home care program	233	233	229	4
Volunteer program	76	76	68	8
Adult services	721	721	714	7
General administration	1,386	1,386	1,319	67
STEPS program	247	238	200	38
Children's services	375	382	381	1
Income maintenance	679	800	760	40
Family services	1,098	1,140	1,117	23
Total	<u>6,093</u>	<u>6,214</u>	<u>5,922</u>	<u>292</u>
Aging Programs & Services:				
Department of Aging:				
General administration	691	747	746	1
Adult medical day care	100	100	100	-
Senior centers network	1,931	1,939	1,938	1
Special geriatric services	304	304	299	5
Facilities	1,008	1,008	998	10
Transportation	1,181	1,117	1,108	9
Program and volunteer services	411	411	409	2
Total	<u>5,626</u>	<u>5,626</u>	<u>5,598</u>	<u>28</u>
Health and Human Services Total	<u>37,329</u>	<u>37,450</u>	<u>36,521</u>	<u>929</u>

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Culture and Leisure Services:</b>				
Department of Recreation and Parks:				
General administration	1,340	1,360	1,354	6
Community & neighborhood recreation, organization, direction and development	4,411	4,411	4,378	33
Activity leadership	2,635	2,635	2,592	43
Operation and maintenance of facilities	6,287	6,287	6,257	30
Revenue producing facilities	742	722	655	67
Nature and environmental center	752	752	722	30
Organization Contributions:				
Organization contributions	4,637	4,637	4,623	14
General grant program	3,389	3,499	3,433	66
<b>Culture and Leisure Services Total</b>	<b>24,193</b>	<b>24,303</b>	<b>24,014</b>	<b>289</b>
<b>Economic and Community Development:</b>				
Economic Development Commission	2,070	2,070	2,022	48
<b>Economic and Community Development Total</b>	<b>2,070</b>	<b>2,070</b>	<b>2,022</b>	<b>48</b>
<b>Pension Plan Contributions:</b>				
Employees' retirement contributions	46,329	46,329	46,329	-
Non-system retirement	148	148	128	20
<b>Pension Plan Contributions Total</b>	<b>46,477</b>	<b>46,477</b>	<b>46,457</b>	<b>20</b>
<b>Healthcare Contributions:</b>				
Employee health & life insurance	111,519	111,519	81,410	30,109
<b>Healthcare Contributions Total</b>	<b>111,519</b>	<b>111,519</b>	<b>81,410</b>	<b>30,109</b>
<b>Miscellaneous:</b>				
Social Security	16,540	16,614	16,611	3
Reserve for Contingencies	4,991	777	-	777
Local share - State & Federal	99	99	75	24
<b>Miscellaneous Total</b>	<b>21,630</b>	<b>17,490</b>	<b>16,686</b>	<b>804</b>
<b>Payments to Component Units:</b>				
Community College	38,532	38,532	38,532	-
Board of Education	675,950	675,950	672,670	3,280
Library	32,465	32,465	32,465	-
<b>Payments to Component Units Total</b>	<b>746,947</b>	<b>746,947</b>	<b>743,667</b>	<b>3,280</b>

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Debt Service:</b>				
Principal retirement:				
General obligation bonds:				
Community College	2,070	2,070	2,070	-
General public facilities	23,780	23,780	23,780	-
Pension funding bonds	9,135	9,135	9,135	-
Non-general obligation debt	8,996	8,996	5,996	3,000
Total	<u>43,981</u>	<u>43,981</u>	<u>40,981</u>	<u>3,000</u>
Interest:				
General obligation bonds:				
Community College	1,676	1,676	1,644	32
General public facilities	18,400	18,279	17,270	1,009
Pension funding bonds	2,940	2,940	2,940	-
Non-general obligation debt	3,749	3,492	3,255	237
Total	<u>26,765</u>	<u>26,387</u>	<u>25,109</u>	<u>1,278</u>
Fiscal charges:				
General obligation bonds:				
General public facilities	552	552	517	35
Non-general obligation debt	48	48	48	-
Total	<u>600</u>	<u>600</u>	<u>565</u>	<u>35</u>
Debt Service Total	<u>71,346</u>	<u>70,968</u>	<u>66,655</u>	<u>4,313</u>
<b>Operating Transfers Out:</b>				
Contribution to capital budget	65,494	65,494	65,494	-
Contribution to capital budget - schools	73,006	73,006	73,006	-
Gifts and Grants	6,969	7,161	7,161	-
Vehicle Operations and Maintenance Fund	58	58	58	-
Operating Transfers Out Total	<u>145,527</u>	<u>145,719</u>	<u>145,719</u>	<u>-</u>
General Fund Total	<u>\$ 1,719,528</u>	<u>\$ 1,719,528</u>	<u>\$ 1,676,223</u>	<u>\$ 43,305</u>

**Baltimore County, Maryland  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009  
(In Thousands)**

	<b>Special Revenue Funds</b>		
	<b>Liquor License</b>	<b>Economic Development Revolving Financing</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 417	\$ 23,306	\$ 23,723
Loans receivable	-	12,731	12,731
Total assets	\$ 417	\$ 36,037	\$ 36,454
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	11	4	15
Deferred revenue	-	12,731	12,731
Total liabilities	11	12,735	12,746
Fund balances			
Reserved for:			
Encumbrances	-	2,520	2,520
Loan guarantees	-	892	892
Unreserved:			
Designated for subsequent years' expenditures	21	-	21
Undesignated	385	19,890	20,275
Total fund balances	406	23,302	23,708
Total liabilities and fund balances	\$ 417	\$ 36,037	\$ 36,454

**Baltimore County, Maryland**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<b>Special Revenue Funds</b>		
	<b>Liquor License</b>	<b>Economic Development Revolving Financing</b>	<b>Total</b>
<b>REVENUES</b>			
Licenses and permits	\$ 632	\$ -	\$ 632
Repayment of loans	-	1,622	1,622
Charges for services	51	281	332
Interest revenue	-	344	344
Total revenues	<u>683</u>	<u>2,247</u>	<u>2,930</u>
<b>EXPENDITURES</b>			
General government	631	-	631
Economic development	-	805	805
Loans	-	3,290	3,290
Total expenditures	<u>631</u>	<u>4,095</u>	<u>4,726</u>
Excess (deficiency) of revenues over expenditures	<u>52</u>	<u>(1,848)</u>	<u>(1,796)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	15,669	15,669
Transfers out	-	(109)	(109)
Total other financing sources	<u>-</u>	<u>15,560</u>	<u>15,560</u>
Net change in fund balances	<u>52</u>	<u>13,712</u>	<u>13,764</u>
Fund balances at beginning of the year	354	9,590	9,944
Fund balances at end of the year	<u>\$ 406</u>	<u>\$ 23,302</u>	<u>\$ 23,708</u>

**Baltimore County, Maryland**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
**Liquor License Fund**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Licenses and permits	\$ 665	\$ 683	\$ 18
Total revenues	<u>665</u>	<u>683</u>	<u>18</u>
<b>Expenditures:</b>			
General government:			
License sale and control	722	631	91
Total expenditures	<u>722</u>	<u>631</u>	<u>91</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (57)</u>	52	<u>\$ 109</u>
Fund balance at beginning of year		354	
Fund balance at end of year		<u>\$ 406</u>	

**Baltimore County, Maryland**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2009**  
**(In Thousands)**

	<b>Vehicle Operations and Maintenance</b>	<b>Central Printing Service</b>	<b>Self-Insurance Program</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 688	\$ 95,961	\$ 96,649
Receivables, net	14	-	3,078	3,092
Due from other funds	-	-	13,397	13,397
Inventories	488	-	-	488
Prepaid costs	-	-	7,448	7,448
Total current assets	<u>502</u>	<u>688</u>	<u>119,884</u>	<u>121,074</u>
Capital assets:				
Depreciable (net of accumulated depreciation)	18,444	185	-	18,629
Total assets	<u>18,946</u>	<u>873</u>	<u>119,884</u>	<u>139,703</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	457	18	5,915	6,390
Accrued payroll	66	13	-	79
Compensated absences	218	18	-	236
Due to other funds	13,397	-	-	13,397
Claims and judgments	-	-	33,610	33,610
Total current liabilities	<u>14,138</u>	<u>49</u>	<u>39,525</u>	<u>53,712</u>
Noncurrent liabilities:				
Claims and judgments	-	-	23,150	23,150
Total liabilities	<u>14,138</u>	<u>49</u>	<u>62,675</u>	<u>76,862</u>
<b>NET ASSETS</b>				
Invested in capital assets	18,443	185	-	18,628
Unrestricted (deficit)	(13,635)	639	57,209	44,213
Total net assets	<u>\$ 4,808</u>	<u>\$ 824</u>	<u>\$ 57,209</u>	<u>\$ 62,841</u>

**Baltimore County, Maryland**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

	<b>Vehicle Operations and Maintenance</b>	<b>Central Printing Service</b>	<b>Self-Insurance Program</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services-internal	\$ 18,140	\$ 920	\$ 27,701	\$ 46,761
Charges for services-other	3,294	19	165,911	169,224
Miscellaneous	200	-	-	200
Total operating revenues	<u>21,634</u>	<u>939</u>	<u>193,612</u>	<u>216,185</u>
<b>OPERATING EXPENSES</b>				
Personal services	2,466	441	-	2,907
Contractual services	789	97	-	886
Rents and utilities	372	181	-	553
Supplies and maintenance	11,598	171	-	11,769
Insurance claims and expenses	-	-	202,642	202,642
Depreciation	4,347	24	-	4,371
Other expenses	666	34	-	700
Total operating expenses	<u>20,238</u>	<u>948</u>	<u>202,642</u>	<u>223,828</u>
Operating income (loss)	<u>1,396</u>	<u>(9)</u>	<u>(9,030)</u>	<u>(7,643)</u>
<b>NONOPERATING REVENUES</b>				
Interest on investments	-	-	2,436	2,436
Total nonoperating revenues	-	-	2,436	2,436
Income (loss) before transfers	<u>1,396</u>	<u>(9)</u>	<u>(6,594)</u>	<u>(5,207)</u>
Transfers in	223	-	-	223
Transfers out	-	-	(1,961)	(1,961)
Change in net assets	<u>1,619</u>	<u>(9)</u>	<u>(8,555)</u>	<u>(6,945)</u>
Net assets at beginning of the year	<u>3,189</u>	<u>833</u>	<u>65,764</u>	<u>69,786</u>
Net assets at end of the year	<u>\$ 4,808</u>	<u>\$ 824</u>	<u>\$ 57,209</u>	<u>\$ 62,841</u>

**Baltimore County, Maryland**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2009**  
(In Thousands)

	<u>Vehicle Operations and Maintenance</u>	<u>Central Printing Service</u>	<u>Self-Insurance Program</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 21,423	\$ 939	\$ 194,145	\$216,507
Payments to suppliers	(13,415)	(449)	-	(13,864)
Payments to employees	(2,517)	(439)	-	(2,956)
Payment for interfund services used	(666)	(34)	-	(700)
Claims paid	-	-	(203,356)	(203,356)
Other receipts	467	-	-	467
Net cash provided (used) by operating activities	<u>5,292</u>	<u>17</u>	<u>(9,211)</u>	<u>(3,902)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	223	-	-	223
Transfers out	-	-	(1,961)	(1,961)
Advances from other funds	1,022	-	-	1,022
Advances to other funds	-	-	(1,022)	(1,022)
Net cash provided (used) by noncapital activities	<u>1,245</u>	<u>-</u>	<u>(2,983)</u>	<u>(1,738)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(7,035)	-	-	(7,035)
Sales of capital assets	498	-	-	498
Net cash used by capital and related financing activities	<u>(6,537)</u>	<u>-</u>	<u>-</u>	<u>(6,537)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	-	-	2,436	2,436
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>2,436</u>	<u>2,436</u>
Net increase (decrease) in cash and cash equivalents	-	17	(9,758)	(9,741)
Cash and cash equivalents at beginning of the year	-	671	105,719	106,390
Cash and cash equivalents at end of the year	<u>\$ -</u>	<u>\$ 688</u>	<u>\$ 95,961</u>	<u>\$ 96,649</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 1,396	\$ (9)	\$ (9,030)	\$ (7,643)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	4,347	24	-	4,371
Effect of changes in operating assets and liabilities:				
Receivables, net	(11)	-	533	522
Prepaid costs	-	-	(1,771)	(1,771)
Inventories	267	-	-	267
Accounts and other payables	(656)	-	1,106	450
Accrued expenses	(51)	2	-	(49)
Claims and judgements	-	-	(49)	(49)
Net cash provided (used) by operating activities	<u>\$ 5,292</u>	<u>\$ 17</u>	<u>\$ (9,211)</u>	<u>\$ (3,902)</u>

**Baltimore County, Maryland**  
**Combining Statement of Fiduciary Net Assets**  
**Benefits Trust Funds**  
**June 30, 2009**  
**(In Thousands)**

	<b>Employees' Retirement System</b>	<b>Police, Fire, and Widows' Pension Plan</b>	<b>OPEB Plan</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 35,623	\$ 1,751	\$ 1,641	\$ 39,015
Collateral for loaned securities	126,205	-	12,399	138,604
Receivables:				
Accrued interest & dividend income	4,539	909	446	5,894
Receivable for investments sold	11,027	-	1,083	12,110
Receivables other	668	-	1,505	2,173
Total receivables	<u>16,234</u>	<u>909</u>	<u>3,034</u>	<u>20,177</u>
Investments, at fair value:				
U.S. Government and Agency securities	88,198	-	8,665	96,863
Municipal bonds	-	52,052	-	52,052
Foreign bonds	34,157	5,567	3,356	43,080
Corporate bonds	143,819	-	14,130	157,949
Stocks	332,320	-	32,650	364,970
Bond mutual funds	121,549	7,153	11,942	140,644
Stock mutual funds	367,975	9,950	36,153	414,078
Real estate equity funds	69,663	-	6,844	76,507
Hedge funds	89,357	-	8,779	98,136
Private equity funds	73,867	-	7,257	81,124
Global Asset Allocation	251,116	-	24,672	275,788
Total investments	<u>1,572,021</u>	<u>74,722</u>	<u>154,448</u>	<u>1,801,191</u>
Total assets	<u>1,750,083</u>	<u>77,382</u>	<u>171,522</u>	<u>1,998,987</u>
<b>LIABILITIES</b>				
Collateral for loaned securities	126,205	-	12,399	138,604
Investments purchased	27,201	39	2,672	29,912
Investment expenses payable	2,016	37	198	2,251
Refunds payable	252	-	-	252
Other	117	-	2,804	2,921
Total liabilities	<u>155,791</u>	<u>76</u>	<u>18,073</u>	<u>173,940</u>
<b>NET ASSETS</b>				
Net assets held in trust for benefits	<u>\$ 1,594,292</u>	<u>\$ 77,306</u>	<u>\$ 153,449</u>	<u>\$ 1,825,047</u>

**Baltimore County, Maryland**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Benefits Trust Funds**  
**For the Year Ended June 30, 2009**  
**(In Thousands)**

	<u>Employees' Retirement System</u>	<u>Police, Fire, and Widows' Pension Plan</u>	<u>OPEB Plan</u>	<u>Total</u>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 49,763	\$ 15	\$ 112,470	\$ 162,248
Employees	31,423	-	23,627	55,050
Intergovernmental	-	-	10,222	10,222
Total contributions	<u>81,186</u>	<u>15</u>	<u>146,319</u>	<u>227,520</u>
Investment earnings:				
Net decrease in the fair value of plan assets	(429,592)	(26,107)	(59,173)	(514,872)
Interest and dividends	42,317	3,147	4,781	50,245
Investment expenses	(10,546)	(153)	(1,188)	(11,887)
Net investment loss	<u>(397,821)</u>	<u>(23,113)</u>	<u>(55,580)</u>	<u>(476,514)</u>
Net income from securities lending:				
Securities lending income	3,255	-	354	3,609
Less:				
Borrower rebates	(1,528)	-	(149)	(1,677)
Agent fees	(502)	-	(60)	(562)
Net income from securities lending	<u>1,225</u>	<u>-</u>	<u>145</u>	<u>1,370</u>
Total net investment loss	<u>(396,596)</u>	<u>(23,113)</u>	<u>(55,435)</u>	<u>(475,144)</u>
Total additions (losses)	<u>(315,410)</u>	<u>(23,098)</u>	<u>90,884</u>	<u>(247,624)</u>
<b>DEDUCTIONS</b>				
Benefits	147,062	13,324	107,913	268,299
Refunds	3,400	-	-	3,400
Administrative expense	947	-	-	947
Total deductions	<u>151,409</u>	<u>13,324</u>	<u>107,913</u>	<u>272,646</u>
Change in net assets	(466,819)	(36,422)	(17,029)	(520,270)
Net assets at beginning of the year	2,061,111	113,728	170,478	2,345,317
Net assets at end of the year	<u>\$ 1,594,292</u>	<u>\$ 77,306</u>	<u>\$ 153,449</u>	<u>\$ 1,825,047</u>

