

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, 2011 and the budgetary comparison for the general fund for the year ended June 30, 2011, 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 opinions 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 opinions.

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, 2011, 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 20, 2011 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 as 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 Henderson LLP

Baltimore, Maryland
December 20, 2011

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) as of and for the fiscal year ended June 30, 2011. 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 \$4.131 billion and \$2.481 billion respectively resulting in net assets of \$1.65 billion.
- The County's total net assets decreased by \$101.104 million as a result of current year operations.

Fund Level:

- The County's governmental funds have combined fund balances of \$121.513 million.
- The General Fund's fund balance is \$250.054 million of which \$165.2 million is unassigned fund balance inclusive of \$84.61 million in a Revenue Stabilization account.

Long-term Debt:

- The County's total bond, note and certificate of participation debt increased by \$291.93 million during the current year. The key factors in this increase were the issuance of \$391 million in general obligation bonds and a \$6.292 million draw on the Maryland Water Quality Revolving Loan Fund offset by debt service payments of \$104.587 million and a net principal reduction of \$.775 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 2011. 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 obligations to provide post employment healthcare benefits to its employees. These schedules can be found on page 64. Other supplementary information includes combining and individual fund financial statements and schedules for the General Fund, Liquor License Fund, internal service funds, and fiduciary funds. These statements and schedules can be found starting on page 66.

Financial Analysis of the County as a Whole

The County's combined net assets decreased \$101.104 million for FY 2011. The net assets of the governmental activities decreased \$116.913 million while business-type activities increased \$15.809 million. The schedule below presents the net assets of the County's governmental and business-type activities as of June 30, 2011.

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 \$343.048 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 \$158.571 million in the business-type activities. These situations are described in more detail in Note 8.

Net Assets as of June 30 (in thousands)

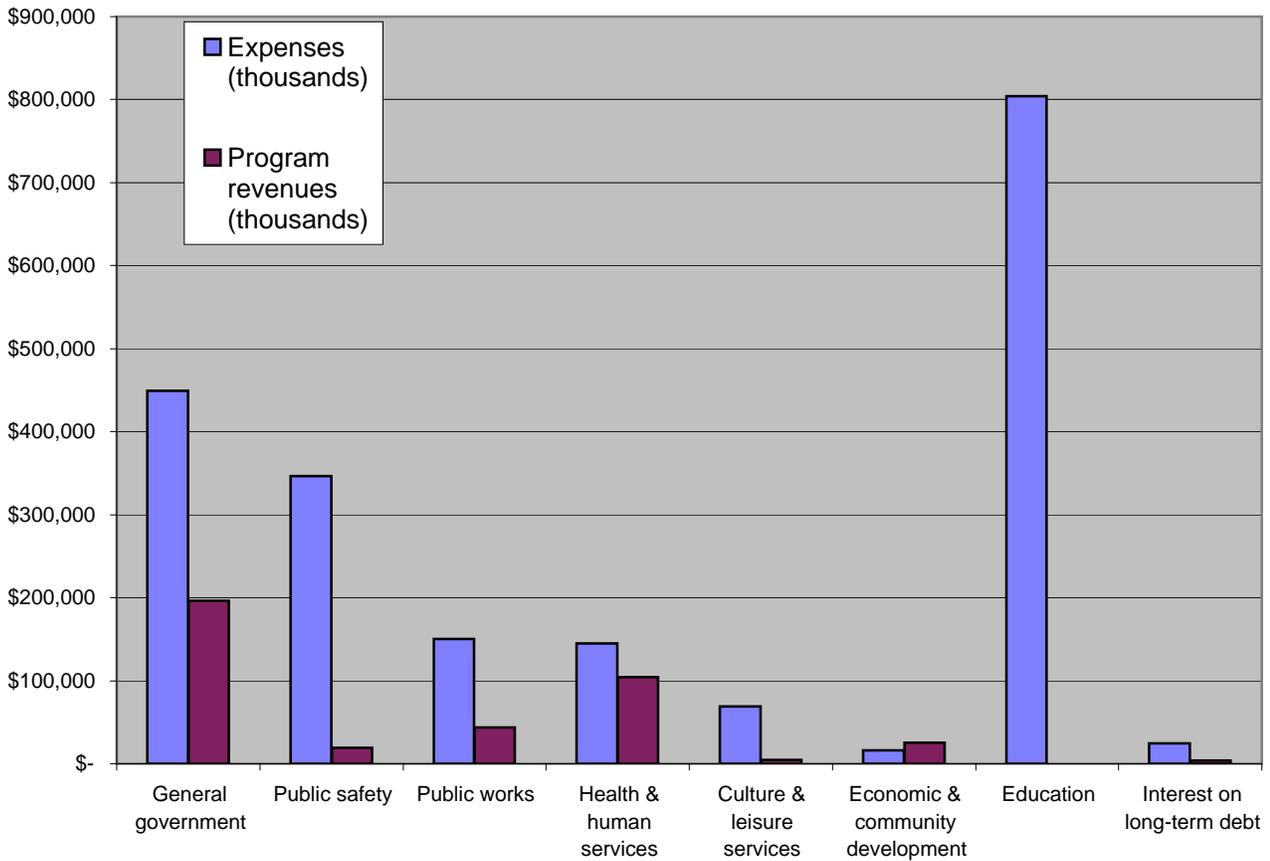
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other non-current assets	\$ 490,917	\$ 457,308	\$ 241,735	\$ 193,197	\$ 732,652	\$ 650,505
Capital assets	2,291,812	2,219,105	1,106,405	1,034,558	3,398,217	3,253,663
Total assets	2,782,729	2,676,413	1,348,140	1,227,755	4,130,869	3,904,168
Liabilities:						
Current liabilities	495,540	470,960	188,682	178,623	684,222	649,583
Long-term liabilities	1,062,319	863,670	734,750	640,233	1,797,069	1,503,903
Total liabilities	1,557,859	1,334,630	923,432	818,856	2,481,291	2,153,486
Net assets:						
Invested in capital assets, net of related debt	1,541,265	1,593,450	583,279	568,687	2,124,544	2,162,137
Restricted	26,653	57,713	-	-	26,653	57,713
Unrestricted (deficit)	(343,048)	(309,380)	(158,571)	(159,788)	(501,619)	(469,168)
Total net assets	\$ 1,224,870	\$ 1,341,783	\$ 424,708	\$ 408,899	\$ 1,649,578	\$ 1,750,682

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.

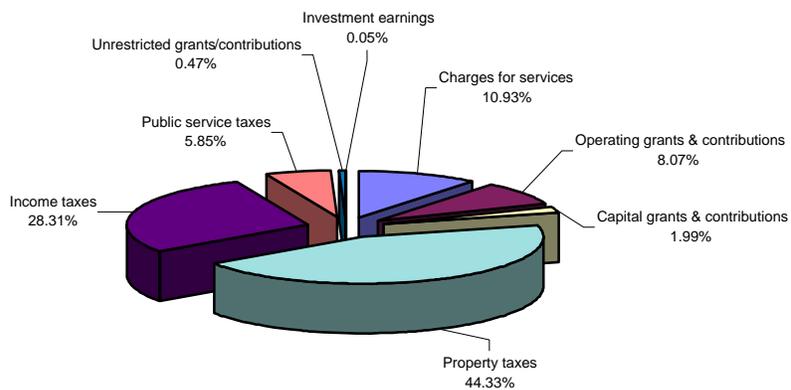
	Changes in Net Assets (in thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues						
Charges for services	\$ 206,404	\$ 158,074	\$ 224,510	\$ 206,031	\$ 430,914	\$ 364,105
Operating grants	152,365	144,350	2,462	829	154,827	145,179
Capital grants	37,614	31,263	14,126	12,071	51,740	43,334
General revenues						
Property taxes	837,092	813,970	-	-	837,092	813,970
Income taxes	534,553	473,792	-	-	534,553	473,792
Public service taxes	110,405	116,592	-	-	110,405	116,592
Unrestricted grants and contributions	8,823	9,655	-	-	8,823	9,655
Investment earnings	966	1,098	256	177	1,222	1,275
Total revenues	<u>1,888,222</u>	<u>1,748,794</u>	<u>241,354</u>	<u>219,108</u>	<u>2,129,576</u>	<u>1,967,902</u>
Expenses						
General government	449,008	390,428	-	-	449,008	390,428
Public safety	346,253	339,301	-	-	346,253	339,301
Public works	150,606	198,075	-	-	150,606	198,075
Health and human services	144,972	144,614	-	-	144,972	144,614
Culture and leisure services	69,368	68,818	-	-	69,368	68,818
Economic and community development	16,232	13,743	-	-	16,232	13,743
Education	803,828	831,550	-	-	803,828	831,550
Interest on long-term debt	24,868	22,057	-	-	24,868	22,057
Water and sewer services	-	-	225,545	240,626	225,545	240,626
Total expenses	<u>2,005,135</u>	<u>2,008,586</u>	<u>225,545</u>	<u>240,626</u>	<u>2,230,680</u>	<u>2,249,212</u>
Increase (decrease) in net assets	(116,913)	(259,792)	15,809	(21,518)	(101,104)	(281,310)
Net assets - beginning	<u>1,341,783</u>	<u>1,601,575</u>	<u>408,899</u>	<u>430,417</u>	<u>1,750,682</u>	<u>2,031,992</u>
Net assets - ending	<u>\$ 1,224,870</u>	<u>\$ 1,341,783</u>	<u>\$ 424,708</u>	<u>\$ 408,899</u>	<u>\$ 1,649,578</u>	<u>\$ 1,750,682</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.

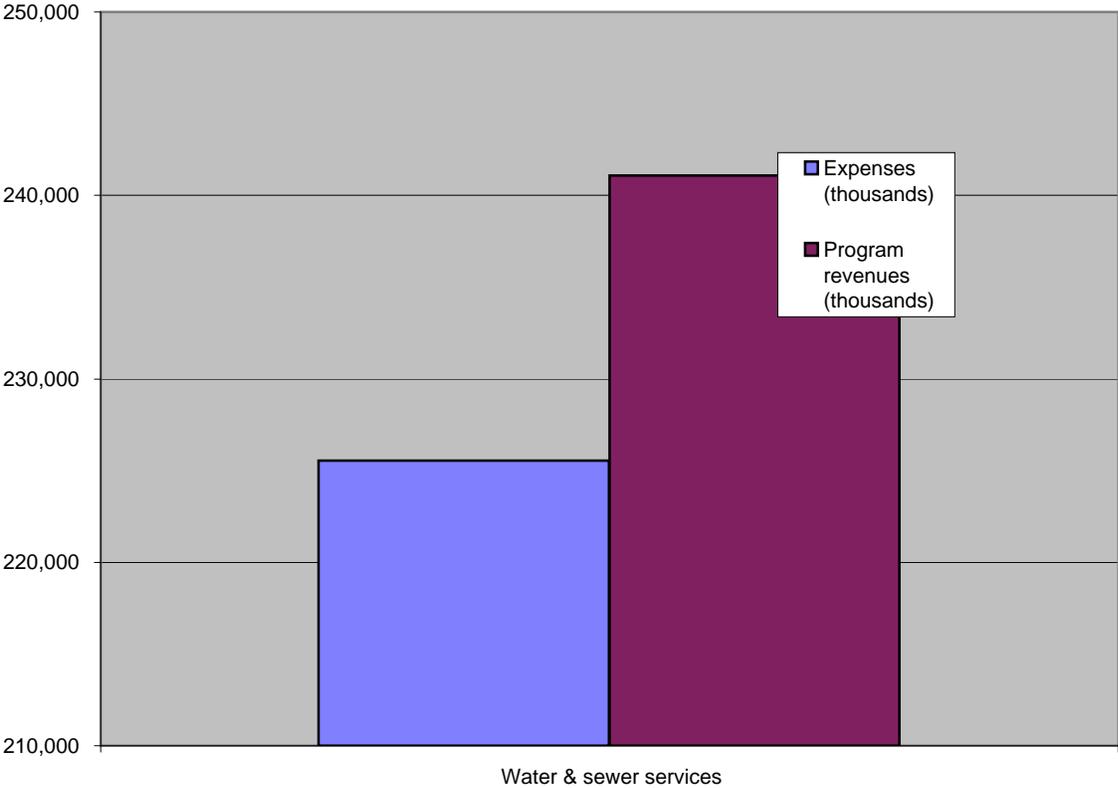
Expenses & Program Revenues-Governmental Activities



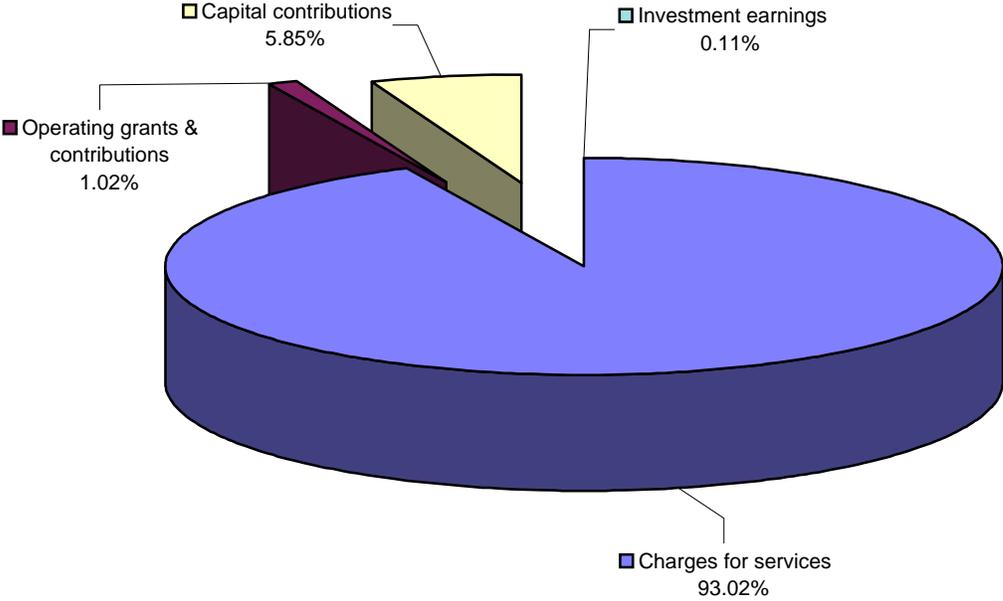
Revenues by Source-Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source-Business-type Activities



Governmental Activities

Governmental activities decreased the County's net assets by \$116.913 million. Key elements affecting the decrease in net assets included:

- A decrease of \$52.185 million to Invested in Capital Assets, Net of Related Debt classification was because the County replaced previously appropriated General Fund contributions to the Capital budget with approved bond funding.
- Unrestricted net assets was impacted because of the following factors:
 - The County had a \$68.185 million decrease to its net OPEB asset of \$34.995 million resulting in a net OPEB obligation of \$33.19 million at the end of the year.
 - The outstanding debt for the Board of Education and the Community College capital projects (see previous discussion) increased by \$92.163.
- Capital asset infrastructure donations from developers decreased 30.6% to \$8.091 million.

Business-type Activities

Business-type activities increased the County's net assets by \$15.809 million. The key elements of the Metropolitan District operations that affect net assets are as follows:

- The County's charges for services increased \$18.479 million due to a 10% rate increase in FY11 for sewer service, water distribution and water consumption charges.
- Final settlement of FY10 water and sewer operating costs between the County and Baltimore City resulted in a \$5.041 million refund from the City in FY11.
- 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 \$6.42 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 unassigned 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 \$121.513 million as of June 30, 2011, an increase of \$74.617 million. Unassigned fund balance of the General Fund, as stated below, is available at the County's discretion. The remaining fund balance of \$113.403 million is not available for new spending because of varying constraints set on them.

The General Fund is the County's chief operating fund. At the end of FY11, unassigned fund balance of the General Fund was \$165.2 million, while total fund balance was \$250.054 million. Unassigned fund balance represents 10.5% of total fund expenditures, while total fund balance represents 15.8% of total expenditures. These ratios are typically useful as a measure of the General Fund's liquidity. The County has \$84.61 million in a Revenue Stabilization account and has assigned \$60.568 million to finance, in part, the FY12 operating budget.

The General Fund fund balance increased by \$17.565 million during the current fiscal year. The County transferred \$50 million of prior year General Fund contributions back to the General Fund to address a \$45.3 million shortage in income tax receipts. Property tax revenue was up \$22.957 million over last year due primarily to a \$30.83 million decrease in the County's Homestead tax credit. Recordation and transfer tax revenue was down \$7.019 million due to the depressed housing market.

The Gifts and Grants Fund fund balance of \$28.304 million consists primarily of \$20.468 million of earned revenue in excess of grant expenditures for the various grant activities administered by the County and is

restricted for those activities. The \$5.003 increase from last year is attributable to \$1.475 million for Economic Development loans and grants that was combined with the Gifts and Grants fund in FY11 under the new GASB Statement No. 54 criteria, \$2.9 million of fees earned from Section 8 Housing administration and an additional \$1.1 million of Asset Forfeiture funds to be used to supplement police programs.

The Consolidated Public Improvement Construction Fund fund balance increased \$52.264 million. Major fluctuations in fund balance are primarily the result of the timing of cash inflows from bond sale proceeds and capital expenditure outflows. The County issued \$267 million in new debt to fund capital projects and reduced expenditures by \$39.308 million from the prior year. Also, the County returned \$48.219 million of prior year current expense contributions to the General Fund to mitigate an income tax revenue shortfall.

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 \$15.816 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 a supplemental appropriation of \$5.7 million to its Storm Emergency program that resulted from the unusually high number of storms that impacted the County during the year. Significant differences between the final budget and actual amounts are summarized as follows:

- In light of anticipated reductions in property and income tax receipts and state aid to local governments, the County, in FY11, had consolidated four agencies, utilized new technologies to obtain operational efficiencies and had kept as many as 143 personnel positions vacant. This resulted in respective cost savings of \$2.589 million, \$2.345 million and \$4.021 million to General Government, Public Safety and Public Works operations of the County.
- Income taxes budget estimates were \$45.3 million less due primarily to a reduction by the State of FY11 tax receipts for overpayments of FY09 distributions.
- The County released \$12.9 million of employer health care contributions to its Self Insurance Program to maintain unassigned General Fund balance at a higher targeted level during this period of revenue uncertainty.
- Debt service interest savings of \$1.877 million were realized from debt issuance at interest rates that were lower than budgeted.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities totaled \$3.398 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 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 256,653	\$ 245,965	\$ 1,307	\$ 1,306	\$ 257,960	\$ 247,271
Buildings and improvements	340,655	322,761	88,629	86,359	429,284	409,120
Vehicles and equipment	120,986	99,502	4,209	4,718	125,195	104,220
Infrastructure	1,240,997	1,246,515	742,362	712,595	1,983,359	1,959,110
Construction in progress	332,521	304,362	269,898	229,580	602,419	533,942
Total	\$ 2,291,812	\$ 2,219,105	\$ 1,106,405	\$ 1,034,558	\$ 3,398,217	\$ 3,253,663

The County added \$11.9 million for new or improved roads, \$5.7 million for storm drains, and \$24.7 million for water and sewer lines as a major part of its infrastructure assets for FY11.

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

- The County reopened the recently acquired Robert E. Lee Park. The County renovated a large portion of this 415 acre site at a cost of \$2.5 million.
- The County completed the design and construction of the Sweet Air/Jacksonville Community Park and Recreation Center at a cost of \$4.6 million.
- The County acquired a 247 acre conservation and public recreation access easement known as the Bee Tree Preserve at a cost of \$1.3 million.
- Phase one (site, construction, resource center) for the Baltimore County Center for Maryland Agricultural and Farm Park was completed at a cost of \$5.8 million.
- Construction on the Sollers Point Library/Recreation/Multi Purpose Center was started at an estimated completion cost of \$7.8 million.
- To date the County has spent \$1.676 million of a three-year \$7.4 million grant from the U.S. Department of Energy for various energy efficient initiatives across the County.

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 \$1.982 billion. This includes Consolidated Public Improvement bonds and notes of \$1.093 billion, Pension Funding bonds of \$.032 billion and Metropolitan District bonds and notes of \$.857 billion. 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 Primary Government	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 949,890	\$ 741,450	\$ 750,917	\$ 658,837	\$ 1,700,807	\$ 1,400,287
General obligation BANs	174,900	174,900	106,500	106,500	281,400	281,400
Total	<u>\$ 1,124,790</u>	<u>\$ 916,350</u>	<u>\$ 857,417</u>	<u>\$ 765,337</u>	<u>\$ 1,982,207</u>	<u>\$ 1,681,687</u>

The County's total general obligation debt increased in 2011 by \$300.52 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 \$3.57 billion and \$2.54 billion. Additional information on the County's long-term debt can be found in Note 8.

Economic Factors and Next Years Budgets and Rates

- Even with gains in some areas of the economy, the struggle with decreased revenues will continue for the County as recovery for local and state government will lag behind the rest of the economy.
- The calendar year 2010 unemployment rate for the County averaged 8%, which is above the Baltimore Metropolitan Area unemployment rate of 7.9% and the State of Maryland rate of 7.5%.
- Estimated personal income growth in the County is projected to be 2.25%.

- Lost real property tax revenue from lower property reassessments is mitigated by the County's 4% Homestead Assessment Growth Cap on residential property. The tax credit for homeowners will decrease from \$169.377 million in FY11 to \$112.006 million in FY12.

These and other economic indicators were considered when preparing the FY12 General Fund budget, which estimates revenues at \$1.543 billion. General Fund appropriations for FY12 of \$1.604 billion reflect a .13% decrease over the FY11 adjusted budget. Even with a slight decrease the FY12 budget takes into account a 15.5% increase in vehicle fuel cost and increases in healthcare, payroll and retirement costs for County employees. In recognition of these significant increases the budget eliminates 184 vacant positions, which lowers the number of general government employees by 2.8% from last year. Also, this budget absorbs the impact of the loss of intergovernmental aid. Two prior years of federal ARRA funding for 194 instructional assistants at the Public Schools will shift to local funding. In addition, the State will transfer an estimated \$6.5 million cost of administering the State's Teacher Pension System and the State Department of Assessment and Taxation to the County. The projected unassigned fund balance at the end of FY12 is \$153.176 million or 9.9% of the estimated FY12 total revenues.

There are no new taxes levied to fund the FY12 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.

Other Significant Matters

The County administers an OPEB trust fund that provides for payment of healthcare and life insurance benefits for retirees of Baltimore County Government; the County's component units, which include the Baltimore County Board of Education, the Community College of Baltimore County, the Board of Library Trustees for Baltimore County; the Baltimore County Revenue Authority (BCRA). Accounting standards require that OPEB benefits be accounted for on an accrual basis. 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 AOC. As of June 30, 2011, the County had a contribution deficiency of \$33.2 million while its component units had excess net contributions of \$4.9 million, which are reported in its 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, 2011
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments (Note 3)	\$ 230,484	\$ 71,420	\$ 301,904	\$ 82,721
Receivables, net (Note 5)	229,236	165,850	395,086	41,572
Due from primary government (Note 6)	-	-	-	52,182
Inventories	7,462	580	8,042	3,269
Prepaid costs	5,611	-	5,611	1,380
Deferred charges	4,564	2,832	7,396	78
Net OPEB asset (Note 14)	-	-	-	6,027
Restricted assets:				
Cash and investments (Note 3)	13,560	1,053	14,613	519
Capital assets (Note 7)				
Non-depreciable	589,174	271,205	860,379	272,391
Depreciable (net of accumulated depreciation)	1,702,638	835,200	2,537,838	1,112,520
Total assets	<u>2,782,729</u>	<u>1,348,140</u>	<u>4,130,869</u>	<u>1,572,659</u>
LIABILITIES				
Accounts payable	37,815	29,798	67,613	41,969
Accrued payroll	16,934	1,276	18,210	28,097
Accrued interest payable	13,553	10,588	24,141	-
Internal balances	2,616	(2,616)	-	-
Due to component units (Note 6)	48,326	-	48,326	-
Other liabilities	20,913	3,403	24,316	5,372
Unearned revenue (Note 5)	11,022	-	11,022	25,044
Liabilities payable from restricted assets	-	-	-	519
Noncurrent liabilities (Note 8)				
Due within one year	344,361	146,233	490,594	24,531
Due in more than one year	1,062,319	734,750	1,797,069	26,416
Total liabilities	<u>1,557,859</u>	<u>923,432</u>	<u>2,481,291</u>	<u>151,948</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,541,265	583,279	2,124,544	1,361,732
Restricted for:				
OPEB trust				6,027
Public works	5,288	-	5,288	-
Economic development	897	-	897	-
Education	-	-	-	17,427
Grant projects	20,468	-	20,468	-
Expendable endowments	-	-	-	5,283
Unrestricted (deficit)	(343,048)	(158,571)	(501,619)	30,242
Total net assets	<u>\$ 1,224,870</u>	<u>\$ 424,708</u>	<u>\$ 1,649,578</u>	<u>\$ 1,420,711</u>

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

Baltimore County, Maryland
Statement of Activities
For the Year Ended June 30, 2011
(In Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 449,008	\$ 190,247	\$ 5,778	\$ -	\$(252,983)	\$ -	\$(252,983)
Public safety	346,253	5,077	14,093	-	(327,083)	-	(327,083)
Public works	150,606	3,195	2,865	37,614	(106,932)	-	(106,932)
Health and human services	144,972	3,652	100,326	-	(40,994)	-	(40,994)
Culture and leisure services	69,368	3,382	1,124	-	(64,862)	-	(64,862)
Economic and community development	16,232	851	24,115	-	8,734	-	8,734
Education	803,828	-	-	-	(803,828)	-	(803,828)
Interest on long-term debt	24,868	-	4,064	-	(20,804)	-	(20,804)
Total governmental activities	2,005,135	206,404	152,365	37,614	(1,608,752)	-	(1,608,752)
Business-type activities:							
Water and sewer services	225,545	224,510	2,462	14,126	-	15,553	15,553
Total business-type activities	225,545	224,510	2,462	14,126	-	15,553	15,553
Total primary government	\$ 2,230,680	\$ 430,914	\$ 154,827	\$ 51,740	\$(1,608,752)	15,553	\$(1,593,199)
COMPONENT UNITS							
Board of Education	\$ 1,473,675	\$ 15,407	\$ 184,765	\$ 96,745	-	-	\$(1,176,758)
Community College	211,356	70,133	92,957	17,615	-	-	(30,651)
Board of Library Trustees	44,498	4,727	6,194	1,239	-	-	(32,338)
Total component units	\$ 1,729,529	\$ 90,267	\$ 283,916	\$ 115,599	-	-	\$(1,239,747)
General revenues:							
Taxes:							
Property taxes					837,092	-	837,092
Income taxes					534,553	-	534,553
Public service taxes					110,405	-	110,405
Grants and contributions not restricted to specific programs:							
Baltimore County					-	-	735,023
State of Maryland					8,823	-	8,823
Unrestricted investment earnings					966	256	850
Other					-	-	42,139
Total general revenues and transfers					1,491,839	256	1,492,095
Change in net assets					(116,913)	15,809	(101,104)
Net assets at beginning of the year					1,341,783	408,899	1,750,682
Net assets at end of the year					\$ 1,224,870	\$ 424,708	\$ 1,649,578

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

Baltimore County, Maryland
Balance Sheet
Governmental Funds
June 30, 2011
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Liquor License	Total Governmental Funds
ASSETS					
Cash and investments	\$ 127,689	\$ 27,265	\$ -	\$ 269	\$ 155,223
Cash and investments - restricted	13,560	-	-	-	13,560
Receivables, net	172,711	44,581	7,449	-	224,741
Due from other funds	122,088	-	-	-	122,088
Inventories	6,942	-	-	-	6,942
Total assets	<u>\$ 442,990</u>	<u>\$ 71,846</u>	<u>\$ 7,449</u>	<u>\$ 269</u>	<u>\$ 522,554</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 14,752	\$ 3,158	\$ 16,136	\$ -	\$ 34,046
Accrued expenditures	15,301	1,451	-	24	16,776
Due to other funds	-	-	122,088	-	122,088
Due to component units	39,047	-	9,279	-	48,326
Other liabilities	8,501	1,217	11,195	-	20,913
Deferred revenue	115,335	37,716	5,841	-	158,892
Total liabilities	<u>192,936</u>	<u>43,542</u>	<u>164,539</u>	<u>24</u>	<u>401,041</u>
Fund balances (deficit) (Note 15)					
Nonspendable	6,942	-	-	-	6,942
Restricted	12,689	21,365	-	-	34,054
Committed	-	-	-	-	-
Assigned	65,223	6,939	-	245	72,407
Unassigned	165,200	-	(157,090)	-	8,110
Total fund balances (deficit)	<u>250,054</u>	<u>28,304</u>	<u>(157,090)</u>	<u>245</u>	<u>121,513</u>
Total liabilities and fund balances	<u>\$ 442,990</u>	<u>\$ 71,846</u>	<u>\$ 7,449</u>	<u>\$ 269</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.	2,270,413
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	147,870
Deficiency of other post employment benefits (OPEB) contributions made in relation to the Annual OPEB Costs is recognized as a year-end liability.	(33,190)
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.	34,568
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).	(1,316,304)
Net assets of governmental activities	<u>\$ 1,224,870</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, 2011
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Liquor License	Total Governmental Funds
REVENUES					
Taxes	\$ 1,448,849	\$ -	\$ -	\$ -	\$ 1,448,849
Licenses and permits	3,858	-	-	622	4,480
Intergovernmental	34,186	127,184	25,498	-	186,868
Repayment of loans	-	3,990	-	-	3,990
Charges for services	9,963	7,483	400	77	17,923
Assessments	-	-	2,475	-	2,475
Fines and forfeitures	3,876	-	-	-	3,876
Investment income	570	282	-	-	852
Miscellaneous	29,514	849	2,105	-	32,468
Total revenues	<u>1,530,816</u>	<u>139,788</u>	<u>30,478</u>	<u>699</u>	<u>1,701,781</u>
EXPENDITURES					
Current:					
General government	72,770	3,271	-	626	76,667
Public safety	329,618	11,513	-	-	341,131
Public works	127,313	200	-	-	127,513
Health and human services	37,195	106,536	-	-	143,731
Culture and leisure services	23,881	2,890	-	-	26,771
Economic and community development	1,925	16,319	-	-	18,244
Pension plan contributions	53,795	-	-	-	53,795
Healthcare contributions	56,367	-	-	-	56,367
Miscellaneous	17,282	102	-	-	17,384
Capital projects	-	-	108,827	-	108,827
Payments to component units	766,829	-	90,181	-	857,010
Debt service:					
Principal retirement	48,149	-	-	-	48,149
Interest	28,454	-	-	-	28,454
Fiscal charges	2,413	-	-	-	2,413
Retirement of bond anticipation notes	-	-	70,050	-	70,050
Total expenditures	<u>1,565,991</u>	<u>140,831</u>	<u>269,058</u>	<u>626</u>	<u>1,976,506</u>
Excess (deficiency) of revenues over expenditures	<u>(35,175)</u>	<u>(1,043)</u>	<u>(238,580)</u>	<u>73</u>	<u>(274,725)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	267,000	-	267,000
Bond anticipation notes - proceeds	-	-	70,050	-	70,050
Bonds issued - refunding	13,565	-	-	-	13,565
Bond premium - refunding	1,387	-	-	-	1,387
Proceeds of bond premium	12,041	-	-	-	12,041
Payment to bond refunding escrow agent	(14,879)	-	-	-	(14,879)
Transfers in	50,564	8,101	2,600	-	61,265
Transfers out	(9,938)	(2,055)	(48,806)	(288)	(61,087)
Total other financing sources (uses)	<u>52,740</u>	<u>6,046</u>	<u>290,844</u>	<u>(288)</u>	<u>349,342</u>
Net change in fund balances	17,565	5,003	52,264	(215)	74,617
Fund balances (deficit) at beginning of the year, as restated (Note 16)	232,489	23,301	(209,354)	460	46,896
Fund balances (deficit) at end of the year	<u>\$ 250,054</u>	<u>\$ 28,304</u>	<u>\$ (157,090)</u>	<u>\$ 245</u>	<u>\$ 121,513</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, 2011
(In Thousands)

Net change in fund balances-total governmental funds	\$ 74,617
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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).</p>	63,255
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets (Note 2).</p>	7,320
<p>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 increased this year.</p>	16,977
<p>Expenses in the statement of activities are adjusted for the difference between OPEB expense in relation to the Annual OPEB Cost (AOC) and contributions made in relation to the AOC.</p>	(68,185)
<p>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).</p>	(210,681)
<p>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).</p>	1,176
<p>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.</p>	(1,392)
Change in net assets of governmental activities	\$ (116,913)

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, 2011
(In Thousands)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 1,508,817	\$ 1,508,817	\$ 1,448,849	\$ (59,968)
Licenses and permits	3,008	3,008	3,858	850
Intergovernmental	33,776	33,776	34,186	410
Charges for services	9,743	9,743	9,963	220
Fines and forfeitures	3,351	3,351	3,876	525
Reimbursement from other funds	6,256	6,256	7,552	1,296
Interest on investments	4,101	4,101	837	(3,264)
Miscellaneous	21,698	21,698	38,805	17,107
Total revenues	<u>1,590,750</u>	<u>1,590,750</u>	<u>1,547,926</u>	<u>(42,824)</u>
EXPENDITURES				
Current:				
General government	79,050	79,350	76,761	2,589
Public safety	332,412	332,387	330,042	2,345
Public works	125,204	130,904	126,883	4,021
Health and human services	38,417	38,417	37,537	880
Culture and leisure services	24,063	24,063	23,622	441
Economic and community development	2,152	2,152	1,889	263
Pension plan contributions	53,831	53,831	53,826	5
Healthcare contributions	69,558	69,283	56,359	12,924
Miscellaneous	18,743	18,743	17,282	1,461
Payments to component units	767,583	767,583	766,829	754
Debt service:				
Principal retirement	48,249	48,249	48,149	100
Interest	30,331	30,331	28,454	1,877
Fiscal charges	619	619	618	1
Total expenditures	<u>1,590,212</u>	<u>1,595,912</u>	<u>1,568,251</u>	<u>27,661</u>
Excess (deficiency) of revenues over expenditures (budgetary basis)	<u>538</u>	<u>(5,162)</u>	<u>(20,325)</u>	<u>(15,163)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,288	50,288
Transfers out	(9,938)	(9,938)	(9,938)	-
Total other financing sources (uses)	<u>(9,938)</u>	<u>(9,938)</u>	<u>40,350</u>	<u>50,288</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	<u>\$ (9,400)</u>	<u>\$ (15,100)</u>	<u>20,025</u>	<u>\$ 35,125</u>
Adjustments required under generally accepted accounting principles:				
Net change during year in reserve for encumbrances			(1,176)	
Unbudgeted equipment financing activity			(5,073)	
Net change in reserve for inventories, imprest funds and other programs			1,035	
Prior year encumbrances liquidations			2,754	
Net change in fund balance-GAAP			<u>17,565</u>	
Fund balance at beginning of the year			232,489	
Fund balance at end of the year			<u>\$ 250,054</u>	

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

Baltimore County, Maryland
Statement of Net Assets
Proprietary Funds
June 30, 2011
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 71,420	\$ 75,261
Cash and investments - restricted	1,053	-
Receivables, net (Note 5)	31,427	4,495
Due from other funds	-	11,780
Inventories	580	520
Prepaid costs	-	5,611
Deferred charges	2,832	-
Total current assets	107,312	97,667
Noncurrent assets:		
Assessments receivable (Note 5)	134,423	-
Capital assets:		
Non-depreciable	271,205	-
Depreciable (net of accumulated depreciation)	835,200	21,399
Total noncurrent assets	1,240,828	21,399
Total assets	1,348,140	119,066
LIABILITIES		
Current liabilities:		
Accounts payable	29,798	3,769
Accrued payroll	1,276	158
Accrued interest payable	10,588	-
Due to other funds	-	11,780
Compensated absences	1,394	239
Claims and judgments	-	39,551
General obligation debt (Note 8)	144,239	-
Certificates of participation	600	-
Other liabilities	3,403	-
Total current liabilities	191,298	55,497
Noncurrent liabilities:		
Compensated absences	116	-
Claims and judgments	-	26,385
General obligation debt (Note 8)	732,304	-
Certificates of participation	2,330	-
Total noncurrent liabilities	734,750	26,385
Total liabilities	926,048	81,882
NET ASSETS		
Invested in capital assets, net of related debt	583,279	21,399
Unrestricted (deficit)	(161,187)	15,785
Total net assets	422,092	\$ 37,184
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	2,616	
Net assets of business-type activities	\$ 424,708	

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, 2011
(In Thousands)

	Metropolitan District Enterprise Fund	Total	Internal Service Funds
OPERATING REVENUES			
Licenses and permits	\$ 1,398	\$ 1,398	\$ -
Charges for services	216,313	216,313	248,912
Assessments	6,788	6,788	-
Intergovernmental	2,462	2,462	-
Miscellaneous	11	11	267
Total operating revenues	<u>226,972</u>	<u>226,972</u>	<u>249,179</u>
OPERATING EXPENSES			
Personal services	22,536	22,536	2,974
Business and travel	83	83	-
Contractual services	52,765	52,765	674
Rents and utilities	3,998	3,998	574
Supplies and maintenance	55,099	55,099	13,001
Insurance claims and expenses	-	-	228,421
Equipment	596	596	-
Fringe benefits and overhead	11,952	11,952	-
Depreciation expense	21,628	21,628	4,451
Other	61	61	699
Total operating expenses	<u>168,718</u>	<u>168,718</u>	<u>250,794</u>
Operating income (loss)	<u>58,254</u>	<u>58,254</u>	<u>(1,615)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	256	256	394
Interest expense	(19,649)	(19,649)	-
Capital contributions to other subdivisions	(37,171)	(37,171)	-
Total nonoperating revenues (expenses)	<u>(56,564)</u>	<u>(56,564)</u>	<u>394</u>
Income (loss) before transfers and capital contributions	1,690	1,690	(1,221)
Transfers in	-	-	98
Transfers out	-	-	(276)
Capital contributions from external parties	14,126	14,126	-
Change in net assets	<u>15,816</u>	<u>15,816</u>	<u>(1,399)</u>
Net assets at beginning of the year	406,276		38,583
Net assets at end of the year	<u>\$ 422,092</u>		<u>\$ 37,184</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>(7)</u>	
Change in net assets of business-type activities		<u>\$ 15,809</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, 2011
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 234,578	\$ 248,057
Payments to suppliers	(118,081)	(13,624)
Payments to employees	(34,557)	(2,965)
Payment for interfund services used	-	(699)
Claims paid	-	(223,106)
Other receipts	-	283
Net cash provided by operating activities	<u>81,940</u>	<u>7,946</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	98
Transfers out	-	(276)
Repayments from other funds	-	324
Repayments to other funds	-	(324)
Capital contributions paid to other subdivisions	(29,780)	-
Net cash used by noncapital financing activities	<u>(29,780)</u>	<u>(178)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	164,669	-
Retirement of bond anticipation notes	(30,100)	-
Capital contributions from external parties	7,812	-
Acquisition and construction of capital assets	(76,336)	(7,264)
Principal paid on capital debt	(38,212)	-
Interest paid on capital debt	(30,261)	-
Sales of capital assets	-	681
Net cash used by capital and related financing activities	<u>(2,428)</u>	<u>(6,583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	256	394
Net cash provided by investing activities	<u>256</u>	<u>394</u>
Net increase in cash and cash equivalents	49,988	1,579
Cash and cash equivalents at beginning of the year	22,485	73,682
Cash and cash equivalents at end of the year	<u>\$ 72,473</u>	<u>\$ 75,261</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 58,254	\$ (1,615)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	21,628	4,451
Amortization expense	167	-
Effect of changes in operating assets and liabilities:		
Receivables, net	3,056	(855)
Prepaid costs	-	3,447
Inventories	(10)	16
Accounts and other payables	(1,168)	(2,123)
Accrued expenses	13	9
Claims and judgements	-	4,616
Net cash provided by operating activities	<u>\$ 81,940</u>	<u>\$ 7,946</u>
NONCASH CAPITAL FINANCING ACTIVITIES		
Capital assets acquired through contributions from developers.	\$ 5,863	\$ -

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

Baltimore County, Maryland
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(In Thousands)

	Benefits Trust Funds
ASSETS	
Cash and cash equivalents (Note 3)	\$ 108,007
Collateral for loaned securities (Note 3)	132,236
Receivables:	
Accrued interest & dividend income	3,601
Receivable for investments sold	49,087
Receivables other	3,423
Total receivables	56,111
Investments, at fair value:	
U.S. Government and Agency securities	206,718
Municipal bonds	34,913
Foreign bonds	14,431
Corporate bonds	143,050
Stocks	507,388
Bond mutual funds	278,594
Stock mutual funds	419,660
Real estate equity funds	85,117
Hedge funds	113,714
Private equity funds	109,204
Real assets	111,190
Global asset allocation	365,683
Total investments	2,389,662
Total assets	2,686,016
LIABILITIES	
Securities lending payable	133,052
Investments purchased	144,615
Investment expenses payable	2,803
Refunds payable	327
Other	2,774
Total liabilities	283,571
NET ASSETS	
Net assets held in trust for benefits	\$ 2,402,445

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, 2011
(In Thousands)

	Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 126,458
Employees	62,894
Other	8,749
Total contributions	198,101
Investment earnings:	
Net increase in the fair value of plan assets	397,949
Interest and dividends	44,537
Investment expenses	(15,687)
Net investment gain	426,799
Net income from securities lending:	
Securities lending income	407
Net decrease in fair value of investments	(816)
Borrower rebates	83
Agent fees	(142)
Net loss from securities lending	(468)
Total net investment gain	426,331
Total additions	624,432
DEDUCTIONS	
Benefits	293,808
Refunds	2,726
Administrative expense	2,541
Total deductions	299,075
Change in net assets	325,357
Net assets at beginning of the year	2,077,088
Net assets at end of the year	\$ 2,402,445

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

Baltimore County, Maryland
Statement of Net Assets
Component Units
June 30, 2011
(In Thousands)

	<u>Board of Education</u>	<u>Community College</u>	<u>Board of Library Trustees</u>	<u>Total</u>
ASSETS				
Cash and investments (Note 3)	\$ 52,427	\$ 23,896	\$ 6,398	\$ 82,721
Receivables	28,959	12,496	117	41,572
Due from primary government	49,302	2,403	477	52,182
Inventories	1,322	1,864	83	3,269
Prepaid costs	1,377	-	3	1,380
Deferred charges	-	78	-	78
Cash restricted for lease purchase	519	-	-	519
Net OPEB asset (Note 14)	6,027	-	-	6,027
Capital assets (Note 7)				
Non-depreciable	254,403	17,988	-	272,391
Depreciable (net of accumulated depreciation)	986,917	115,266	10,337	1,112,520
Total assets	<u>1,381,253</u>	<u>173,991</u>	<u>17,415</u>	<u>1,572,659</u>
LIABILITIES				
Accounts payable	32,343	8,761	865	41,969
Accrued payroll	23,420	3,761	916	28,097
Other liabilities	3,596	1,776	-	5,372
Unearned revenue	18,895	6,108	41	25,044
Liabilities payable from restricted assets	519	-	-	519
Noncurrent liabilities (Note 8)				
Due within one year	19,693	3,824	1,014	24,531
Due in more than one year	22,008	4,197	211	26,416
Total liabilities	<u>120,474</u>	<u>28,427</u>	<u>3,047</u>	<u>151,948</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,219,912	131,483	10,337	1,361,732
Restricted for:				
Education	12,994	4,433	-	17,427
OPEB	6,027	-	-	6,027
Expendable endowments	-	3,165	2,118	5,283
Unrestricted	21,846	6,483	1,913	30,242
Total net assets	<u>\$ 1,260,779</u>	<u>\$ 145,564</u>	<u>\$ 14,368</u>	<u>\$ 1,420,711</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, 2011
(In Thousands)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education	Community College	Board of Library Trustees	Total
BOARD OF EDUCATION							
Public education	\$ 1,288,327	\$ 586	\$ 95,501	\$ (1,032,286)	\$ -	\$ -	\$ (1,032,286)
Facilities operations	146,871	-	1,244	(144,975)	-	-	(144,975)
Food service	38,477	14,821	-	503	-	-	503
Total Board of Education	1,473,675	15,407	96,745	(1,176,758)	-	-	(1,176,758)
COMMUNITY COLLEGE							
Educational and general expenses	179,139	60,849	-	-	(25,333)	-	(25,333)
Facilities operations	21,349	-	17,615	-	(3,734)	-	(3,734)
Auxiliary enterprises	10,868	9,284	-	-	(1,584)	-	(1,584)
Total Community College	211,356	70,133	17,615	-	(30,651)	-	(30,651)
BOARD OF LIBRARY TRUSTEES							
Culture and leisure services	44,498	4,727	1,239	-	-	(32,338)	(32,338)
Total component units	\$ 1,729,529	\$ 90,267	\$ 115,599	(1,176,758)	(30,651)	(32,338)	(1,239,747)
General Revenues:							
Baltimore County				663,144	38,263	33,616	735,023
State of Maryland				518,223	-	-	518,223
Unrestricted investment earnings				-	850	-	850
Other				42,139	-	-	42,139
Total general revenues				1,223,506	39,113	33,616	1,296,235
Change in net assets				46,748	8,462	1,278	56,488
Net assets at beginning of the year				1,214,031	137,102	13,090	1,364,223
Net assets at end of the year				\$ 1,260,779	\$ 145,564	\$ 14,368	\$ 1,420,711

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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 because the County approves budget requests providing a significant amount of funding for each of these units, levies taxes to provide the majority of their fiscal support, and issues debt for construction of capital facilities.

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

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

BALTIMORE COUNTY, MARYLAND
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Commission on Disabilities	Commission on Veterans' Affairs
Criminal Justice Coordinating Council	Design Review Panel
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, 2011 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 of America, 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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

individual governmental funds, major individual proprietary funds and the only nonmajor governmental (Liquor License) fund are reported as separate columns in the fund financial statements.

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

BALTIMORE COUNTY, MARYLAND
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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 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 \$5.7 million in supplementary and emergency appropriations adopted for the General Fund operating budget during fiscal year 2011.

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 \$0.01 million of interest income decreased by \$5.083 million in equipment purchases. The unspent equipment financing proceeds of \$12.689 million are reported as a restriction 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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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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 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 \$115 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, 2011. 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 are valued at cost. They are accounted for using the purchases method in the General Fund. Under the purchases method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets. Non-spendable fund balance for the amount of General Fund inventories has been reported in the governmental fund statements to reflect the non-availability of those amounts for appropriation or expenditure.

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, 2011.

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.

BALTIMORE COUNTY, MARYLAND
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Restricted Net Assets

The government-wide statement of net assets reports \$26.653 million of restricted net assets, of which \$5.288 million is restricted by enabling legislation.

Governmental Funds' Fund Balance

The County has adopted the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, this statement clarifies the definitions of the general fund, special revenue funds and capital project fund as applicable to the County. This statement changes fund balance classifications reported in the Governmental Fund Balance Sheet and requires expanded disclosure of the County's policies and procedures as it relates to authority levels, spending policy, reporting of encumbrances and the County's revenue stabilization account.

GASB 54 requires that fund balance amounts be properly reported within one of the fund balance categories listed below:

Non-spendable – Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact, such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid items.

Restricted – Includes amounts that are restricted to a specific purpose when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

Committed – Includes fund balance amounts that can be used only for the specific purposes determined by formal action of the County (the highest level of decision-making authority). Formal action of the County would be those actions which are voted on at County Council meetings that are in compliance with Maryland law. Similar action of the County is required to modify or rescind such commitments.

Assigned – Includes fund balance amounts that are intended to be used by the County for specific purposes as determined by the County Executive or his designee in accordance with County Charter. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as either restricted or committed.

Unassigned – Represents the residual classification for the County's funds and includes all spendable amounts not contained in the four classifications described above.

Order of Fund Balance Spending Policy

The County has established a fund balance spending policy for those instances where an expenditure is incurred for a purpose for which amounts in any of the restricted or unrestricted fund balance classifications (committed, assigned, or unassigned) could be used. The County will apply expenditures against restricted amounts first, followed by the committed, assigned and unassigned amounts.

Amounts reported as encumbrances may be classified as either, restricted, committed or assigned depending on the constraints and approval in place at year end. Encumbrances outstanding at year-end are reported as assignments of fund balance in the General Fund and Special Revenue Funds and do not constitute expenditures or liabilities because the obligation will be honored during the subsequent year.

Revenue Stabilization Account

Section 10-8-101 of the County Code gives the County the authority to establish and maintain a Revenue Stabilization Account (the Account) to provide a financial cushion for unanticipated decreases in revenues, primarily

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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intergovernmental revenues. The General Fund Unassigned Fund Balance includes \$84.61 million that the County has set aside in the Account. Revenues in excess of estimates and any unexpended appropriations at the close of the fiscal year shall be transferred to the Account if the Account balance does not exceed five percent of the current fiscal year General Fund budgeted revenue after interest is credited to the Account. The Director of Budget and Finance shall notify the County Executive and County Council that a funds availability deficit exists in the General Fund at the end of any fiscal year and request that sufficient monies to the extent available be transferred from the Account to eliminate the deficit. Funds in the Account are not to be used for any other purpose except upon the recommendation of the County Executive and approval of a majority plus one of the County Council.

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 \$1,316,304 difference are as follows:

General obligation debt	\$ 1,124,790
Certificates of participation and mortgage payable	63,781
Add: Issuance premium (to be amortized as reduction to interest expense)	47,384
Less: Issuance discount (to be amortized as interest expense)	(1,795)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(4,564)
Less: Deferred charge on refunding (to be amortized as interest expense)	(4,190)
Accrued interest payable	13,553
Compensated absences	63,223
Estimated landfill closing costs	<u>14,122</u>
Net adjustment to reduce fund balance - total funds to arrive at net assets of governmental activities	<u><u>\$ 1,316,304</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 \$63,255 difference are as follows:

Capital outlay	\$ 137,766
Depreciation expense	<u>(74,511)</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>\$ 63,255</u></u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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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 \$7,320 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.	\$ (771)
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>8,091</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>\$ 7,320</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 \$210,681 difference are as follows:

Debt issued or incurred:	
General obligation debt	\$ (350,615)
Add premium	(13,428)
Less debt issuance costs	1,957
Principal repayments:	
General obligation debt	128,435
Certificates of participation	7,990
Mortgage payable	101
Payment to escrow agent for refunding	<u>14,879</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>\$ (210,681)</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 \$1,176 difference are as follows:

Increase in compensated absences	\$ (1,614)
Increase in accrued interest	(822)
Increase in landfill closure and post-closure costs	(409)
Amortization of issuance costs	(387)
Amortization of deferred charge on refunding	(889)
Amortization of premiums	5,422
Amortization of discounts	<u>(125)</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>\$ 1,176</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, 2011, the carrying amounts of cash for the primary government and its component units were \$54.853 million and \$36.670 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 ("OPEB") - 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 OPEB's assets jointly and to take appropriate action regarding the investment, management and custodianship of the System's and OPEB's plan assets. The System's and OPEB's investment policy targets 24% in U.S. equities, 14% in international equities, 27% in core-plus fixed income investments, 5% in real estate equity, 5% in hedge funds, 5% in private equities, 5% in real assets and 15% in Global Asset Allocation Funds. Certain System and OPEB 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 OPEB's fixed income managers primarily acquire these types of instruments to increase investment yield and/or decrease investment risk. Open Futures Contract exposure was (\$12,499,102) for the System's and OPEB's portfolio at the fiscal year ended June 30, 2011. The Police, Fire and Widows' Pension Plan (the "Pension Plan"), funded through the sale of bonds, invests primarily in fixed income securities.

BALTIMORE COUNTY, MARYLAND
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Investments for the reporting entity as of June 30, 2011 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	\$ -	\$ 160,643	\$ 19,883	\$ -	\$ 180,526	\$ -	\$ 180,526
On securities loan for securities or cash collateral	-	23,307	2,885	-	26,192	-	26,192
MLGIP	123	-	-	-	123	40,400	40,523
Municipal bonds	-	1,894	234	32,785	34,913	-	34,913
Foreign bonds	-	7,514	930	5,987	14,431	-	14,431
Corporate bonds							
Not on securities loan	-	118,128	14,621	-	132,749	-	132,749
On securities loan for securities or cash collateral	-	9,167	1,134	-	10,301	-	10,301
Bond mutual funds	-	241,602	29,904	7,088	278,594	-	278,594
Money market funds	258,063	96,262	11,915	3,308	369,548	5,651	375,199
Real estate equity funds	-	75,742	9,375	-	85,117	-	85,117
Stocks							
Not on securities loan	-	364,288	45,089	-	409,377	-	409,377
On securities loan for securities or cash collateral	-	87,216	10,795	-	98,011	-	98,011
Stock mutual funds	-	360,022	44,561	15,077	419,660	-	419,660
Private equity funds	-	97,176	12,028	-	109,204	-	109,204
Hedge funds	-	101,190	12,524	-	113,714	-	113,714
Real assets	-	98,944	12,246	-	111,190	-	111,190
Global Asset Allocation fund	-	325,407	40,276	-	365,683	-	365,683
Securities lending short-term collateral investment pool	-	117,672	14,564	-	132,236	-	132,236
Other	-	-	-	-	-	519	519
Total	\$ 258,186	\$ 2,286,174	\$ 282,964	\$ 64,245	\$ 2,891,569	\$ 46,570	\$ 2,938,139

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 7 days. 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, 2011 totaled \$137.140 million and \$134.503 million, respectively. At June 30, 2011, the cash collateral pool had an unrealized loss of \$0.816 million, which is recorded in the Statement of changes in Plan New Assets as a decrease in the fair value of investments for securities lending.

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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
The System							
U.S. Government Obligations	\$ 81,959	\$ 215	\$ 16,074	\$ 12,497	\$ 14,057	\$ 32,616	\$ 6,500
U.S. Agency Securities	101,991	1,302	432	14,543	10,752	73,100	1,862
Municipal Bonds	1,894	-	-	295	36	381	1,182
Corporate Debt	127,295	9,859	31,301	33,812	19,348	19,081	13,894
Bond Mutual Funds	241,602	-	-	241,602	-	-	-
Foreign Debt	7,514	7,396	-	-	118	-	-
Total	562,255	18,772	47,807	302,749	44,311	125,178	23,438
OPEB Plan							
U.S. Government Obligations	10,144	27	1,989	1,547	1,740	4,037	804
U.S. Agency Securities	12,624	161	53	1,800	1,331	9,048	231
Municipal Bonds	234	-	-	36	5	47	146
Corporate Debt	15,755	1,220	3,874	4,185	2,395	2,362	1,719
Bond Mutual Funds	29,904	-	-	29,904	-	-	-
Foreign Debt	930	915	-	-	15	-	-
Total	69,591	2,323	5,916	37,472	5,486	15,494	2,900
Pension Plan							
Municipal Bonds	32,785	1,100	10,581	13,041	6,643	1,420	-
Bond Mutual Funds	7,088	-	-	-	7,088	-	-
Foreign Debt	5,987	-	2,500	-	-	-	3,487
Total	45,860	1,100	13,081	13,041	13,731	1,420	3,487
Total Primary Government	\$ 677,706	\$ 22,195	\$ 66,804	\$ 353,262	\$ 63,528	\$ 142,092	\$ 29,825

Interest Rate Risk – To the extent possible, the Pool attempts 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, 2011, 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	Fair Value (in thousands)	Percent of Total Investments	Fair Value (in thousands)	Percent of Total Investments	Fair Value (in thousands)
AAA	24.90%	\$ 139,984	24.90%	\$ 17,326	5.89%	\$ 2,700
AA	2.63%	14,787	2.63%	1,830	46.18%	21,179
A	5.17%	29,083	5.17%	3,600	15.39%	7,060
BBB	4.44%	24,947	4.44%	3,088	3.16%	1,450
BB	1.39%	7,817	1.39%	967	0.00%	-
B	1.00%	5,606	1.00%	694	0.00%	-
CCC	1.39%	7,800	1.39%	965	0.00%	-
CC	0.31%	1,759	0.31%	218	0.00%	-
Not Rated	58.77%	330,472	58.77%	40,903	29.38%	13,471
Total	100.00%	\$ 562,255	100.00%	\$ 69,591	100.00%	\$ 45,860

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	\$ 5,709	\$ 707	\$ 6,416
British Pound Sterling	17,110	2,118	19,228
Danish Krone	691	86	777
Euro Currency Unit	57,983	7,177	65,160
Hong Kong Dollar	7,908	979	8,887
Israeli Shekel	479	59	538
Japanese Yen	30,251	3,744	33,995
Norwegian Krone	1,054	130	1,184
Singapore Dollar	1,857	230	2,087
South Korean Won	6,302	780	7,082
Swedish Krona	4,009	496	4,505
Swiss Franc	9,973	1,234	11,207
	\$ 143,326	\$ 17,740	\$ 161,066

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 has entered into forward exchange contracts to sell or purchase certain foreign currencies at specified rates at stated dates. The System and the OPEB Plan continue to invest in similar contracts. The Pension Trust Funds' and OPEB's investment policy guidelines include a section on derivatives, which speaks to the use of futures, forwards and other derivative instruments and securities.

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that would not otherwise be allowed, or increase the actual or potential risk of the portfolio. At June 30, 2011, the System's and the OPEB Plan's contracts to purchase and sell by foreign currencies were as follows:

Forward Exchange Contracts as of June 30, 2011
(expressed in thousands)

Currency	Receivable	Payable	Unrealized Gain/(Loss)
Australian Dollar	\$ 423	\$ -	\$ 7
Euro Currency Unit	240	-	1
Hong Kong Dollar	441	-	-
Swiss Franc	38	-	-
British Pound Sterling	-	(34)	-
Japanese Yen	-	(273)	(1)
Singapore Dollar	-	(36)	-
	<u>\$ 1,142</u>	<u>\$ (343)</u>	<u>\$ 7</u>

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Because of daily settlement, the futures contracts have no fair value. The System and the OPEB Plan entered into certain futures contracts of which the notional value at June 30, 2011 are as follows:

Futures Contracts as of June 30, 2011
(expressed in thousands)

Currency	Buy Contracts	Sell Contracts
US Treasury Bond Future (CBT)	\$ 3,937	\$ -
US 10YR Note Future (CBT)	6,361	-
US Ultra Bond (CBT)	5,176	-
US 5YR Treasury Note Future (CBT)	-	(22,051)
US 2YR Treasury NTS Future (CBT)	-	(5,922)

The System and the OPEB Plan utilizes certain derivative instruments for the purpose of obtaining income or profit. The derivatives are subject to credit risks, interest rate risk, and foreign currency risk. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value (expressed in thousands)		Fair Value as of June 30, 2011 (expressed in thousands)	
	Classification	Amount	Amount	Notional Value
Investment Derivatives				
Futures	Investment revenue	\$ -	\$ -	\$ 12,499
Options	Investment revenue	(1)	8	-
Swaps	Investment revenue	(346)	(141)	1,169
Mortgage Derivatives	Investment revenue	(44)	1,826	14,949
TBA Transactions	Investment revenue	(37)	28,229	26,750

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Rationale for derivative strategies: The purpose of using futures and options is to hedge the portfolio to reduce risk and adjust exposure along the yield curve. A short position in total options reduces the portfolio's convexity in exchange for higher yield. A long position increases convexity in exchange for lower yields.

The effect of long and short treasury notes and bond futures is to shift the portfolio's duration to its target position.

The combined effect of Eurodollar and Euribor futures and options is to adjust exposure to the front portion of the yield curve.

Long and short call and put options on notes and bond futures are used to adjust portfolio convexity in exchange for higher yields.

Credit default indices and credit default swaps on individual names are used as an efficient, low cost way of adjusting credit exposure on the margin.

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 2011 was \$89.2 billion.

The property tax rate for the year ended June 30, 2011 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 99.6% 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.

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5. RECEIVABLES (in thousands):

Receivables as of June 30, 2011 for the County's major funds and Internal Service Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Gifts and Grants	Consolidated Public Improvement Construction	Metropolitan District	Internal Service Funds	Total Receivables
Property taxes	\$ 9,933	\$ -	\$ -	\$ -	\$ -	\$ 9,933
Accounts	13,692	-	-	12,610	4,495	30,797
Intergovernmental	149,885	17,382	1,593	3,200	-	172,060
Assessments	1,332	-	5,856	150,040	-	157,228
Loans	-	49,021	-	-	-	49,021
Interest	64	-	-	-	-	64
Total receivables	<u>174,906</u>	<u>66,403</u>	<u>7,449</u>	<u>165,850</u>	<u>4,495</u>	<u>419,103</u>
Allowance for uncollectible accounts	<u>(2,195)</u>	<u>(21,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,017)</u>
Net total receivables	<u>\$ 172,711</u>	<u>\$ 44,581</u>	<u>\$ 7,449</u>	<u>\$ 165,850</u>	<u>\$ 4,495</u>	<u>\$ 395,086</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 1,124</u>	<u>\$ 25,334</u>	<u>\$ 4,522</u>	<u>\$ 134,423</u>	<u>\$ -</u>	<u>\$ 165,403</u>

At June 30, 2011, the County has recorded \$49.021 million of outstanding loans receivable in the Gifts and Grants Fund. Of these receivables, \$39.722 million 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 \$21.822 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.

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, 2011 were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ 7,040	\$ 503	\$ 7,543
Income taxes	106,461	-	106,461
Economic and community development loans	27,197	-	27,197
Special assessments not yet due	7,172	-	7,172
Grant funds received prior to meeting all eligibility requirements	-	10,519	10,519
Total deferred/unearned revenue for governmental funds	<u>\$ 147,870</u>	<u>\$ 11,022</u>	<u>\$ 158,892</u>

BALTIMORE COUNTY, MARYLAND
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6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (in thousands):

The composition of interfund balances as of June 30, 2011 is as follows:

Receivable fund	Payable fund	Purpose	Amount
Self-Insurance Program	Vehicle Operation and Maintenance	Deficit cash balance	\$ 11,780
General	Consolidated Public Improvement	Deficit cash balance	122,088
		Total	<u>\$ 133,868</u>

Interfund transfers for the fiscal year ended June 30, 2011 were as follows:

Transferred from	Transferred to					Total
	General	Gifts and Grants	Consolidated Public Improvement Construction	Internal Service Funds		
General	\$ -	\$ 7,289	\$ 2,600	\$ 49		\$ 9,938
Gifts and Grants	2,006	-	-	49		2,055
Consolidated Public						
Improvement Construction	48,219	587	-	-		48,806
Nonmajor Governmental Funds	63	225	-	-		288
Internal Service Funds	276	-	-	-		276
Total transfers	<u>\$ 50,564</u>	<u>\$ 8,101</u>	<u>\$ 2,600</u>	<u>\$ 98</u>		<u>\$ 61,363</u>

The transfers from the General Fund to the Consolidated Public Improvement Construction Fund are pay-as-you-go funding for capital projects. Net transfers of \$7,064 between the General Fund and the Gifts and Grants Fund are County matching funds for grant funded programs. Respective transfers of \$48.219 million and \$1.781 from the Consolidated Public Improvement Construction Loan Fund and the Gifts and Grants Fund of prior pay-as-you-go funding was returned to the General Fund to mitigate significant losses in income tax revenues. The transfers of \$0.276 million from the Self-Insurance Program Fund to the General Fund are investment income transfers on pooled cash. The remaining transfers are various funding contributions for operations.

As of June 30, 2011, receivable and payable balances remained between the primary government and its discretely presented component units. These balances and transactions are a result of the primary government's ongoing funding of the component units' capital and operating costs. 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, 2011 is reported below:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 245,965	\$ 10,688	\$ -	\$ 256,653
Construction in progress	304,362	106,222	(78,063)	332,521
Total capital assets not being depreciated	<u>550,327</u>	<u>116,910</u>	<u>(78,063)</u>	<u>589,174</u>
Capital assets being depreciated:				
Buildings and improvements	448,809	29,284	-	478,093
Machinery and equipment	118,564	32,260	(5,603)	145,221
Vehicles	114,555	10,555	(9,003)	116,107
Infrastructure	2,288,954	42,900	(775)	2,331,079
Total capital assets being depreciated	<u>2,970,882</u>	<u>114,999</u>	<u>(15,381)</u>	<u>3,070,500</u>
Less accumulated depreciation for:				
Buildings and improvements	(126,048)	(11,390)	-	(137,438)
Machinery and equipment	(71,254)	(10,222)	4,876	(76,600)
Vehicles	(62,363)	(9,656)	8,277	(63,742)
Infrastructure	(1,042,439)	(47,694)	51	(1,090,082)
Total accumulated depreciation	<u>(1,302,104)</u>	<u>(78,962)</u>	<u>13,204</u>	<u>(1,367,862)</u>
Total capital assets being depreciated, net	<u>1,668,778</u>	<u>36,037</u>	<u>(2,177)</u>	<u>1,702,638</u>
Governmental activities capital assets, net	<u>\$ 2,219,105</u>	<u>\$ 152,947</u>	<u>\$ (80,240)</u>	<u>\$ 2,291,812</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,306	\$ 1	\$ -	\$ 1,307
Construction in progress	229,580	80,133	(39,815)	269,898
Total capital assets not being depreciated	<u>230,886</u>	<u>80,134</u>	<u>(39,815)</u>	<u>271,205</u>
Capital assets being depreciated:				
Buildings and improvements	144,191	6,174	-	150,365
Machinery and equipment	1,734	299	(136)	1,897
Vehicles	10,366	-	(212)	10,154
Infrastructure	974,587	46,683	-	1,021,270
Total capital assets being depreciated	<u>1,130,878</u>	<u>53,156</u>	<u>(348)</u>	<u>1,183,686</u>
Less accumulated depreciation for:				
Buildings and improvements	(57,832)	(3,904)	-	(61,736)
Machinery and equipment	(1,101)	(119)	137	(1,083)
Vehicles	(6,281)	(689)	211	(6,759)
Infrastructure	(261,992)	(16,916)	-	(278,908)
Total accumulated depreciation	<u>(327,206)</u>	<u>(21,628)</u>	<u>348</u>	<u>(348,486)</u>
Total capital assets being depreciated, net	<u>803,672</u>	<u>31,528</u>	<u>-</u>	<u>835,200</u>
Business-type activities capital assets, net	<u>\$ 1,034,558</u>	<u>\$ 111,662</u>	<u>\$ (39,815)</u>	<u>\$ 1,106,405</u>

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Depreciation expense was charged to primary government functions as follows:

Governmental activities:	
General government	\$ 13,079
Public safety	6,483
Public works, which includes the depreciation of infrastructure assets	45,371
Health and human services	1,387
Culture and leisure services	8,140
Economic and community development	51
Capital assets held by the County's internal service funds is charged to the various activities based on their usage of the assets.	<u>4,451</u>
Total depreciation expense - governmental activities	<u>\$ 78,962</u>
Business-type activities:	
Water and sewer services, which include the depreciation of infrastructure assets	<u>\$ 21,628</u>
Total depreciation expense - business-type activities	<u>\$ 21,628</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Board of Education:				
Capital assets not being depreciated:				
Land	\$ 28,854	\$ 3	\$ -	\$ 28,857
Construction in progress	238,229	91,035	(103,718)	225,546
Total capital assets not being depreciated	<u>267,083</u>	<u>91,038</u>	<u>(103,718)</u>	<u>254,403</u>
Capital assets being depreciated:				
Buildings	1,213,057	99,292	-	1,312,349
Improvements other than buildings	60,939	6,313	(31)	67,221
Equipment and vehicles	125,316	13,933	(7,287)	131,962
Total capital assets being depreciated	<u>1,399,312</u>	<u>119,538</u>	<u>(7,318)</u>	<u>1,511,532</u>
Less accumulated depreciation	<u>(481,250)</u>	<u>(50,328)</u>	<u>6,963</u>	<u>(524,615)</u>
Total capital assets being depreciated, net	<u>918,062</u>	<u>69,210</u>	<u>(355)</u>	<u>986,917</u>
Board of Education capital assets, net	<u>\$ 1,185,145</u>	<u>\$ 160,248</u>	<u>\$ (104,073)</u>	<u>\$ 1,241,320</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Community College:				
Capital assets not being depreciated:				
Land	\$ 4,798	\$ -	\$ -	\$ 4,798
Construction in progress	27,278	16,658	(30,746)	13,190
Total capital assets not being depreciated	<u>32,076</u>	<u>16,658</u>	<u>(30,746)</u>	<u>17,988</u>
Capital assets being depreciated:				
Buildings and improvements	122,237	29,500	-	151,737
Infrastructure	24,094	1,150	-	25,244
Equipment and vehicles	20,762	2,673	(86)	23,349
Library materials	6,069	391	-	6,460
Total capital assets being depreciated	<u>173,162</u>	<u>33,714</u>	<u>(86)</u>	<u>206,790</u>
Less accumulated depreciation	<u>(84,529)</u>	<u>(7,064)</u>	<u>69</u>	<u>(91,524)</u>
Total capital assets being depreciated, net	<u>88,633</u>	<u>26,650</u>	<u>(17)</u>	<u>115,266</u>
The Community College of Baltimore County capital assets, net	<u>\$ 120,709</u>	<u>\$ 43,308</u>	<u>\$ (30,763)</u>	<u>\$ 133,254</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Board of Library Trustees:				
Capital assets being depreciated:				
Equipment and vehicles	\$ 10,479	\$ 72	\$ (152)	\$ 10,399
Circulation materials	16,599	6,471	(5,646)	17,424
Total capital assets being depreciated	<u>27,078</u>	<u>6,543</u>	<u>(5,798)</u>	<u>27,823</u>
Less accumulated depreciation	<u>(17,262)</u>	<u>(6,022)</u>	<u>5,798</u>	<u>(17,486)</u>
Board of Library Trustees capital assets, net	<u>\$ 9,816</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 10,337</u>

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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limitations are as follows:

	(in thousands)	
	General Bonds	Metropolitan District
Legal limitation for the borrowing of funds and issuance of bonds	\$ 3,567,178	\$ 2,542,735
General obligation debt outstanding applicable to debt limit	1,124,790	857,417

General obligation debt issuances require approval by voter referendum. Approved and unissued general obligation bonded debt totaled \$750,169,361 as of June 30, 2011, comprised of \$284,971,881 for public schools, \$396,257,910 for public facilities and \$68,939,570 for the Community College. Appropriated and unissued Metropolitan District bonded debt totaled \$350,511,572 as of June 30, 2011.

General Obligation Bond Refunding

On July 27, 2010, the County settled the issuance of \$75,285,000 related to the refunding of General Obligation Bonds. The issuance consisted of \$61,720,000 Metropolitan District Bonds – 2010 Refunding Series and \$13,565,000 Consolidated Public Improvement – 2010 Refunding Series. The net proceeds of the refunding were used to purchase state and local government securities and were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. The 2010 Refunding Series Bonds were used for the purpose of advance refunding \$62,320,000 of outstanding Metropolitan District Bonds, and \$13,740,000 of outstanding Consolidated Public Improvement Bonds. As a result of the refunding, debt service was reduced by \$12,190,871 and an economic gain of approximately 11.22% will be obtained. The Metropolitan District Bonds are due in the years 2011-2030, inclusive, and the Consolidated Public Improvement Refunding Series Bonds are due in the years 2011-2022, inclusive.

General Obligation Bonds

(Tax-Exempt Bonds, Taxable Build America Bonds “BABs” and Qualified School Construction Bonds “QSCBs”)

On November 9, 2010, the County settled the issuance of \$391,000,000 General Obligation Bonds comprised of \$124,000,000 Metropolitan District Bonds (73rd Issue) and \$267,000,000 Consolidated Public Improvement Bonds. The proceeds of the bonds were used for the purpose of redeeming commercial paper bond anticipation notes and to provide funding for capital projects. The American Recovery and Reinvestment Act of 2009 allows the County to issue BABs in lieu of tax-exempt bonds and receive a payment from the United States Treasury of 35% of the interest payable on the BABs and 100% of the interest payable on the QSCBs. The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the payment of the principal of and interest on the bonds.

The Metropolitan District Bonds were comprised of \$30,100,000 tax-exempt bonds due November 1, 2012-2018 and \$93,900,000 BABs due November 1, 2019-2040 and bear a true interest cost of 2.97% net of federal subsidy payments.

The Consolidated Public Improvement Bonds were comprised of \$70,050,000 tax-exempt bonds, \$177,000,000 BABs, and \$19,950,000 QSCBs. The tax-exempt bonds are due November 1, 2012-2017. The BABs are due November 1, 2018-2030. The tax-exempt bonds and BABs bear a true interest cost of 2.58% net of federal subsidy payments. The QSCBs are due November 1, 2029 and bear a true interest cost of 0.05% net of federal subsidy payments. The County intends to deposit annual installments beginning November 1, 2012 into a sinking fund account to be held in trust by an escrow agent. The County expects to use the funds in the sinking fund account for the repayment of the principal of the QSCBs upon maturity.

Commercial Paper

As of June 30, 2011, the County had \$174.9 million Consolidated Public Improvement Commercial Paper Bond

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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Anticipation Notes (CPI CP BANs) outstanding and \$106.5 million Metropolitan District Commercial Paper Bond Anticipation Notes (Metro District CP BANs) outstanding. On November 9, 2010, the County redeemed and subsequently reissued \$70,050,000 CPI CP BANs and \$30,100,000 Metro District CP BANs. The CP BANs are sold with an initial maturity of up to 270 days, and upon maturity they are remarketed. 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 for \$200 million with BNP Paribas, which will be in effect until April 3, 2014. On August 12, 2008, the County entered into a second three-year liquidity agreement for \$81.6 million with BNP Paribas until August 12, 2011. The weighted-average maturity of the CP BANs for FY 2011 was 68 days and interest rates ranged from 0.21% to 0.38%.

During fiscal year 2011, the County issued \$6,291,952 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, 2011, the balance outstanding was \$73,112,048.

The County defeased certain general obligation bonds 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, 2011, \$102,100,000 of bonds were refunded in advance and 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 \$424.417 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, 2011.
- 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 \$741.702 million towards these City owned facilities that are funded primarily with bond proceeds. The County estimates 40.46% of its net Metropolitan District general obligation bonds outstanding or \$353.515 million is related to these facilities as of June 30, 2011.

At June 30, 2011, the County has accrued \$14.12 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, 2011 represents the cumulative unspent amount reported to date based on the use of 50.6% of the estimated landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$13.79 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, 2010 and has placed appropriate documents in the operating record of its active landfill.

BALTIMORE COUNTY, MARYLAND
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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, 2011 for bonds issued prior to July 1, 1996 could not be determined, however, the original issue amounts approximate \$552.8 million. The aggregate principal amount payable for bonds issued after July 1, 1996 was \$442.9 million at June 30, 2011.

Long-term liability activity for the year ended June 30, 2011 is as follows (in thousands):

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Primary Government:					
Governmental activities:					
General obligation debt					
Consolidated public improvement bonds	\$ 702,565	\$ 280,565	\$ (65,045)	\$ 918,085	\$ 52,025
Pension funding bonds	38,885	-	(7,080)	31,805	7,070
Bond anticipation notes	174,900	70,050	(70,050)	174,900	174,900
	<u>916,350</u>	<u>350,615</u>	<u>(142,175)</u>	<u>1,124,790</u>	<u>233,995</u>
Add remaining original issue premium	36,820	13,428	(4,990)	45,258	-
Less deferred amount on refunding	(3,940)	(1,139)	889	(4,190)	-
Less remaining original issue discount	(1,920)	-	125	(1,795)	-
Total general obligation debt	<u>947,310</u>	<u>362,904</u>	<u>(146,151)</u>	<u>1,164,063</u>	<u>233,995</u>
Certificates of participation	68,450	-	(7,990)	60,460	8,030
Add remaining original issue premium	2,558	-	(432)	2,126	-
Total certificates of participation	<u>71,008</u>	<u>-</u>	<u>(8,422)</u>	<u>62,586</u>	<u>8,030</u>
Other long-term liabilities					
Mortgage	3,422	-	(101)	3,321	3,321
Compensated absences	61,848	57,214	(55,600)	63,462	59,464
Claims payable	61,320	228,421	(223,805)	65,936	39,551
Other post employment benefits	(34,995)	69,943	(1,758)	33,190	-
Estimated landfill closing costs	13,713	409	-	14,122	-
Total other long-term liabilities	<u>105,308</u>	<u>355,987</u>	<u>(281,264)</u>	<u>180,031</u>	<u>102,336</u>
Total governmental activities long-term liabilities	<u>\$ 1,123,626</u>	<u>\$ 718,891</u>	<u>\$ (435,837)</u>	<u>\$ 1,406,680</u>	<u>\$ 344,361</u>
Business-type activities:					
General obligation debt					
Metropolitan District bonds	\$ 658,837	\$ 192,012	\$ (99,932)	\$ 750,917	\$ 37,739
Bond anticipation notes	106,500	30,100	(30,100)	106,500	106,500
	<u>765,337</u>	<u>222,112</u>	<u>(130,032)</u>	<u>857,417</u>	<u>144,239</u>
Add remaining original issue premium	17,365	9,432	(1,658)	25,139	-
Less deferred amount on refunding	(2,395)	(4,268)	650	(6,013)	-
Total general obligation debt	<u>780,307</u>	<u>227,276</u>	<u>(131,040)</u>	<u>876,543</u>	<u>144,239</u>
Certificates of participation	3,400	-	(600)	2,800	600
Add remaining original issue premium	161	-	(31)	130	-
Total certificates of participation	<u>3,561</u>	<u>-</u>	<u>(631)</u>	<u>2,930</u>	<u>600</u>
Compensated absences	1,500	866	(856)	1,510	1,394
Total business-type activities long-term liabilities	<u>\$ 785,368</u>	<u>\$ 228,142</u>	<u>\$ (132,527)</u>	<u>\$ 880,983</u>	<u>\$ 146,233</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Component Units:					
Board of Education:					
Compensated absences	\$ 19,789	\$ 12,899	\$ (12,395)	\$ 20,293	\$ 12,395
Capital leases	19,126	8,762	(6,480)	21,408	7,298
Total Board of Education	<u>38,915</u>	<u>21,661</u>	<u>(18,875)</u>	<u>41,701</u>	<u>19,693</u>
Community College:					
Compensated absences	5,012	3,598	(3,240)	5,370	3,413
Capital leases	-	2,052	(281)	1,771	411
Net OPEB Obligation	-	880	-	880	-
Total Community College	<u>5,012</u>	<u>6,530</u>	<u>(3,521)</u>	<u>8,021</u>	<u>3,824</u>
Board of Library Trustees:					
Compensated absences	1,044	-	(30)	1,014	1,014
Net OPEB Obligation	-	211	-	211	-
Total Board of Library Trustees	<u>1,044</u>	<u>211</u>	<u>(30)</u>	<u>1,225</u>	<u>1,014</u>
Total component unit long-term liabilities	<u>\$ 44,971</u>	<u>\$ 28,402</u>	<u>\$ (22,426)</u>	<u>\$ 50,947</u>	<u>\$ 24,531</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

General long-term debt currently outstanding as of June 30, 2011 is as follows:

Governmental Activities:
(in thousands)

General Obligation Debt:

Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2011	Unamortized Premium/ (Discount)	Unamortized Deferred Difference	Carrying Value 6/30/2011
07/02/02	2003-2022	3.000 - 5.250	\$ 135,000	\$ 13,500	\$ 78	\$ -	\$ 13,578
09/04/02	2003-2015	3.000 - 5.250	83,385	38,045	3,029	-	41,074
05/06/03	2004-2011	2.000 - 3.250	33,725	3,755	1	-	3,756
02/26/04	2005-2024	3.000 - 5.000	152,000	116,200	7,974	-	124,174
02/26/04	2009-2020	3.250 - 5.000	63,085	59,935	3,388	(1,590)	61,733
09/27/06	2007-2026	4.000 - 5.000	111,000	91,000	4,032	-	95,032
01/03/08	2009-2028	4.000 - 5.000	140,000	124,000	7,553	-	131,553
02/24/09	2009-2018	2.000 - 5.000	26,880	20,785	2,483	(1,039)	22,229
02/24/09	2009-2015	3.000 - 5.000	46,140	31,805	3,258	(506)	34,557
11/05/09	2010-2025	6.150 - 6.150	19,400	19,300	(1,795)	-	17,505
11/10/09	2010-2029	0.650 - 5.650	155,570	151,000	671	-	151,671
08/10/10	2011-2022	2.500 - 4.000	13,565	13,565	1,285	(1,055)	13,795
11/09/10	2012-2017	5.000 - 5.000	70,050	70,050	-	-	70,050
11/09/10	2012-2029	3.110 - 4.900	19,950	19,950	-	-	19,950
11/09/10	2018-2030	4.970 - 4.970	177,000	177,000	11,506	-	188,506
			<u>1,246,750</u>	<u>949,890</u>	<u>43,463</u>	<u>(4,190)</u>	<u>989,163</u>

Bond Anticipation Notes

05/06/11	2011-2012	0.270 - 0.350	65,000	64,900	-	-	64,900
05/20/10	2011-2012	0.260 - 0.350	75,000	75,000	-	-	75,000
05/03/11	2011-2012	0.250 - 0.320	35,000	35,000	-	-	35,000
			<u>175,000</u>	<u>174,900</u>	<u>-</u>	<u>-</u>	<u>174,900</u>

Total General Obligation Debt \$ 1,421,750 \$ 1,124,790 \$ 43,463 \$ (4,190) \$ 1,164,063

Certificates of Participation

12/18/01	2002-2021	3.500 - 5.125	\$ 22,000	\$ 14,460	\$ 70	\$ -	\$ 14,530
06/01/04	2005-2014	3.000 - 5.000	42,500	15,000	738	-	15,738
08/12/09	2009-2018	3.250 - 5.000	34,700	31,000	1,318	-	32,318

Total Certificates of Participation \$ 99,200 \$ 60,460 \$ 2,126 \$ - \$ 62,586

Mortgage

12/30/05	2005-2012	7.770 - 7.770	\$ 3,784	\$ 3,321	\$ -	\$ -	\$ 3,321
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Total Mortgage \$ 3,784 \$ 3,321 \$ - \$ - \$ 3,321

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Business-type Activities:

(in thousands)

General Obligation Debt:

Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2011	Unamortized Premium	Unamortized Deferred Difference	Carrying Value 6/30/2011
11/27/90	1993-2013	4.894 - 4.894	\$ 9,498	\$ 855	\$ -	\$ -	\$ 855
12/04/91	1993-2012	4.458 - 4.458	4,071	183	-	-	183
06/23/93	1995-2014	3.250 - 3.250	1,456	274	-	-	274
11/04/94	1997-2016	3.500 - 4.750	20,902	6,982	-	-	6,982
03/22/00	2001-2020	2.600 - 2.600	14,417	7,705	-	-	7,705
06/22/01	2003-2022	2.300 - 2.300	14,105	8,897	-	-	8,897
06/26/02	2004-2023	2.000 - 2.000	7,006	4,508	-	-	4,508
07/02/02	2003-2032	3.000 - 5.000	65,000	12,800	2	-	12,802
09/04/02	2003-2015	3.000 - 5.250	46,365 *	19,825	1,658	-	21,483
03/11/03	2004-2023	1.100 - 1.100	8,638	5,562	-	-	5,562
05/06/03	2004-2011	2.000 - 3.250	11,565 *	1,250	1	-	1,251
02/26/04	2009-2019	3.250 - 5.000	38,645 *	36,830	2,219	(965)	38,084
02/26/04	2005-2035	3.000 - 5.000	48,000	38,400	1,691	-	40,091
07/16/04	2005-2025	1.200 - 1.200	8,501	5,214	-	-	5,214
09/12/05	2006-2024	1.000 - 1.000	20,495	14,828	-	-	14,828
09/27/06	2007-2036	4.000 - 5.000	89,000	77,000	317	-	77,317
07/31/07	2008-2027	1.000 - 1.000	16,757	14,230	-	-	14,230
01/03/08	2009-2038	4.250 - 5.000	200,000	185,000	7,898	-	192,898
02/24/09	2009-2018	3.000 - 5.000	24,515	17,980	1,849	(969)	18,860
11/10/09	2010-2039	0.650 - 5.600	106,600	103,000	427	-	103,427
12/18/09	2011-2032	1.000 - 1.000	2,675	3,874	-	-	3,874
08/10/10	2011-2030	2.000 - 4.500	61,720	61,720	4,926	(4,079)	62,567
11/09/10	2012-2018	2.000 - 5.000	30,100	30,100	-	-	30,100
11/09/10	2019-2040	2.000 - 5.050	93,900	93,900	4,151	-	98,051
			<u>943,931</u>	<u>750,917</u>	<u>25,139</u>	<u>(6,013)</u>	<u>770,043</u>

Bond Anticipation Notes

05/03/11	2011-2012	0.210 - 0.380	46,600	46,600	-	-	46,600
04/08/11	2011-2012	0.250 - 0.350	60,000	59,900	-	-	59,900
			<u>106,600</u>	<u>106,500</u>	<u>-</u>	<u>-</u>	<u>106,500</u>

Total General Obligation Debt

<u>\$ 1,050,531</u>	<u>\$ 857,417</u>	<u>\$ 25,139</u>	<u>\$ (6,013)</u>	<u>\$ 876,543</u>
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Certificates of Participation

06/01/04	2005-2014	3.000 - 5.000	\$ 4,000	\$ 1,200	\$ 65	\$ -	\$ 1,265
08/12/09	2009-2018	3.250 - 5.000	2,000	1,600	65	-	1,665

Total Certificates of Participation

<u>\$ 6,000</u>	<u>\$ 2,800</u>	<u>\$ 130</u>	<u>\$ -</u>	<u>\$ 2,930</u>
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BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The following is a schedule of the primary government's debt service payments for certain long-term debt as of June 30, 2011:

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
2012	\$ 233,995	\$ 42,118	\$ 11,351	\$ 2,977	\$ 245,346	\$ 45,095
2013	64,035	38,495	9,080	2,343	73,115	40,838
2014	63,835	35,581	10,125	1,917	73,960	37,498
2015	63,160	32,610	5,175	1,461	68,335	34,071
2016	63,440	29,627	5,730	1,236	69,170	30,863
2017-2021	270,005	110,083	20,660	2,365	290,665	112,448
2022-2026	230,440	56,283	1,660	42	232,100	56,325
2027-2031	135,880	15,932	-	-	135,880	15,932
Total	<u>\$ 1,124,790</u>	<u>\$ 360,729</u>	<u>\$ 63,781</u>	<u>\$ 12,341</u>	<u>\$ 1,188,571</u>	<u>\$ 373,070</u>

Fiscal Year Ended June 30	Business-type Activities					
	General Obligation Debt		COPs		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 144,239	\$ 32,631	\$ 600	\$ 124	\$ 144,839	\$ 32,755
2013	40,033	30,612	600	97	40,633	30,709
2014	37,517	29,084	600	70	38,117	29,154
2015	35,844	27,584	200	42	36,044	27,626
2016	35,345	26,098	200	34	35,545	26,132
2017-2021	157,758	110,682	600	45	158,358	110,727
2022-2026	135,196	80,947	-	-	135,196	80,947
2027-2031	124,684	52,487	-	-	124,684	52,487
2032-2036	96,900	25,228	-	-	96,900	25,228
2037-2041	49,900	5,173	-	-	49,900	5,173
Total	<u>\$ 857,416</u>	<u>\$ 420,526</u>	<u>\$ 2,800</u>	<u>\$ 412</u>	<u>\$ 860,216</u>	<u>\$ 420,938</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 (in thousands):

Year ending June 30	Primary Government	Component Units
2012	\$ 2,685	\$ 5,396
2013	2,414	5,310
2014	2,285	3,615
2015	2,275	3,230
2016	645	1,290
2017-2021	2,929	6,723
2022-2026	390	7,757
2027-2031	-	1,977
	<u>\$ 13,623</u>	<u>\$ 35,298</u>

The total rental expenditures for the year ended June 30, 2011, for all leases except those with terms of a month or less that were not renewed were approximately \$6.4 million for the primary government and \$6.6 million for the component units.

Contracts and Commitments

Contract commitments in the Consolidated Public Improvement Construction Fund, the Metropolitan District Enterprise Fund, and the Gifts and Grants Fund amounted to approximately \$85.1 million, \$108.4 million, and \$14.8 million, respectively, at June 30, 2011. 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, 2011

The County is contingently liable for loans guaranteed in the Gifts & Grants Fund that aggregate approximately \$0.897 million as of June 30, 2011. A restriction 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 2010 and 2011 were as follows (in thousands):

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2010	\$ 56,760	\$ 215,996	\$ (211,436)	\$ 61,320
2011	61,320	228,421	(223,805)	65,936

13. 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 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 basic financial statements as a pension trust fund. The County is obligated for the payment of all pensions, annuities, retirement allowances, refunds, reserves and other benefits. 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"), the majority of which are appointed by the County Executive. The general administration of the System is vested in the Director of Budget and Finance.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The System issues a separately prepared Comprehensive Annual Financial Report that includes financial statements, note disclosures and required supplementary information. The report may be obtained by writing to Employees' Retirement System of Baltimore County, 400 Washington Avenue, Room 176, Towson, Maryland 21204.

FUNDING POLICY – Per Section 5-1-203 of the County Code, contribution requirements of the plan members and the participating employers are established and may be amended by the Board. System members contribute a percentage of their salary to the System. The contribution rates for members hired prior to July 1, 2007 are actuarially determined based on the member's age at enrollment and employee classification. Contribution rates for members hired after July 1, 2007 are fixed based on employee classification.

Participating employers are required to make contributions on an actuarially determined basis. Level percentages of payroll employer contribution rates are determined using the projected unit credit actuarial funding method. The employer contributions to the System for the fiscal years ended June 30, 2011, 2010 and 2009, were \$58,339,727, \$57,976,378 and \$49,762,854, respectively, which were equal to the required contributions for each year. The primary government's contribution for the three aforementioned fiscal years were \$54,739,250, \$54,133,144 and \$47,246,879, respectively.

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 to 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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The condensed financial statements as of and for the year ended June 30, 2011 are as follows (in thousands):

Statement of Plan Net Assets
Police, Fire, and Widows' Pension Plan
As of June 30, 2011

ASSETS	
Cash and cash equivalents	\$ 3,309
Investment securities	60,937
Interest and dividends receivable	595
Total assets	64,841
LIABILITIES	
Accounts payable	21
Total liabilities	21
NET ASSETS	
Net assets held in trust for pension benefits	\$ 64,820

Statement of Changes in Plan Net Assets
Police, Fire and Widows' Pension Plan
For the year ended June 30, 2011

ADDITIONS	
Contributions:	
Employer	\$ 13
Total contributions	13
Investment earnings:	
Net increase in the fair value of plan assets	3,814
Interest and dividends	2,320
Investment expenses	(142)
Net investment gain	5,992
Total additions	6,005
DEDUCTIONS	
Benefits	11,968
Total deductions	11,968
Change in net assets	(5,963)
Net assets at beginning of the year	70,783
Net assets at end of the year	\$ 64,820

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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, 2010, 2009, of approximately \$100.0 million, \$92.0 million and \$78.0million, 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.

14. 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. The OPEB Plan was established and is maintained by the County as a trust fund as specified in Article 10, Title 14 of the County Code. The trust fund is included in these financial statements as an Other Post Employment Benefits Trust Fund. Separate financial statements are not issued for the OPEB Plan. 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 accordance with bargaining unit agreements negotiated between each employer's governing body/board and each employee's representative labor organization. At June 30, 2011, the date of the latest available valuation, the OPEB Plan covered a projected 32,318 members; 20,360 active plan members and 11,958 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 following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation (in thousands):

	All Employers	The County
Annual required contribution (ARC)	\$ 151,453	\$ 70,320
Interest on net OPEB asset	(3,678)	(2,362)
Adjustment to ARC	3,091	1,985
Annual OPEB cost (expense)	150,866	69,943
Contributions made	(68,105)	(1,758)
Decrease in net OPEB asset	82,761	68,185
Net OPEB asset beginning of year	(54,507)	(34,995)
Net OPEB obligation end of year	\$ 28,254	\$ 33,190

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2011 and the two preceding fiscal years were as follows (dollars in thousands):

Fiscal Year Ended June 30	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB (Asset) Obligation
2009	\$ 137,008	82.09	\$ (80,813)
2010	137,167	80.82	(54,507)
2011	150,866	45.14	28,254

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 June 30	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)
2011	\$ 220,034	\$ 2,002,386	\$ 1,782,352	10.99%	\$ 1,213,070	146.93

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.

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 June 30, 2011 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 6.75%. 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, 2011 was twenty-six years. The initial medical trend assumption is 9% decreasing gradually to an ultimate rate of 4.6% after 2099. 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	2.9%
Rate of growth in real income/GDP per Capita	1.7%
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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The condensed financial statements as of and for the year ended June 30, 2011 are as follows (in thousands):

Statement of Plan Net Assets
OPEB Plan
As of June 30, 2011

ASSETS

Cash and cash equivalents	\$ 7,883
Investments, at fair value	256,485
Collateral for loaned securities (net of unrealized loss)	14,564
Receivables:	
Accrued interest & dividend income	331
Receivable for investments sold	5,406
Receivables other	2,327
Total assets	<u>286,996</u>

LIABILITIES

Collateral for loaned securities	14,654
Investments purchased	15,928
Investment expenses payable	309
Other	2,451
Total liabilities	<u>33,342</u>

NET ASSETS

Net assets held in trust for benefits	<u>\$ 253,654</u>
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Statement of Changes in Plan Net Assets
OPEB Plan
For the year ended June 30, 2011

ADDITIONS

Contributions:	
Employer	\$ 68,105
Employee	26,327
On-behalf	6,628
Other	2,121
Total contributions	<u>103,181</u>
Investment earnings:	
Net increase in the fair value of plan assets	44,644
Interest and dividends	4,739
Securities lending loss	(51)
Investment expenses	(1,708)
Net investment gain	<u>47,624</u>
Total additions	<u>150,805</u>

DEDUCTIONS

Benefits	<u>117,185</u>
Total deductions	<u>117,185</u>
Change in net assets	33,620
Net assets at beginning of the year	220,034
Net assets at end of the year	<u>\$ 253,654</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

15. INDIVIDUAL FUND DISCLOSURES:

Details of Fund Balances

The details of the Governmental Funds balances at June 30, 2011 are shown as follows (in thousands):

	<u>General</u>	<u>Gifts and Grants</u>	<u>Consolidated Public Improvement Construction</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Fund balances					
Nonspendable:					
Inventories	\$ 6,942	\$ -	\$ -	\$ -	\$ 6,942
Total Nonspendable	<u>6,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,942</u>
Restricted for:					
Equipment financing	12,689	-	-	-	12,689
Loan guarantees and grants	-	21,365	-	-	21,365
Total Restricted	<u>12,689</u>	<u>21,365</u>	<u>-</u>	<u>-</u>	<u>34,054</u>
Assigned to:					
Encumbrances for:					
Contractual Services	2,905	-	-	-	2,905
Supplies & Materials	863	-	-	-	863
Equipment & Other	818	-	-	-	818
Imprest funds	69	-	-	-	69
Loan commitments & grants	-	6,939	-	-	6,939
Subsequent year's expenditures	60,568	-	-	-	60,568
Liquor license regulation	-	-	-	245	245
Total Assigned	<u>65,223</u>	<u>6,939</u>	<u>-</u>	<u>245</u>	<u>72,407</u>
Unassigned:					
Revenue stabilization	84,610	-	-	-	84,610
Other	80,590	-	(157,090)	-	(76,500)
Total Unassigned	<u>165,200</u>	<u>-</u>	<u>(157,090)</u>	<u>-</u>	<u>8,110</u>
Total fund balances(deficit)	<u>\$ 250,054</u>	<u>\$ 28,304</u>	<u>\$ (157,090)</u>	<u>\$ 245</u>	<u>\$ 121,513</u>

Deficit Fund Balance

At June 30, 2011, the Consolidated Public Improvement Construction Fund had a unassigned fund deficit of \$157.090 million. This deficit will be eliminated by pay-as-you-go contributions from the General Fund and from bond proceeds.

16. ACCOUNTING CHANGE:

The County's Economic Development Revolving Financing (EDRF) fund does not meet the new criteria for a special revenue fund under GASB Statement No. 54. The County has reclassified the EDRF fund from its Nonmajor Governmental Funds to its Gifts and Grants Special Revenue fund in that the Gifts and Grants fund has activity with a similar purpose as the EDRF fund. The following table shows the impact of the restatement on beginning fund balances of those fund classifications (in thousands):

	<u>Gifts and Grants</u>	<u>Nonmajor Governmental Funds</u>
Fund Balance July 1, 2010, as previously reported	\$ 16,940	\$ 6,821
Affect of reclassification	6,361	(6,361)
Fund Balance July 1, 2010, as restated	<u>\$ 23,301</u>	<u>\$ 460</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

17. SUBSEQUENT EVENTS:

The County entered into an agreement with Mizuho Bank for a period of three years beginning August 1, 2011 as liquidity provider for \$200 million of Commercial Paper Bond Anticipation Notes (CP BANs). On August 4, 2011, the County issued \$200 million CP BANs, comprised of \$100 million of Consolidated Public Improvement CP BANs and \$100 million Metropolitan District CP BANs. Of the \$200 million CP BANs, \$118.4 million was used to fund capital projects and \$81.6 million was used to refund outstanding CP BANs under the prior liquidity agreement with BNP Paribas.

On November 30, 2011, the County settled a total issuance of \$255 million general obligation bonds consisting of \$85 million Metropolitan District Bonds (74th Issue) and \$170 million Consolidated Public Improvement Bonds – 2011 Series. These bonds were issued for the purpose of providing funds for the redemption of CP BANs. The Metropolitan District Bonds are due February 1, in each of the years 2013 to 2042, inclusive, and bear a true interest cost of 3.64%. The Consolidated Public Improvement Bonds are due February 1, in each of the years 2013 to 2032, inclusive, and bear a true interest cost of 3.13%. Concurrently, the County reissued \$55.2 million CP BANs). Of the \$55.2 million CP BANs, \$25.1 million were issued as Metropolitan District CP BANs and \$30.1 million were issued as Consolidated Public Improvement CP BANs.

On November 30, 2011, the County issued \$200 million fixed rate Bond Anticipation Notes (BANs) for the purpose of providing funds for capital improvement projects. Of the \$200 million fixed rate BANs, \$60 million were issued as Metropolitan District BANs and \$140 million were issued as Consolidated Public Improvement BANs, maturing on December 17, 2012, with a true interest cost of 0.25%.





Required Supplementary Information

BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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.

(dollars in thousands)

Actuarial Valuation Date June 30	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)
2008	\$170,478	\$ 1,752,891	\$ 1,582,413	9.73	\$ 1,165,779	135.74
2009	153,449	1,755,670	1,602,221	8.74	1,167,722	137.21
2011	220,034	2,002,386	1,782,352	10.99	1,213,070	146.93

Schedule of Employers' Contributions
(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 138,858	81.00
2010	138,501	80.04
2011	151,453	44.97



Supplementary Information Schedules & Combining Financial Statements

The schedules provide selected budgetary information concerning the General Fund and the Liquor License Fund. The combining financial statements provide detailed information concerning financial position and results of operations for the Internal Service funds and Fiduciary funds.

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2011
(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>		
General Government:				
Legislative:				
County Council	\$ 1,883	\$ 1,883	\$ 1,798	\$ 85
Judicial:				
Circuit Court:				
Criminal and civil adjudication	5,056	5,056	5,042	14
Orphans Court:				
Adjudication of estates	207	207	198	9
States Attorney:				
Criminal prosecution	8,423	8,423	8,041	382
County Sheriff:				
Conveying prisoners and serving summonses	5,676	5,676	5,547	129
Total	<u>19,362</u>	<u>19,362</u>	<u>18,828</u>	<u>534</u>
Executive:				
Office of the County Executive	997	997	997	-
County Administrative Officer:				
General administration	1,185	1,185	1,127	58
Human relations commission	286	286	241	45
Fair practices	414	414	261	153
Baltimore metropolitan council	131	131	131	-
Total	<u>3,013</u>	<u>3,013</u>	<u>2,757</u>	<u>256</u>
Elections:				
Board of Supervisors of Elections	5,190	5,190	4,387	803
Financial Administration:				
Office of Budget and Finance:				
Budget formulation and administration	2,042	1,992	1,986	6
Financial operations	4,384	4,634	4,619	15
Pay systems	285	267	255	12
Investment and debt management	365	335	304	31
Insurance administration	1,859	1,947	1,920	27
Purchasing and disbursements	1,468	1,443	1,431	12
Total	<u>10,403</u>	<u>10,618</u>	<u>10,515</u>	<u>103</u>
County Auditor	1,592	1,592	1,412	180
Office of Law:				
General legal services	2,057	2,057	1,941	116
Legislative relations	277	277	233	44
Total	<u>2,334</u>	<u>2,334</u>	<u>2,174</u>	<u>160</u>
Other:				
Office of Budget and Finance:				
Land acquisition	1,156	1,141	1,122	19
Vehicle Operations and Maintenance	1,295	1,295	1,190	105
Office of Planning and Community Conservation				
General administration	2,292	2,272	2,193	79
Zoning commissioner	351	486	482	4
People's counsel	190	190	188	2
Community conservation	534	519	458	61
Office of Human Resources:				
Personnel administration	2,234	2,234	2,184	50

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2011
(In Thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Department of Permits and Development Management:				
General administration	1,643	1,643	1,629	14
Electrical licensing and regulation	17	17	17	-
Plumbing licensing and regulation	28	28	28	-
Development processing	1,068	1,104	1,099	5
Code inspections and enforcement	4,597	4,597	4,588	9
Permits and licenses	870	834	781	53
Board of Appeals	251	251	236	15
Cooperative Extension Service	256	256	231	25
Office of Information Technology:				
General administration	1,757	1,777	1,771	6
Applications development	11,623	11,660	11,648	12
Computer and technical services	2,980	2,887	2,884	3
Telecommunications Services	2,131	2,167	2,161	6
Total	<u>35,273</u>	<u>35,358</u>	<u>34,890</u>	<u>468</u>
General Government Total	<u>79,050</u>	<u>79,350</u>	<u>76,761</u>	<u>2,589</u>
Public Safety:				
Police Department:				
General administration	8,070	7,995	7,987	8
Administrative & technical services	20,242	19,722	19,685	37
Criminal/forensic investigations	22,586	22,161	22,160	1
Vice/intelligence/narcotics	8,938	8,713	8,685	28
Patrol/precincts	114,506	115,276	115,276	-
Support operations	12,568	12,893	12,890	3
Human resources	5,250	5,400	5,388	12
School safety	1,346	1,346	1,333	13
Total	<u>193,506</u>	<u>193,506</u>	<u>193,404</u>	<u>102</u>
Bureau of Corrections:				
Custodial care of prisoners	<u>34,573</u>	<u>34,573</u>	<u>34,562</u>	<u>11</u>
Fire Department:				
General administration	900	900	893	7
Investigative services	3,500	3,480	3,044	436
Alarm and communication system	1,067	1,067	1,037	30
Field operations	77,149	77,049	75,565	1,484
Office of emergency preparedness	261	281	273	8
Field operation administration	1,833	1,833	1,736	97
Fire/rescue academy	1,493	1,493	1,387	106
Contributions - volunteer fire companies	6,784	6,784	6,762	22
Total	<u>92,987</u>	<u>92,887</u>	<u>90,697</u>	<u>2,190</u>
Communications:				
Central communications center	<u>11,346</u>	<u>11,421</u>	<u>11,379</u>	<u>42</u>
Public Safety Total	<u>332,412</u>	<u>332,387</u>	<u>330,042</u>	<u>2,345</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2011
(In Thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Office of Director of Public Works:				
General administration	772	792	778	14
Metro Financing/Petition Proc	22	24	23	1
Total	<u>794</u>	<u>816</u>	<u>801</u>	<u>15</u>
Bureau of Engineering and Construction:				
General administration	465	465	430	35
Structural design	2,066	2,076	2,061	15
Public buildings design	573	578	570	8
General surveying	419	419	367	52
Contracts and construction inspection	2,156	2,156	2,062	94
Total	<u>5,679</u>	<u>5,694</u>	<u>5,490</u>	<u>204</u>
Bureau of Highways:				
General administration	1,225	1,225	1,168	57
General operations and maintenance	14,365	14,365	13,659	706
Storm emergencies	6,191	11,891	11,545	346
Total	<u>21,781</u>	<u>27,481</u>	<u>26,372</u>	<u>1,109</u>
Bureau of Solid Waste Management:				
General administration	497	517	507	10
Refuse collection	28,426	28,526	28,486	40
Refuse disposal	22,927	22,527	21,789	738
Recycling	2,402	2,402	2,349	53
Total	<u>54,252</u>	<u>53,972</u>	<u>53,131</u>	<u>841</u>
Bureau of Traffic Engineering and Transportation Planning:				
Traffic planning	9,141	9,141	9,067	74
Traffic sign installation and maintenance	1,935	1,935	1,288	647
Traffic signal operation and maintenance	1,139	1,189	1,025	164
Total	<u>12,215</u>	<u>12,265</u>	<u>11,380</u>	<u>885</u>
Bureau of Utilities:				
Sewer and water maintenance	574	574	571	3
Bureau of Building and Equipment Services:				
Building maintenance	7,090	7,170	7,142	28
Building operation and management	16,796	16,610	15,892	718
Equipment maintenance	6,023	6,322	6,104	218
Total	<u>29,909</u>	<u>30,102</u>	<u>29,138</u>	<u>964</u>
Public Works Total	<u>125,204</u>	<u>130,904</u>	<u>126,883</u>	<u>4,021</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2011
(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>		
Health and Human Services:				
Health:				
Department of Health:				
General administration	3,021	3,303	3,223	80
Nursing services	3,002	3,082	3,056	26
Acute communicable disease control	1,563	1,531	1,514	17
Medical environmental health	596	611	599	12
Medical social work service	675	645	616	29
Animal control	1,734	1,714	1,698	16
School health services	1,762	1,642	1,634	8
Developmental disabilities	540	520	502	18
Home health services	1,719	1,569	1,463	106
Long-term care services	1,849	1,759	1,743	16
Medical assistance and hospital support	890	945	924	21
Dental health services	701	756	706	50
Speech, language and hearing	326	301	293	8
Total	<u>18,378</u>	<u>18,378</u>	<u>17,971</u>	<u>407</u>
Department of Environmental Protection and Resource Management	<u>7,593</u>	<u>7,593</u>	<u>7,414</u>	<u>179</u>
Human Services:				
Department of Social Services:				
Adult foster care assistance	145	145	142	3
Welfare to work program	425	425	406	19
Foster care for children	-	-	-	-
Emergency funds/housing for the homeless	600	541	503	38
Battered spouse program	121	121	121	-
Day resource center	217	217	208	9
In-home care program	227	227	217	10
Volunteer program	74	74	67	7
Adult services	775	765	755	10
General administration	1,416	1,498	1,479	19
STEPS program	261	261	252	9
Children's services	392	392	378	14
Income maintenance	748	735	686	49
Family services	1,186	1,186	1,178	8
Total	<u>6,587</u>	<u>6,587</u>	<u>6,392</u>	<u>195</u>
Aging Programs & Services:				
Department of Aging:				
General administration	744	726	718	8
Adult medical day care	50	50	50	-
Senior centers network	2,037	2,055	2,024	31
Special geriatric services	344	344	343	1
Facilities	1,080	1,080	1,050	30
Transportation	1,241	1,241	1,233	8
Program and volunteer services	363	363	342	21
Total	<u>5,859</u>	<u>5,859</u>	<u>5,760</u>	<u>99</u>
Health and Human Services Total	<u>38,417</u>	<u>38,417</u>	<u>37,537</u>	<u>880</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2011
(In Thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Culture and Leisure Services:				
Department of Recreation and Parks:				
General administration	1,438	1,413	1,249	164
Community & neighborhood recreation, organization, direction and development	4,597	4,597	4,515	82
Activity leadership	2,838	2,838	2,796	42
Operation and maintenance of facilities	6,487	6,487	6,476	11
Revenue producing facilities	666	666	620	46
Nature and environmental center	748	773	764	9
Organization Contributions:				
Organization contributions	3,536	3,536	3,507	29
General grant program	3,753	3,753	3,695	58
Culture and Leisure Services Total	24,063	24,063	23,622	441
Economic and Community Development:				
Economic Development Commission	2,152	2,152	1,889	263
Economic and Community Development Total	2,152	2,152	1,889	263
Pension Plan Contributions:				
Employees' retirement contributions	53,620	53,620	53,620	-
Non-system retirement	211	211	206	5
Pension Plan Contributions Total	53,831	53,831	53,826	5
Healthcare Contributions:				
Employee health & life insurance	69,558	69,283	56,359	12,924
Healthcare Contributions Total	69,558	69,283	56,359	12,924
Miscellaneous:				
Social Security	17,668	17,668	17,207	461
Reserve for Contingencies	1,000	1,000	-	1,000
Local share - State & Federal	75	75	75	-
Miscellaneous Total	18,743	18,743	17,282	1,461
Payments to Component Units:				
Community College	38,463	38,463	38,463	-
Board of Education	695,504	695,504	694,750	754
Library	33,616	33,616	33,616	-
Payments to Component Units Total	767,583	767,583	766,829	754

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2011
(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>		
Debt Service:				
Principal retirement:				
General obligation bonds:				
Community College	2,491	2,491	2,491	-
General public facilities	30,587	30,587	30,487	100
Pension funding bonds	7,080	7,080	7,080	-
Non-general obligation debt	8,091	8,091	8,091	-
Total	<u>48,249</u>	<u>48,249</u>	<u>48,149</u>	<u>100</u>
Interest:				
General obligation bonds:				
Community College	2,878	2,878	2,700	178
General public facilities	22,343	22,343	20,644	1,699
Pension funding bonds	1,767	1,767	1,767	-
Non-general obligation debt	3,343	3,343	3,343	-
Total	<u>30,331</u>	<u>30,331</u>	<u>28,454</u>	<u>1,877</u>
Fiscal charges:				
General obligation bonds:				
General public facilities	613	613	613	-
Non-general obligation debt	6	6	5	1
Total	<u>619</u>	<u>619</u>	<u>618</u>	<u>1</u>
Debt Service Total	<u>79,199</u>	<u>79,199</u>	<u>77,221</u>	<u>1,978</u>
Operating Transfers Out:				
Contribution to capital budget	2,600	2,600	2,600	-
Gifts and Grants	7,289	7,289	7,289	-
Vehicle Operations and Maintenance	49	49	49	-
Operating Transfers Out Total	<u>9,938</u>	<u>9,938</u>	<u>9,938</u>	<u>-</u>
 General Fund Total	 <u>\$ 1,600,150</u>	 <u>\$ 1,605,850</u>	 <u>\$ 1,578,189</u>	 <u>\$ 27,661</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, 2011
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 700	\$ 699	\$ (1)
Total revenues	<u>700</u>	<u>699</u>	<u>(1)</u>
Expenditures:			
General government:			
License sale and control	629	626	3
Total expenditures	<u>629</u>	<u>626</u>	<u>3</u>
Excess of revenues over expenditures	<u>71</u>	<u>73</u>	<u>2</u>
Other financing uses:			
Operating transfers out	<u>(225)</u>	<u>(288)</u>	<u>(63)</u>
Deficiency of revenues over expenditures, and other uses	<u>\$ (154)</u>	<u>(215)</u>	<u>\$ (61)</u>
Fund balance at beginning of year		460	
Fund balance at end of year		<u>\$ 245</u>	

Baltimore County, Maryland
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 570	\$ 74,691	\$ 75,261
Receivables, net	19	-	4,476	4,495
Due from other funds	-	-	11,780	11,780
Inventories	520	-	-	520
Prepaid costs	-	-	5,611	5,611
Total current assets	<u>539</u>	<u>570</u>	<u>96,558</u>	<u>97,667</u>
Capital assets:				
Depreciable (net of accumulated depreciation)	21,207	192	-	21,399
Total assets	<u>21,746</u>	<u>762</u>	<u>96,558</u>	<u>119,066</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,243	17	2,509	3,769
Accrued payroll	132	26	-	158
Compensated absences	220	19	-	239
Due to other funds	11,780	-	-	11,780
Claims and judgments	-	-	39,551	39,551
Total current liabilities	<u>13,375</u>	<u>62</u>	<u>42,060</u>	<u>55,497</u>
Noncurrent liabilities:				
Claims and judgments	-	-	26,385	26,385
Total liabilities	<u>13,375</u>	<u>62</u>	<u>68,445</u>	<u>81,882</u>
NET ASSETS				
Invested in capital assets	21,207	192	-	21,399
Unrestricted (deficit)	(12,836)	508	28,113	15,785
Total net assets	<u>\$ 8,371</u>	<u>\$ 700</u>	<u>\$ 28,113</u>	<u>\$ 37,184</u>

Baltimore County, Maryland
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2011
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
OPERATING REVENUES				
Charges for services-internal	\$ 17,974	\$ 895	\$ 66,280	\$ 85,149
Charges for services-other	4,119	20	159,624	163,763
Miscellaneous	267	-	-	267
Total operating revenues	<u>22,360</u>	<u>915</u>	<u>225,904</u>	<u>249,179</u>
OPERATING EXPENSES				
Personal services	2,497	477	-	2,974
Contractual services	573	101	-	674
Rents and utilities	344	230	-	574
Supplies and maintenance	12,834	167	-	13,001
Insurance claims and expenses	-	-	228,421	228,421
Depreciation	4,421	30	-	4,451
Other expenses	664	35	-	699
Total operating expenses	<u>21,333</u>	<u>1,040</u>	<u>228,421</u>	<u>250,794</u>
Operating income (loss)	<u>1,027</u>	<u>(125)</u>	<u>(2,517)</u>	<u>(1,615)</u>
NONOPERATING REVENUES				
Interest on investments	-	-	394	394
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>394</u>	<u>394</u>
Income (loss) before transfers	1,027	(125)	(2,123)	(1,221)
Transfers in	98	-	-	98
Transfers out	-	-	(276)	(276)
Change in net assets	1,125	(125)	(2,399)	(1,399)
Net assets at beginning of the year	7,246	825	30,512	38,583
Net assets at end of the year	<u>\$ 8,371</u>	<u>\$ 700</u>	<u>\$ 28,113</u>	<u>\$ 37,184</u>

Baltimore County, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 22,076	\$ 915	\$ 225,066	\$248,057
Payments to suppliers	(13,060)	(564)	-	(13,624)
Payments to employees	(2,493)	(472)	-	(2,965)
Payment for interfund services used	(664)	(35)	-	(699)
Claims paid	-	-	(223,106)	(223,106)
Other receipts	283	-	-	283
Net cash provided (used) by operating activities	<u>6,142</u>	<u>(156)</u>	<u>1,960</u>	<u>7,946</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	98	-	-	98
Transfers out	-	-	(276)	(276)
Advances from other funds	324	-	-	324
Advances to other funds	-	-	(324)	(324)
Net cash provided (used) by noncapital activities	<u>422</u>	<u>-</u>	<u>(600)</u>	<u>(178)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(7,245)	(19)	-	(7,264)
Sales of capital assets	681	-	-	681
Net cash used by capital and related financing activities	<u>(6,564)</u>	<u>(19)</u>	<u>-</u>	<u>(6,583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	-	394	394
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>394</u>	<u>394</u>
Net increase (decrease) in cash and cash equivalents	-	(175)	1,754	1,579
Cash and cash equivalents at beginning of the year	-	745	72,937	73,682
Cash and cash equivalents at end of the year	<u>\$ -</u>	<u>\$ 570</u>	<u>\$ 74,691</u>	<u>\$ 75,261</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,027	\$ (125)	\$ (2,517)	\$ (1,615)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	4,421	30	-	4,451
Effect of changes in operating assets and liabilities:				
Receivables, net	(17)	-	(838)	(855)
Prepaid costs	-	-	3,447	3,447
Inventories	16	-	-	16
Accounts and other payables	691	(66)	(2,748)	(2,123)
Accrued expenses	4	5	-	9
Claims and judgements	-	-	4,616	4,616
Net cash provided (used) by operating activities	<u>\$ 6,142</u>	<u>\$ (156)</u>	<u>\$ 1,960</u>	<u>\$ 7,946</u>

Baltimore County, Maryland
Combining Statement of Fiduciary Net Assets
Benefits Trust Funds
June 30, 2011
(In Thousands)

	Employees' Retirement System	Police, Fire, and Widows' Pension Plan	OPEB Plan	Total
ASSETS				
Cash and cash equivalents	\$ 96,815	\$ 3,309	\$ 7,883	\$ 108,007
Collateral for loaned securities	117,672	-	14,564	132,236
Receivables:				
Accrued interest & dividend income	2,675	595	331	3,601
Receivable for investments sold	43,681	-	5,406	49,087
Receivables other	1,096	-	2,327	3,423
Total receivables	<u>47,452</u>	<u>595</u>	<u>8,064</u>	<u>56,111</u>
Investments, at fair value:				
U.S. Government and Agency securities	183,950	-	22,768	206,718
Municipal bonds	1,894	32,785	234	34,913
Foreign bonds	7,514	5,987	930	14,431
Corporate bonds	127,295	-	15,755	143,050
Stocks	451,504	-	55,884	507,388
Bond mutual funds	241,602	7,088	29,904	278,594
Stock mutual funds	360,022	15,077	44,561	419,660
Real estate equity funds	75,742	-	9,375	85,117
Hedge funds	101,190	-	12,524	113,714
Private equity funds	97,176	-	12,028	109,204
Real assets	98,944	-	12,246	111,190
Global Asset Allocation	325,407	-	40,276	365,683
Total investments	<u>2,072,240</u>	<u>60,937</u>	<u>256,485</u>	<u>2,389,662</u>
Total assets	<u>2,334,179</u>	<u>64,841</u>	<u>286,996</u>	<u>2,686,016</u>
LIABILITIES				
Securities lending payable	118,398	-	14,654	133,052
Investments purchased	128,687	-	15,928	144,615
Investment expenses payable	2,494	-	309	2,803
Refunds payable	327	-	-	327
Other	302	21	2,451	2,774
Total liabilities	<u>250,208</u>	<u>21</u>	<u>33,342</u>	<u>283,571</u>
NET ASSETS				
Net assets held in trust for benefits	<u>\$ 2,083,971</u>	<u>\$ 64,820</u>	<u>\$ 253,654</u>	<u>\$ 2,402,445</u>

Baltimore County, Maryland
Combining Statement of Changes in Fiduciary Net Assets
Benefits Trust Funds
For the Year Ended June 30, 2011
(In Thousands)

	<u>Employees' Retirement System</u>	<u>Police, Fire, and Widows' Pension Plan</u>	<u>OPEB Plan</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 58,340	\$ 13	\$ 68,105	\$ 126,458
Employees	36,567	-	26,327	62,894
Intergovernmental	-	-	8,749	8,749
Total contributions	<u>94,907</u>	<u>13</u>	<u>103,181</u>	<u>198,101</u>
Investment earnings:				
Net increase in the fair value of plan assets	349,491	3,814	44,644	397,949
Interest and dividends	37,478	2,320	4,739	44,537
Investment expenses	(13,837)	(142)	(1,708)	(15,687)
Net investment gain	<u>373,132</u>	<u>5,992</u>	<u>47,675</u>	<u>426,799</u>
Net income from securities lending:				
Securities lending income	361	-	46	407
Net decrease in fair value of investments	(726)	-	(90)	(816)
Borrower rebates	74	-	9	83
Agent fees	(126)	-	(16)	(142)
Net loss from securities lending	<u>(417)</u>	<u>-</u>	<u>(51)</u>	<u>(468)</u>
Total net investment gain	<u>372,715</u>	<u>5,992</u>	<u>47,624</u>	<u>426,331</u>
Total additions	<u>467,622</u>	<u>6,005</u>	<u>150,805</u>	<u>624,432</u>
DEDUCTIONS				
Benefits	164,655	11,968	117,185	293,808
Refunds	2,726	-	-	2,726
Administrative expense	2,541	-	-	2,541
Total deductions	<u>169,922</u>	<u>11,968</u>	<u>117,185</u>	<u>299,075</u>
Change in net assets	297,700	(5,963)	33,620	325,357
Net assets at beginning of the year	1,786,271	70,783	220,034	2,077,088
Net assets at end of the year	<u>\$ 2,083,971</u>	<u>\$ 64,820</u>	<u>\$ 253,654</u>	<u>\$ 2,402,445</u>

