

FINANCIAL



SECTION



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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, 2012 and the budgetary comparison for the general fund for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express 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, 2012, 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 21, 2012 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.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and the schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. 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 combining and individual fund statements and schedules – supplementary information 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 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables 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.

CliftonLarsonAllen LLP

Baltimore, Maryland
December 21, 2012

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, 2012. 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 \$4.434 billion and \$2.974 billion respectively, resulting in net assets of \$1.46 billion.
- The County's total net assets decreased by \$214.287 million as a result of current year operations.

Fund Level:

- The County's governmental funds have combined fund balances of \$316.362 million.
- The General Fund's fund balance is \$402.232 million of which \$229.972 million is unassigned fund balance inclusive of \$84.822 million in a Revenue Stabilization account.

Long-term Debt:

- The County's total bond, note and certificate of participation debt increased by \$375.568 million during the current year. The key factors in this increase were the issuance of \$711.6 million in general obligation bonds and bond anticipation notes and a \$24.312 million draw on the Maryland Water Quality Revolving Loan Fund offset by debt service payments of \$360.344 million.

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 2012. 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 \$214.287 million in FY 2012. The net assets of the governmental activities decreased \$172.114 million and business-type activities decreased \$42.173 million. The schedule below presents the net assets of the County's governmental and business-type activities as of June 30, 2012.

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 \$344.303 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 \$175.2 million in the business-type activities. These situations are described in more detail in Note 8.

Net Assets as of June 30 (in thousands)

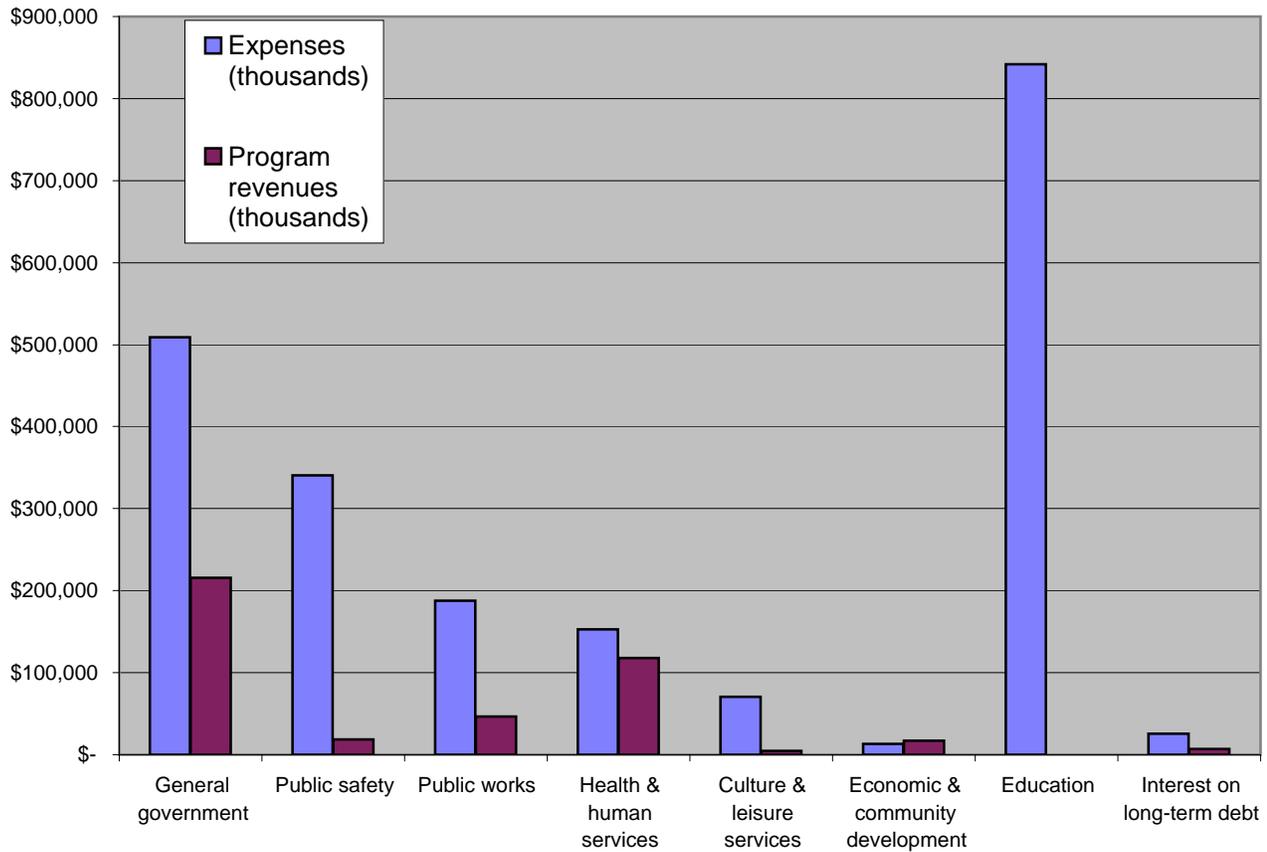
	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current and other non-current assets	\$ 683,667	\$ 490,917	\$ 314,567	\$ 241,735	\$ 998,234	\$ 732,652
Capital assets	2,302,397	2,291,812	1,133,491	1,106,405	3,435,888	3,398,217
Total assets	<u>2,986,064</u>	<u>2,782,729</u>	<u>1,448,058</u>	<u>1,348,140</u>	<u>4,434,122</u>	<u>4,130,869</u>
Liabilities:						
Current liabilities	557,167	495,540	254,855	188,682	812,022	684,222
Long-term liabilities	1,359,853	1,062,319	802,401	734,750	2,162,254	1,797,069
Total liabilities	<u>1,917,020</u>	<u>1,557,859</u>	<u>1,057,256</u>	<u>923,432</u>	<u>2,974,276</u>	<u>2,481,291</u>
Net assets:						
Invested in capital assets, net of related debt	1,386,096	1,550,280	566,002	588,201	1,952,098	2,138,481
Restricted	27,251	26,653	-	-	27,251	26,653
Unrestricted (deficit)	(344,303)	(335,775)	(175,200)	(155,226)	(519,503)	(491,001)
Total net assets	<u>\$ 1,069,044</u>	<u>\$ 1,241,158</u>	<u>\$ 390,802</u>	<u>\$ 432,975</u>	<u>\$ 1,459,846</u>	<u>\$ 1,674,133</u>

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

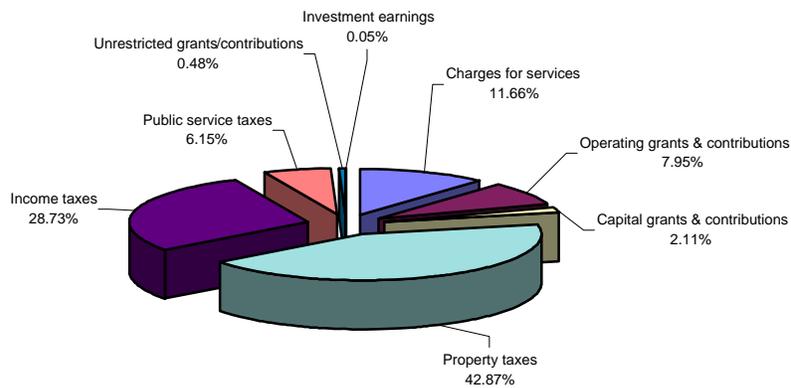
	Changes in Net Assets (in thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues						
Charges for services	\$ 229,620	\$ 206,404	\$ 220,188	\$ 224,510	\$ 449,808	\$ 430,914
Operating grants	156,508	152,365	3,777	2,462	160,285	154,827
Capital grants	41,519	37,614	11,282	14,126	52,801	51,740
General revenues						
Property taxes	844,069	837,092	-	-	844,069	837,092
Income taxes	565,571	534,553	-	-	565,571	534,553
Public service taxes	121,099	110,405	-	-	121,099	110,405
Unrestricted grants and contributions	9,423	8,823	-	-	9,423	8,823
Investment earnings	1,077	966	360	256	1,437	1,222
Total revenues	<u>1,968,886</u>	<u>1,888,222</u>	<u>235,607</u>	<u>241,354</u>	<u>2,204,493</u>	<u>2,129,576</u>
Expenses						
General government	509,187	449,008	-	-	509,187	449,008
Public safety	340,263	346,253	-	-	340,263	346,253
Public works	187,816	150,606	-	-	187,816	150,606
Health and human services	152,490	144,972	-	-	152,490	144,972
Culture and leisure services	70,803	69,368	-	-	70,803	69,368
Economic and community development	13,379	16,232	-	-	13,379	16,232
Education	841,494	803,828	-	-	841,494	803,828
Interest on long-term debt	25,568	22,844	-	-	25,568	22,844
Water and sewer services	-	-	277,780	223,858	277,780	223,858
Total expenses	<u>2,141,000</u>	<u>2,003,111</u>	<u>277,780</u>	<u>223,858</u>	<u>2,418,780</u>	<u>2,226,969</u>
Increase (decrease) in net assets	(172,114)	(114,889)	(42,173)	17,496	(214,287)	(101,104)
Net assets - beginning (as restated)	1,241,158	1,356,047	432,975	415,479	1,674,133	1,771,526
Net assets - ending	<u>\$ 1,069,044</u>	<u>\$ 1,241,158</u>	<u>\$ 390,802</u>	<u>\$ 432,975</u>	<u>\$ 1,459,846</u>	<u>\$ 1,670,422</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.

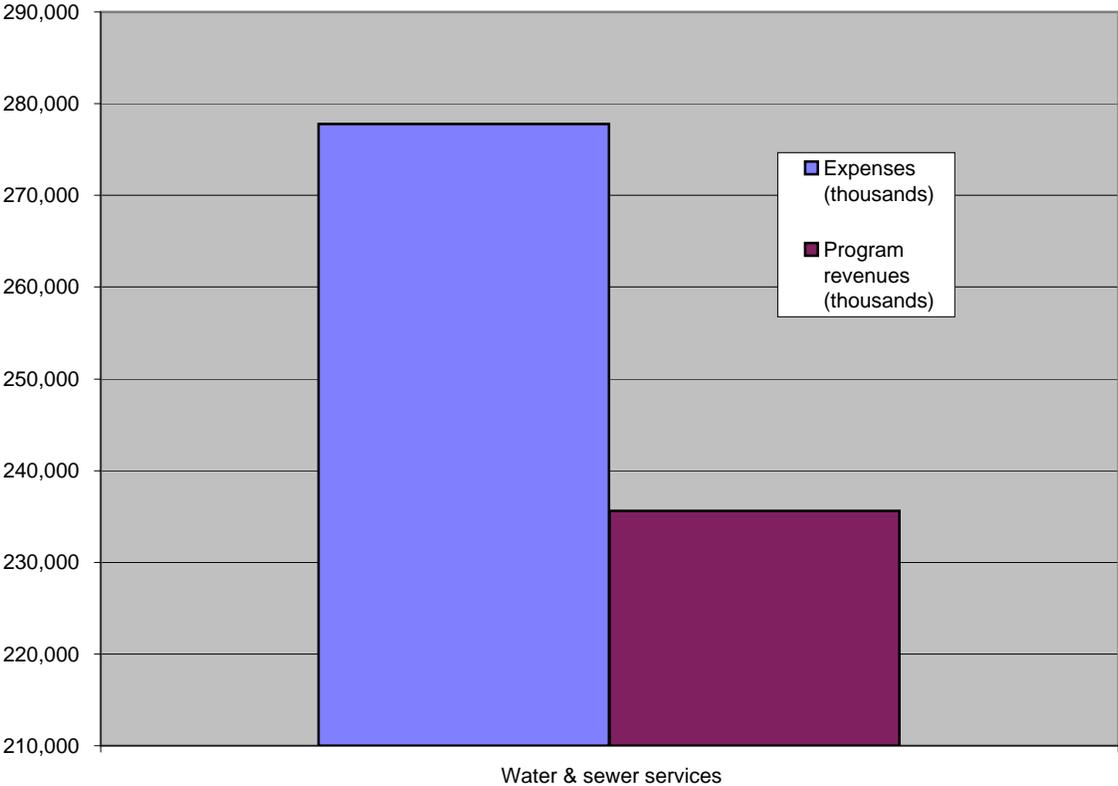
Expenses & Program Revenues-Governmental Activities



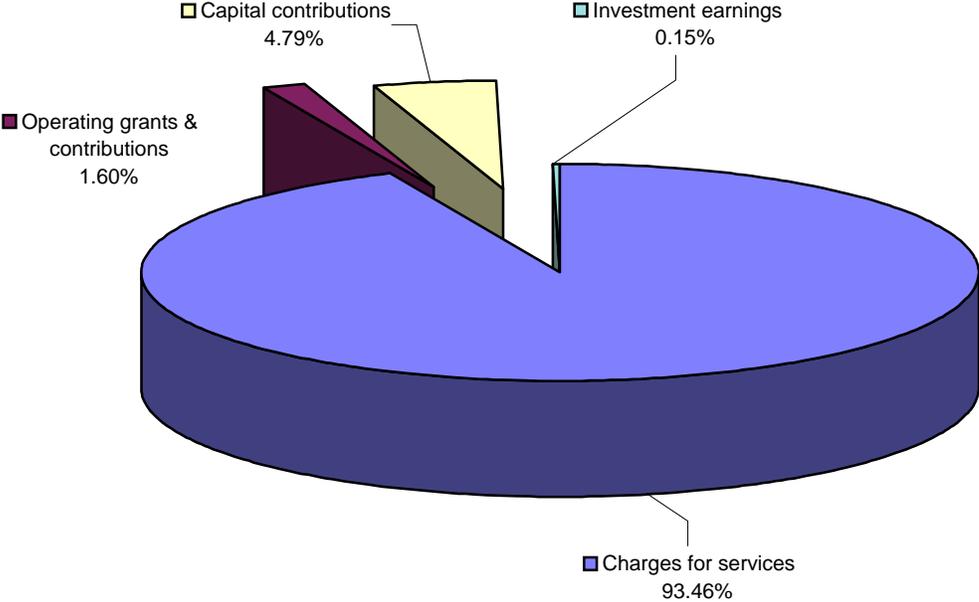
Revenues by Source-Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source-Business-type Activities



Governmental Activities

Governmental activities decreased the County's net assets by \$172.114 million. Key elements affecting the change in net assets included:

- A decrease of \$155.169 million to Invested in Capital Assets, Net of Related Debt classification was because the County replaced previously borrowed cash from pooled County funds with approved bond funding. The County also changed its unit value capitalization threshold for personal property from \$1,000 to \$5,000 effective July 1, 2011.
- Unrestricted net assets was impacted because of the following factors:
 - General tax revenue increased \$48.689 over the prior fiscal year. Income tax revenue increased \$31.018 million after a \$27.633 million negative adjustment for the County's portion of income tax reserves held by the state that was recognized under full accrual accounting. A \$60.019 million reduction to the County's 4% Homestead tax credit that mitigated lost property tax revenue from declining property assessments was a significant factor in property tax revenue increasing \$6.977 million. Increased recordation and transfer taxes from a 15.2% spike in home sales during FY12 accounted for the majority of the \$10.694 million increase to public services taxes.
 - The County had no contribution to its OPEB annual required contribution resulting in an increase of \$109.487 million to its net OPEB obligation
 - The outstanding debt for the Board of Education and the Community College capital projects (see previous discussion) increased by \$14.897 million.
- Capital asset infrastructure donations from developers increased 58.6% to \$12.829 million.

Business-type Activities

Business-type activities decreased the County's net assets by \$42.173 million. The key elements of the Metropolitan District operations that affect net assets are as follows:

- In FY12, the County completed phase 2 of 3 phases of capital improvements under the County's consent decree with the U.S. Environmental Protection Agency. This accounted for the majority of the respective expense increases of \$28.967 million and \$20.548 million over last year to the capital construction and maintenance of County facilities and to the County's net cost sharing contributions to Baltimore City for capital facilities.
- Final settlement of FY11 water and sewer operating costs between the County and Baltimore City resulted in a \$6.097 million refund from the City in FY12.
- 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 \$6.455 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 \$316.362 million as of June 30, 2012, an increase of \$194.849 million. Unassigned fund balance of the General Fund, as stated below, is available at the County's discretion. The remaining fund balance of \$199.12 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 FY12, unassigned fund balance of the General Fund was \$229.972 million, while total fund balance was \$402.232 million. Unassigned fund balance represents 14.49% of total fund expenditures, while total fund balance represents 25.35% of total

expenditures. These ratios are typically useful as a measure of the General Fund's liquidity. The County has \$84.822 million in a Revenue Stabilization account and has assigned \$40.584 million to finance, in part, the FY13 operating budget.

The General Fund fund balance increased by \$152.178 million during the current fiscal year. The increase is primarily due to an increase in income tax revenues of \$78.49 million over FY11 due, in part, from improved resident employment. The County also realized \$92.689 million, including premium, from certificate of participation financing to be used to purchase new technology and equipment for use throughout the County. General Fund expenditures increased \$17.078 million from the prior fiscal year due primarily from a \$6.295 million increase to debt service obligations from added borrowing and a \$10.309 million increase to its healthcare contributions to maintain self-insurance reserves at a targeted level.

The Gifts and Grants Fund fund balance of \$26.504 million consists primarily of \$21.263 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 primary reason for the \$1.8 million decrease in total fund balance is the timing of Economic Development construction loan payments made in FY12 against loan funds assigned in the prior year.

The Consolidated Public Improvement Construction Fund fund balance increased \$44.36 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 \$235.42 million in new debt to fund capital projects. Capital expenditures for various County projects decreased \$6.682 million to \$102.145 million while payments to component units for their capital facilities increased \$30.438 million to \$120.619 million.

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 decreased \$42.644 million. The main factors concerning this decrease have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

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

- The County had \$7.829 million in salary savings across the board due to the implementation of position vacancy control and by having most employees leave payroll by March 1, 2012 under a Retirement Incentive Program (RIP) offered to eligible employees during the winter 2012. The County estimates yearly savings of \$21 million from the 310 employees that qualified to retire under the program.
- The County realized \$1.02 million employer social security tax savings resulting from the workforce reduction from the RIP.
- Income tax revenue was \$84.656 million more than budget due to a 5% over-distribution of tax revenue from the State and higher than expected revenue growth from nonresidents establishing residency in the County and from gains in the number of residents employed.
- A \$3.249 million favorable variance in debt service principal resulted when the County elected to use a portion of the premium from a November 2011 bond sale to pay off its mortgage on a County building instead of using funds originally appropriated in the debt service budget.
- The Storm Emergency program was \$4.059 million less than original budget because there was no snow accumulation in the Baltimore area this past winter.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities totaled \$3.436 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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 260,171	\$ 256,653	\$ 1,308	\$ 1,307	\$ 261,479	\$ 257,960
Buildings and improvements	337,777	340,655	109,182	88,629	446,959	429,284
Vehicles and equipment	111,164	120,986	3,229	4,209	114,393	125,195
Infrastructure	1,228,791	1,240,997	810,664	742,362	2,039,455	1,983,359
Construction in progress	364,494	332,521	209,108	269,898	573,602	602,419
Total	<u>\$ 2,302,397</u>	<u>\$ 2,291,812</u>	<u>\$ 1,133,491</u>	<u>\$ 1,106,405</u>	<u>\$ 3,435,888</u>	<u>\$ 3,398,217</u>

The County added \$13.6 million for new or improved roads, \$6.6 million for storm drains, and \$49.3 million for water and sewer lines as a major part of its infrastructure assets for FY12.

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

- The County completed the Owings Mills Boulevard South Extension from Lyons Mills Road to Winands Avenue at a cost of \$8.2 million.
- The County completed new curb, gutter, sidewalk and paving for the Leeds-Linden Avenues to Southwestern Boulevard at a cost of \$1.5 million.
- The County completed a 40" water main rehabilitation along Kenilworth Avenue that was structurally deficient at a cost of \$5 million.
- The County completed work on the Jacksonville Community Center and Sweet Air Park at a cost of \$4.4 million.
- The County completed improvements on the Bear Creek Towne pumping station at a cost of \$1.7 million.
- To date the County has spent \$3.9 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 \$2.284 billion. This includes Consolidated Public Improvement bonds and notes of \$1.277 billion, Pension Funding bonds of \$.025 billion and Metropolitan District bonds and notes of \$.982 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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 1,061,235	\$ 949,890	\$ 822,490	\$ 750,917	\$ 1,883,725	\$ 1,700,807
General obligation BANs	240,000	174,900	160,000	106,500	400,000	281,400
Total	<u>\$ 1,301,235</u>	<u>\$ 1,124,790</u>	<u>\$ 982,490</u>	<u>\$ 857,417</u>	<u>\$ 2,283,725</u>	<u>\$ 1,982,207</u>

The County's total general obligation debt increased in 2012 by \$301.518 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 \$3.38 billion and \$2.39 billion. Additional information on the County's long-term debt can be found in Note 8.

Economic Factors and Next Years Budgets and Rates

- Over the June 2011 to June 2012 period, County residential employment increased by 1,932 people, or 0.5%, while Maryland employment increased by 0.7%.
- The calendar year 2011 unemployment rate for the County averaged 7.5%, which is the same as the Baltimore Metropolitan Area unemployment rate but above and the State of Maryland rate of 7%.
- Existing home sales in the County totaled 6,541 units in FY12, 15.2% above FY11 sales.
- The County's Spending Affordability Committee set a budget base for FY13 not to exceed 2.98%. This increase maintains the policy of utilizing a five year average of annual personal income growth rates.
- 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 \$109.335 million in FY12 to \$65.847 million in FY13.

These and other economic indicators were considered when preparing the FY13 General Fund budget, which estimates revenues at \$1.608 billion. General Fund appropriations for FY13 of \$1.648 billion reflect a 2.8% increase over the FY12 adjusted budget. Significant items that impact the FY13 budget are the \$20 million OPEB contribution on behalf of the General Government and the State's transfer of teacher pension costs to local governments, of which the County's share is \$15.7 million. During the past two years the budget has not included OPEB contributions due to declining revenues and other budgetary pressures. The budget also includes General Government staffing levels that decreased 7.1% over FY12 due to a Retirement Incentive Program that was offered to eligible employees during the winter of 2012. All told, 310 employees qualified for this program, saving the County an estimated \$21 million, each and every year. The projected unassigned fund balance at the end of FY13 is \$215.04 million or 13.4% of the estimated FY13 total revenues.

There are no new taxes levied to fund the FY13 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.

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, 2012
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments (Note 3)	\$ 349,848	\$ 153,444	\$ 503,292	\$ 71,333
Receivables, net (Note 5)	214,214	151,350	365,564	35,579
Due from primary government (Note 6)	-	-	-	60,480
Inventories	7,617	560	8,177	3,160
Prepaid costs	6,545	-	6,545	378
Deferred charges	5,596	3,155	8,751	105
Restricted assets:				
Cash and investments (Note 3)	99,847	6,058	105,905	1,056
Capital assets (Note 7)				
Not being depreciated	624,665	210,416	835,081	406,871
Depreciable (net of accumulated depreciation)	1,677,732	923,075	2,600,807	1,088,090
Total assets	<u>2,986,064</u>	<u>1,448,058</u>	<u>4,434,122</u>	<u>1,667,052</u>
LIABILITIES				
Accounts payable	32,021	35,621	67,642	45,201
Accrued payroll	14,711	396	15,107	16,715
Accrued interest payable	17,300	12,279	29,579	-
Internal balances	3,087	(3,087)	-	-
Due to component units (Note 6)	55,195	-	55,195	-
Other liabilities	23,736	4,837	28,573	3,009
Unearned revenue (Note 5)	4,380	-	4,380	10,165
Liabilities payable from restricted assets	-	-	-	1,056
Noncurrent liabilities (Note 8)				
Due within one year	406,737	204,809	611,546	24,924
Due in more than one year	1,359,853	802,401	2,162,254	77,367
Total liabilities	<u>1,917,020</u>	<u>1,057,256</u>	<u>2,974,276</u>	<u>178,437</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,386,096	566,002	1,952,098	1,475,794
Restricted for:				
Public works	4,858	-	4,858	-
Economic development	898	-	898	-
Education	-	-	-	19,151
Grant projects	21,263	-	21,263	-
Debt service	232	-	232	-
Expendable endowments	-	-	-	3,921
Unrestricted (deficit)	(344,303)	(175,200)	(519,503)	(10,251)
Total net assets	<u>\$ 1,069,044</u>	<u>\$ 390,802</u>	<u>\$ 1,459,846</u>	<u>\$1,488,615</u>

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

Baltimore County, Maryland
Statement of Activities
For the Year Ended June 30, 2012
(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	\$ 509,187	\$ 212,958	\$ 2,457	\$ -	\$ (293,772)	\$ -	\$ (293,772)
Public safety	340,263	5,958	12,879	-	(321,426)	-	(321,426)
Public works	187,816	2,942	2,260	41,519	(141,095)	-	(141,095)
Health and human services	152,490	3,622	114,528	-	(34,340)	-	(34,340)
Culture and leisure services	70,803	3,653	1,145	-	(66,005)	-	(66,005)
Economic and community development	13,379	487	16,386	-	3,494	-	3,494
Education	841,494	-	-	-	(841,494)	-	(841,494)
Interest on long-term debt	25,568	-	6,853	-	(18,715)	-	(18,715)
Total governmental activities	2,141,000	229,620	156,508	41,519	(1,713,353)	-	(1,713,353)
Business-type activities:							
Water and sewer services	277,780	220,188	3,777	11,282	-	(42,533)	(42,533)
Total business-type activities	277,780	220,188	3,777	11,282	-	(42,533)	(42,533)
Total primary government	\$ 2,418,780	\$ 449,808	\$ 160,285	\$ 52,801	(1,713,353)	(42,533)	(1,755,886)
COMPONENT UNITS							
Board of Education	\$ 1,505,631	\$ 14,627	\$ 167,527	\$ 140,192	-	-	(1,183,285)
Community College	225,576	72,366	98,271	26,359	-	-	(28,580)
Board of Library Trustees	42,116	3,831	6,154	676	-	-	(31,455)
Total component units	\$ 1,773,323	\$ 90,824	\$ 271,952	\$ 167,227	-	-	(1,243,320)
General revenues:							
Taxes:							
Property taxes					844,069	-	844,069
Income taxes					565,571	-	565,571
Public service taxes					121,099	-	121,099
Grants and contributions not restricted to specific programs:							
Baltimore County					-	-	741,028
State of Maryland					9,423	-	9,423
Unrestricted investment earnings					1,077	360	1,437
Other					-	-	10,633
Total general revenues and transfers					1,541,239	360	1,541,599
Change in net assets					(172,114)	(42,173)	(214,287)
Net assets at beginning of the year, as restated (Note 16)					1,241,158	432,975	1,674,133
Net assets at end of the year					\$ 1,069,044	\$ 390,802	\$ 1,459,846

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

Baltimore County, Maryland
Balance Sheet
Governmental Funds
June 30, 2012
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Liquor License	Total Governmental Funds
ASSETS					
Cash and investments	\$ 235,793	\$ 18,453	\$ -	\$ 362	\$ 254,608
Cash and investments - restricted	99,847	-	-	-	99,847
Receivables, net	152,763	50,586	9,481	-	212,830
Due from other funds	77,762	-	-	-	77,762
Inventories	7,109	-	-	-	7,109
Total assets	<u>\$ 573,274</u>	<u>\$ 69,039</u>	<u>\$ 9,481</u>	<u>\$ 362</u>	<u>\$ 652,156</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 14,723	\$ 3,028	\$ 11,648	\$ -	\$ 29,399
Accrued expenditures	14,183	465	-	6	14,654
Due to other funds	-	-	77,762	-	77,762
Due to component units	39,087	-	16,108	-	55,195
Other liabilities	10,922	1,004	11,810	-	23,736
Deferred revenue	92,127	38,038	4,883	-	135,048
Total liabilities	<u>171,042</u>	<u>42,535</u>	<u>122,211</u>	<u>6</u>	<u>335,794</u>
Fund balances (deficit) (Note 15)					
Nonspendable	7,109	-	-	-	7,109
Restricted	99,492	22,161	-	-	121,653
Committed	-	-	-	-	-
Assigned	65,659	4,343	-	356	70,358
Unassigned	229,972	-	(112,730)	-	117,242
Total fund balances (deficit)	<u>402,232</u>	<u>26,504</u>	<u>(112,730)</u>	<u>356</u>	<u>316,362</u>
Total liabilities and fund balances	<u>\$ 573,274</u>	<u>\$ 69,039</u>	<u>\$ 9,481</u>	<u>\$ 362</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.	2,285,124
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	130,668
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.	55,224
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).	(1,718,334)
Net assets of governmental activities	<u>\$ 1,069,044</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, 2012
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Liquor License	Total Governmental Funds
REVENUES					
Taxes	\$ 1,545,610	\$ -	\$ -	\$ -	\$ 1,545,610
Licenses and permits	4,916	-	-	951	5,867
Intergovernmental	31,517	129,514	26,058	-	187,089
Repayment of loans	-	1,695	-	-	1,695
Charges for services	10,068	7,899	325	73	18,365
Assessments	-	-	2,183	-	2,183
Fines and forfeitures	5,149	-	-	-	5,149
Investment income	753	262	-	-	1,015
Miscellaneous	24,498	1,464	1,080	-	27,042
Total revenues	<u>1,622,511</u>	<u>140,834</u>	<u>29,646</u>	<u>1,024</u>	<u>1,794,015</u>
EXPENDITURES					
Current:					
General government	70,640	3,383	-	613	74,636
Public safety	331,603	8,381	-	-	339,984
Public works	115,393	104	-	-	115,497
Health and human services	37,697	114,227	-	-	151,924
Culture and leisure services	23,999	3,051	-	-	27,050
Economic and community development	1,349	21,038	-	-	22,387
Pension plan contributions	58,985	-	-	-	58,985
Healthcare contributions	66,676	-	-	-	66,676
Miscellaneous	16,942	-	-	-	16,942
Capital projects	-	-	102,145	-	102,145
Payments to component units	775,282	-	120,619	-	895,901
Debt service:					
Principal retirement	50,765	-	-	-	50,765
Interest	32,133	-	-	-	32,133
Fiscal charges	2,051	-	-	-	2,051
Total expenditures	<u>1,583,515</u>	<u>150,184</u>	<u>222,764</u>	<u>613</u>	<u>1,957,076</u>
Excess (deficiency) of revenues over expenditures	<u>38,996</u>	<u>(9,350)</u>	<u>(193,118)</u>	<u>411</u>	<u>(163,061)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	170,000	-	170,000
Bond anticipation notes - proceeds	-	-	235,100	-	235,100
Bond anticipation notes - refunding	-	-	(170,000)	-	(170,000)
COPs proceeds	78,430	-	-	-	78,430
COPs premium	14,259	-	-	-	14,259
BAN premium	3,307	-	-	-	3,307
Bond premium	26,285	-	-	-	26,285
Installment debt	-	-	320	-	320
Transfers in	393	7,734	2,739	-	10,866
Transfers out	(9,492)	(184)	(681)	(300)	(10,657)
Total other financing sources (uses)	<u>113,182</u>	<u>7,550</u>	<u>237,478</u>	<u>(300)</u>	<u>357,910</u>
Net change in fund balances	<u>152,178</u>	<u>(1,800)</u>	<u>44,360</u>	<u>111</u>	<u>194,849</u>
Fund balances (deficit) at beginning of the year	250,054	28,304	(157,090)	245	121,513
Fund balances (deficit) at end of the year	<u>\$ 402,232</u>	<u>\$ 26,504</u>	<u>\$ (112,730)</u>	<u>\$ 356</u>	<u>\$ 316,362</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, 2012
(In Thousands)

Net change in fund balances-total governmental funds	\$ 194,849
<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>	2,277
<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>	12,434
<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 decreased this year.</p>	(17,202)
<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>	(285,915)
<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>	(99,213)
<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>	20,656
Change in net assets of governmental activities	\$ (172,114)

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, 2012
(In Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,463,396	\$ 1,463,396	\$ 1,545,610	\$ 82,214
Licenses and permits	3,520	3,520	4,916	1,396
Intergovernmental	31,622	31,622	31,517	(105)
Charges for services	10,515	10,515	10,068	(447)
Fines and forfeitures	3,754	3,754	5,149	1,395
Reimbursement from other funds	7,193	7,193	7,699	506
Interest on investments	1,665	1,665	958	(707)
Miscellaneous	21,399	21,399	24,131	2,732
Total revenues	<u>1,543,064</u>	<u>1,543,064</u>	<u>1,630,048</u>	<u>86,984</u>
EXPENDITURES				
Current:				
General government	76,680	76,680	73,710	2,970
Public safety	331,147	331,247	330,137	1,110
Public works	119,751	119,751	116,079	3,672
Health and human services	38,030	38,030	37,595	435
Culture and leisure services	24,689	24,764	23,812	952
Economic and community development	1,642	1,642	1,419	223
Pension plan contributions	59,007	59,010	59,009	1
Healthcare contributions	68,575	68,575	66,838	1,737
Miscellaneous	18,966	18,788	16,942	1,846
Payments to component units	775,515	775,515	775,282	233
Debt service:				
Principal retirement	50,764	50,764	47,516	3,248
Interest	30,802	30,802	30,070	732
Fiscal charges	827	827	784	43
Total expenditures	<u>1,596,395</u>	<u>1,596,395</u>	<u>1,579,193</u>	<u>17,202</u>
Excess (deficiency) of revenues over expenditures (budgetary basis)	<u>(53,331)</u>	<u>(53,331)</u>	<u>50,855</u>	<u>104,186</u>
OTHER FINANCING SOURCES (USES)				
COPs premium	-	-	14,259	14,259
COPs	-	-	78,430	78,430
Transfers in	153	153	153	-
Transfers out	(7,390)	(7,390)	(7,390)	-
Total other financing sources (uses)	<u>(7,237)</u>	<u>(7,237)</u>	<u>85,452</u>	<u>92,689</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	<u>\$ (60,568)</u>	<u>\$ (60,568)</u>	<u>136,307</u>	<u>\$ 196,875</u>
Adjustments required under generally accepted accounting principles:				
Net change during year in reserve for encumbrances			(894)	
Unbudgeted equipment financing activity			(6,118)	
Unbudgeted bond escrow payment			232	
Net change in reserve for inventories, imprest funds and other programs			21,481	
Prior year encumbrances liquidations			1,170	
Net change in fund balance-GAAP			<u>152,178</u>	
Fund balance at beginning of the year			250,054	
Fund balance at end of the year			<u>\$ 402,232</u>	

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

Baltimore County, Maryland
Statement of Net Assets
Proprietary Funds
June 30, 2012
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 153,444	\$ 95,240
Cash and investments - restricted	6,058	-
Receivables, net (Note 5)	24,212	1,384
Due from other funds	-	5,385
Inventories	560	508
Prepaid costs	-	6,545
Deferred charges	3,155	-
Total current assets	187,429	109,062
Noncurrent assets:		
Assessments receivable (Note 5)	127,138	-
Capital assets:		
Non-depreciable	210,416	-
Depreciable (net of accumulated depreciation)	923,075	17,273
Total noncurrent assets	1,260,629	17,273
Total assets	1,448,058	126,335
LIABILITIES		
Current liabilities:		
Accounts payable	35,621	2,622
Accrued payroll	396	57
Accrued interest payable	12,279	-
Due to other funds	-	5,385
Compensated absences	1,276	238
Claims and judgments	-	34,406
General obligation debt (Note 8)	202,933	-
Certificates of participation	600	-
Other liabilities	4,837	-
Total current liabilities	257,942	42,708
Noncurrent liabilities:		
Compensated absences	67	-
Claims and judgments	-	25,316
General obligation debt (Note 8)	795,670	-
Certificates of participation	6,664	-
Total noncurrent liabilities	802,401	25,316
Total liabilities	1,060,343	68,024
NET ASSETS		
Invested in capital assets, net of related debt	566,002	17,273
Unrestricted (deficit)	(178,287)	41,038
Total net assets	387,715	\$ 58,311
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	3,087	
Net assets of business-type activities	\$ 390,802	

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, 2012
(In Thousands)

	Metropolitan District Enterprise Fund	Total	Internal Service Funds
OPERATING REVENUES			
Licenses and permits	\$ 922	\$ 922	\$ -
Charges for services	212,810	212,810	279,852
Assessments	6,456	6,456	-
Intergovernmental	3,777	3,777	-
Miscellaneous	-	-	223
Total operating revenues	<u>223,965</u>	<u>223,965</u>	<u>280,075</u>
OPERATING EXPENSES			
Personal services	22,264	22,264	2,897
Business and travel	78	78	-
Contractual services	81,732	81,732	635
Rents and utilities	3,989	3,989	458
Supplies and maintenance	56,808	56,808	13,940
Insurance claims and expenses	-	-	236,496
Equipment	184	184	-
Fringe benefits and overhead	12,214	12,214	-
Depreciation expense	23,601	23,601	3,826
Other	42	42	809
Total operating expenses	<u>200,912</u>	<u>200,912</u>	<u>259,061</u>
Operating income	<u>23,053</u>	<u>23,053</u>	<u>21,014</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	360	360	322
Interest expense	(19,620)	(19,620)	-
Capital contributions to other subdivisions	(57,719)	(57,719)	-
Total nonoperating revenues (expenses)	<u>(76,979)</u>	<u>(76,979)</u>	<u>322</u>
Income (loss) before transfers and capital contributions	<u>(53,926)</u>	<u>(53,926)</u>	<u>21,336</u>
Transfers in	-	-	31
Transfers out	-	-	(240)
Capital contributions from external parties	11,282	11,282	-
Change in net assets	<u>(42,644)</u>	<u>(42,644)</u>	<u>21,127</u>
Net assets at beginning of the year as restated (Note 16)	430,359		37,184
Net assets at end of the year	<u>\$ 387,715</u>		<u>\$ 58,311</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		471	
Change in net assets of business-type activities		<u>\$ (42,173)</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, 2012
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 232,238	\$ 282,963
Payments to suppliers	(136,926)	(15,090)
Payments to employees	(35,603)	(2,999)
Payment for interfund services used	-	(809)
Claims paid	-	(244,734)
Other receipts	-	235
Net cash provided by operating activities	59,709	19,566
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	31
Transfers out	-	(240)
Capital contributions paid to other subdivisions	(50,797)	-
Net cash used in noncapital financing activities	(50,797)	(209)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	262,196	-
Retirement of bond anticipation notes	(85,000)	-
Capital contributions from external parties	8,872	-
Acquisition and construction of capital assets	(36,644)	(168)
Principal paid on capital debt	(38,339)	-
Interest paid on capital debt	(33,328)	-
Sales of capital assets	-	468
Net cash provided by capital and related financing activities	77,757	300
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	360	322
Net cash provided by investing activities	360	322
Net increase in cash and cash equivalents	87,029	19,979
Cash and cash equivalents at beginning of the year	72,473	75,261
Cash and cash equivalents at end of the year	\$ 159,502	\$ 95,240
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 23,053	\$ 21,014
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	23,601	3,826
Amortization expense	171	-
Effect of changes in operating assets and liabilities:		
Receivables, net	12,112	3,111
Prepaid costs	-	(934)
Inventories	20	12
Accounts and other payables	1,799	(1,147)
Accrued expenses	(1,047)	(102)
Claims and judgements	-	(6,214)
Net cash provided by operating activities	\$ 59,709	\$ 19,566
NONCASH CAPITAL FINANCING ACTIVITIES		
Capital assets acquired through contributions from developers.	\$ 4,798	\$ -

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

Baltimore County, Maryland
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(In Thousands)

	Benefits Trust Funds
ASSETS	
Cash and cash equivalents (Note 3)	\$ 48,815
Collateral for loaned securities (Note 3)	25,422
Receivables:	
Accrued interest & dividend income	2,977
Receivable for investments sold	15,463
Receivables other	2,694
Total receivables	21,134
Investments, at fair value:	
U.S. Government and Agency securities	145,996
Municipal bonds	23,141
Foreign bonds	18,143
Corporate bonds	148,023
Stocks	435,737
Bond mutual funds	305,659
Stock mutual funds	408,398
Real estate equity funds	97,594
Hedge funds	108,109
Private equity funds	125,211
Real assets	98,546
Global asset allocation	347,510
Total investments	2,262,067
Total assets	2,357,438
LIABILITIES	
Securities lending payable	27,779
Investments purchased	37,042
Investment expenses payable	2,539
Refunds payable	398
Other	6,270
Total liabilities	74,028
NET ASSETS	
Net assets held in trust for benefits	\$ 2,283,410

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, 2012
(In Thousands)

	Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 129,420
Employees	67,059
Other	9,373
Total contributions	205,852
Investment earnings:	
Net decrease in the fair value of plan assets	(132)
Interest and dividends	44,852
Investment expenses	(16,245)
Net investment gain	28,475
Net loss from securities lending:	
Securities lending income	187
Net decrease in fair value of investments	(2,357)
Borrower rebates	719
Agent fees	(279)
Net loss from securities lending	(1,730)
Total net investment gain	26,745
Total additions	232,597
DEDUCTIONS	
Benefits	345,663
Refunds	3,640
Administrative expense	2,329
Total deductions	351,632
Change in net assets	(119,035)
Net assets at beginning of the year	2,402,445
Net assets at end of the year	\$ 2,283,410

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

Baltimore County, Maryland
Statement of Net Assets
Component Units
June 30, 2012
(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)	\$ 34,125	\$ 27,561	\$ 9,647	\$ 71,333
Receivables	23,648	11,759	172	35,579
Due from primary government	58,276	2,204	-	60,480
Inventories	1,228	1,724	208	3,160
Prepaid costs	372	-	6	378
Deferred charges	-	105	-	105
Cash restricted for lease purchase	1,056	-	-	1,056
Capital assets (Note 7)				
Non-depreciable	372,290	34,581	-	406,871
Depreciable (net of accumulated depreciation)	960,773	115,283	12,034	1,088,090
Total assets	<u>1,451,768</u>	<u>193,217</u>	<u>22,067</u>	<u>1,667,052</u>
LIABILITIES				
Accounts payable	32,511	11,633	1,057	45,201
Accrued payroll	11,834	3,659	1,222	16,715
Other liabilities	1,472	1,537	-	3,009
Unearned revenue	4,198	5,933	34	10,165
Liabilities payable from restricted assets	1,056	-	-	1,056
Noncurrent liabilities (Note 8)				
Due within one year	19,568	4,335	1,021	24,924
Due in more than one year	64,968	10,649	1,750	77,367
Total liabilities	<u>135,607</u>	<u>37,746</u>	<u>5,084</u>	<u>178,437</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,315,276	148,484	12,034	1,475,794
Restricted for:				
Education	14,662	4,489	-	19,151
Expendable endowments	-	3,371	550	3,921
Unrestricted	(13,777)	(873)	4,399	(10,251)
Total net assets	<u>\$ 1,316,161</u>	<u>\$ 155,471</u>	<u>\$ 16,983</u>	<u>\$ 1,488,615</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, 2012
(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	\$ 1,322,631	\$ 140,123	\$ 139,788	\$ (1,041,999)	\$ -	\$ -	\$ (1,041,999)
Facilities operations	143,800	998	404	(142,398)	-	-	(142,398)
Food service	39,200	26,406	-	1,112	-	-	1,112
Total Board of Education	1,505,631	167,527	140,192	(1,183,285)	-	-	(1,183,285)
COMMUNITY COLLEGE							
Educational and general expenses	191,320	98,271	-	-	(29,523)	-	(29,523)
Facilities operations	23,464	-	26,359	-	2,895	-	2,895
Auxiliary enterprises	10,792	-	-	-	(1,952)	-	(1,952)
Total Community College	225,576	98,271	26,359	-	(28,580)	-	(28,580)
BOARD OF LIBRARY TRUSTEES							
Culture and leisure services	42,116	6,154	676	-	-	(31,455)	(31,455)
Total component units	\$ 1,773,323	\$ 271,952	\$ 167,227	(1,183,285)	(28,580)	(31,455)	(1,243,320)
General Revenues:							
Baltimore County				668,495	38,463	34,070	741,028
State of Maryland				559,539	-	-	559,539
Unrestricted investment earnings				-	24	-	24
Other				10,633	-	-	10,633
Total general revenues				1,238,667	38,487	34,070	1,311,224
Change in net assets				55,382	9,907	2,615	67,904
Net assets at beginning of the year				1,260,779	145,564	14,368	1,420,711
Net assets at end of the year				\$ 1,316,161	\$ 155,471	\$ 16,983	\$ 1,488,615

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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
Commission for Women
Commission on Arts and Sciences

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 on Aging
Commission on Disabilities

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Commission on Veterans' Affairs	Conference and Tourism Advisory Council
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
Library Board of Trustees	Local Management Board
Mental Health Advisory Council	Minority and Women Business Enterprise Commission
Pedestrian and Bicycle Advisory Committee	Planning Board
Personnel and Salary Advisory Board	Professional Services Selection Committee
Plumbing Board	Soil Conservation District Board
Revenue Authority	
Workforce Development Council	

The amounts that the County appropriated to these organizations during the fiscal year ended June 30, 2012 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 assigned 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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major 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.

Benefits Trust Fund, which includes the following:

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

compensated absences as described below, are recorded when the liability is incurred. Principal and interest on general long-term debt are recorded in the governmental funds as liabilities when due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Enterprise and Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

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

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

Budgetary Data

As required by Article VII of the Baltimore County Charter, the annual operating budget and the capital budget are prepared by the County Executive and submitted to the County Council for adoption. Such budgets are generally prepared on the modified accrual basis of accounting described above and reflect encumbrance accounting. Prior to adoption of the budgets, the County Council may decrease or delete any item with the exception of those required by the general laws of the State of Maryland, provisions for debt service on outstanding obligations and provisions to eliminate any estimated cash deficits. Requests for supplementary and emergency appropriations may be prepared during the year by the County Executive and adopted by the County Council. There were no supplementary and emergency appropriations adopted for the General Fund operating budget during fiscal year 2012.

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 0.004 million of interest income decreased by \$6.122 million is equipment purchases. The unspent equipment financing proceeds of \$99.260 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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Pooled Cash, Cash Equivalents and Investment Income

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

For purposes of the statements of cash flows, the County defines cash equivalents to include the following: all highly liquid, unrestricted investments with a maturity of three months or less when purchased; all cash and investment pools that are used essentially as demand accounts; all cash with fiscal agents; and all restricted cash and investments that 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 \$108 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, 2012. 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 \$5,000 for vehicles, machinery and equipment, and \$25,000 for buildings and infrastructure. The County changed its capitalization threshold for personal property to \$5,000 effective July 1, 2011. Assets capitalized in previous years, with unit value below \$5,000 will remain capitalized until they are fully depreciated or disposed of. 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, 2012.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

Restricted Net Assets

The government-wide statement of net assets reports \$27.251 million of restricted net assets, of which \$4.858 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 comprise 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 changed 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. Formal action of the County would be those actions which are voted on by its seven member County Council (the highest level of decision-making authority) 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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 intergovernmental revenues. The General Fund Unassigned Fund Balance includes \$84.822 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 \$1,718,334 difference are as follows:

General obligation debt	\$ 1,301,235
Certificates of participation and mortgage payable	130,860
Add: Issuance premium (to be amortized as reduction to interest expense)	63,744
Less: Issuance discount (to be amortized as interest expense)	(1,804)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(5,596)
Less: Deferred charge on refunding (to be amortized as interest expense)	(3,290)
Accrued interest payable	17,300
Compensated absences	58,530
Other post employment benefits liability	142,677
Estimated landfill closing costs	14,678
Net adjustment to reduce fund balance - total funds to arrive at net assets of governmental activities	\$ 1,718,334

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 \$2,277 difference are as follows:

Capital outlay	\$ 83,306
Depreciation expense	(81,029)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 2,277

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 \$12,434 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.	\$ (395)
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>12,829</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>\$ 12,434</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 \$285,915 difference are as follows:

Debt issued or incurred:	
General obligation debt	\$ (405,420)
Certificates of participation	(78,430)
Add: premium	(43,851)
Less: debt issuance costs	1,460
Principal repayments:	
General obligation debt	228,975
Certificates of participation	8,030
Mortgage payable	<u>3,321</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>\$ (285,915)</u></u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 \$99,213 difference are as follows:

Decrease in compensated absences	\$ 4,693
Increase in accrued interest	(3,747)
Increase in other post employment benefits liability	(109,487)
Increase in landfill closure and post-closure costs	(556)
Amortization of issuance costs	(428)
Amortization of deferred charge on refunding	(900)
Amortization of premiums	11,291
Amortization of discounts	<u>(79)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ (99,213)</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, 2012, the carrying amounts of cash for the primary government and its component units were \$5.632 million and \$32.386 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 22% in U.S. equities, 16% 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 (\$8,719,063) for the System's and OPEB's portfolio at the fiscal year ended June 30, 2012. 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Investments for the reporting entity as of June 30, 2012 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	\$ 232	\$ 108,230	\$ 13,106	\$ -	\$ 121,568	\$ -	\$ 121,568
On securities loan for securities or cash collateral	-	21,996	2,664	-	24,660	-	24,660
MLGIP	123	-	-	-	123	33,028	33,151
Municipal bonds	-	1,709	207	21,225	23,141	-	23,141
Foreign bonds	-	11,060	1,339	5,744	18,143	-	18,143
Corporate bonds							
Not on securities loan	-	131,361	15,908	-	147,269	-	147,269
On securities loan for securities or cash collateral	-	673	81	-	754	-	754
Bond mutual funds	-	267,068	32,342	6,249	305,659	-	305,659
Money market funds	594,137	42,272	5,119	6,350	647,878	6,975	654,853
Real estate equity funds	-	87,052	10,542	-	97,594	-	97,594
Stocks							
Not on securities loan	-	364,828	44,180	-	409,008	-	409,008
On securities loan for securities or cash collateral	-	23,842	2,887	-	26,729	-	26,729
Stock mutual funds	-	350,795	42,480	15,123	408,398	-	408,398
Private equity funds	-	111,686	13,525	-	125,211	-	125,211
Hedge funds	-	96,431	11,678	-	108,109	-	108,109
Real assets	-	87,901	10,645	-	98,546	-	98,546
Global Asset Allocation fund	-	309,973	37,537	-	347,510	-	347,510
Securities lending short-term collateral investment pool	-	22,676	2,746	-	25,422	-	25,422
Total	<u>\$ 594,492</u>	<u>\$ 2,039,553</u>	<u>\$ 246,986</u>	<u>\$ 54,691</u>	<u>\$ 2,935,722</u>	<u>\$ 40,003</u>	<u>\$ 2,975,725</u>

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 12 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, 2012 totaled \$52.624 million and \$52.143 million, respectively. At June 30, 2012, the cash collateral pool had an unrealized loss of \$2.356 million, which is recorded in the Statement of Changes in Plan Net Assets as a decrease in the fair value of investments for securities lending.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$ 61,278	\$ 3,035	\$ 15,070	\$ 2,480	\$ 13,106	\$ 20,098	\$ 7,489
U.S. Agency Securities	68,948	11,999	-	7,273	14,814	25,012	9,850
Municipal Bonds	1,709	888	-	119	131	186	385
Corporate Debt	132,034	24,729	35,612	34,505	15,495	15,186	6,507
Bond Mutual Funds	267,068	-	-	267,068	-	-	-
Foreign Debt	11,060	7,456	1,216	1,755	-	633	-
Total	542,097	48,107	51,898	313,200	43,546	61,115	24,231
OPEB Plan							
U.S. Government Obligations	7,420	367	1,825	300	1,587	2,434	907
U.S. Agency Securities	8,350	1,453	-	881	1,794	3,029	1,193
Municipal Bonds	207	108	-	14	16	22	47
Corporate Debt	15,989	2,995	4,313	4,178	1,876	1,839	788
Bond Mutual Funds	32,342	-	-	32,342	-	-	-
Foreign Debt	1,339	903	147	213	-	76	-
Total	65,647	5,826	6,285	37,928	5,273	7,400	2,935
Pension Plan							
Municipal Bonds	21,225	1,969	6,271	7,284	5,701	-	-
Bond Mutual Funds	6,249	-	-	6,249	-	-	-
Foreign Debt	5,744	2,500	-	-	-	-	3,244
Total	33,218	4,469	6,271	13,533	5,701	-	3,244
Total Primary Government	\$ 640,962	\$ 58,402	\$ 64,454	\$ 364,661	\$ 54,520	\$ 68,515	\$ 30,410

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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, 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	26.07%	\$ 141,320	26.07%	\$ 17,114	3.17%	\$ 1,054
AA	1.52%	8,217	1.52%	995	37.72%	12,532
A	5.46%	29,610	5.46%	3,585	19.80%	6,578
BBB	7.45%	40,372	7.45%	4,889	0.83%	275
BB	1.00%	5,432	1.00%	658	0.00%	-
B	0.76%	4,120	0.76%	499	0.00%	-
CCC	0.09%	461	0.09%	56	0.00%	-
CC	0.73%	3,942	0.73%	477	0.00%	-
Not Rated	56.92%	308,623	56.92%	37,374	38.48%	12,779
Total	100.00%	\$ 542,097	100.00%	\$ 65,647	100.00%	\$ 33,218

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

Currency	Fair Value (in thousands)		
	The System	OPEB Plan	Total
Australian Dollar	\$ 4,299	\$ 521	\$ 4,820
British Pound Sterling	15,264	1,848	17,112
Danish Krone	538	65	603
Euro Currency Unit	45,702	5,534	51,236
Hong Kong Dollar	5,872	711	6,583
Israeli Shekel	822	100	922
Japanese Yen	26,858	3,252	30,110
Norwegian Krone	949	115	1,064
Singapore Dollar	1,653	201	1,854
South Korean Won	5,532	670	6,202
Swedish Krona	3,756	455	4,211
Swiss Franc	8,921	1,080	10,001
	\$ 120,166	\$ 14,552	\$ 134,718

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012 are as follows:

Futures Contracts as of June 30, 2012
(expressed in thousands)

Currency	Long Contracts	Short Contracts
US Treasury Bond Future (CBT)	\$ 8,139	\$ -
US 10YR Note Future (CBT)	5,068	-
US Ultra Bond (CBT)	2,169	-
US 5YR Treasury Note Future (CBT)	-	(12,645)
US 2YR Treasury NTS Future (CBT)	-	(11,450)

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, 2012, 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, 2012 (expressed in thousands)	
	Classification	Amount	Amount	Notional Value
<u>Investment Derivatives</u>				
Futures	Investment revenue	\$ -	\$ -	\$ (8,719)
Options	Investment revenue	(46)	22	(3,755)
Swaps	Investment revenue	28	89	(563)
Mortgage Derivatives	Investment revenue	(98)	2,425	2,425
TBA Transactions	Investment revenue	33	12,026	12,026

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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 2012 was \$84.5 billion.

The property tax rate for the year ended June 30, 2012 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 99.2% of the tax levied. Property taxes are recorded as receivables in the General Fund at the levy date with appropriate allowances for estimated uncollectible amounts as described in Note 5.

The full year property tax calendar is as follows:

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

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

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

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

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

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

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

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

5. RECEIVABLES (in thousands):

Receivables as of June 30, 2012 for the County's major funds and Internal Service Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities					Total Receivables
	General	Gifts and Grants	Consolidated Public Improvement Construction	Internal Service Funds	Metropolitan District	
Property taxes	\$ 14,875	\$ -	\$ -	\$ -	\$ -	\$ 14,875
Accounts	15,141	-	-	1,384	6,422	22,947
Intergovernmental	123,723	16,062	4,581	-	2,459	146,825
Assessments	1,109	-	4,900	-	142,469	148,478
Loans	-	60,950	-	-	-	60,950
Interest	38	-	-	-	-	38
Total receivables	<u>154,886</u>	<u>77,012</u>	<u>9,481</u>	<u>1,384</u>	<u>151,350</u>	<u>394,113</u>
Allowance for uncollectible accounts	(2,123)	(26,426)	-	-	-	(28,549)
Net total receivables	<u>\$ 152,763</u>	<u>\$ 50,586</u>	<u>\$ 9,481</u>	<u>\$ 1,384</u>	<u>\$ 151,350</u>	<u>\$ 365,564</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 917</u>	<u>\$ 29,018</u>	<u>\$ 3,680</u>	<u>\$ -</u>	<u>\$ 127,138</u>	<u>\$ 160,753</u>

At June 30, 2012, the County has recorded \$60.950 million of outstanding loans receivable in the Gifts and Grants Fund. Of these receivables, \$46.324 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 \$26.426 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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012 were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ 10,378	\$ 836	\$ 11,214
Income taxes receivable	78,828	-	78,828
Interest subsidy receivable	977	-	977
Economic and community development loans	34,493	-	34,493
Special assessments not yet due	5,992	-	5,992
Grant funds received prior to meeting all eligibility requirements	-	3,544	3,544
Total deferred/unearned revenue for governmental funds	\$ 130,668	\$ 4,380	\$ 135,048

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

The composition of interfund balances as of June 30, 2012 is as follows:

Receivable fund	Payable fund	Purpose	Amount
Self-Insurance Program	Vehicle Operation and Maintenance	Deficit cash balance	\$ 5,385
General	Consolidated Public Improvement	Deficit cash balance	77,762
		Total	<u>\$ 83,147</u>

Interfund transfers for the fiscal year ended June 30, 2012 were as follows:

Transferred from	Transferred to				Total
	General	Gifts and Grants	Consolidated Public Improvement Construction	Internal Service Funds	
General	\$ -	\$ 6,753	\$ 2,739	\$ -	\$ 9,492
Gifts and Grants	153	-	-	31	184
Consolidated Public Improvement Construction	-	681	-	-	681
Nonmajor Governmental Funds	-	300	-	-	300
Internal Service Funds	240	-	-	-	240
Total transfers	\$ 393	\$ 7,734	\$ 2,739	\$ 31	\$ 10,897

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 \$6.6 million between the General Fund and the Gifts and Grants Fund are County matching funds for grant funded programs. The transfers of \$0.24 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, 2012, 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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

7. CAPITAL ASSETS (in thousands):

A summary of the primary government's changes in capital assets for the year ended June 30, 2012 is reported below:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 256,653	\$ 3,531	\$ (13)	\$ 260,171
Construction in progress	332,521	81,308	(49,335)	364,494
Total capital assets not being depreciated	<u>589,174</u>	<u>84,839</u>	<u>(49,348)</u>	<u>624,665</u>
Capital assets being depreciated:				
Buildings and improvements	478,093	8,839	-	486,932
Machinery and equipment	145,221	14,573	(31,598)	128,196
Vehicles	116,107	1,068	(4,345)	112,830
Infrastructure	2,331,079	36,319	-	2,367,398
Total capital assets being depreciated	<u>3,070,500</u>	<u>60,799</u>	<u>(35,943)</u>	<u>3,095,356</u>
Less accumulated depreciation for:				
Buildings and improvements	(137,438)	(11,717)	-	(149,155)
Machinery and equipment	(76,600)	(15,180)	31,195	(60,585)
Vehicles	(63,742)	(9,433)	3,898	(69,277)
Infrastructure	(1,090,082)	(48,525)	-	(1,138,607)
Total accumulated depreciation	<u>(1,367,862)</u>	<u>(84,855)</u>	<u>35,093</u>	<u>(1,417,624)</u>
Total capital assets being depreciated, net	<u>1,702,638</u>	<u>(24,056)</u>	<u>(850)</u>	<u>1,677,732</u>
Governmental activities capital assets, net	<u>\$ 2,291,812</u>	<u>\$ 60,783</u>	<u>\$ (50,198)</u>	<u>\$ 2,302,397</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,307	\$ 1	\$ -	\$ 1,308
Construction in progress	269,898	49,154	(109,944)	209,108
Total capital assets not being depreciated	<u>271,205</u>	<u>49,155</u>	<u>(109,944)</u>	<u>210,416</u>
Capital assets being depreciated:				
Buildings and improvements	150,365	24,953	-	175,318
Machinery and equipment	1,897	48	(725)	1,220
Vehicles	10,154	-	(393)	9,761
Infrastructure	1,021,270	86,475	-	1,107,745
Total capital assets being depreciated	<u>1,183,686</u>	<u>111,476</u>	<u>(1,118)</u>	<u>1,294,044</u>
Less accumulated depreciation for:				
Buildings and improvements	(61,736)	(4,400)	-	(66,136)
Machinery and equipment	(1,083)	(310)	725	(668)
Vehicles	(6,759)	(718)	393	(7,084)
Infrastructure	(278,908)	(18,173)	-	(297,081)
Total accumulated depreciation	<u>(348,486)</u>	<u>(23,601)</u>	<u>1,118</u>	<u>(370,969)</u>
Total capital assets being depreciated, net	<u>835,200</u>	<u>87,875</u>	<u>-</u>	<u>923,075</u>
Business-type activities capital assets, net	<u>\$ 1,106,405</u>	<u>\$ 137,030</u>	<u>\$ (109,944)</u>	<u>\$ 1,133,491</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Depreciation expense was charged to primary government functions as follows:

Governmental activities:	
General government	\$ 12,445
Public safety	6,460
Public works, which includes the depreciation of infrastructure assets	51,148
Health and human services	1,373
Culture and leisure services	9,582
Economic and community development	21
Capital assets held by the County's internal service funds is charged to the various activities based on their usage of the assets.	<u>3,826</u>
Total depreciation expense - governmental activities	<u>\$ 84,855</u>
Business-type activities:	
Water and sewer services, which include the depreciation of infrastructure assets	<u>\$ 23,601</u>
Total depreciation expense - business-type activities	<u>\$ 23,601</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	\$ 28,857	\$ -	\$ -	\$ 28,857
Construction in progress	225,546	138,475	(20,588)	343,433
Total capital assets not being depreciated	<u>254,403</u>	<u>138,475</u>	<u>(20,588)</u>	<u>372,290</u>
Capital assets being depreciated:				
Buildings	1,312,349	18,854	(527)	1,330,676
Improvements other than buildings	67,221	2,457	-	69,678
Equipment and vehicles	131,962	7,601	(4,303)	135,260
Total capital assets being depreciated	<u>1,511,532</u>	<u>28,912</u>	<u>(4,830)</u>	<u>1,535,614</u>
Less accumulated depreciation	<u>(524,615)</u>	<u>(54,331)</u>	<u>4,105</u>	<u>(574,841)</u>
Total capital assets being depreciated, net	<u>986,917</u>	<u>(25,419)</u>	<u>(725)</u>	<u>960,773</u>
Board of Education capital assets, net	<u>\$ 1,241,320</u>	<u>\$ 113,056</u>	<u>\$ (21,313)</u>	<u>\$ 1,333,063</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

	Beginning Balance	Increases	Decreases	Ending Balance
Community College:				
Capital assets not being depreciated:				
Land	\$ 4,798	\$ -	\$ -	\$ 4,798
Construction in progress	13,190	23,894	(7,301)	29,783
Total capital assets not being depreciated	<u>17,988</u>	<u>23,894</u>	<u>(7,301)</u>	<u>34,581</u>
Capital assets being depreciated:				
Buildings and improvements	151,737	7,189	-	158,926
Infrastructure	25,244	-	-	25,244
Equipment and vehicles	23,349	790	-	24,139
Library materials	6,460	260	-	6,720
Total capital assets being depreciated	<u>206,790</u>	<u>8,239</u>	<u>-</u>	<u>215,029</u>
Less accumulated depreciation	<u>(91,524)</u>	<u>(8,222)</u>	<u>-</u>	<u>(99,746)</u>
Total capital assets being depreciated, net	<u>115,266</u>	<u>17</u>	<u>-</u>	<u>115,283</u>
The Community College of Baltimore County capital assets, net	<u>\$ 133,254</u>	<u>\$ 23,911</u>	<u>\$ (7,301)</u>	<u>\$ 149,864</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Board of Library Trustees:				
Capital assets being depreciated:				
Equipment and vehicles	\$ 10,399	\$ 1,101	\$ -	\$ 11,500
Circulation materials	17,424	5,743	(5,515)	17,652
Total capital assets being depreciated	<u>27,823</u>	<u>6,844</u>	<u>(5,515)</u>	<u>29,152</u>
Less accumulated depreciation	<u>(17,486)</u>	<u>(5,147)</u>	<u>5,515</u>	<u>(17,118)</u>
Board of Library Trustees capital assets, net	<u>\$ 10,337</u>	<u>\$ 1,697</u>	<u>\$ -</u>	<u>\$ 12,034</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 and certificates of participation. 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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

	(in thousands)	
	General Bonds	Metropolitan District
Legal limitation for the borrowing of funds and issuance of bonds	\$ 3,378,913	\$ 2,391,411
General obligation debt outstanding applicable to debt limit	1,301,235	982,490

General obligation debt issuances require approval by voter referendum. Approved and unissued general obligation bonded debt totaled \$514,749,361 as of June 30, 2012, comprised of \$199,971,881 for public schools, \$276,837,910 for public facilities and \$37,939,570 for the Community College. Appropriated and unissued Metropolitan District bonded debt totaled \$537,037,328 as of June 30, 2012.

General Obligation Bonds

On November 30, 2011, the County settled the 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. The \$85 million Metropolitan District Bonds were issued for the purpose of providing funds for the redemption of Metropolitan District Commercial Paper Bond Anticipation Notes, the proceeds of which were expended for the design and construction, purchase or acquisition of County water supply, sewerage and drainage systems. The \$170 million Consolidated Public Improvement Bonds were issued for the purpose of providing funds for the redemption of Consolidated Public Improvement Commercial Paper Bond Anticipation Notes, the proceeds of which were expended for capital improvement projects.

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%.

Agricultural Preservation Installment Purchase Agreement

On September 22, 2011, the County entered into an installment purchase agreement in the amount of \$320,000 for the purchase of the development rights easement to agricultural lands. Installments of \$80,000 shall be payable to the registered owner on November 15, 2011 and in each year to and including November 15, 2014. The installment purchase agreement is a valid and legally binding general obligation of the County to which its full faith and credit and unlimited taxing power are pledged.

General Obligation Bond Anticipation Notes (BANs)

As of June 30, 2012, the County has outstanding \$240 million Consolidated Public Improvement (CPI) BANs and \$160 million Metropolitan District (MD) BANs, comprised of both Commercial Paper (CP) BANs and Fixed Rate (FR) BANs.

During FY 2012, the County issued \$235.1 million in CPI BANs and \$138.5 million in MD BANs in three separate issuances as follows:

On August 4, 2011, the County issued \$65 million CPI CP BANs, and \$53.4 million MD CP BANs.

On November 30, 2011, the County issued \$55.2 million CP BANs. Of the \$55.2 million CP BANs, \$30.1 million were issued as CPI CP BANs and \$25.1 million were issued as MD CP BANs.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

On November 30, 2011, the County issued \$200 million FR BANs for the purpose of providing funds for capital improvement projects. Of the \$200 million FR BANs, \$140 million were issued as CPI FR BANs and \$60 million were issued as MD FR BANs, maturing on December 17, 2012, with a true interest cost of 0.25%.

Commercial Paper Bond Anticipation Notes 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 Liquidity Agreement. The weighted-average maturity of the Commercial Paper Bond Anticipation Notes for FY 2012 was 20 days and interest rates ranged from 0.10% to 0.75%.

Maryland Water Quality Financing Agreement

During fiscal year 2012, the County issued \$24,311,977 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, 2012, the balance outstanding was \$90,049,564.

General Obligation Bonds Defeasance

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, 2012, \$102,100,000 of bonds were refunded in advance and are considered defeased.

Certificates of Participation

The County entered into a ten-year conditional equipment purchase agreement on June 19, 2012. The equipment consists of the acquisition of (i) heavy equipment and vehicles for use primarily in the County's public works department, (ii) fire trucks, medic units, and public safety equipment, and (iii) information technology hardware for various departments including 911 equipment. The conditional purchase agreement was financed through the sale of certificates of participation in the aggregate principal of \$82,680,000. The certificates of participation are due October 1, in each of the years 2013 to 2022, inclusive, and bear a true interest cost of 1.84%.

Other

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 \$439.314 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, 2012.
- 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 \$774.982 million towards these City owned facilities that are funded primarily with bond proceeds. The County estimates 37.82% of its net Metropolitan District general obligation bonds outstanding or \$376.501 million is related to these facilities as of June 30, 2012.

At June 30, 2012, the County has accrued \$14.68 million of estimated closure and postclosure care costs for its one active landfill. 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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

amount included in the landfill closure and postclosure care costs liability at June 30, 2012 represents the cumulative unspent amount reported to date based on the use of 51.7% of the estimated landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$13.70 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, 2011 and has placed appropriate documents in the operating record of its active landfill.

The County has participated in the issuance of economic development revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities. The County is not obligated in any manner for repayment of the bonds, and therefore they are not reported as liabilities in the financial statements. The aggregate outstanding principal amount as of June 30, 2012 for bonds issued prior to July 1, 1996 could not be determined, however, the original issue amounts approximate \$508.69 million. The aggregate principal amount payable for bonds issued after July 1, 1996 was \$426.01 million at June 30, 2012.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Long-term liability activity for the year ended June 30, 2012 is as follows (in thousands):

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Primary Government:					
Governmental activities:					
General obligation debt					
Consolidated public improvement bonds	\$ 918,085	\$ 170,000	\$ (51,825)	\$ 1,036,260	\$ 59,915
Installment purchase agreement	-	320	(80)	240	80
Pension funding bonds	31,805	-	(7,070)	24,735	7,015
Bond anticipation notes	174,900	235,100	(170,000)	240,000	240,000
	<u>1,124,790</u>	<u>405,420</u>	<u>(228,975)</u>	<u>1,301,235</u>	<u>307,010</u>
Add remaining original issue premium	29,892	29,592	(10,896)	48,588	-
Less deferred amount on refunding	(4,190)	-	900	(3,290)	-
Less remaining original issue discount	<u>(1,883)</u>	<u>-</u>	<u>79</u>	<u>(1,804)</u>	<u>-</u>
Total general obligation debt	<u>1,148,609</u>	<u>435,012</u>	<u>(238,892)</u>	<u>1,344,729</u>	<u>307,010</u>
Certificates of participation	60,460	78,430	(8,030)	130,860	9,080
Add remaining original issue premium	1,292	14,259	(395)	15,156	-
Total certificates of participation	<u>61,752</u>	<u>92,689</u>	<u>(8,425)</u>	<u>146,016</u>	<u>9,080</u>
Other long-term liabilities					
Mortgage	3,321	-	(3,321)	-	-
Compensated absences	63,462	54,627	(59,321)	58,768	56,241
Claims payable	65,936	236,496	(242,710)	59,722	34,406
Other post employment benefits	33,190	109,487	-	142,677	-
Estimated landfill closing costs	14,122	556	-	14,678	-
Total other long-term liabilities	<u>180,031</u>	<u>401,166</u>	<u>(305,352)</u>	<u>275,845</u>	<u>90,647</u>
Total governmental activities long-term liabilities	<u>\$ 1,390,392</u>	<u>\$ 928,867</u>	<u>\$ (552,669)</u>	<u>\$ 1,766,590</u>	<u>\$ 406,737</u>
Business-type activities:					
General obligation debt					
Metropolitan District bonds	\$ 750,917	\$ 109,312	\$ (37,739)	\$ 822,490	\$ 42,933
Bond anticipation notes	106,500	138,500	(85,000)	160,000	160,000
	<u>857,417</u>	<u>247,812</u>	<u>(122,739)</u>	<u>982,490</u>	<u>202,933</u>
Add remaining original issue premium	16,938	9,361	(4,847)	21,452	-
Less deferred amount on refunding	<u>(6,013)</u>	<u>-</u>	<u>674</u>	<u>(5,339)</u>	<u>-</u>
Total general obligation debt	<u>868,342</u>	<u>257,173</u>	<u>(126,912)</u>	<u>998,603</u>	<u>202,933</u>
Certificates of participation	2,800	4,250	(600)	6,450	600
Add remaining original issue premium	64	773	(23)	814	-
Total certificates of participation	<u>2,864</u>	<u>5,023</u>	<u>(623)</u>	<u>7,264</u>	<u>600</u>
Compensated absences	1,510	823	(990)	1,343	1,276
Total business-type activities long-term liabilities	<u>\$ 872,716</u>	<u>\$ 263,019</u>	<u>\$ (128,525)</u>	<u>\$ 1,007,210</u>	<u>\$ 204,809</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Component Units:					
Board of Education:					
Compensated absences	\$ 20,293	\$ 13,032	\$ (12,733)	\$ 20,592	\$ 12,733
Capital leases	21,408	3,604	(7,226)	17,786	6,835
Net OPEB obligation	(6,027)	109,512	(57,327)	46,158	-
Total Board of Education	<u>35,674</u>	<u>126,148</u>	<u>(77,286)</u>	<u>84,536</u>	<u>19,568</u>
Community College:					
Compensated absences	5,370	3,910	(3,414)	5,866	3,884
Capital leases	1,771	20	(411)	1,380	451
Net OPEB obligation	880	12,455	(5,597)	7,738	-
Total Community College	<u>8,021</u>	<u>16,385</u>	<u>(9,422)</u>	<u>14,984</u>	<u>4,335</u>
Board of Library Trustees:					
Compensated absences	1,014	7	-	1,021	1,021
Net OPEB obligation	211	1,539	-	1,750	-
Total Board of Library Trustees	<u>1,225</u>	<u>1,546</u>	<u>-</u>	<u>2,771</u>	<u>1,021</u>
Total component unit long-term liabilities	<u>\$ 44,920</u>	<u>\$ 144,079</u>	<u>\$ (86,708)</u>	<u>\$ 102,291</u>	<u>\$ 24,924</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

General long-term debt currently outstanding as of June 30, 2012 is as follows:

Governmental Activities:
(in thousands)

General Obligation Debt:

Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2012	Unamortized Premium/ (Discount)	Unamortized Deferred Difference	Carrying Value 6/30/2012
07/02/02	2003-2022	3.000 - 5.250	\$ 135,000	\$ 6,750	\$ 8	\$ -	\$ 6,758
09/04/02	2003-2015	3.000 - 5.250	83,385 *	28,265	291	-	28,556
02/26/04	2005-2024	3.000 - 5.000	152,000	107,900	1,721	-	109,621
02/26/04	2009-2020	3.250 - 5.000	63,085 *	58,845	1,676	(1,060)	59,461
09/27/06	2007-2026	4.000 - 5.000	111,000	85,000	2,222	-	87,222
01/03/08	2009-2028	4.000 - 5.000	140,000	116,000	4,481	-	120,481
02/24/09	2009-2018	2.000 - 5.000	26,880 *	17,940	1,803	(890)	18,853
02/24/09	2009-2015	3.000 - 5.000	46,140 *	24,735	1,089	(380)	25,444
11/05/09	2010-2025	6.150 - 6.150	19,400	19,400	(1,804)	-	17,596
11/10/09	2010-2029	0.650 - 5.650	155,570	145,600	525	-	146,125
08/10/10	2011-2022	2.500 - 4.000	13,565 *	13,560	1,187	(960)	13,787
11/09/10	2012-2017	5.000 - 5.000	70,050	70,050	7,846	-	77,896
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	-	-	177,000
11/15/11	2011-2015	0.300 - 1.350	320	240	-	-	240
11/30/11	2013-2032	3.000 - 5.000	170,000	170,000	24,355	-	194,355
			<u>1,383,345</u>	<u>1,061,235</u>	<u>45,400</u>	<u>(3,290)</u>	<u>1,103,345</u>

Bond Anticipation Notes

11/30/11	2011-2012	2.500 - 2.500	140,000	140,000	1,384	-	141,384
12/05/11	2012-2013	0.140 - 0.170	100,000	100,000	-	-	100,000
			<u>240,000</u>	<u>240,000</u>	<u>1,384</u>	<u>-</u>	<u>241,384</u>

Total General Obligation Debt

<u>\$ 1,623,345</u>	<u>\$ 1,301,235</u>	<u>\$ 46,784</u>	<u>\$ (3,290)</u>	<u>\$ 1,344,729</u>
---------------------	---------------------	------------------	-------------------	---------------------

Certificates of Participation

12/18/01	2002-2021	3.500 - 5.125	\$ 22,000	\$ 13,430	\$ 26	\$ -	\$ 13,456
06/01/04	2005-2014	3.000 - 5.000	42,500	10,000	94	-	10,094
08/12/09	2009-2018	3.250 - 5.000	34,700	29,000	855	-	29,855
06/19/12	2013-2022	3.000 - 5.000	78,430	78,430	14,181	-	92,611
	Total Certificates of Participation		<u>\$ 177,630</u>	<u>\$ 130,860</u>	<u>\$ 15,156</u>	<u>\$ -</u>	<u>\$ 146,016</u>

* Refunding issue

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Business-type Activities:

(in thousands)

General Obligation Debt:

Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2012	Unamortized Premium	Unamortized Deferred Difference	Carrying Value 6/30/2012
11/27/90	1993-2013	4.894 - 4.894	\$ 9,498	\$ 122	\$ -	\$ -	\$ 122
06/23/93	1995-2014	3.250 - 3.250	1,456	186	-	-	186
11/04/94	1997-2016	3.500 - 4.750	20,902	5,702	-	-	5,702
03/22/00	2001-2020	2.600 - 2.600	14,417	6,934	-	-	6,934
06/22/01	2003-2022	2.300 - 2.300	14,105	8,177	-	-	8,177
06/26/02	2004-2023	2.000 - 2.000	7,006	4,122	-	-	4,122
07/02/02	2003-2032	3.000 - 5.000	65,000	10,600	(93)	-	10,507
09/04/02	2003-2015	3.000 - 5.250	46,365 *	14,745	167	-	14,912
03/11/03	2004-2023	1.100 - 1.100	8,638	5,103	-	-	5,103
02/26/04	2009-2019	3.250 - 5.000	38,645 *	33,335	926	(643)	33,618
02/26/04	2005-2035	3.000 - 5.000	48,000	36,800	61	-	36,861
07/16/04	2005-2025	1.200 - 1.200	8,501	4,651	-	-	4,651
09/12/05	2006-2024	1.000 - 1.000	20,495	14,264	-	-	14,264
09/27/06	2007-2036	4.000 - 5.000	89,000	74,000	(436)	-	73,564
07/31/07	2008-2027	1.000 - 1.000	16,757	13,432	-	-	13,432
01/03/08	2009-2038	4.250 - 5.000	200,000	178,000	4,635	-	182,635
02/24/09	2009-2018	3.000 - 5.000	24,515 *	14,905	935	(831)	15,009
11/10/09	2010-2039	0.650 - 5.600	106,600	99,400	342	-	99,742
12/18/09	2011-2032	1.000 - 1.000	10,397	10,258	-	-	10,258
08/10/10	2011-2030	2.000 - 4.500	61,720 *	61,655	4,409	(3,865)	62,199
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	2,572	-	96,472
11/30/11	2013-2042	3.000 - 5.000	85,000	85,000	7,341	-	92,341
05/31/12	2014-2032	1.800 - 1.800	16,768	16,768	-	-	16,768
05/31/12	2014-2032	1.800 - 1.800	331	331	-	-	331
			<u>1,038,116</u>	<u>822,490</u>	<u>20,859</u>	<u>(5,339)</u>	<u>838,010</u>

Bond Anticipation Notes

11/30/11	2011-2012	2.500 - 2.500	60,000	60,000	593	-	60,593
12/05/11	2012-2013	0.140 - 0.180	100,000	100,000	-	-	100,000
			<u>160,000</u>	<u>160,000</u>	<u>593</u>	<u>-</u>	<u>160,593</u>

Total General Obligation Debt

<u>\$ 1,198,116</u>	<u>\$ 982,490</u>	<u>\$ 21,452</u>	<u>\$ (5,339)</u>	<u>\$ 998,603</u>
---------------------	-------------------	------------------	-------------------	-------------------

Certificates of Participation

06/01/04	2005-2014	3.000 - 5.000	\$ 4,000	\$ 800	\$ 8	\$ -	\$ 808
08/12/09	2009-2018	3.250 - 5.000	2,000	1,400	38	-	1,438
06/19/12	2013-2022	3.000 - 5.000	4,250	4,250	768	-	5,018

Total Certificates of Participation

<u>\$ 10,250</u>	<u>\$ 6,450</u>	<u>\$ 814</u>	<u>\$ -</u>	<u>\$ 7,264</u>
------------------	-----------------	---------------	-------------	-----------------

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The following is a schedule of the primary government's debt service payments for certain long-term debt as of June 30, 2012:

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
2013	\$ 307,010	\$ 38,797	\$ 9,080	\$ 5,314	\$ 316,090	\$ 44,111
2014	68,810	35,582	13,555	5,659	82,365	41,241
2015	72,135	38,942	11,175	5,031	83,310	43,973
2016	71,935	37,037	13,730	4,486	85,665	41,523
2017	63,200	33,808	14,790	3,798	77,990	37,606
2018-2022	305,265	126,495	60,530	8,834	365,795	135,329
2023-2027	264,930	63,946	8,000	200	272,930	64,146
2028-2032	147,950	16,059	-	-	147,950	16,059
Total	\$ 1,301,235	\$ 390,666	\$ 130,860	\$ 33,322	\$ 1,432,095	\$ 423,988

Fiscal Year Ended June 30	Business-type Activities					
	General Obligation Debt		COPs		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 202,933	\$ 30,998	\$ 600	\$ 253	\$ 203,533	\$ 31,251
2014	40,749	30,278	1,025	263	41,774	30,541
2015	39,819	31,829	625	221	40,444	32,050
2016	39,969	30,267	625	193	40,594	30,460
2017	37,060	28,660	625	163	37,685	28,823
2018-2022	178,487	121,827	2,525	392	181,012	122,219
2023-2027	154,564	88,291	425	11	154,989	88,302
2028-2032	135,509	55,481	-	-	135,509	55,481
2033-2037	106,100	25,548	-	-	106,100	25,548
2038-2042	47,300	4,824	-	-	47,300	4,824
Total	\$ 982,490	\$ 448,003	\$ 6,450	\$ 1,496	\$ 988,940	\$ 449,499

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012 (in thousands):

Year ending June 30	Primary Government	Component Units
2013	\$ 544	\$ 5,467
2014	319	3,781
2015	291	3,357
2016	133	1,876
2017	37	1,891
2018-2022	154	8,962
2023-2027	133	8,274
2028-2032	60	-
2033-2037	60	
	\$ 1,731	\$ 33,608

The total rental expenditures for the year ended June 30, 2012, for all leases except those with terms of a month or less that were not renewed were approximately \$5.5 million for the primary government and \$6.7 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 \$55.4 million, \$115.9 million, and \$25.9 million, respectively, at June 30, 2012. 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.

Litigation against the Employees' Retirement System of Baltimore County is addressed in its separate Comprehensive Annual Financial Report (CAFR). See note 13 for CAFR availability.

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

The County is contingently liable for loans guaranteed in the Gifts & Grants Fund that aggregate approximately \$0.898 million as of June 30, 2012. 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 2011 and 2012 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>
2011	61,320	228,421	(223,805)	65,936
2012	65,936	236,496	(242,710)	59,722

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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 the Office of Budget and Finance, Mezzanine, Historic Court House, 400 Washington Avenue, 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, 2012, 2011 and 2010, were \$65,126,694, \$58,339,727 and \$57,976,378, respectively, which were equal to the required contributions for each year. The primary government's contributions for the three aforementioned fiscal years were \$60,203,061, \$54,739,250 and \$54,133,144, 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, 2012

The condensed financial statements as of and for the year ended June 30, 2012 are as follows (in thousands):

Statement of Plan Net Assets
Police, Fire, and Widows' Pension Plan
As of June 30, 2012

ASSETS	
Cash and cash equivalents	\$ 6,355
Investment securities	48,341
Interest and dividends receivable	409
Total assets	55,105
LIABILITIES	
Accounts payable	14
Total liabilities	14
NET ASSETS	
Net assets held in trust for pension benefits	\$ 55,091

Statement of Changes in Plan Net Assets
Police, Fire and Widows' Pension Plan
For the year ended June 30, 2012

ADDITIONS	
Contributions:	
Employer	\$ 15
Total contributions	15
Investment earnings:	
Net decrease in the fair value of plan assets	(124)
Interest and dividends	1,819
Investment expenses	(118)
Net investment gain	1,577
Total additions	1,592
DEDUCTIONS	
Benefits	11,321
Total deductions	11,321
Change in net assets	(9,729)
Net assets at beginning of the year	64,820
Net assets at end of the year	\$ 55,091

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, 2012

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 years ended June 30, 2012, 2011, 2010, of approximately \$103.45 million, \$99.72 million and \$92.43 million, respectively, were made directly by the State of Maryland on behalf of the component units according to State statute. The contributions have been recognized as a revenue and an expense in the component unit statement of activities. Additionally, some professional employees of the Community College participate in an optional private retirement system.

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)	\$ 234,440	\$ 109,596
Interest on net OPEB asset	1,130	1,328
Adjustment to ARC	(1,223)	(1,437)
Annual OPEB cost (expense)	234,347	109,487
Contributions made	(64,278)	-
Increase in net OPEB asset	170,069	109,487
Net OPEB obligation beginning of year	28,254	33,190
Net OPEB obligation end of year	<u>\$ 198,323</u>	<u>\$ 142,677</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2012 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
2010	\$ 137,167	80.82	\$ (54,507)
2011	150,866	45.14	28,254
2012	234,347	27.43	198,323

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	\$ 215,729	\$ 3,235,990	\$ 3,020,261	6.67%	\$ 1,244,694	242.65

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 4.0%. 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, 2012 was twenty-five years. The initial medical trend assumption is 8% decreasing gradually to an ultimate rate of 4.6% after 2098. 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, 2012

The condensed financial statements as of and for the year ended June 30, 2012 are as follows (in thousands):

Statement of Plan Net Assets
OPEB Plan
As of June 30, 2012

ASSETS

Investments, at fair value	\$ 239,121
Collateral for loaned securities (net of unrealized loss)	2,746
Receivables:	
Accrued interest & dividend income	277
Receivable for investments sold	1,670
Receivables other	1,612
Total assets	<u>245,426</u>

LIABILITIES

Collateral for loaned securities	3,001
Investments purchased	4,001
Investment expenses payable	274
Other	6,089
Total liabilities	<u>13,365</u>

NET ASSETS

Net assets held in trust for benefits	<u>\$ 232,061</u>
---------------------------------------	-------------------

Statement of Changes in Plan Net Assets
OPEB Plan
For the year ended June 30, 2012

ADDITIONS

Contributions:	
Employer	\$ 64,278
Employee	27,578
On-behalf	7,008
Other	2,365
Total contributions	<u>101,229</u>
Investment earnings:	
Net decrease in the fair value of plan assets	(1,128)
Interest and dividends	4,963
Securities lending loss	(183)
Investment expenses	(1,805)
Net investment gain	<u>1,847</u>
Total additions	<u>103,076</u>

DEDUCTIONS

Benefits	<u>124,669</u>
Total deductions	<u>124,669</u>
Change in net assets	(21,593)
Net assets at beginning of the year	253,654
Net assets at end of the year	<u>\$ 232,061</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

15. INDIVIDUAL FUND DISCLOSURES:

Details of Fund Balances

The details of the Governmental Funds balances at June 30, 2012 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	\$ 7,109	\$ -	\$ -	\$ -	\$ 7,109
Total Nonspendable	<u>7,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,109</u>
Restricted for:					
Equipment financing	99,260	-	-	-	99,260
Bond escrow	232	-	-	-	232
Loan guarantees and grants	-	22,161	-	-	22,161
Total Restricted	<u>99,492</u>	<u>22,161</u>	<u>-</u>	<u>-</u>	<u>121,653</u>
Assigned to:					
Encumbrances for:					
Contractual Services	1,627	-	-	-	1,627
Supplies & Materials	1,120	-	-	-	1,120
Equipment & Other	945	-	-	-	945
Imprest funds	69	-	-	-	69
Loans & grants	-	4,343	-	-	4,343
Subsequent year's expenditures	40,584	-	-	-	40,584
Retirement of long-term debt	21,314	-	-	-	21,314
Liquor license regulation	-	-	-	356	356
Total Assigned	<u>65,659</u>	<u>4,343</u>	<u>-</u>	<u>356</u>	<u>70,358</u>
Unassigned:					
Revenue stabilization	84,822	-	-	-	84,822
Other	145,150	-	(112,730)	-	32,420
Total Unassigned	<u>229,972</u>	<u>-</u>	<u>(112,730)</u>	<u>-</u>	<u>117,242</u>
Total fund balances(deficit)	<u>\$ 402,232</u>	<u>\$ 26,504</u>	<u>\$ (112,730)</u>	<u>\$ 356</u>	<u>\$ 316,362</u>

Deficit Fund Balance

At June 30, 2012, the Consolidated Public Improvement Construction Fund had an unassigned fund deficit of \$112.73 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 changed its amortization of bond/COPs premium and discount from the straight-line method to the effective interest method. The effective interest method produces a periodic interest expense equal to a constant percentage of the carrying value of the debt. The County has restated the beginning July 1 balances of the carrying value of the premium/discount of the debt in Note 8 and its net assets in the financial statements to affect the change in amortization method.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The following table shows the impact of the restatement on beginning Net Assets of the Metropolitan Enterprise Fund in the Proprietary Fund Statement of Net Assets and the Governmental Activities & Business-type Activities in the Government-wide Statement of Net Assets.

	Metropolitan District Enterprise Fund	Government -wide	
		Governmental Activities	Business-type Activities
Net assets July 1, 2011, as previously stated	\$ 422,092	\$ 1,224,870	\$ 424,708
Affects of accounting method change	8,267	16,288	8,267
Net assets July 1, 2011, as restated	<u>\$ 430,359</u>	<u>\$ 1,241,158</u>	<u>\$ 432,975</u>

17. SUBSEQUENT EVENTS:

On December 12, 2012, the County sold \$253 million General Obligation Bonds consisting of \$60 million Metropolitan District Bonds (75th Issue) and \$193 million Consolidated Public Improvement Bonds – 2012 Series. The Metropolitan District Bonds were issued for the purpose of providing funds for the redemption of Fixed Rate Bond Anticipation Notes – 2011 Series, due December 17, 2012, the proceeds of which were expended for the design and construction, purchase or acquisition of County water supply, sewerage and drainage systems. The Consolidated Public Improvement Bonds were issued for the purpose of providing funds for the redemption of \$140 million Fixed Rate Bond Anticipation Notes – 2011 Series, due December 17, 2012, and \$53,000,000 aggregate principal amount of Consolidated Public Improvement Commercial Paper Bond Anticipation Notes, the proceeds of which were expended for capital improvement projects. Concurrently, the County reissued \$53 million Consolidated Public Improvement Commercial Paper Bond Anticipation Notes.

On December 12, 2012, the County sold \$112,085,000 General Obligation Refunding Bonds – 2012 Refunding Series. The issuance consisted of \$18,005,000 Metropolitan District Bonds and \$94,080,000 Consolidated Public Improvement Bonds. The net proceeds of the refunding were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. The bonds were used for the purpose of refunding \$18,065,000 of outstanding Metropolitan District Bonds, and \$102,485,000 of outstanding Consolidated Public Improvement Bonds. As a result of the refunding, a net present value savings of approximately 13.13% was obtained.

On December 13, 2012, the County sold \$256,290,000 Taxable General Obligation Bonds to fund the present value of the increased liabilities of the portion of the Employees' Retirement System of Baltimore County (the "System") closed to new membership effective as of July 1, 2007 resulting from the reduction of the valuation rate by the Board of Trustees of the System from 7.875% to 7.25%. The proceeds of the bonds are expected to be used to purchase investments for the benefit of the closed plan.





Required Supplementary Information

BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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.

Schedule of Funding Progress
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
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
2011 *	215,729	3,235,990	3,020,261	6.67	1,244,694	242.65

* The June 30, 2011 actuarial valuation contained OPEB projections for fiscal years 2011 and 2012. The large increase to the actuarial accrued liability in 2012 is primarily the result of changing the discount rate from 6.75% in 2011 to 4.0% in 2012.

Schedule of Employers' Contributions
(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 138,501	80.04
2011	151,453	44.97
2012	234,440	27.42



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, 2012
(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	\$ 1,937	\$ 1,937	\$ 1,814	\$ 123
Judicial:				
Circuit Court:				
Criminal and civil adjudication	4,497	4,497	4,364	133
Orphans Court:				
Adjudication of estates	199	199	199	-
States Attorney:				
Criminal prosecution	8,281	8,281	7,962	319
County Sheriff:				
Conveying prisoners and serving summonses	5,685	5,685	5,599	86
Total	<u>18,662</u>	<u>18,662</u>	<u>18,124</u>	<u>538</u>
Executive:				
Office of the County Executive	996	996	973	23
County Administrative Officer:				
General administration	1,256	1,256	1,125	131
Baltimore metropolitan council	131	131	131	-
Total	<u>2,383</u>	<u>2,383</u>	<u>2,229</u>	<u>154</u>
Elections:				
Board of Supervisors of Elections	<u>3,976</u>	<u>3,976</u>	<u>3,329</u>	<u>647</u>
Financial Administration:				
Office of Budget and Finance:				
Budget formulation and administration	1,924	1,924	1,852	72
Financial operations	4,064	4,014	3,811	203
Pay systems	257	257	224	33
Investment and debt management	278	278	278	-
Insurance administration	1,608	1,708	1,687	21
Purchasing and disbursements	1,545	1,495	1,268	227
Total	<u>9,676</u>	<u>9,676</u>	<u>9,120</u>	<u>556</u>
County Auditor	<u>1,606</u>	<u>1,606</u>	<u>1,431</u>	<u>175</u>
Office of Law:				
General legal services	2,402	2,402	2,262	140
Legislative relations	292	292	276	16
Ethics/human relations	287	287	275	12
Total	<u>2,981</u>	<u>2,981</u>	<u>2,813</u>	<u>168</u>
Other:				
Vehicle Operations and Maintenance	1,295	1,295	1,188	107
Office of Planning and Community Conservation				
General administration	2,376	2,324	2,150	174
Zoning commissioner	515	567	567	-
People's counsel	183	183	183	-
Community conservation	387	387	337	50
Office of Human Resources:				
Personnel administration	2,500	2,500	2,357	143

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2012
(In Thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Department of Permits and Development Management:				
General administration	1,471	1,556	1,552	4
Electrical licensing and regulation	17	17	17	-
Plumbing licensing and regulation	28	28	28	-
Real estate compliance	1,064	1,064	1,053	11
Development processing	1,105	1,060	1,030	30
Code inspections and enforcement	4,470	4,495	4,489	6
Permits and licenses	827	762	735	27
Board of Appeals	218	218	211	7
Cooperative Extension Service	248	248	226	22
Office of Information Technology:				
General administration	1,638	1,598	1,598	-
Applications development	11,857	12,145	12,143	2
Computer and technical services	2,999	2,721	2,721	-
Telecommunications Services	2,261	2,291	2,265	26
Total	<u>35,459</u>	<u>35,459</u>	<u>34,850</u>	<u>609</u>
General Government Total	<u>76,680</u>	<u>76,680</u>	<u>73,710</u>	<u>2,970</u>
Public Safety:				
Police Department:				
General administration	8,009	7,304	7,301	3
Administrative & technical services	20,025	18,961	18,955	6
Criminal/forensic investigations	22,578	22,348	22,347	1
Vice/intelligence/narcotics	8,837	8,391	8,390	1
Patrol/precincts	115,678	117,843	117,835	8
Support operations	12,824	13,499	13,475	24
Human resources	3,918	3,523	3,489	34
School safety	1,346	1,346	1,328	18
Total	<u>193,215</u>	<u>193,215</u>	<u>193,120</u>	<u>95</u>
Bureau of Corrections:				
Custodial care of prisoners	<u>34,512</u>	<u>34,612</u>	<u>34,589</u>	<u>23</u>
Fire Department:				
General administration	910	910	898	12
Investigative services	2,604	2,574	2,284	290
Alarm and communication system	1,065	1,065	1,008	57
Field operations	77,272	77,272	77,086	186
Office of emergency preparedness	445	445	267	178
Field operation administration	1,802	1,802	1,684	118
Fire/rescue academy	1,400	1,400	1,365	35
Contributions - volunteer fire companies	6,791	6,821	6,806	15
Total	<u>92,289</u>	<u>92,289</u>	<u>91,398</u>	<u>891</u>
Communications:				
Central communications center	<u>11,131</u>	<u>11,131</u>	<u>11,030</u>	<u>101</u>
Public Safety Total	<u>331,147</u>	<u>331,247</u>	<u>330,137</u>	<u>1,110</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2012
(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	794	794	747	47
Metro Financing/Petition Proc	24	25	24	1
Total	<u>818</u>	<u>819</u>	<u>771</u>	<u>48</u>
Bureau of Engineering and Construction:				
General administration	447	447	424	23
Structural design	2,052	2,052	2,005	47
Public buildings design	589	589	537	52
General surveying	396	396	347	49
Contracts and construction inspection	2,108	2,108	1,973	135
Total	<u>5,592</u>	<u>5,592</u>	<u>5,286</u>	<u>306</u>
Bureau of Highways:				
General administration	1,218	1,218	1,125	93
General operations and maintenance	14,072	13,446	13,115	331
Storm emergencies	5,922	3,446	1,863	1,583
Total	<u>21,212</u>	<u>18,110</u>	<u>16,103</u>	<u>2,007</u>
Bureau of Solid Waste Management:				
General administration	520	520	481	39
Refuse collection	28,331	28,461	28,461	-
Refuse disposal	20,750	22,095	21,333	762
Recycling	1,800	1,800	1,645	155
Total	<u>51,401</u>	<u>52,876</u>	<u>51,920</u>	<u>956</u>
Bureau of Traffic Engineering and Transportation Planning:				
Traffic planning	8,811	9,326	9,325	1
Traffic sign installation and maintenance	1,641	1,641	1,365	276
Traffic signal operation and maintenance	1,136	1,151	1,148	3
Total	<u>11,588</u>	<u>12,118</u>	<u>11,838</u>	<u>280</u>
Bureau of Utilities:				
Sewer and water maintenance	574	574	574	-
Bureau of Building and Equipment Services:				
Building maintenance	7,035	7,170	7,170	-
Building operation and management	15,508	15,748	15,746	2
Equipment maintenance	6,023	6,744	6,671	73
Total	<u>28,566</u>	<u>29,662</u>	<u>29,587</u>	<u>75</u>
Public Works Total	<u>119,751</u>	<u>119,751</u>	<u>116,079</u>	<u>3,672</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2012
(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	3,259	3,449	3,422	27
Nursing services	3,070	3,010	3,010	-
Acute communicable disease control	1,543	1,490	1,480	10
Medical environmental health	2,332	2,254	2,253	1
Medical social work service	705	683	666	17
Animal control	1,697	1,719	1,719	-
School health services	1,665	1,627	1,615	12
Developmental disabilities	526	526	523	3
Home health services	1,517	1,477	1,473	4
Long-term care services	1,810	1,852	1,832	20
Medical assistance and hospital support	992	1,016	1,004	12
Dental health services	734	775	758	17
Speech, language and hearing	281	253	223	30
Total	<u>20,131</u>	<u>20,131</u>	<u>19,978</u>	<u>153</u>
Department of Environmental Protection and Resource Management	<u>5,759</u>	<u>5,759</u>	<u>5,759</u>	<u>-</u>
Human Services:				
Department of Social Services:				
Adult foster care assistance	145	145	145	-
Welfare to work program	425	425	402	23
Emergency funds/housing for the homeless	538	538	507	31
Battered spouse program	121	121	121	-
Day resource center	216	216	216	-
In-home care program	219	229	228	1
Volunteer program	74	74	72	2
Adult services	741	774	768	6
General administration	1,552	1,481	1,454	27
STEPS program	277	277	276	1
Children's services	383	390	390	-
Income maintenance	672	680	679	1
Family services	1,158	1,171	1,170	1
Total	<u>6,521</u>	<u>6,521</u>	<u>6,428</u>	<u>93</u>
Aging Programs & Services:				
Department of Aging:				
General administration	739	739	711	28
Adult medical day care	50	50	50	-
Senior centers network	1,966	1,966	1,898	68
Special geriatric services	201	201	200	1
Facilities	1,088	1,088	1,037	51
Transportation	1,263	1,263	1,262	1
Program and volunteer services	312	312	272	40
Total	<u>5,619</u>	<u>5,619</u>	<u>5,430</u>	<u>189</u>
Health and Human Services Total	<u>38,030</u>	<u>38,030</u>	<u>37,595</u>	<u>435</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2012
(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	1,249	1,249	1,198	51
Community & neighborhood recreation, organization, direction and development	5,255	5,255	4,985	270
Activity leadership	2,836	2,836	2,700	136
Operation and maintenance of facilities	6,808	6,808	6,677	131
Revenue producing facilities	687	687	613	74
Nature and environmental center	923	923	877	46
Organization Contributions:				
Organization contributions	3,328	3,328	3,322	6
General grant program	3,603	3,678	3,440	238
Culture and Leisure Services Total	24,689	24,764	23,812	952
Economic and Community Development:				
Economic Development Commission	1,642	1,642	1,419	223
Economic and Community Development Total	1,642	1,642	1,419	223
Pension Plan Contributions:				
Employees' retirement contributions	58,787	58,787	58,787	-
Non-system retirement	220	223	222	1
Pension Plan Contributions Total	59,007	59,010	59,009	1
Healthcare Contributions:				
Employee health & life insurance	68,575	68,575	66,838	1,737
Healthcare Contributions Total	68,575	68,575	66,838	1,737
Miscellaneous:				
Social Security	17,927	17,924	16,903	1,021
Reserve for Contingencies	1,000	825	-	825
Local share - State & Federal	39	39	39	-
Miscellaneous Total	18,966	18,788	16,942	1,846
Payments to Component Units:				
Community College	38,463	38,463	38,463	-
Board of Education	702,982	702,982	702,749	233
Library	34,070	34,070	34,070	-
Payments to Component Units Total	775,515	775,515	775,282	233

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
General Fund
For the Year Ended June 30, 2012
(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	2,584	2,584	2,584	-
General public facilities	29,760	29,760	29,760	-
Pension funding bonds	7,070	7,070	7,070	-
Non-general obligation debt	11,350	11,350	8,102	3,248
Total	<u>50,764</u>	<u>50,764</u>	<u>47,516</u>	<u>3,248</u>
Interest:				
General obligation bonds:				
Community College	3,211	3,211	3,129	82
General public facilities	23,200	23,200	22,634	566
Pension funding bonds	1,414	1,414	1,414	-
Non-general obligation debt	2,977	2,977	2,893	84
Total	<u>30,802</u>	<u>30,802</u>	<u>30,070</u>	<u>732</u>
Fiscal charges:				
General obligation bonds:				
General public facilities	817	817	779	38
Non-general obligation debt	10	10	5	5
Total	<u>827</u>	<u>827</u>	<u>784</u>	<u>43</u>
Debt Service Total	<u>82,393</u>	<u>82,393</u>	<u>78,370</u>	<u>4,023</u>
Operating Transfers Out:				
Contribution to capital budget	637	637	637	-
Gifts and Grants	6,753	6,753	6,753	-
Operating Transfers Out Total	<u>7,390</u>	<u>7,390</u>	<u>7,390</u>	<u>-</u>
General Fund Total	<u>\$ 1,603,785</u>	<u>\$ 1,603,785</u>	<u>\$ 1,586,583</u>	<u>\$ 17,202</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, 2012
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 1,071	\$ 1,024	\$ (47)
Total revenues	<u>1,071</u>	<u>1,024</u>	<u>(47)</u>
Expenditures:			
General government:			
License sale and control	686	613	73
Total expenditures	<u>686</u>	<u>613</u>	<u>73</u>
Excess of revenues over expenditures	<u>385</u>	<u>411</u>	<u>26</u>
Other financing uses:			
Operating transfers out	(300)	(300)	-
Deficiency of revenues over expenditures, and other uses	<u>\$ 85</u>	111	<u>\$ 26</u>
Fund balance at beginning of year		245	
Fund balance at end of year		<u>\$ 356</u>	

Baltimore County, Maryland
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 395	\$ 94,845	\$ 95,240
Receivables, net	27	-	1,357	1,384
Due from other funds	-	-	5,385	5,385
Inventories	508	-	-	508
Prepaid costs	-	-	6,545	6,545
Total current assets	<u>535</u>	<u>395</u>	<u>108,132</u>	<u>109,062</u>
Capital assets:				
Depreciable (net of accumulated depreciation)	17,113	160	-	17,273
Total assets	<u>17,648</u>	<u>555</u>	<u>108,132</u>	<u>126,335</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,187	16	1,419	2,622
Accrued payroll	51	6	-	57
Compensated absences	221	17	-	238
Due to other funds	5,385	-	-	5,385
Claims and judgments	-	-	34,406	34,406
Total current liabilities	<u>6,844</u>	<u>39</u>	<u>35,825</u>	<u>42,708</u>
Noncurrent liabilities:				
Claims and judgments	-	-	25,316	25,316
Total liabilities	<u>6,844</u>	<u>39</u>	<u>61,141</u>	<u>68,024</u>
NET ASSETS				
Invested in capital assets	17,113	160	-	17,273
Unrestricted (deficit)	(6,309)	356	46,991	41,038
Total net assets	<u>\$ 10,804</u>	<u>\$ 516</u>	<u>\$ 46,991</u>	<u>\$ 58,311</u>

Baltimore County, Maryland
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2012
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
OPERATING REVENUES				
Charges for services-internal	\$ 19,420	\$ 724	\$ 71,313	\$ 91,457
Charges for services-other	4,401	15	183,979	188,395
Miscellaneous	223	-	-	223
Total operating revenues	<u>24,044</u>	<u>739</u>	<u>255,292</u>	<u>280,075</u>
OPERATING EXPENSES				
Personal services	2,503	394	-	2,897
Contractual services	549	86	-	635
Rents and utilities	243	215	-	458
Supplies and maintenance	13,782	158	-	13,940
Insurance claims and expenses	-	-	236,496	236,496
Depreciation	3,794	32	-	3,826
Other expenses	771	38	-	809
Total operating expenses	<u>21,642</u>	<u>923</u>	<u>236,496</u>	<u>259,061</u>
Operating income (loss)	<u>2,402</u>	<u>(184)</u>	<u>18,796</u>	<u>21,014</u>
NONOPERATING REVENUES				
Interest on investments	-	-	322	322
Total nonoperating revenues	-	-	322	322
Income (loss) before transfers	2,402	(184)	19,118	21,336
Transfers in	31	-	-	31
Transfers out	-	-	(240)	(240)
Change in net assets	<u>2,433</u>	<u>(184)</u>	<u>18,878</u>	<u>21,127</u>
Net assets at beginning of the year	8,371	700	28,113	37,184
Net assets at end of the year	<u>\$ 10,804</u>	<u>\$ 516</u>	<u>\$ 46,991</u>	<u>\$ 58,311</u>

Baltimore County, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 23,813	\$ 739	\$ 258,411	\$282,963
Payments to suppliers	(14,630)	(460)	-	(15,090)
Payments to employees	(2,583)	(416)	-	(2,999)
Payment for interfund services used	(771)	(38)	-	(809)
Claims paid	-	-	(244,734)	(244,734)
Other receipts	235	-	-	235
Net cash provided (used) by operating activities	<u>6,064</u>	<u>(175)</u>	<u>13,677</u>	<u>19,566</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	31	-	-	31
Transfers out	-	-	(240)	(240)
Repayment of advancement	(6,395)	-	6,395	-
Net cash provided (used) by noncapital activities	<u>(6,364)</u>	<u>-</u>	<u>6,155</u>	<u>(209)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(168)	-	-	(168)
Sales of capital assets	468	-	-	468
Net cash provided by capital and related financing activities	<u>300</u>	<u>-</u>	<u>-</u>	<u>300</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	-	322	322
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>322</u>	<u>322</u>
Net increase (decrease) in cash and cash equivalents	-	(175)	20,154	19,979
Cash and cash equivalents at beginning of the year	-	570	74,691	75,261
Cash and cash equivalents at end of the year	<u>\$ -</u>	<u>\$ 395</u>	<u>\$ 94,845</u>	<u>\$ 95,240</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 2,402	\$ (184)	\$ 18,796	\$ 21,014
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	3,794	32	-	3,826
Effect of changes in operating assets and liabilities:				
Receivables, net	(8)	-	3,119	3,111
Prepaid costs	-	-	(934)	(934)
Inventories	12	-	-	12
Accounts and other payables	(56)	(1)	(1,090)	(1,147)
Accrued expenses	(80)	(22)	-	(102)
Claims and judgements	-	-	(6,214)	(6,214)
Net cash provided (used) by operating activities	<u>\$ 6,064</u>	<u>\$ (175)</u>	<u>\$ 13,677</u>	<u>\$ 19,566</u>

Baltimore County, Maryland
Combining Statement of Fiduciary Net Assets
Benefits Trust Funds
June 30, 2012
(In Thousands)

	Employees' Retirement System	Police, Fire, and Widows' Pension Plan	OPEB Plan	Total
ASSETS				
Cash and cash equivalents	\$ 42,460	\$ 6,355	\$ -	\$ 48,815
Collateral for loaned securities	22,676	-	2,746	25,422
Receivables:				
Accrued interest & dividend income	2,291	409	277	2,977
Receivable for investments sold	13,793	-	1,670	15,463
Receivables other	1,082	-	1,612	2,694
Total receivables	<u>17,166</u>	<u>409</u>	<u>3,559</u>	<u>21,134</u>
Investments, at fair value:				
U.S. Government and Agency securities	130,226	-	15,770	145,996
Municipal bonds	1,709	21,225	207	23,141
Foreign bonds	11,060	5,744	1,339	18,143
Corporate bonds	132,034	-	15,989	148,023
Stocks	388,670	-	47,067	435,737
Bond mutual funds	267,068	6,249	32,342	305,659
Stock mutual funds	350,795	15,123	42,480	408,398
Real estate equity funds	87,052	-	10,542	97,594
Hedge funds	96,431	-	11,678	108,109
Private equity funds	111,686	-	13,525	125,211
Real assets	87,901	-	10,645	98,546
Global Asset Allocation	309,973	-	37,537	347,510
Total investments	<u>1,974,605</u>	<u>48,341</u>	<u>239,121</u>	<u>2,262,067</u>
Total assets	<u>2,056,907</u>	<u>55,105</u>	<u>245,426</u>	<u>2,357,438</u>
LIABILITIES				
Securities lending payable	24,778	-	3,001	27,779
Investments purchased	33,041	-	4,001	37,042
Investment expenses payable	2,265	-	274	2,539
Refunds payable	398	-	-	398
Other	167	14	6,089	6,270
Total liabilities	<u>60,649</u>	<u>14</u>	<u>13,365</u>	<u>74,028</u>
NET ASSETS				
Net assets held in trust for benefits	<u>\$ 1,996,258</u>	<u>\$ 55,091</u>	<u>\$ 232,061</u>	<u>\$ 2,283,410</u>

Baltimore County, Maryland
Combining Statement of Changes in Fiduciary Net Assets
Benefits Trust Funds
For the Year Ended June 30, 2012
(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	\$ 65,127	\$ 15	\$ 64,278	\$ 129,420
Employees	39,481	-	27,578	67,059
Intergovernmental	-	-	9,373	9,373
Total contributions	<u>104,608</u>	<u>15</u>	<u>101,229</u>	<u>205,852</u>
Investment earnings:				
Net increase in the fair value of plan assets	1,120	(124)	(1,128)	(132)
Interest and dividends	38,070	1,819	4,963	44,852
Investment expenses	(14,322)	(118)	(1,805)	(16,245)
Net investment gain	<u>24,868</u>	<u>1,577</u>	<u>2,030</u>	<u>28,475</u>
Net loss from securities lending:				
Securities lending income	162	-	25	187
Net decrease in fair value of investments	(2,102)	-	(255)	(2,357)
Borrower rebates	641	-	78	719
Agent fees	(248)	-	(31)	(279)
Net loss from securities lending	<u>(1,547)</u>	<u>-</u>	<u>(183)</u>	<u>(1,730)</u>
Total net investment gain	<u>23,321</u>	<u>1,577</u>	<u>1,847</u>	<u>26,745</u>
Total additions	<u>127,929</u>	<u>1,592</u>	<u>103,076</u>	<u>232,597</u>
DEDUCTIONS				
Benefits	209,673	11,321	124,669	345,663
Refunds	3,640	-	-	3,640
Administrative expense	2,329	-	-	2,329
Total deductions	<u>215,642</u>	<u>11,321</u>	<u>124,669</u>	<u>351,632</u>
Change in net assets	(87,713)	(9,729)	(21,593)	(119,035)
Net assets at beginning of the year	2,083,971	64,820	253,654	2,402,445
Net assets at end of the year	<u>\$ 1,996,258</u>	<u>\$ 55,091</u>	<u>\$ 232,061</u>	<u>\$ 2,283,410</u>

