

**FINANCIAL**



**SECTION**

## INDEPENDENT AUDITORS' REPORT

The Honorable County Executive and  
Members of the County Council  
Baltimore County, Maryland  
Towson, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baltimore County, Maryland (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the schedule of funding progress on pages 3-12 and 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The combining and individual fund statements and schedules-supplementary information, as 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules - supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 23, 2013

## **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, 2013. 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 deferred outflows of resources were \$4.799 billion and its liabilities were \$3.459 billion, resulting in net position of \$1.34 billion.
- The County's total net position decreased by \$111.063 million as a result of current year operations.

#### **Fund Level:**

- The County's governmental funds have combined fund balances of \$449.921 million.
- The General Fund's fund balance is \$462.133 million of which \$294.935 million is unassigned fund balance inclusive of \$85.034 million in a Revenue Stabilization account.

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

- The County's total bond, note and certificate of participation (COP) debt increased by \$391.83 million during the current year. The key factors in this increase were the issuance of \$509.29 million in general obligation bonds and bond anticipation notes and a \$11.149 million draw on the Maryland Water Quality Revolving Loan Fund offset by debt service payments of \$119.624 million and net principal reductions of \$8.985 million from bond and COP refundings.

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

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

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

The *Statement of Net Position* 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 Position* on page 14 presents all of the County's non-fiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 primarily 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 position decreased \$111.063 million in FY 2013. The net position of the governmental activities decreased \$76.253 million and business-type activities decreased \$34.81 million. The schedule below presents the net position of the County's governmental and business-type activities as of June 30, 2013.

The largest component of the County's net position 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 position of \$352.908 million reflects 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 position of \$200.295 million in the business-type activities. These situations are described in more detail in Note 8.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Current and other non-current assets	\$ 1,006,845	\$ 678,071	\$ 255,570	\$ 311,412	\$ 1,262,415	\$ 989,483
Capital assets	2,335,708	2,302,397	1,185,757	1,133,491	3,521,465	3,435,888
<b>Total assets</b>	<u>3,342,553</u>	<u>2,980,468</u>	<u>1,441,327</u>	<u>1,444,903</u>	<u>4,783,880</u>	<u>4,425,371</u>
<b>Total deferred outflow of resources</b>	\$ 9,683	\$ 3,290	\$ 5,013	\$ 5,339	\$ 14,696	\$ 8,629
<b>Liabilities:</b>						
Current liabilities	582,913	557,167	258,746	254,855	841,659	812,022
Long-term liabilities	1,782,128	1,363,143	834,757	807,740	2,616,885	2,170,883
<b>Total liabilities</b>	<u>2,365,041</u>	<u>1,920,310</u>	<u>1,093,503</u>	<u>1,062,595</u>	<u>3,458,544</u>	<u>2,982,905</u>
<b>Net position:</b>						
Net investment in capital assets	1,313,131	1,386,096	553,132	566,002	1,866,263	1,952,098
Restricted	26,972	27,251	-	-	26,972	27,251
Unrestricted (deficit)	(352,908)	(349,899)	(200,295)	(178,355)	(553,203)	(528,254)
<b>Total net position</b>	<u>\$ 987,195</u>	<u>\$ 1,063,448</u>	<u>\$ 352,837</u>	<u>\$ 387,647</u>	<u>\$ 1,340,032</u>	<u>\$ 1,451,095</u>

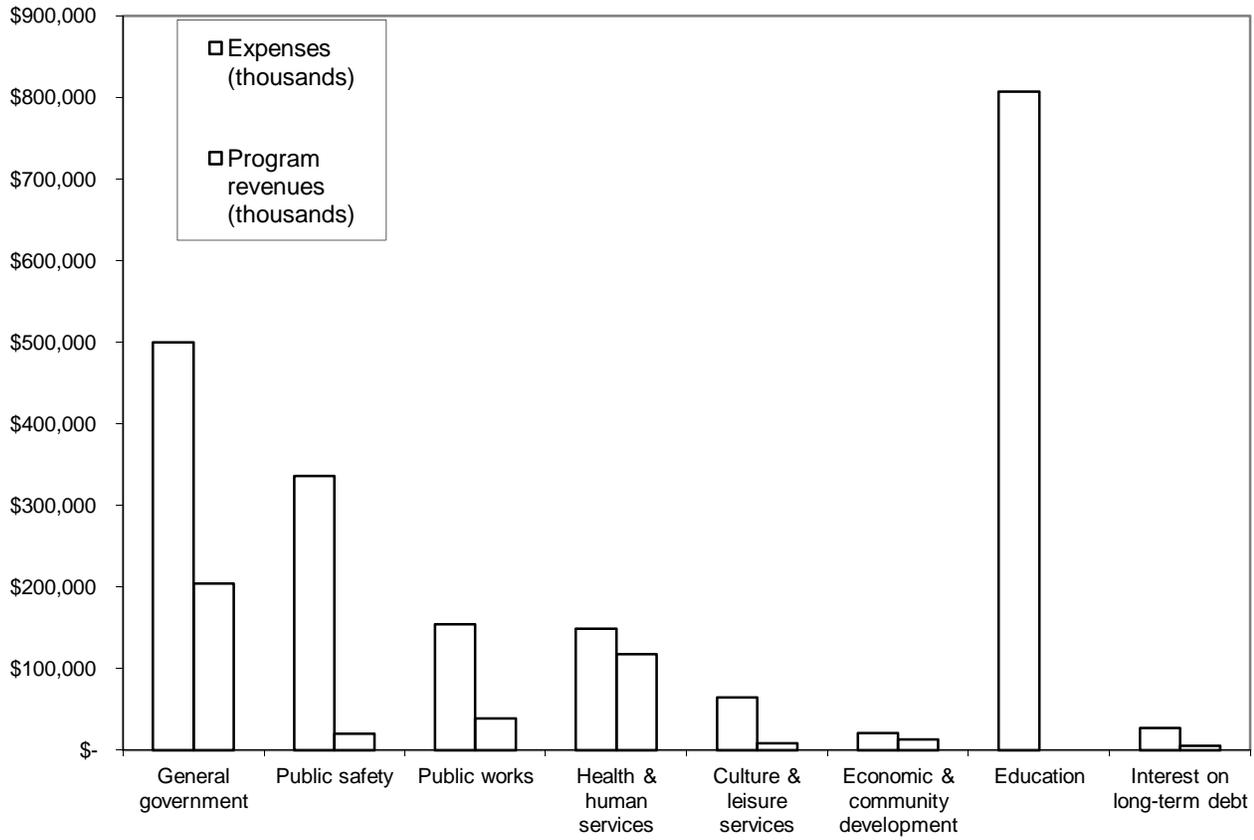
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net position changed during the fiscal year.

	<b>Changes in Net Position (in thousands)</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012*</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 220,037	\$ 229,620	\$ 215,703	\$ 220,188	\$ 435,740	\$ 449,808
Operating grants	155,687	156,508	3,184	3,777	158,871	160,285
Capital grants	32,015	41,519	16,071	11,282	48,086	52,801
General revenues						
Property taxes	847,439	844,069		-	847,439	844,069
Income taxes	573,376	565,571		-	573,376	565,571
Public service taxes	143,067	121,099		-	143,067	121,099
Unrestricted grants and contributions	9,686	9,423		-	9,686	9,423
Investment earnings	1,416	1,077	322	360	1,738	1,437
<b>Total revenues</b>	<u>1,982,723</u>	<u>1,968,886</u>	<u>235,280</u>	<u>235,607</u>	<u>2,218,003</u>	<u>2,204,493</u>
<b>Expenses</b>						
General government	499,598	510,219	-	-	499,598	510,219
Public safety	336,402	340,263	-	-	336,402	340,263
Public works	153,997	187,816	-	-	153,997	187,816
Health and human services	149,078	152,490	-	-	149,078	152,490
Culture and leisure services	64,554	70,803	-	-	64,554	70,803
Economic and community development	21,126	13,379	-	-	21,126	13,379
Education	807,336	841,494	-	-	807,336	841,494
Interest on long-term debt	26,885	25,568	-	-	26,885	25,568
Water and sewer services	-	-	270,090	278,104	270,090	278,104
<b>Total expenses</b>	<u>2,058,976</u>	<u>2,142,032</u>	<u>270,090</u>	<u>278,104</u>	<u>2,329,066</u>	<u>2,420,136</u>
Increase (decrease) in net position	(76,253)	(173,146)	(34,810)	(42,497)	(111,063)	(215,643)
Net position - beginning (as restated)	1,063,448	1,236,594	387,647	430,144	1,451,095	1,666,738
Net position - ending	<u>\$ 987,195</u>	<u>\$ 1,063,448</u>	<u>\$ 352,837</u>	<u>\$ 387,647</u>	<u>\$ 1,340,032</u>	<u>\$ 1,451,095</u>

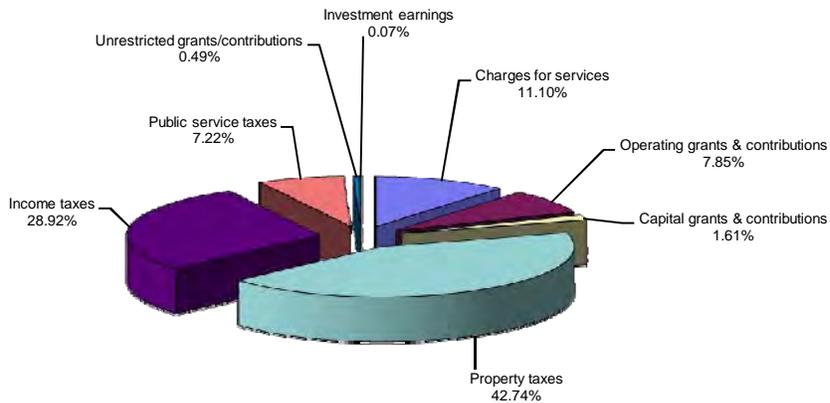
\*With the implementation of GASB Statement No. 65, FY 2012 amounts have been restated to affect the change in no longer amortizing issuance costs related to debt.

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.

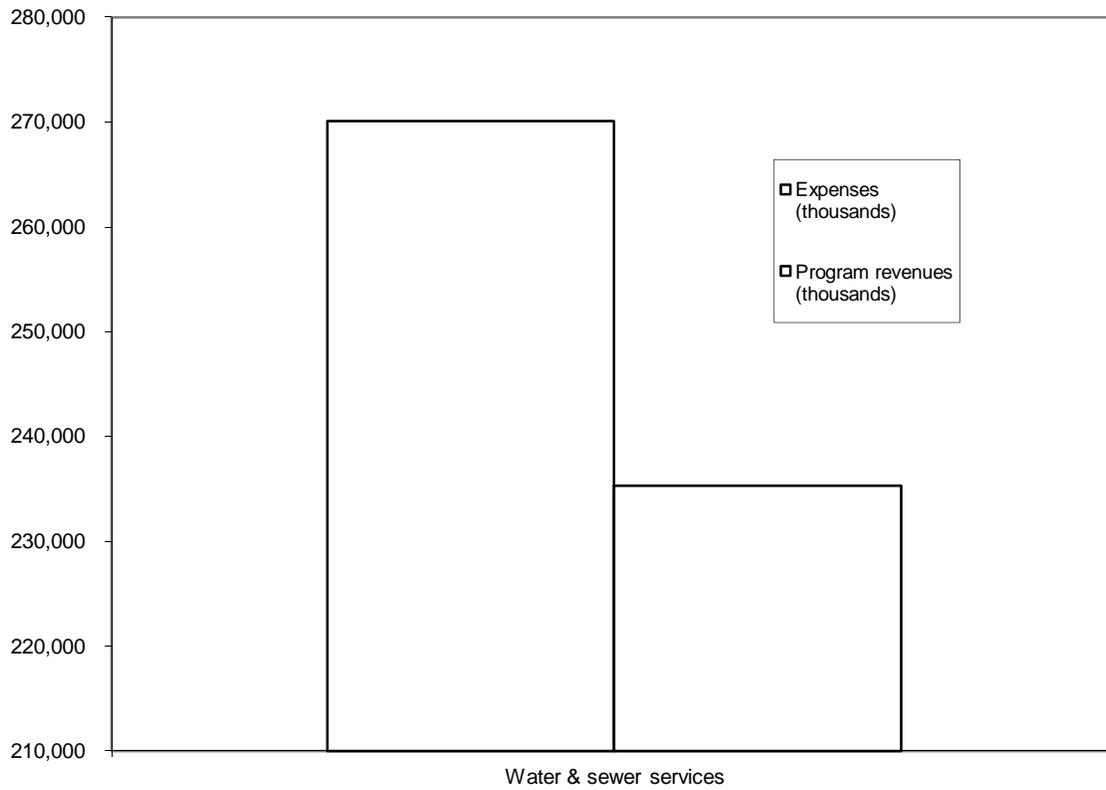
**Expenses & Program Revenues-Governmental Activities**



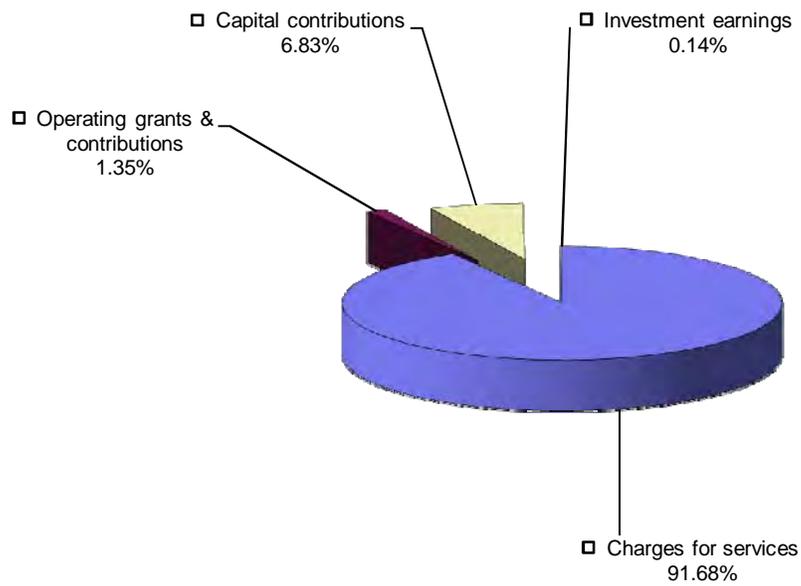
**Revenues by Source-Governmental Activities**



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



### Revenues by Source-Business-type Activities



### **Governmental Activities**

Governmental activities decreased the County's net position by \$76.253 million. Key elements affecting the change in net position included:

- Unrestricted net position was impacted because of the following factors:
  - General tax revenue increased \$33.143 over the prior fiscal year. Income tax revenue increased \$7.805 million after a \$52.659 million negative adjustment for the County's portion of income tax reserves held by the state that was recognized under full accrual accounting. A \$44.637 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 \$3.37 million. Increased recordation and transfer taxes from a spike in home sales during FY13 accounted for the majority of the \$21.968 million increase to public services taxes.
  - The County had a \$255 million excess contribution to its pension trust that is offset by the sale of \$256 million in pension obligation bonds, which were issued to fund increased liability resulting from lowering the actuarial valuation interest rate from 7.875% to 7.250%. See Note 8.
  - The outstanding debt for the Board of Education and the Community College capital projects (see previous discussion) increased by \$78.924 million.
- Capital asset infrastructure donations from developers decreased 32.2% to \$8.693 million.

### **Business-type Activities**

Business-type activities decreased the County's net position by \$34.81 million. The key elements of the Metropolitan District operations that affect net position are as follows:

- The consent decree with the U.S. Environmental Protection Agency continues to drive expenditures. In FY13, the County's cost sharing contribution of \$58.992 million to Baltimore City for capital facilities remained at a high level. The upgrade of the Patapsco Treatment Plant by the City is a major project contributing to this high level of cost sharing.
- Final settlement of FY12 water and sewer operating costs between the County and Baltimore City resulted in a \$4.189 million refund from the City in FY13.
- Front foot assessments that are billed over 40 years to County homeowners to recover costs for County construction of water and sewer lines showed a continuing decline of \$5.955 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 \$449.921 million as of June 30, 2013, an increase of \$133.559 million. Unassigned fund balance of the General Fund, as stated below, is available at the County's discretion. The remaining fund balance of \$203.333 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 FY13, unassigned fund balance of the General Fund was \$294.935 million, while total fund balance was \$462.133 million. Unassigned fund balance represents 17.99% of total budgetary expenditures, while total fund balance represents 28.19% of total budgetary expenditures. These ratios are typically useful as a measure of the General Fund's liquidity. The County has \$85.034 million in a Revenue Stabilization account and has assigned \$39.532 million to finance, in part, the FY14 operating budget.

The General Fund fund balance increased by \$59.901 million during the current fiscal year. Tax revenues were \$60.349 million more than in FY12, with income, recordation and title transfer taxes accounting for \$50.484 million of the increase. The County also realized \$54.994 million in premium proceeds from debt financing to be used for future debt service interest payments and capital improvements. General Fund expenditures, including transfers, increased \$335.335 million from the prior fiscal year due primarily to a \$255 million excess contribution to the Employees' Retirement System from the issuance of \$256 million of pension obligation bonds in December 2012. The County also had a \$29 million increase to its OPEB contributions for General Government employees.

The Gifts and Grants Fund fund balance of \$35.952 million consists primarily of \$20.871 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 \$9.448 million increase in total fund balance is a \$14 million contribution from the Consolidated Public Improvement Construction Fund to fund future Economic Development construction loans.

The Consolidated Public Improvement Construction Fund fund balance increased \$64.383 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 \$205.946 million in new debt to fund capital projects. Capital expenditures for various County projects decreased \$4.217 million to \$97.928 million while payments to component units for their capital facilities decreased \$54.1 million to \$66.519 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 \$34.583 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 a supplemental appropriation of \$9 million to its Insurance Contribution program to supplement an initial \$20 million payment into the OPEB Trust Fund for General Government employees. Significant differences between the final budget and actual amounts are summarized as follows:

- FY13 General Government staffing levels decreased 7.1% over FY12 due to the Retirement Incentive Program offered to eligible employees during the winter of 2012. The County had \$8.753 million in salary savings across the board from the implementation of position vacancy control and from additional positions targeted for elimination.
- Income tax revenue was \$62.689 million more than budget because the County estimated a 3.1% decrease in collections in FY13 to reflect an anticipated adjustment to be made due to a 5% over distribution from the State in FY12.
- Favorable variances in Payments to Component Units – Board of Education of \$2.026 million and Debt Service Interest of \$2.073 million resulted when the County elected to use a portion of the premium from a November 2011 bond sale to make debt interest payments instead of using funds originally appropriated in those budget items.
- The Storm Emergency program was \$2.272 million less than original budget because there was no significant 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 \$3.521 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 267,218	\$ 260,171	\$ 1,317	\$ 1,308	\$ 268,535	\$ 261,479
Buildings and improvements	341,244	337,777	110,171	109,182	451,415	446,959
Vehicles and equipment	110,534	111,164	3,870	3,229	114,404	114,393
Infrastructure	1,236,289	1,228,791	828,631	810,664	2,064,920	2,039,455
Construction in progress	380,423	364,494	241,768	209,108	622,191	573,602
<b>Total</b>	<b>\$ 2,335,708</b>	<b>\$ 2,302,397</b>	<b>\$ 1,185,757</b>	<b>\$ 1,133,491</b>	<b>\$ 3,521,465</b>	<b>\$ 3,435,888</b>

The County added \$17 million for new or improved roads, \$3.4 million for storm drains, and \$20.3 million for water and sewer lines as a major part of its infrastructure assets for FY13.

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

- The County completed new curb, gutter, sidewalk and paving in various areas of the County at a cost of \$8.9 million.
- The County completed a 54" SW transmission water main rehabilitation that was structurally deficient at a cost of \$8.8 million.
- To date the County has spent \$7.1 million of a three-year \$7.4 million grant from the U.S. Department of Energy for various energy efficient initiatives across the County.
- The County completed renovations to the Robert E. Lee Memorial Park at a cost of \$2.9 million.
- The County completed repairs and renovations to the Loveton Estates pumping station at a cost of \$2.2 million.
- The County completed repairs and renovations to the Nollmeyer Seneca Park collection system at a cost of \$3.7 million.

Additional capital asset information can be found in Note 7.

### Long-term Debt

At the end of the current fiscal year, the County had general obligation debt outstanding of \$2.686 billion. This includes Consolidated Public Improvement bonds and notes of \$1.401 billion, Pension Funding bonds of \$ .274 billion and Metropolitan District bonds and notes of 1.011 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 1,435,110	\$ 1,061,235	\$ 850,645	\$ 822,490	\$ 2,285,755	\$ 1,883,725
General obligation BANs	240,000	240,000	160,000	160,000	400,000	400,000
<b>Total</b>	<b>\$ 1,675,110</b>	<b>\$ 1,301,235</b>	<b>\$ 1,010,645</b>	<b>\$ 982,490</b>	<b>\$ 2,685,755</b>	<b>\$ 2,283,725</b>

The County's general obligation debt increased in 2013 by \$402.03 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 \$3.236 billion and \$2.29 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 January 2012 to January 2013 period, County residential employment increased by 11,894 people, or 2.9%, while Maryland employment increased by 1.2%.
- The unemployment rate among County residents was 7.6% in January 2013, up from 7.4% a year earlier, and higher than the current state rate of 7.2%.
- Existing home sales in the County totaled 6,916 units in CY12, 13.6% above CY11 sales.
- The County's Spending Affordability Committee set a budget base for FY14 not to exceed 3.07%. 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 \$64.413 million in FY13 to \$35.427 million in FY14.

These and other economic indicators were considered when preparing the FY14 General Fund budget, which estimates revenues at \$1.685 billion. General Fund appropriations for FY14 of \$1.724 billion reflect a 4.05 % increase over the FY13 adjusted budget. In formulating the FY14 budget, county agencies were given guidelines with a 1.6% reduction in spending, excluding built-in cost items such as debt service, utilities, and contractually obligated employee salary and benefit costs. Two significant items that impact the FY14 budget are increased contribution levels to \$26.56 million and to \$32.5 million for respective Pay-As-You-Go capital budget and for General Government OPEB payment. The difference between estimated revenue and appropriations of \$39 million is covered by fund balance reserves. The projected unassigned fund balance at the end of FY14 is \$263.368 million or 15.6 % of the estimated FY14 total revenues.

New to FY14 is a Stormwater Remediation fee charged to residential and commercial properties, which will be used to comply with federal mandates to reduce the amount of sediment, phosphorous and nitrogen carried in stormwater to the Chesapeake Bay. 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 Position**  
**June 30, 2013**  
**(In Thousands)**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and investments (Note 3)	\$ 508,509	\$ 109,378	\$ 617,887	\$ 64,748
Receivables, net (Note 5)	164,142	140,216	304,358	44,707
Due from primary government (Note 6)	-	-	-	66,665
Inventories	7,348	623	7,971	2,707
Prepaid costs	1,134	-	1,134	402
Net pension asset	255,000	-	255,000	-
Restricted assets:				
Cash and investments (Note 3)	70,712	5,353	76,065	3,900
Capital assets (Note 7)				
Not being depreciated	647,641	243,085	890,726	326,337
Depreciable (net of accumulated depreciation)	1,688,067	942,672	2,630,739	1,219,798
Total assets	<u>3,342,553</u>	<u>1,441,327</u>	<u>4,783,880</u>	<u>1,729,264</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	9,683	5,013	14,696	-
Total deferred outflows of resources	<u>9,683</u>	<u>5,013</u>	<u>14,696</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	34,080	39,442	73,522	44,843
Accrued payroll	15,441	381	15,822	19,789
Accrued interest payable	25,343	12,351	37,694	-
Internal balances	2,860	(2,860)	-	-
Due to component units (Note 6)	63,480	-	63,480	-
Other liabilities	25,555	3,944	29,499	3,050
Unearned revenue (Note 5)	2,650	-	2,650	11,584
Liabilities payable from restricted assets	-	-	-	3,900
Noncurrent liabilities (Note 8)				
Due within one year	413,504	205,488	618,992	24,616
Due in more than one year	1,782,128	834,757	2,616,885	61,418
Total liabilities	<u>2,365,041</u>	<u>1,093,503</u>	<u>3,458,544</u>	<u>169,200</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,313,131	553,132	1,866,263	1,529,135
Restricted for:				
Public works	4,883	-	4,883	-
Economic development	899	-	899	-
Education	-	-	-	19,852
Grant projects	20,871	-	20,871	-
Debt service	319	-	319	-
Expendable endowments	-	-	-	4,762
Unrestricted (deficit)	(352,908)	(200,295)	(553,203)	6,315
Total net position	<u>\$ 987,195</u>	<u>\$ 352,837</u>	<u>\$ 1,340,032</u>	<u>\$ 1,560,064</u>

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

Baltimore County, Maryland  
Statement of Activities  
For the Year Ended June 30, 2013  
(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government			Total
						Business-type Activities	Total		
<b>PRIMARY GOVERNMENT</b>									
Governmental activities:									
General government	\$ 499,598	\$ 201,032	\$ 3,016	\$ -	\$ (295,550)	\$ -	\$ (295,550)	\$ -	
Public safety	336,402	6,950	12,930	-	(316,522)	-	(316,522)	-	
Public works	153,997	3,379	3,772	32,015	(114,831)	-	(114,831)	-	
Health and human services	149,078	4,031	113,800	-	(31,247)	-	(31,247)	-	
Culture and leisure services	64,554	3,769	4,350	-	(56,435)	-	(56,435)	-	
Economic and community development	21,126	876	12,148	-	(8,102)	-	(8,102)	-	
Education	807,336	-	-	-	(807,336)	-	(807,336)	-	
Interest on long-term debt	26,885	-	5,671	-	(21,214)	-	(21,214)	-	
Total governmental activities	2,058,976	220,037	155,687	32,015	(1,651,237)	-	(1,651,237)	-	
Business-type activities:									
Water and sewer services	270,090	215,703	3,184	16,071	-	(35,132)	(35,132)	-	
Total business-type activities	270,090	215,703	3,184	16,071	-	(35,132)	(35,132)	-	
Total primary government	\$ 2,329,066	\$ 435,740	\$ 158,871	\$ 48,086	\$ (1,651,237)	\$ -	\$ (1,686,369)	\$ -	
<b>COMPONENT UNITS</b>									
Board of Education	\$ 1,473,580	\$ 13,703	\$ 172,990	\$ 92,210	-	-	-	(1,194,677)	
Community College	211,346	73,344	95,563	15,205	-	-	-	(27,234)	
Board of Library Trustees	41,498	3,612	6,018	2,027	-	-	-	(29,841)	
Total component units	\$ 1,726,424	\$ 90,659	\$ 274,571	\$ 109,442	\$ -	\$ -	\$ -	(1,251,752)	
General revenues:									
Taxes:									
Property taxes					847,439	-	847,439	-	
Income taxes					573,376	-	573,376	-	
Public service taxes					143,067	-	143,067	-	
Grants and contributions not restricted to specific programs:									
Baltimore County					-	-	-	762,854	
State of Maryland					9,686	-	9,686	553,193	
Unrestricted investment earnings					1,416	322	1,738	394	
Other					-	-	-	6,760	
Total general revenues and transfers					1,574,984	322	1,575,306	1,323,201	
Change in net position					(76,253)	(34,810)	(111,063)	71,449	
Net position at beginning of the year, as restated (Note 16)					1,063,448	387,647	1,451,095	1,488,615	
Net position at end of the year					\$ 987,195	\$ 352,837	\$ 1,340,032	\$ 1,560,064	

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

**Baltimore County, Maryland**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**  
**(In Thousands)**

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Liquor License	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 395,281	\$ 24,535	\$ -	\$ 188	\$ 420,004
Cash and investments - restricted	70,712	-	-	-	70,712
Receivables, net	105,853	50,501	6,563	-	162,917
Due from other funds	17,721	-	-	-	17,721
Inventories	6,772	-	-	-	6,772
Total assets	<u>\$ 596,339</u>	<u>\$ 75,036</u>	<u>\$ 6,563</u>	<u>\$ 188</u>	<u>\$ 678,126</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 16,602	\$ 4,144	\$ 8,080	\$ -	\$ 28,826
Accrued expenditures	14,926	457	-	5	15,388
Due to other funds	-	-	17,721	-	17,721
Due to component units	50,318	-	13,162	-	63,480
Other liabilities	12,887	1,261	11,407	-	25,555
Unearned revenue - other (Note 5)	727	1,923	-	-	2,650
Total liabilities	<u>95,460</u>	<u>7,785</u>	<u>50,370</u>	<u>5</u>	<u>153,620</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue (Note 5)	38,746	31,299	4,540	-	74,585
Total deferred inflows of resources	<u>38,746</u>	<u>31,299</u>	<u>4,540</u>	<u>-</u>	<u>74,585</u>
<b>FUND BALANCES (DEFICITS) (NOTE 15)</b>					
Nonspendable	6,772	-	-	-	6,772
Restricted	69,140	21,770	-	-	90,910
Committed	-	-	-	-	-
Assigned	91,286	14,182	-	183	105,651
Unassigned	294,935	-	(48,347)	-	246,588
Total fund balances (deficit)	<u>462,133</u>	<u>35,952</u>	<u>(48,347)</u>	<u>183</u>	<u>449,921</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 596,339</u>	<u>\$ 75,036</u>	<u>\$ 6,563</u>	<u>\$ 188</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,319,671
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	74,585
Excess Plan A pension benefits contributions made in relation to the Annual Required Contribution is recognized as a year-end asset.	255,000
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 position.	35,565
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).	(2,147,547)
Net position of governmental activities	<u>\$ 987,195</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, 2013**  
**(In Thousands)**

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Liquor License	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,605,959	\$ -	\$ -	\$ -	\$ 1,605,959
Licenses and permits	4,970	-	-	963	5,933
Intergovernmental	37,717	125,168	19,805	-	182,690
Repayment of loans	-	2,954	-	-	2,954
Charges for services	10,378	9,322	-	75	19,775
Assessments	-	-	2,017	-	2,017
Fines and forfeitures	4,844	-	-	-	4,844
Investment income	1,205	642	-	-	1,847
Miscellaneous	27,861	612	1,843	-	30,316
Total revenues	<u>1,692,934</u>	<u>138,698</u>	<u>23,665</u>	<u>1,038</u>	<u>1,856,335</u>
<b>EXPENDITURES</b>					
Current:					
General government	108,813	3,258	-	611	112,682
Public safety	324,201	10,468	-	-	334,669
Public works	100,540	148	-	-	100,688
Health and human services	34,188	113,666	-	-	147,854
Culture and leisure services	16,377	3,400	-	-	19,777
Economic and community development	1,287	19,958	-	-	21,245
Pension plan contributions (Note 8 & 13)	320,818	-	-	-	320,818
Healthcare contributions	92,311	-	-	-	92,311
Miscellaneous	16,067	-	-	-	16,067
Capital projects	-	-	97,928	-	97,928
Payments to component units	798,316	-	66,519	-	864,835
Debt service:					
Principal retirement	54,543	-	-	-	54,543
Interest	36,774	-	-	-	36,774
Fiscal charges	3,517	-	-	-	3,517
Total expenditures	<u>1,907,752</u>	<u>150,898</u>	<u>164,447</u>	<u>611</u>	<u>2,223,708</u>
Excess (deficiency) of revenues over expenditures	<u>(214,818)</u>	<u>(12,200)</u>	<u>(140,782)</u>	<u>427</u>	<u>(367,373)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds issued	256,290	-	193,000	-	449,290
Refunding bonds issued	94,080	-	-	-	94,080
Bond anticipation notes issued	-	-	193,000	-	193,000
Bond anticipation notes - refunding	-	-	(193,000)	-	(193,000)
Refunding COPs issued	11,830	-	-	-	11,830
COPs premium	-	-	-	-	-
Payment to refunding escrow agents	(122,342)	-	-	-	(122,342)
Premiums on debt	54,994	-	-	-	54,994
Loan	-	-	12,946	-	12,946
Transfers in	457	21,971	13,938	-	36,366
Transfers out	(20,590)	(323)	(14,719)	(600)	(36,232)
Total other financing sources (uses)	<u>274,719</u>	<u>21,648</u>	<u>205,165</u>	<u>(600)</u>	<u>500,932</u>
Net change in fund balances	59,901	9,448	64,383	(173)	133,559
Fund balances (deficit) at beginning of the year	402,232	26,504	(112,730)	356	316,362
Fund balances (deficit) at end of the year	<u>\$ 462,133</u>	<u>\$ 35,952</u>	<u>\$ (48,347)</u>	<u>\$ 183</u>	<u>\$ 449,921</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, 2013**  
**(In Thousands)**

Net change in fund balances-total governmental funds	\$ 133,559
<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>	26,417
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position (Note 2).</p>	8,130
<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>	(56,083)
<p>Expenses in the statement of activities are adjusted for the difference between Plan A pension expense in relation to the Annual Required Contribution (ARC) and contributions made in relation to the ARC.</p>	255,000
<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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note 2).</p>	(424,708)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (Note 2).</p>	1,091
<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>	(19,659)
Change in net position of governmental activities	\$ (76,253)

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, 2013**  
**(In Thousands)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 1,520,982	\$ 1,520,982	\$ 1,605,959	\$ 84,977
Licenses and permits	3,688	3,688	4,970	1,282
Intergovernmental	37,881	37,881	37,717	(164)
Charges for services	9,928	9,928	10,378	450
Fines and forfeitures	4,210	4,210	4,844	634
Reimbursement from other funds	7,662	7,662	8,202	540
Interest on investments	1,052	1,052	1,324	272
Miscellaneous	22,170	22,170	28,095	5,925
Total revenues	<u>1,607,573</u>	<u>1,607,573</u>	<u>1,701,489</u>	<u>93,916</u>
<b>EXPENDITURES</b>				
Current:				
General government	105,189	105,189	102,135	3,054
Public safety	325,995	325,995	323,636	2,359
Public works	94,442	94,281	89,235	5,046
Health and human services	35,011	35,140	34,311	829
Culture and leisure services	17,012	18,044	16,684	1,360
Economic and community development	1,345	1,345	1,295	50
Pension plan contributions	65,848	65,857	65,856	1
Healthcare contributions	83,434	92,434	92,294	140
Miscellaneous	33,540	16,776	16,066	710
Payments to component units	781,698	797,454	795,428	2,026
Debt service:				
Principal retirement	54,543	54,543	54,543	-
Interest	28,823	28,823	26,750	2,073
Fiscal charges	1,010	1,010	542	468
Total expenditures	<u>1,627,890</u>	<u>1,636,891</u>	<u>1,618,775</u>	<u>18,116</u>
Excess (deficiency) of revenues over expenditures (budgetary basis)	<u>(20,317)</u>	<u>(29,318)</u>	<u>82,714</u>	<u>112,032</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	323	323	323	-
Transfers out	(20,590)	(20,590)	(20,590)	-
Total other financing sources (uses)	<u>(20,267)</u>	<u>(20,267)</u>	<u>(20,267)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	<u>\$ (40,584)</u>	<u>\$ (49,585)</u>	<u>62,447</u>	<u>\$ 112,032</u>
Adjustments required under generally accepted accounting principles:				
Net change during year in reserve for encumbrances			1,519	
Unbudgeted equipment financing activity			(30,438)	
Unbudgeted bond escrow payment			87	
Net change in reserve for inventories, imprest funds and other programs			24,820	
Prior year encumbrances liquidations			1,466	
Net change in fund balance-GAAP			<u>59,901</u>	
Fund balance at beginning of the year			<u>402,232</u>	
Fund balance at end of the year			<u>\$ 462,133</u>	

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

**Baltimore County, Maryland**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**  
**(In Thousands)**

	<b>Metropolitan District Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 109,378	\$ 88,505
Cash and investments - restricted	5,353	-
Receivables, net (Note 5)	19,615	1,225
Due from other funds	-	2,983
Inventories	623	576
Prepaid costs	-	1,134
Total current assets	134,969	94,423
Noncurrent assets:		
Assessments receivable (Note 5)	120,601	-
Capital assets:		
Non-depreciable	243,085	705
Depreciable (net of accumulated depreciation)	942,672	15,332
Total noncurrent assets	1,306,358	16,037
Total assets	1,441,327	110,460
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	5,013	-
Total deferred outflows of resources	5,013	-
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	39,442	5,254
Accrued payroll	381	53
Accrued interest payable	12,351	-
Due to other funds	-	2,983
Compensated absences	1,414	239
Claims and judgments	-	34,915
General obligation debt (Note 8)	203,049	-
Certificates of participation (Note 8)	1,025	-
Other liabilities	3,944	-
Total current liabilities	261,606	43,444
Noncurrent liabilities:		
Compensated absences	89	-
Claims and judgments	-	28,591
General obligation debt (Note 8)	829,171	-
Certificates of participation (Note 8)	5,497	-
Total noncurrent liabilities	834,757	28,591
Total liabilities	1,096,363	72,035
<b>NET POSITION</b>		
Net investment in capital assets	553,132	16,037
Unrestricted (deficit)	(203,155)	22,388
Total net position	349,977	\$ 38,425
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	2,860	
Net position of business-type activities	\$ 352,837	

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

**Baltimore County, Maryland**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<b>Metropolitan District Enterprise Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>			
Licenses and permits	\$ 978	\$ 978	\$ -
Charges for services	207,161	207,161	269,161
Assessments	7,104	7,104	-
Intergovernmental	3,184	3,184	-
Miscellaneous	460	460	195
Total operating revenues	<u>218,887</u>	<u>218,887</u>	<u>269,356</u>
<b>OPERATING EXPENSES</b>			
Personal services	21,702	21,702	2,768
Business and travel	62	62	-
Contractual services	68,695	68,695	603
Rents and utilities	4,240	4,240	291
Supplies and maintenance	57,719	57,719	13,298
Insurance claims and expenses	-	-	267,539
Equipment	1,580	1,580	-
Fringe benefits and overhead	12,500	12,500	-
Depreciation expense	25,472	25,472	4,019
Other	51	51	799
Total operating expenses	<u>192,021</u>	<u>192,021</u>	<u>289,317</u>
Operating income (loss)	<u>26,866</u>	<u>26,866</u>	<u>(19,961)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest on investments	322	322	209
Interest expense	(18,850)	(18,850)	-
Capital contributions to other subdivisions	(58,992)	(58,992)	-
Total nonoperating revenues (expenses)	<u>(77,520)</u>	<u>(77,520)</u>	<u>209</u>
Loss before transfers and capital contributions	<u>(50,654)</u>	<u>(50,654)</u>	<u>(19,752)</u>
Transfers out	-	-	(134)
Capital contributions from external parties	16,071	16,071	-
Change in net position	<u>(34,583)</u>	<u>(34,583)</u>	<u>(19,886)</u>
Net position at beginning of the year as restated (Note 16)	384,560		58,311
Net position at end of the year	<u>\$ 349,977</u>		<u>\$ 38,425</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>(227)</u>	
Change in net position of business-type activities		<u>\$ (34,810)</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, 2013**  
**(In Thousands)**

	<b>Metropolitan District Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 222,341	\$ 269,320
Payments to suppliers	(120,446)	(14,250)
Payments to employees	(34,119)	(2,771)
Payment for interfund services used	-	(799)
Claims paid	-	(255,722)
Other receipts	-	195
Net cash provided by (used for) operating activities	67,776	(4,027)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out	-	(134)
Capital contributions paid to other subdivisions	(59,551)	-
Net cash used for noncapital financing activities	(59,551)	(134)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	136,029	-
Retirement of bond anticipation notes	(60,000)	-
Capital contributions from external parties	10,068	-
Acquisition and construction of capital assets	(60,260)	(2,977)
Principal paid on capital debt	(43,533)	-
Interest paid on capital debt	(35,622)	-
Sales of capital assets	-	194
Net cash used for capital and related financing activities	(53,318)	(2,783)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	322	209
Net cash provided by investing activities	322	209
Net decrease in cash and cash equivalents	(44,771)	(6,735)
Cash and cash equivalents at beginning of the year	159,502	95,240
Cash and cash equivalents at end of the year	\$ 114,731	\$ 88,505
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 26,866	\$ (19,961)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense	25,472	4,019
Effect of changes in operating assets and liabilities:		
Receivables, net	10,387	159
Prepaid costs	-	5,411
Inventories	(62)	(68)
Accounts and other payables	4,968	2,632
Accrued expenses	145	(3)
Claims and judgements	-	3,784
Net cash provided by (used for) operating activities	\$ 67,776	\$ (4,027)
<b>NONCASH CAPITAL FINANCING ACTIVITIES</b>		
Capital assets acquired through contributions from developers.	\$ 6,750	\$ -

During the year the County issued bonds to refund outstanding Metropolitan District Bonds. The \$18,422 in net proceeds were deposited in an irrevocable trust for the defeasance of \$18,065 of outstanding bond principal.

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

**Baltimore County, Maryland**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2013**  
**(In Thousands)**

	<b>Benefits Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents (Note 3)	\$ 90,516
Collateral for loaned securities (Note 3)	32,209
Receivables:	
Accrued interest & dividend income	3,456
Receivable for investments sold	49,913
Receivables other	5,103
Total receivables	58,472
Investments, at fair value:	
U.S. Government and Agency securities	177,930
Municipal bonds	36,438
Foreign bonds	23,541
Corporate bonds	142,315
Stocks	584,683
Bond mutual funds	352,893
Stock mutual funds	465,670
Real estate equity funds	108,494
Hedge funds	121,851
Private equity funds	121,810
Real assets	121,026
Global asset allocation	367,164
Total investments	2,623,815
Total assets	2,805,012
<b>LIABILITIES</b>	
Securities lending payable	33,930
Investments purchased	80,687
Investment expenses payable	3,762
Refunds payable	543
Other	6,690
Total liabilities	125,612
<b>NET POSITION</b>	
Net position held in trust for benefits	\$ 2,679,400

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

**Baltimore County, Maryland**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<b>Benefits Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 455,916
Employees	68,965
Other	14,135
Total contributions	539,016
Investment earnings:	
Net decrease in the fair value of plan assets	197,825
Interest and dividends	48,472
Investment expenses	(17,370)
Net investment gain	228,927
Net loss from securities lending:	
Securities lending income	129
Net decrease in fair value of investments	(1,722)
Borrower rebates	431
Agent fees	(160)
Net loss from securities lending	(1,322)
Total net investment gain	227,605
Total additions	766,621
<b>DEDUCTIONS</b>	
Benefits	365,227
Refunds	3,110
Administrative expense	2,294
Total deductions	370,631
Change in net position	395,990
Net position at beginning of the year	2,283,410
Net position at end of the year	\$ 2,679,400

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

**Baltimore County, Maryland**  
**Statement of Net Position**  
**Component Units**  
**June 30, 2013**  
**(In Thousands)**

	<u>Board of Education</u>	<u>Community College</u>	<u>Board of Library Trustees</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments (Note 3)	\$ 24,831	\$ 27,656	\$ 12,261	\$ 64,748
Receivables	35,320	9,260	127	44,707
Due from primary government	63,419	3,246	-	66,665
Inventories	1,006	1,568	133	2,707
Prepaid costs and other assets	345	51	6	402
Cash restricted for lease purchase	3,900	-	-	3,900
Capital assets (Note 7)				
Non-depreciable	299,478	26,859	-	326,337
Depreciable (net of accumulated depreciation)	1,074,899	130,367	14,532	1,219,798
Total assets	<u>1,503,198</u>	<u>199,007</u>	<u>27,059</u>	<u>1,729,264</u>
<b>LIABILITIES</b>				
Accounts payable	36,600	7,109	1,134	44,843
Accrued payroll	14,464	3,827	1,498	19,789
Other liabilities	1,885	1,165	-	3,050
Unearned revenue	4,195	7,151	238	11,584
Liabilities payable from restricted assets	3,900	-	-	3,900
Noncurrent liabilities (Note 8)				
Due within one year	19,303	4,267	1,046	24,616
Due in more than one year	50,937	8,394	2,087	61,418
Total liabilities	<u>131,284</u>	<u>31,913</u>	<u>6,003</u>	<u>169,200</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,358,337	156,266	14,532	1,529,135
Restricted for:				
Education	15,297	4,555	-	19,852
Expendable endowments	-	4,205	557	4,762
Unrestricted	(1,720)	2,068	5,967	6,315
Total net position	<u>\$ 1,371,914</u>	<u>\$ 167,094</u>	<u>\$ 21,056</u>	<u>\$ 1,560,064</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, 2013**  
**(In Thousands)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education	Community College	Board of Library Trustees	Total
<b>BOARD OF EDUCATION</b>							
Public education	\$ 1,283,099	\$ 383	\$ 142,334	\$ 91,741	\$ -	\$ -	\$ (1,048,641)
Facilities operations	149,077	-	1,353	469	-	-	(147,255)
Food service	41,404	13,320	29,303	-	-	-	1,219
Total Board of Education	1,473,580	13,703	172,990	92,210	-	-	(1,194,677)
<b>COMMUNITY COLLEGE</b>							
Educational and general expenses	178,959	64,757	95,563	-	(18,639)	-	(18,639)
Facilities operations	21,902	-	-	15,205	(6,697)	-	(6,697)
Auxiliary enterprises	10,485	8,587	-	-	(1,898)	-	(1,898)
Total Community College	211,346	73,344	95,563	-	(27,234)	-	(27,234)
<b>BOARD OF LIBRARY TRUSTEES</b>							
Culture and leisure services	41,498	3,612	6,018	-	-	(29,841)	(29,841)
Total component units	\$ 1,726,424	\$ 90,659	\$ 274,571	\$ 109,442	\$ (27,234)	\$ (29,841)	\$ (1,251,752)
General Revenues:							
Baltimore County				690,477	38,463	33,914	762,854
State of Maryland				553,193	-	-	553,193
Unrestricted investment earnings				-	394	-	394
Other				6,760	-	-	6,760
Total general revenues				1,250,430	38,857	33,914	1,323,201
Change in net position				55,753	11,623	4,073	71,449
Net position at beginning of the year				1,316,161	155,471	16,983	1,488,615
Net position at end of the year				\$ 1,371,914	\$ 167,094	\$ 21,056	\$ 1,560,064

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

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

***Financial Reporting Entity***

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

In accordance with GAAP, the accompanying financial statements include the various departments and agencies governed by the County Executive and County Council (the primary government) and the County's component units. Discretely presented component units are reported separately from the primary government to emphasize that they are legally separate from the County. The component units are included as part of the County's reporting entity because of the significance of their operational or financial relationships with the County. The component units are fiscally dependent on the County 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 their 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  
6901 N. Charles St.  
Towson, Maryland 21204

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

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

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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Commission on Arts and Sciences	Commission on Disabilities
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
Pedestrian and Bicycle Advisory Committee	Enterprise Commission
Personnel and Salary Advisory Board	Planning Board
Plumbing Board	Professional Services Selection Committee
Revenue Authority	Soil Conservation District Board
Workforce Development Council	

The amounts that the County appropriated to these organizations during the fiscal year ended June 30, 2013 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, liabilities and deferrals 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 position 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 Position** presents the reporting entity's non-fiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Net position is reported in three categories:

**Net investment in capital assets**, 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 position** results when constraints placed on net position use are either externally imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** consist of net position which do not meet the definition of the two preceding categories. Unrestricted net position often are assigned to indicate that management does not consider them to be available for general operations. Unrestricted net position 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, 2013**

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***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 Funds, which include 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, 2013**

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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 (GASB). This guidance is codified in GASB Statement No. 62. Governments also have the option of following private-sector guidance not included in GASB 62 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 \$9 million in supplementary and emergency appropriations adopted for the General Fund operating budget during fiscal year 2013.

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 \$0.034 million of interest income decreased by \$30.472 million of equipment purchases. The unspent equipment financing proceeds of \$68.821 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, 2013**

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***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 \$102 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, 2013. 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 position 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 individual vehicles, machinery and equipment, and \$25,000 for buildings and infrastructure. The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's life are not capitalized. An allowance for depreciation has been provided using the straight-line method over the estimated useful life. The estimated useful lives range from two to fifteen years for vehicles, machinery and equipment, twenty to fifty years for buildings, and twenty to seventy-five years for infrastructure. Major outlays for the construction of buildings and infrastructure are capitalized as constructed. Interest is capitalized during the construction of business-type activities capital assets as it is incurred.

***Deferred Outflows/Inflows of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. At June 30, 2013, the County recognized deferred charges on refunding as a deferred outflow of resources in the government - wide statement of net position and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2013, the County recognized deferred inflows of resources in the governmental funds balance sheet.

***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, 2013.

***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 position and proprietary fund statements.

***Restricted Net Position***

The government-wide statement of net position reports \$26.972 million of restricted net position, of which \$4.883 million is restricted by enabling legislation.

***Governmental Funds' Fund Balance***

Fund balance classifications comprise a hierarchy based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance amounts are 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's highest level of decision-making authority. The County Council is the highest level of decision-making authority for the County that can, by adoption of a Council bill or resolution prior to fiscal year end, commit fund balance. Similar action of the County Council 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 County Administrative Officer in accordance with County Charter. Additionally, in accordance with Section 715 of the County Charter on certification of funds availability, the Director of Budget & Finance may assign fund balance for contractual commitments encumbered prior to year end. 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. Unassigned fund balance can only be used in the General fund or, if negative, in other governmental funds.

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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***Order of Fund Balance Spending Policy***

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

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

***Revenue Stabilization Account***

Section 10-8-101 of the County Code gives the County the authority to establish and maintain a Revenue Stabilization Account (the Account) to provide a financial cushion for unanticipated decreases in revenues, primarily intergovernmental revenues. The General Fund Unassigned Fund Balance includes \$85.034 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 position.**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. 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 \$2,147,547 difference are as follows:

General obligation debt	\$ 1,675,110
Certificates of participation and loan payable	134,206
Add: Issuance premium (to be amortized as a reduction to interest expense)	99,608
Less: Issuance discount (to be amortized as interest expense)	(1,720)
Less: Deferred charge on refunding (to be amortized as interest expense)	(9,683)
Accrued interest payable	25,343
Compensated absences	58,182
Other post employment benefits liability	151,299
Estimated landfill closing costs	15,202
Net adjustment to reduce fund balance - total funds to arrive at net position of governmental activities	\$ 2,147,547

**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 position of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that

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“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 \$26,417 difference are as follows:

Capital outlay	\$	103,915
Depreciation expense		<u>(77,498)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$	<u>26,417</u>

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 position.” The details of this \$8,130 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 position differs from the change in fund balance by the net book value of the capital assets sold.	\$	(563)
Donations and transfers in of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		<u>8,693</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	\$	<u>8,130</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 position. 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 \$424,708 difference are as follows:

Debt issued or incurred:		
General obligation debt	\$	(736,370)
Certificates of participation		(11,830)
Payment to escrow agent for refundings		122,342
Loan payment		(12,946)
Add: premium		(54,994)
Principal repayments:		
General obligation debt		260,010
Certificates of participation		<u>9,080</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities		<u><u>\$(424,708)</u></u>

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Another element of the reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$1,091 difference are as follows:

Decrease in compensated absences	\$ 348
Increase in accrued interest	(8,043)
Increase in other post employment benefits liability	(8,622)
Increase in landfill closure and post-closure costs	(524)
Amortization of deferred charge on refunding	(1,114)
Amortization of premiums	19,130
Amortization of discounts	(84)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	
	\$ 1,091

**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 position 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, 2013, the carrying amounts of cash for the primary government and its component units were \$.033 million and \$21.152 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 (\$18,391,875) for the System's and OPEB's portfolio at the fiscal year ended June 30, 2013. The Police, Fire and Widows' Pension Plan (the "Pension Plan"), funded through the sale of bonds, invests primarily in fixed income securities.

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Investments for the primary government as of June 30, 2013 are as follows (in thousands):

Primary Government Investments	The System				Pension Plan	Total Primary Government
	The Pool	Plan A	Plan B	OPEB Plan		
U.S. securities and agencies						
Not on securities loan	\$ 319	\$ 137,309	\$ 1,397	\$ 18,148	\$ -	\$ 157,173
On securities loan for						
securities or cash collateral	-	18,449	188	2,439	-	21,076
MLGIP	123	-	-	-	-	123
Municipal bonds	-	16,171	165	2,137	17,965	36,438
Foreign bonds	-	14,327	146	1,894	7,174	23,541
Corporate bonds						
Not on securities loan	-	123,675	1,259	16,346	-	141,280
On securities loan for						
securities or cash collateral	-	906	9	120	-	1,035
Bond mutual funds	-	301,393	3,068	39,835	8,597	352,893
Money market funds	699,376	73,098	744	9,661	1,114	783,993
Real estate equity funds	-	94,974	967	12,553	-	108,494
Stocks						
Not on securities loan	-	481,931	4,906	63,697	-	550,534
On securities loan for						
securities or cash collateral	-	29,894	304	3,951	-	34,149
Stock mutual funds	-	394,524	4,016	52,145	14,985	465,670
Private equity funds	-	106,631	1,085	14,094	-	121,810
Hedge funds	-	106,667	1,086	14,098	-	121,851
Real assets	-	105,945	1,078	14,003	-	121,026
Global Asset Allocation fund	-	321,412	3,271	42,481	-	367,164
Securities lending short-term collateral investment pool	-	28,195	287	3,727	-	32,209
<b>Total</b>	<b>\$ 699,818</b>	<b>\$ 2,355,501</b>	<b>\$ 23,976</b>	<b>\$ 311,329</b>	<b>\$ 49,835</b>	<b>\$ 3,440,459</b>

Component units' investments of \$47.496 million include \$37.123 million of MLGIP and \$10.373 million of money market funds.

*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, 2013 totaled \$58.149 million and \$56.259 million, respectively. At June 30, 2013, the cash collateral pool had an unrealized loss of \$1.722 million, which is recorded in the Statement of Changes in Net Position as a decrease in the fair value of investments for securities lending.

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

Investment Type	Fair Value	Investment Maturities (in years)					
		Less than 1	1 - 4.9	5 - 9.9	10 - 19.9	20 - 30	More than 30
<b>The Pool</b>							
U.S. Government Obligations	\$ 319	\$ -	\$ -	\$ -	\$ -	\$ 319	\$ -
<b>The System - Plan A</b>							
U.S. Government Obligations	80,038	2,637	7,895	21,607	14,996	24,069	8,834
U.S. Agency Securities	75,720	4,378	6,779	9,115	15,405	21,213	18,830
Municipal Bonds	16,171	887	11,333	-	-	3,951	-
Corporate Debt	124,581	26,740	36,437	28,053	11,617	11,456	10,278
Bond Mutual Funds	301,393	-	-	301,393	-	-	-
Foreign Debt	14,327	2,685	6,395	3,827	-	809	611
Total	612,230	37,327	68,839	363,995	42,018	61,498	38,553
<b>The System - Plan B</b>							
U.S. Government Obligations	815	27	80	220	153	245	90
U.S. Agency Securities	770	44	69	93	157	216	191
Municipal Bonds	165	9	116	-	-	40	-
Corporate Debt	1,268	272	371	285	118	117	105
Bond Mutual Funds	3,068	-	-	3,068	-	-	-
Foreign Debt	146	28	65	39	-	8	6
Total	6,232	380	701	3,705	428	626	392
<b>OPEB Plan</b>							
U.S. Government Obligations	10,579	348	1,044	2,856	1,982	3,181	1,168
U.S. Agency Securities	10,008	579	896	1,205	2,036	2,804	2,488
Municipal Bonds	2,137	117	1,498	-	-	522	-
Corporate Debt	16,466	3,534	4,816	3,708	1,536	1,514	1,358
Bond Mutual Funds	39,835	-	-	39,835	-	-	-
Foreign Debt	1,894	355	845	506	-	107	81
Total	80,919	4,933	9,099	48,110	5,554	8,128	5,095
<b>Pension Plan</b>							
Municipal Bonds	17,965	1,725	8,831	5,220	2,189	-	-
Bond Mutual Funds	8,597	-	-	8,597	-	-	-
Foreign Debt	7,174	-	2,500	-	-	-	4,674
Total	33,736	1,725	11,331	13,817	2,189	-	4,674
Total Primary Government	\$ 733,436	\$ 44,365	\$ 89,970	\$ 429,627	\$ 50,189	\$ 70,571	\$ 48,714

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

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*Credit Risk* – The Pool’s, the Pension Trust Funds’ and the OPEB Plan’s investment policies are to apply the prudent-person rule: Investments are made as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and in general, avoid speculative investments. As of June 30, 2013, the Pension Trust Funds’ and the OPEB Plan’s fixed income investments had the following risk characteristics:

Moody's Rating or Comparable	The System - Plan A		The System - Plan B		OPEB Plan		Pension Plan	
	Percent of Total Investments	Fair Value (in thousands)						
AAA	23.31	\$ 142,713	23.31	\$ 1,453	23.31	\$ 18,862	4.74	\$ 1,600
AA	2.18	13,339	2.18	136	2.18	1,763	23.74	8,009
A	6.46	39,554	6.46	402	6.46	5,228	23.02	7,765
BBB	7.42	45,399	7.42	462	7.42	6,000	0.59	200
BB	0.57	3,498	0.57	36	0.57	463	0.00	-
B	0.46	2,833	0.46	29	0.46	375	0.00	-
CCC	0.43	2,628	0.43	27	0.43	347	0.00	-
CC	0.16	976	0.16	10	0.16	129	0.00	-
Not Rated	59.01	361,290	59.01	3,677	59.01	47,752	47.91	16,162
Total	100.00	\$ 612,230	100.00	\$ 6,232	100.00	\$ 80,919	100.00	\$ 33,736

*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
	Plan A	Plan B		
Australian Dollar	\$ 5,369	\$ 55	\$ 709	\$ 6,133
Canadian Dollar	36	1	5	42
Danish Krone	142	1	19	162
Euro Currency Unit	53,763	547	7,106	61,416
Hong Kong Dollar	5,514	56	729	6,299
Israeli Shekel	921	9	122	1,052
Japanese Yen	34,731	354	4,590	39,675
Norwegian Krone	1,020	10	135	1,165
Pound Sterling	16,383	167	2,165	18,715
Singapore Dollar	1,082	11	143	1,236
South Korean Won	5,233	53	692	5,978
Swedish Krona	5,286	54	699	6,039
Swiss Franc	10,322	105	1,364	11,791
	\$ 139,802	\$ 1,423	\$ 18,478	\$ 159,703

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, 2013 was (\$18,391,875).

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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, 2013, classified by type and the changes in fair value of such derivative instruments for the year then ended are as follows:

Investment Derivatives	Changes in Fair Value (expressed in thousands)		Fair Value as of June 30, 2013 (expressed in thousands)	
	Classification	Amount	Amount	Notional Value
<b>The System - Plan A</b>				
Futures	Investment revenue	\$ -	\$ -	\$ (16,100)
Options	Investment revenue	(31)	(34)	424
Swaps	Investment revenue	-	84	372
Mortgage Derivatives	Investment revenue	(94)	3,111	3,111
TBA Transactions	Investment revenue	(192)	16,097	16,097
<b>The System - Plan B</b>				
Futures	Investment revenue	\$ -	\$ -	\$ (164)
Options	Investment revenue	-	-	4
Swaps	Investment revenue	-	-	4
Mortgage Derivatives	Investment revenue	(1)	32	32
TBA Transactions	Investment revenue	(2)	164	164
<b>OPEB</b>				
Futures	Investment revenue	\$ -	\$ -	\$ (2,128)
Options	Investment revenue	(4)	(5)	56
Swaps	Investment revenue	-	11	49
Mortgage Derivatives	Investment revenue	(13)	411	411
TBA Transactions	Investment revenue	(25)	2,127	2,127

*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.

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**4. PROPERTY TAX:**

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

Assessed values are established by the Maryland Department of Assessments and Taxation at one hundred percent of estimated market value. The assessed value of taxable real and personal property in the County for fiscal year 2013 was \$80.9 billion.

The property tax rate for the year ended June 30, 2013 was \$1.10 for real property and \$2.75 for personal property per \$100 of assessed valuation. The current tax collections for the year were 99.6% of the tax levied. Property taxes are recorded as receivables in the General Fund at the levy date with appropriate allowances for estimated uncollectible amounts as described in Note 5.

The full year property tax calendar is as follows:

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

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

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

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

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

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

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

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

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

Receivables as of June 30, 2013 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	\$ 10,585	\$ -	\$ -	\$ -	\$ -	\$ 10,585
Accounts	17,502	-	-	1,225	1,992	20,719
Intergovernmental	78,156	19,172	2,005	-	2,505	101,838
Assessments	876	-	4,558	-	135,719	141,153
Loans	406	59,135	-	-	-	59,541
Interest	21	-	-	-	-	21
Total receivables	107,546	78,307	6,563	1,225	140,216	333,857
Allowance for uncollectible accounts	(1,693)	(27,806)	-	-	-	(29,499)
Net total receivables	<u>\$ 105,853</u>	<u>\$ 50,501</u>	<u>\$ 6,563</u>	<u>\$ 1,225</u>	<u>\$ 140,216</u>	<u>\$ 304,358</u>
Amounts not scheduled for collection during the subsequent year	\$ 693	\$ 29,096	\$ 3,384	\$ -	\$ 120,601	\$ 153,774

At June 30, 2013, the County has recorded \$59.135 million of outstanding loans receivable in the Gifts and Grants Fund. Of these receivables, \$48.392 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 \$27.806 million of these loans are offset by an allowance for uncollectible accounts because collections are highly uncertain. In many cases, the loan repayment is forgiven if the resident/developer complies with certain federal requirements, which may include residing in the property for a stated number of years.

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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. The various components of deferred revenue reported in the governmental funds as of June 30, 2013 were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ 8,404	\$ 727	\$ 9,131
Income taxes receivable	28,143	-	28,143
Interest subsidy receivable	917	-	917
Economic and community development loans	11,119	-	11,119
Special assessments not yet due	5,417	-	5,417
Grant funds received prior to meeting all eligibility requirements	20,585	1,923	22,508
Total deferred revenue for governmental funds	<u>\$ 74,585</u>	<u>\$ 2,650</u>	<u>\$ 77,235</u>

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

The composition of interfund balances as of June 30, 2013 is as follows:

Receivable fund	Payable fund	Purpose	Amount
Self-Insurance Program	Vehicle Operation and Maintenance	Deficit cash balance	\$ 2,983
General	Consolidated Public Improvement	Deficit cash balance	17,721
		Total	<u>\$ 20,704</u>

Interfund transfers for the fiscal year ended June 30, 2013 were as follows:

Transferred from	Transferred to			
	General	Gifts and Grants	Consolidated Public Improvement Construction	Total
General	\$ -	\$ 6,652	\$ 13,938	\$ 20,590
Gifts and Grants	323	-	-	323
Consolidated Public Improvement Construction	-	14,719	-	14,719
Nonmajor Governmental Funds	-	600	-	600
Internal Service Funds	134	-	-	134
Total transfers	<u>\$ 457</u>	<u>\$ 21,971</u>	<u>\$ 13,938</u>	<u>\$ 36,366</u>

The transfers from the General Fund to the Consolidated Public Improvement Construction Fund (CPI) are pay-as-you-go funding for capital projects. Net transfers of \$6.329 million between the General Fund and the Gifts and Grants Fund are County matching funds for grant funded programs. The transfers of \$0.134 million from the Self-Insurance Program Fund to the General Fund are investment income transfers on pooled cash. A transfer of \$14.7 million from CPI to the Gifts and Grants Fund is funds allocated to the County's economic development loan program. The remaining transfers are various funding contributions for operations.

As of June 30, 2013, receivable and payable balances remained between the primary government and its discretely presented component units. These balances and transactions are a result of the primary government's ongoing funding of the component units' capital and operating costs. Receivables and payables between the primary government and the component units do not equal due to timing differences.

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

A summary of the primary government's changes in capital assets for the year ended June 30, 2013 is reported below:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 260,171	\$ 7,047	\$ -	\$ 267,218
Construction in progress	364,494	82,004	(66,075)	380,423
Total capital assets not being depreciated	<u>624,665</u>	<u>89,051</u>	<u>(66,075)</u>	<u>647,641</u>
Capital assets being depreciated:				
Buildings and improvements	486,932	15,641	-	502,573
Machinery and equipment	128,196	9,959	(9,019)	129,136
Vehicles	112,830	10,286	(5,702)	117,414
Infrastructure	2,367,398	56,724	-	2,424,122
Total capital assets being depreciated	<u>3,095,356</u>	<u>92,610</u>	<u>(14,721)</u>	<u>3,173,245</u>
Less accumulated depreciation for:				
Buildings and improvements	(149,155)	(12,174)	-	(161,329)
Machinery and equipment	(60,585)	(10,956)	8,750	(62,791)
Vehicles	(69,277)	(9,161)	5,213	(73,225)
Infrastructure	(1,138,607)	(49,226)	-	(1,187,833)
Total accumulated depreciation	<u>(1,417,624)</u>	<u>(81,517)</u>	<u>13,963</u>	<u>(1,485,178)</u>
Total capital assets being depreciated, net	<u>1,677,732</u>	<u>11,093</u>	<u>(758)</u>	<u>1,688,067</u>
Governmental activities capital assets, net	<u>\$ 2,302,397</u>	<u>\$ 100,144</u>	<u>\$ (66,833)</u>	<u>\$ 2,335,708</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,308	\$ 9	\$ -	\$ 1,317
Construction in progress	209,108	61,495	(28,835)	241,768
Total capital assets not being depreciated	<u>210,416</u>	<u>61,504</u>	<u>(28,835)</u>	<u>243,085</u>
Capital assets being depreciated:				
Buildings and improvements	175,318	6,293	-	181,611
Machinery and equipment	1,220	52	(16)	1,256
Vehicles	9,761	1,221	(601)	10,381
Infrastructure	1,107,745	37,503	-	1,145,248
Total capital assets being depreciated	<u>1,294,044</u>	<u>45,069</u>	<u>(617)</u>	<u>1,338,496</u>
Less accumulated depreciation for:				
Buildings and improvements	(66,136)	(5,304)	-	(71,440)
Machinery and equipment	(668)	(61)	16	(713)
Vehicles	(7,084)	(571)	601	(7,054)
Infrastructure	(297,081)	(19,536)	-	(316,617)
Total accumulated depreciation	<u>(370,969)</u>	<u>(25,472)</u>	<u>617</u>	<u>(395,824)</u>
Total capital assets being depreciated, net	<u>923,075</u>	<u>19,597</u>	<u>-</u>	<u>942,672</u>
Business-type activities capital assets, net	<u>\$ 1,133,491</u>	<u>\$ 81,101</u>	<u>\$ (28,835)</u>	<u>\$ 1,185,757</u>

**BALTIMORE COUNTY, MARYLAND**  
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Depreciation expense was charged to primary government functions as follows:

Governmental activities:	
General government	\$ 11,833
Public safety	6,058
Public works, which includes the depreciation of infrastructure assets	49,277
Health and human services	1,401
Culture and leisure services	8,879
Economic and community development	50
Capital assets held by the County's internal service funds is charged to the various activities based on their usage of the assets.	4,019
Total depreciation expense - governmental activities	<u>\$ 81,517</u>

Business-type activities:	
Water and sewer services, which include the depreciation of infrastructure assets	\$ 25,472
Total depreciation expense - business-type activities	<u>\$ 25,472</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Board of Education:</b>				
Capital assets not being depreciated:				
Land	\$ 28,857	\$ -	\$ -	\$ 28,857
Construction in progress	343,433	81,350	(154,162)	270,621
Total capital assets not being depreciated	<u>372,290</u>	<u>81,350</u>	<u>(154,162)</u>	<u>299,478</u>
Capital assets being depreciated:				
Buildings	1,330,676	153,537	(1,127)	1,483,086
Improvements other than buildings	69,678	8,127	(15)	77,790
Equipment and vehicles	135,260	9,367	(1,657)	142,970
Total capital assets being depreciated	<u>1,535,614</u>	<u>171,031</u>	<u>(2,799)</u>	<u>1,703,846</u>
Less accumulated depreciation	<u>(574,841)</u>	<u>(55,605)</u>	<u>1,499</u>	<u>(628,947)</u>
Total capital assets being depreciated, net	<u>960,773</u>	<u>115,426</u>	<u>(1,300)</u>	<u>1,074,899</u>
Board of Education capital assets, net	<u>\$ 1,333,063</u>	<u>\$ 196,776</u>	<u>\$ (155,462)</u>	<u>\$ 1,374,377</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Community College:</b>				
Capital assets not being depreciated:				
Land	\$ 4,798	\$ -	\$ -	\$ 4,798
Construction in progress	29,783	13,162	(20,884)	22,061
Total capital assets not being depreciated	<u>34,581</u>	<u>13,162</u>	<u>(20,884)</u>	<u>26,859</u>
Capital assets being depreciated:				
Buildings and improvements	158,926	20,885	-	179,811
Infrastructure	25,244	-	-	25,244
Equipment and vehicles	24,139	2,160	(30)	26,269
Library materials	6,720	218	-	6,938
Total capital assets being depreciated	<u>215,029</u>	<u>23,263</u>	<u>(30)</u>	<u>238,262</u>
Less accumulated depreciation	<u>(99,746)</u>	<u>(8,177)</u>	<u>28</u>	<u>(107,895)</u>
Total capital assets being depreciated, net	<u>115,283</u>	<u>15,086</u>	<u>(2)</u>	<u>130,367</u>
The Community College of Baltimore County capital assets, net	<u>\$ 149,864</u>	<u>\$ 28,248</u>	<u>\$ (20,886)</u>	<u>\$ 157,226</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Board of Library Trustees:</b>				
Capital assets being depreciated:				
Equipment and vehicles	\$ 11,500	\$ 1,524	\$ -	\$ 13,024
Circulation materials	17,652	6,578	(5,437)	18,793
Total capital assets being depreciated	<u>29,152</u>	<u>8,102</u>	<u>(5,437)</u>	<u>31,817</u>
Less accumulated depreciation	<u>(17,118)</u>	<u>(5,604)</u>	<u>5,437</u>	<u>(17,285)</u>
Board of Library Trustees capital assets, net	<u>\$ 12,034</u>	<u>\$ 2,498</u>	<u>\$ -</u>	<u>\$ 14,532</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 to finance pension obligations of the System and the Pension Plan. The County's full faith, credit and unlimited taxing power are irrevocably pledged to the payment of the principal and interest of these bonds and notes.

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

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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	\$ 3,235,791	\$ 2,290,073
General obligation debt outstanding applicable to debt limit	1,675,110	1,010,645

General obligation debt issuances require approval by voter referendum. Approved and unissued general obligation bonded debt totaled \$577,177,361 as of June 30, 2013, comprised of \$261,846,881 for public schools, \$270,390,910 for public facilities and \$44,939,570 for the Community College. Appropriated and unissued Metropolitan District bonded debt totaled \$465,388,386 as of June 30, 2013.

**General Obligation Bonds**

On December 12, 2012, the County sold \$253 million General Obligation Bonds consisting of \$60 million Metropolitan District Bonds (75<sup>th</sup> 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 million 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 a current refunding of \$18,005,000 Metropolitan District Bonds, a current refunding of \$11,080,000 Consolidated Public Improvement Bonds and the advanced refunding of \$83,000,000 Consolidated Public Improvement Bonds. The net proceeds of the refunding were invested in State and Local Government Securities (SLGS) and deposited 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 \$15,825,721 was obtained. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7.7 million, which will be charged to future operations using the effective interest method. The advanced refunding of the \$83,000,000 Consolidated Public Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

On December 13, 2012, the County sold \$256,290,000 Taxable General Obligation Bonds to fund the present value of the increased liability of the portion of the Employees' Retirement System of Baltimore County (the "System") that was 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 \$255 million proceeds from the bonds were used to purchase investments for the benefit of the System.

**General Obligation Bond Anticipation Notes (BANs)**

As of June 30, 2013, 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 2013, the County issued \$193 million in CPI BANs and \$60 million in MD BANs in two separate issuances

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as follows:

On December 12, 2012, the County redeemed and concurrently reissued \$53 million Consolidated Public Improvement Commercial Paper BANs (CPI CP BANs).

On February 6, 2013, 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 February 24, 2014, with a true interest cost of 0.16%.

CP BANs are sold with an initial maturity of up to 270 days, and upon maturity they are remarketed. This remarketing is backed for liquidity purposes by a line of credit, the terms of which provide that no principal repayments are due by the County until the completion of the liquidity agreement. The weighted-average maturity of the CP BANs for FY 2013 was 40 days and interest rates ranged from 0.08% to 0.20%.

#### **Maryland Water Quality Financing Agreement**

During FY 2013, the County issued \$11,148,941 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, 2013, the balance outstanding was \$94,485,101.

#### **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, 2013, \$83,000,000 of bonds were refunded in advance and are considered defeased.

#### **Certificates of Participation**

On February 6, 2013, the County issued \$11,830,000 Certificates of Participation (Health and Social Services Building Project) – Refunding Series 2013. The net proceeds of the refunding were invested in US Treasury Bills and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. The Certificates of Participation were used for the purpose of a current refunding of \$12,350,000 of outstanding Certificates of Participation (Health and Social Services Building Project) Series 2001. As a result of the refunding, a net present value saving of \$1,952,185 was obtained. The Certificates of Participation (Health and Social Services Building Project) – Refunding Series 2013 are due October 1, in each of the years 2013 to 2021, inclusive, and bear a true interest cost of 1.37%.

#### **Single Stream Recycling Loan**

On December 11, 2012, the County entered into an agreement with the Baltimore County Employees' Retirement System for a loan in an amount not to exceed \$21,508,651. The loan was to be used for the purpose of upgrading or replacing an existing transfer station and procuring and installing a single stream recyclables processing system at the Baltimore County Resource Recovery Facility in Cockeysville, Maryland. The loan was due to be repaid on October 1 in each of the years 2014-2023 inclusive, at a rate of 7.875%. As of June 30, 2013, the balance outstanding was \$12,945,885.

#### **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 position component in the statement of net position. 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.

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- 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 \$518.238 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, 2013.
- 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 \$846.932 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 \$388.49 million is related to these facilities as of June 30, 2013.

At June 30, 2013, the County has accrued \$15.2 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 Position based on the landfill capacity used as of the end of the fiscal year. The amount included in the landfill closure and postclosure care costs liability at June 30, 2013 represents the cumulative unspent amount reported to date based on the use of 52.61% of the estimated landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$13.69 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, 2012 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, 2013 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 \$371.39 million at June 30, 2013.

**BALTIMORE COUNTY, MARYLAND**  
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Long-term liability activity for the year ended June 30, 2013 is as follows (in thousands):

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General obligation debt					
Consolidated public improvement bonds	\$ 1,036,260	\$ 287,080	\$ (162,400)	\$ 1,160,940	\$ 61,725
Installment purchase agreement	240	-	(80)	160	80
Pension funding bonds	24,735	256,290	(7,015)	274,010	6,925
Bond anticipation notes	240,000	193,000	(193,000)	240,000	240,000
	<u>1,301,235</u>	<u>736,370</u>	<u>(362,495)</u>	<u>1,675,110</u>	<u>308,730</u>
Add remaining original issue premium	48,588	54,208	(16,418)	86,378	-
Less remaining original issue discount	(1,804)	-	84	(1,720)	-
Total general obligation debt	<u>1,348,019</u>	<u>790,578</u>	<u>(378,829)</u>	<u>1,759,768</u>	<u>308,730</u>
Certificates of participation	130,860	11,830	(21,430)	121,260	13,600
Add remaining original issue premium	15,156	786	(2,712)	13,230	-
Total certificates of participation	<u>146,016</u>	<u>12,616</u>	<u>(24,142)</u>	<u>134,490</u>	<u>13,600</u>
Other long-term liabilities					
Loan payable	-	12,946	-	12,946	-
Compensated absences	58,768	54,305	(54,652)	58,421	56,259
Claims payable	59,722	267,539	(263,755)	63,506	34,915
Other post employment benefits	142,677	8,622	-	151,299	-
Estimated landfill closing costs	14,678	524	-	15,202	-
Total other long-term liabilities	<u>275,845</u>	<u>343,936</u>	<u>(318,407)</u>	<u>301,374</u>	<u>91,174</u>
Total governmental activities long-term liabilities	<u>\$ 1,769,880</u>	<u>\$ 1,147,130</u>	<u>\$ (721,378)</u>	<u>\$ 2,195,632</u>	<u>\$ 413,504</u>
<b>Business-type activities:</b>					
General obligation debt					
Metropolitan District bonds	\$ 822,490	\$ 89,154	\$ (60,999)	\$ 850,645	\$ 43,049
Bond anticipation notes	160,000	60,000	(60,000)	160,000	160,000
	<u>982,490</u>	<u>149,154</u>	<u>(120,999)</u>	<u>1,010,645</u>	<u>203,049</u>
Add remaining original issue premium	21,452	5,439	(5,316)	21,575	-
Total general obligation debt	<u>1,003,942</u>	<u>154,593</u>	<u>(126,315)</u>	<u>1,032,220</u>	<u>203,049</u>
Certificates of participation	6,450	-	(600)	5,850	1,025
Add remaining original issue premium	814	-	(142)	672	-
Total certificates of participation	<u>7,264</u>	<u>-</u>	<u>(742)</u>	<u>6,522</u>	<u>1,025</u>
Compensated absences	1,343	935	(775)	1,503	1,414
Total business-type activities long-term liabilities	<u>\$ 1,012,549</u>	<u>\$ 155,528</u>	<u>\$ (127,832)</u>	<u>\$ 1,040,245</u>	<u>\$ 205,488</u>

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	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
<b>Component Units:</b>					
<b>Board of Education:</b>					
Compensated absences	\$ 20,592	\$ 12,931	\$ (12,116)	\$ 21,407	\$ 12,134
Capital leases	17,786	5,051	(6,799)	16,038	7,169
Net OPEB obligation	46,158	51,809	(65,172)	32,795	-
Total Board of Education	<u>84,536</u>	<u>69,791</u>	<u>(84,087)</u>	<u>70,240</u>	<u>19,303</u>
<b>Community College:</b>					
Compensated absences	5,866	3,654	(3,571)	5,949	3,816
Capital leases	1,380	-	(420)	960	451
Net OPEB obligation	7,738	5,080	(7,066)	5,752	-
Total Community College	<u>14,984</u>	<u>8,734</u>	<u>(11,057)</u>	<u>12,661</u>	<u>4,267</u>
<b>Board of Library Trustees:</b>					
Compensated absences	1,021	25	-	1,046	1,046
Net OPEB obligation	1,750	337	-	2,087	-
Total Board of Library Trustees	<u>2,771</u>	<u>362</u>	<u>-</u>	<u>3,133</u>	<u>1,046</u>
<b>Total component unit long-term liabilities</b>	<u>\$ 102,291</u>	<u>\$ 78,887</u>	<u>\$ (95,144)</u>	<u>\$ 86,034</u>	<u>\$ 24,616</u>

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General long-term debt currently outstanding as of June 30, 2013 is as follows:

**Governmental Activities:**  
(in thousands)

**General Obligation Debt:**

**Bonds**

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2013	Unamortized Premium/ (Discount)	Carrying Value 6/30/2013
02/26/04	2005-2024	3.000 - 5.000	\$ 152,000	\$ 16,600	\$ 440	\$ 17,040
02/26/04	2009-2020	3.250 - 5.000	63,085 *	57,755	1,157	58,912
09/27/06	2007-2026	4.000 - 5.000	111,000	79,000	1,730	80,730
01/03/08	2009-2028	4.000 - 5.000	140,000	108,000	3,660	111,660
02/24/09	2009-2018	2.000 - 5.000	26,880 *	15,200	1,472	16,672
02/24/09	2009-2015	3.000 - 5.000	46,140 *	17,720	501	18,221
11/05/09	2010-2025	6.150 - 6.150	19,400	19,400	(1,720)	17,680
11/10/09	2010-2029	0.650 - 5.650	155,570	137,400	454	137,854
08/10/10	2011-2022	2.500 - 4.000	13,565 *	13,555	1,076	14,631
11/09/10	2012-2017	5.000 - 5.000	70,050	63,000	5,470	68,470
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	160	-	160
11/30/11	2013-2032	3.000 - 5.000	170,000	167,000	21,331	188,331
12/12/12	2013-2024	2.000 - 5.000	94,080 *	94,080	14,414	108,494
12/12/12	2013-2032	3.000 - 5.000	193,000	193,000	33,460	226,460
12/13/12	2013-2042	0.416 - 3.739	256,290	256,290	-	256,290
			<u>1,708,330</u>	<u>1,435,110</u>	<u>83,445</u>	<u>1,518,555</u>

**Bond Anticipation Notes**

11/30/11	2011-2012	2.500 - 2.500	140,000	140,000	1,213	141,213
12/05/11	2012-2013	0.140 - 0.170	100,000	100,000	-	100,000
			<u>240,000</u>	<u>240,000</u>	<u>1,213</u>	<u>241,213</u>

**Total General Obligation Debt**      \$ 1,948,330      \$ 1,675,110      \$ 84,658      \$1,759,768

**Certificates of Participation**

06/01/04	2005-2014	3.000 - 5.000	\$ 42,500	\$ 5,000	\$ 29	\$ 5,029
08/12/09	2009-2018	3.250 - 5.000	34,700	26,000	655	26,655
06/19/12	2013-2022	3.000 - 5.000	78,430	78,430	11,823	90,253
02/06/13	2013-2021	1.500 - 3.000	11,830 *	11,830	723	12,553
			<u>\$ 167,460</u>	<u>\$ 121,260</u>	<u>\$ 13,230</u>	<u>\$ 134,490</u>

**Loan Payable**

12/11/12	2013-2021	7.88 - 7.88	\$ 21,509	\$ 12,946	\$ -	\$ 12,946
			<u>\$ 21,509</u>	<u>\$ 12,946</u>	<u>\$ -</u>	<u>\$ 12,946</u>

\* Refunding issue

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Business-type Activities:**  
(in thousands)

**General Obligation Debt:**

**Bonds**

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2013	Unamortized Premium	Carrying Value 6/30/2013
06/23/93	1995-2014	3.250 - 3.250	\$ 1,456	\$ 94	\$ -	\$ 94
11/04/94	1997-2016	3.500 - 4.750	20,902	4,366	-	4,366
03/22/00	2001-2020	2.600 - 2.600	14,417	6,143	-	6,143
06/22/01	2003-2022	2.300 - 2.300	14,105	7,440	-	7,440
06/26/02	2004-2023	2.000 - 2.000	7,006	3,729	-	3,729
03/11/03	2004-2023	1.100 - 1.100	8,638	4,639	-	4,639
02/26/04	2009-2019	3.250 - 5.000	38,645 *	29,860	639	30,499
02/26/04	2005-2035	3.000 - 5.000	48,000	35,200	(39)	35,161
07/16/04	2005-2025	1.200 - 1.200	8,501	4,082	-	4,082
09/12/05	2006-2024	1.000 - 1.000	21,146	13,036	-	13,036
09/27/06	2007-2036	4.000 - 5.000	89,000	71,000	(537)	70,463
07/31/07	2008-2027	1.000 - 1.000	16,794	12,588	-	12,588
01/03/08	2009-2038	4.250 - 5.000	200,000	171,000	3,902	174,902
02/24/09	2009-2018	3.000 - 5.000	24,515 *	11,905	668	12,573
11/10/09	2010-2039	0.650 - 5.600	106,600	95,800	300	96,100
12/18/09	2011-2032	1.000 - 1.000	16,617	13,733	-	13,733
08/10/10	2011-2030	2.000 - 4.500	61,720 *	61,590	4,000	65,590
11/09/10	2012-2018	2.000 - 5.000	30,100	25,800	1,725	27,525
11/09/10	2019-2040	2.000 - 5.050	93,900	93,900	-	93,900
11/30/11	2013-2042	3.000 - 5.000	85,000	82,100	6,419	88,519
05/31/12	2014-2032	1.800 - 1.800	24,634	24,635	-	24,635
12/12/12	2013-2032	2.250 - 5.000	18,005	18,005	348	18,353
12/12/12	2013-2042	2.000 - 5.000	60,000	60,000	3,630	63,630
			<u>1,009,701</u>	<u>850,645</u>	<u>21,055</u>	<u>871,700</u>

**Bond Anticipation Notes**

02/06/13	2013-2014	1.500 - 1.500	60,000	60,000	520	60,520
06/05/13	2013-2014	0.080 - 0.200	100,000	100,000	-	100,000
			<u>160,000</u>	<u>160,000</u>	<u>520</u>	<u>160,520</u>

**Total General Obligation Debt**

<u>\$1,169,701</u>	<u>\$1,010,645</u>	<u>\$ 21,575</u>	<u>\$ 1,032,220</u>
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**Certificates of Participation**

06/01/04	2005-2014	3.000 - 5.000	\$ 4,000	\$ 400	\$ 3	\$ 403
08/12/09	2009-2018	3.250 - 5.000	2,000	1,200	29	1,229
06/19/12	2013-2022	3.000 - 5.000	4,250	4,250	640	4,890
			<u>\$ 10,250</u>	<u>\$ 5,850</u>	<u>\$ 672</u>	<u>\$ 6,522</u>

\* Refunding issues

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The following is a schedule of the primary government's debt service payments for certain long-term debt as of June 30, 2013:

Fiscal Year Ended June 30	Governmental Activities					
	General Obligation Debt		COPs & Other Long-term Debt		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 309,035	\$ 44,953	\$ 13,600	\$ 2,781	\$ 322,635	\$ 47,734
2015	77,585	46,511	12,706	2,140	90,291	48,651
2016	85,180	52,485	15,352	4,327	100,532	56,812
2017	80,490	48,760	16,502	4,291	96,992	53,051
2018	80,980	45,159	16,673	3,449	97,653	48,608
2019-2023	394,000	174,775	59,373	6,421	453,373	181,196
2024-2028	326,245	98,634	-	-	326,245	98,634
2029-2033	202,730	39,316	-	-	202,730	39,316
2034-2038	53,880	17,336	-	-	53,880	17,336
2039-2043	64,985	6,257	-	-	64,985	6,257
<b>Total</b>	<b>\$ 1,675,110</b>	<b>\$ 574,186</b>	<b>\$ 134,206</b>	<b>\$ 23,409</b>	<b>\$ 1,809,316</b>	<b>\$ 597,595</b>

Fiscal Year Ended June 30	Business-type Activities					
	General Obligation Debt		COPs		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 203,049	\$ 30,371	\$ 1,025	\$ 70	\$ 204,074	\$ 30,441
2015	42,879	32,198	625	42	43,504	32,240
2016	43,032	31,831	625	156	43,657	31,987
2017	40,111	30,117	625	163	40,736	30,280
2018	40,286	28,556	625	132	40,911	28,688
2019-2023	184,280	120,568	2,325	271	186,605	120,839
2024-2028	163,179	85,873	-	-	163,179	85,873
2029-2033	144,629	52,107	-	-	144,629	52,107
2034-2038	108,400	22,773	-	-	108,400	22,773
2039-2043	40,800	3,381	-	-	40,800	3,381
<b>Total</b>	<b>\$ 1,010,645</b>	<b>\$ 437,775</b>	<b>\$ 5,850</b>	<b>\$ 834</b>	<b>\$ 1,016,495</b>	<b>\$ 438,609</b>

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**9. COMMITMENTS:**

***Leases***

The following is a schedule by years of future minimum rental payments for facilities and equipment under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013 (in thousands):

Year ending June 30	Primary Government	Component Units
2014	\$ 409	\$ 5,277
2015	362	4,772
2016	205	3,736
2017	117	3,771
2018	118	3,753
2019-2023	201	12,471
2024-2028	134	6,766
2029-2033	60	-
2034-2038	49	-
	<u>\$ 1,655</u>	<u>\$ 40,546</u>

The total rental expenditures for the year ended June 30, 2013, for all leases except those with terms of a month or less that were not renewed were approximately \$5.7 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 \$49.1 million, \$91.3 million, and \$16.1 million, respectively, at June 30, 2013. 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.

The State of Maryland currently allows Maryland citizens who earn personal income in jurisdictions outside Maryland to take a credit against their Maryland Personal Income Tax for the income taxes paid to other jurisdictions. Maryland has not allowed this credit against Maryland County or Municipal income taxes. A suit was brought against the State, the Wynne Case, asserting that this unequal treatment violated the Federal Commerce Clause. The State lost the case before the Maryland Court of Appeals, but the Attorney General has filed a petition for a writ of certiorari before

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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the Supreme Court of the United States to affirm that a sovereign may tax the entire income of its residence. If the Supreme Court grants a writ, the County believes that the Maryland State Comptroller, with the Wynne Case having implications for the tax structure in other states, will ultimately prevail in this litigation. If the State loses the case and must allow credits against county income taxes, the impact would be a loss of current revenues, as well as a refund of overpayments for the three prior tax years. The State Comptroller has estimated the County's liability for these refunds to be about \$13.7 million.

**11. CONTINGENCIES:**

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

The County is contingently liable for loans guaranteed in the Gifts & Grants Fund that aggregate approximately \$0.899 million as of June 30, 2013. 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 2012 and 2013 were as follows (in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012	\$ 65,936	\$ 236,496	\$ (242,710)	\$ 59,722
2013	59,722	267,539	(263,755)	63,506

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**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").

On October 15, 2012, the County Council passed Bill No. 65-12 that formally closed the System for members hired prior to July 1, 2007, now known as members of "Plan A". Members hired on or after July 1, 2007 are considered members of "Plan B". Plan A and Plan B are unitized plans of the System. 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 benefit trust fund. Separate Plan A and Plan B financial statements are included in the combining fiduciary fund statements in the supplementary information section of this report. The County is obligated for the payment of all pensions, annuities, retirement allowances, refunds, reserves and other benefits. The System is fiscally dependent on the County by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. In accordance with Section 5-1-238 of the Code, responsibility for the proper operation of the System is vested in an eight-member Board of Trustees (the "Board"), the majority of which are appointed by the County Executive. The general administration of the System is vested in the Director of Budget and Finance.

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 on or 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, 2013, 2012 and 2011, were \$73,362,028, \$65,126,694 and \$58,339,727, respectively, which were equal to the required contributions for each year. The primary government's contributions for the three aforementioned fiscal years were \$67,353,091, \$60,203,061 and \$54,739,250, respectively. In FY 2013, the County contributed an additional \$255 million to the System from the sale of pension obligation bonds, resulting in a pension net asset of \$255 million.

***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, 2013**

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The condensed financial statements as of and for the year ended June 30, 2013 are as follows (in thousands):

**Statement of Net Position**  
**Police, Fire, and Widows' Pension Plan**  
**As of June 30, 2013**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,120
Investment securities	48,721
Interest and dividends receivable	293
Total assets	<u>50,134</u>
<b>LIABILITIES</b>	
Accounts payable	13
Total liabilities	<u>13</u>
<b>NET POSITION</b>	
Net position held in trust for pension benefits	<u>\$ 50,121</u>

**Statement of Changes in Net Position**  
**Police, Fire and Widows' Pension Plan**  
**For the year ended June 30, 2013**

<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 14
Total contributions	<u>14</u>
Investment earnings:	
Net increase in the fair value of plan assets	4,273
Interest and dividends	1,424
Investment expenses	(99)
Net investment gain	<u>5,598</u>
Total additions	<u>5,612</u>
<b>DEDUCTIONS</b>	
Benefits	10,582
Total deductions	<u>10,582</u>
Change in net position	(4,970)
Net position at beginning of the year	55,091
Net position at end of the year	<u>\$ 50,121</u>

**Other Pension Plans**

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

Substantially all employees of the component units who do not participate in the System participate in the State of Maryland Teachers' Retirement and Pension Systems. Employer contributions to these systems for the years ended

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

June 30, 2013, 2012, 2011, of approximately \$82.15 million, \$103.45 million and \$99.72 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, 2013, the date of the latest available valuation, the OPEB Plan covered a projected 32,285 members; 19,447 active plan members and 12,838 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 OPEB cost (AOC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The annual required contribution 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 AOC. The AOC was calculated based on the ARC and the net OPEB liability. The following table shows the components of the AOC 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)	\$ 120,211	\$ 61,945
Interest on net OPEB liability	11,899	8,561
Adjustment to ARC	(10,960)	(7,884)
Annual OPEB cost (expense)	121,150	62,622
Contributions made	(127,540)	(54,000)
Increase (decrease) in net OPEB liability	(6,390)	8,622
Net OPEB obligation beginning of year	198,322	142,677
Net OPEB obligation end of year	<u>\$ 191,932</u>	<u>\$ 151,299</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2013 and the two preceding fiscal years were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Cost		% of Annual OPEB	
June 30	Annual OPEB Cost	Cost Contributed	Net OPEB Obligation	
2011	\$ 150,866	45.14	\$	28,254
2012	234,347	27.43		198,323
2013	121,150	105.27		191,932

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**Funded Status and Funding Progress**

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2013	\$ 232,061	\$1,707,901	\$1,475,840	13.59	\$1,246,161	118.43

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 OPEB cost 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, 2013 actuarial valuation used the projected unit credit method under which the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to all valuation years. The method used to determine the actuarial value of assets was fair value. The actuarial assumptions applied were future salary increases of 3% per year and the interest was assumed to have a discount rate of 6.0%. 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, 2013 was twenty-four years. The initial medical trend assumption is 8% decreasing gradually to an ultimate rate of 4.2% 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	2.5%
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	1.1%
Year for limiting cost growth to GDP growth	2075

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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The condensed financial statements as of and for the year ended June 30, 2013 are as follows (in thousands):

**Statement of Net Position**  
**OPEB Plan**  
**As of June 30, 2013**

**ASSETS**

Cash and cash equivalents	\$ 14,275
Investments, at fair value	297,941
Collateral for loaned securities (net of unrealized loss)	3,727
Receivables:	
Accrued interest & dividend income	366
Receivable for investments sold	5,775
Receivables other	4,023
Total assets	<u>326,107</u>

**LIABILITIES**

Collateral for loaned securities	3,926
Investments purchased	9,336
Investment expenses payable	435
Other	6,511
Total liabilities	<u>20,208</u>

**NET POSITION**

Net position held in trust for benefits	<u>\$ 305,899</u>
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**Statement of Changes in Net Position**  
**OPEB Plan**  
**For the year ended June 30, 2013**

**ADDITIONS**

Contributions:	
Employer	\$ 127,540
Employee	31,283
On-behalf	14,135
Total contributions	<u>172,958</u>
Investment earnings:	
Net increase in the fair value of plan assets	20,017
Interest and dividends	5,162
Securities lending loss	(156)
Investment expenses	(1,908)
Net investment gain	<u>23,115</u>
Total additions	<u>196,073</u>

**DEDUCTIONS**

Benefits	122,235
Total deductions	<u>122,235</u>
Change in net position	73,838
Net position at beginning of the year	232,061
Net position at end of the year	<u>\$ 305,899</u>

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**15. INDIVIDUAL FUND DISCLOSURES:**

**Details of Fund Balances**

The details of the Governmental Funds balances at June 30, 2013 are shown as follows (in thousands):

	<u>General</u>	<u>Gifts and Grants</u>	<u>Consolidated Public Improvement Construction</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Fund balances					
Nonspendable:					
Inventories	\$ 6,772	\$ -	\$ -	\$ -	\$ 6,772
Total Nonspendable	<u>6,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,772</u>
Restricted for:					
Equipment financing	68,821	-	-	-	68,821
Bond escrow	319	-	-	-	319
Loan guarantees and grants	-	21,770	-	-	21,770
Total Restricted	<u>69,140</u>	<u>21,770</u>	<u>-</u>	<u>-</u>	<u>90,910</u>
Assigned to:					
Encumbrances for:					
Contractual services	2,227	-	-	-	2,227
Supplies & materials	1,453	-	-	-	1,453
Equipment & other	1,530	-	-	-	1,530
Imprest funds	69	-	-	-	69
Loans & grants	-	14,182	-	-	14,182
Subsequent year's expenditures	39,532	-	-	-	39,532
Retirement of long-term debt	46,475	-	-	-	46,475
Liquor license regulation	-	-	-	183	183
Total Assigned	<u>91,286</u>	<u>14,182</u>	<u>-</u>	<u>183</u>	<u>105,651</u>
Unassigned:					
Revenue stabilization	85,034	-	-	-	85,034
Other	209,901	-	(48,347)	-	161,554
Total Unassigned	<u>294,935</u>	<u>-</u>	<u>(48,347)</u>	<u>-</u>	<u>246,588</u>
Total fund balances(deficit)	<u>\$ 462,133</u>	<u>\$ 35,952</u>	<u>\$ (48,347)</u>	<u>\$ 183</u>	<u>\$ 449,921</u>

**Deficit Fund Balance**

At June 30, 2013, the Consolidated Public Improvement Construction Fund had an unassigned fund deficit of \$48.347 million. This deficit will be eliminated by pay-as-you-go contributions from the General Fund and from bond proceeds.

**16. NEW ACCOUNTING PRONOUNCEMENTS:**

The County adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB No. 14 and No. 34*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. These Statements have no material effect on the County's financial statements.

The County adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which addresses

**BALTIMORE COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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the reclassification of certain items that were previously reported as assets and liabilities to deferred outflows/deferred inflows of resources. The County is no longer amortizing the issuance costs related to debt.

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

	Metropolitan District Enterprise Fund	Government-wide	
		Governmental Activities	Business-type Activities
Net position July 1 2012, as previously stated	\$ 387,715	\$ 1,069,044	\$ 390,802
Effect of accounting change	(3,155)	(5,596)	(3,155)
Net position July 1 2012, as restated	<u>\$ 384,560</u>	<u>\$ 1,063,448</u>	<u>\$ 387,647</u>

**17. SUBSEQUENT EVENTS:**

On August 15, 2013, the County paid in full, the principal of \$13,659,260 and interest of \$500,157 to the Employees' Retirement System and cancelled the loan agreement. On the same date, the County entered into a conditional purchase agreement with the Baltimore County Police, Fire and Widows Pension Plan to advance funds to the County to repay the loan to the Employees' Retirement System and finance the County's acquisition of the Single Stream Recycling project up to a maximum purchase price of \$18,625,000. The principal component of the loan is to be repaid monthly commencing July 1, 2014 through June 30, 2018. The interest component of the loan is being paid monthly at an annual rate of 7.875%. The interest payments commenced September 30, 2013 with the final payment due June 30, 2018.





## **Required Supplementary Information**

**BALTIMORE COUNTY, MARYLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2013**

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**OPEB Plan:**

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

Schedule of Funding Progress  
(dollars in thousands)

Actuarial Valuation Date <u>June 30</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
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
2013	232,061	1,707,901	1,475,840	13.59	1,246,161	118.43

\* 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
2011	\$ 151,453	44.97
2012	234,440	27.42
2013	120,211	106.10



## **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 - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>General Government:</b>				
Legislative:				
County Council	\$ 1,899	\$ 1,899	\$ 1,780	\$ 119
Judicial:				
Circuit Court:				
Criminal and civil adjudication	4,473	4,473	4,393	80
Orphans Court:				
Adjudication of estates	201	201	199	2
States Attorney:				
Criminal prosecution	8,188	8,188	7,942	246
County Sheriff:				
Conveying prisoners and serving summonses	5,542	5,542	5,446	96
Total	<u>18,404</u>	<u>18,404</u>	<u>17,980</u>	<u>424</u>
Executive:				
Office of the County Executive	987	987	983	4
County Administrative Officer:				
General administration	1,256	1,256	1,247	9
Baltimore metropolitan council	131	131	131	-
Total	<u>2,374</u>	<u>2,374</u>	<u>2,361</u>	<u>13</u>
Elections:				
Board of Supervisors of Elections	<u>3,992</u>	<u>3,992</u>	<u>3,561</u>	<u>431</u>
Financial Administration:				
Office of Budget and Finance:				
Budget formulation and administration	1,195	1,195	1,130	65
Financial operations	4,097	4,077	3,950	127
Pay systems	249	269	262	7
Investment and debt management	331	331	327	4
Insurance administration	1,656	1,656	1,642	14
Purchasing and disbursements	1,379	1,379	1,201	178
Total	<u>8,907</u>	<u>8,907</u>	<u>8,512</u>	<u>395</u>
County Auditor	<u>1,574</u>	<u>1,574</u>	<u>1,311</u>	<u>263</u>
Office of Law:				
General legal services	2,338	2,373	2,361	12
Legislative relations	291	284	276	8
Ethics/human relations	289	261	235	26
Total	<u>2,918</u>	<u>2,918</u>	<u>2,872</u>	<u>46</u>
Other:				
Vehicle Operations and Maintenance	1,138	1,138	1,080	58
Office of Planning and Community Conservation				
General administration	2,016	2,016	1,956	60
Zoning commissioner	513	513	393	120
People's counsel	184	184	183	1
Community conservation	351	351	339	12
Office of Human Resources:				
Personnel administration	2,299	2,299	2,277	22

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Department of Permits and Development Management:				
General administration	1,305	1,425	1,396	29
Electrical licensing and regulation	17	17	17	-
Plumbing licensing and regulation	28	28	28	-
Real estate compliance	713	778	777	1
Development processing	915	915	902	13
Code inspections and enforcement	4,480	4,295	4,185	110
Permits and licenses	696	696	646	50
Board of Appeals	218	218	207	11
Cooperative Extension Service	249	249	240	9
Office of Information Technology:				
General administration	3,121	3,101	3,095	6
Applications development	5,809	5,374	5,366	8
Computer and technical services	7,655	8,230	8,221	9
Telecommunications Services	3,123	3,003	2,980	23
Property Management				
Adminsitration	923	923	892	31
Building maintenance	6,587	6,732	6,730	2
Building operarion and management	16,253	16,253	15,720	533
Maintenance of grounds and recreation sites	6,528	6,383	6,128	255
Total	<u>65,121</u>	<u>65,121</u>	<u>63,758</u>	<u>1,363</u>
General Government Total	<u>105,189</u>	<u>105,189</u>	<u>102,135</u>	<u>3,054</u>
<b>Public Safety:</b>				
Police Department:				
General administration	3,114	2,914	2,895	19
Administrative & technical services	24,322	23,622	23,581	41
Criminal/forensic investigations	22,136	19,986	19,667	319
Vice/intelligence/narcotics	8,346	7,521	7,102	419
Patrol/precincts	113,807	117,994	117,947	47
Support operations	12,919	13,027	13,019	8
Human resources	3,263	2,938	2,895	43
School safety	1,349	1,254	1,248	6
Total	<u>189,256</u>	<u>189,256</u>	<u>188,354</u>	<u>902</u>
Bureau of Corrections:				
Custodial care of prisoners	34,388	34,388	34,332	56
Fire Department:				
General administration	1,010	1,010	931	79
Investigative services	1,641	1,641	1,614	27
Alarm and communication system	901	921	915	6
Field operations	77,668	77,548	76,661	887
Office of emergency preparedness	221	276	266	10
Field operation administration	1,328	1,373	1,373	-
Fire/rescue academy	1,235	1,235	1,136	99
Contributions - volunteer fire companies	6,841	6,841	6,805	36
Total	<u>90,845</u>	<u>90,845</u>	<u>89,701</u>	<u>1,144</u>

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**  
**(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>		
Communications:				
Central communications center	11,506	11,506	11,249	257
Public Safety Total	<u>325,995</u>	<u>325,995</u>	<u>323,636</u>	<u>2,359</u>
<b>Public Works:</b>				
Office of Director of Public Works:				
General administration	540	540	525	15
Metro Financing/Petition Proc	25	25	24	1
	<u>565</u>	<u>565</u>	<u>549</u>	<u>16</u>
Bureau of Engineering and Construction:				
General administration	371	371	357	14
Structural design	1,650	1,650	1,570	80
General surveying	358	358	302	56
Contracts and construction inspection	1,787	1,787	1,692	95
Total	<u>4,166</u>	<u>4,166</u>	<u>3,921</u>	<u>245</u>
Bureau of Highways:				
General administration	794	794	690	104
General operations and maintenance	13,352	13,352	12,402	950
Storm emergencies	5,987	5,826	3,715	2,111
Total	<u>20,133</u>	<u>19,972</u>	<u>16,807</u>	<u>3,165</u>
Bureau of Solid Waste Management:				
General administration	475	475	443	32
Refuse collection	28,613	28,613	28,578	35
Refuse disposal	20,312	20,312	19,833	479
Recycling	1,689	1,689	1,638	51
Total	<u>51,089</u>	<u>51,089</u>	<u>50,492</u>	<u>597</u>
Bureau of Traffic Engineering and Transportation Planning:				
Traffic planning	9,124	9,124	9,024	100
Traffic sign installation and maintenance	1,533	1,533	1,258	275
Traffic signal operation and maintenance	948	948	925	23
Total	<u>11,605</u>	<u>11,605</u>	<u>11,207</u>	<u>398</u>
Bureau of Utilities:				
Sewer and water maintenance	574	574	-	574
Bureau of Building and Equipment Services:				
Equipment maintenance	6,310	6,310	6,259	51
Total	<u>6,310</u>	<u>6,310</u>	<u>6,259</u>	<u>51</u>
Public Works Total	<u>94,442</u>	<u>94,281</u>	<u>89,235</u>	<u>5,046</u>

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Health and Human Services:</b>				
Health:				
Department of Health:				
General administration	2,563	2,613	2,588	25
Nursing services	2,984	2,869	2,816	53
Acute communicable disease control	1,252	1,252	1,218	34
Medical environmental health	2,208	2,130	2,109	21
Medical social work service	931	931	899	32
Animal control	1,718	1,718	1,698	20
Developmental disabilities	915	980	969	11
Home health services	1,526	1,526	1,501	25
Long-term care services	1,490	1,390	1,353	37
Medical assistance and hospital support	1,830	1,830	1,763	67
Dental health services	1,009	1,009	956	53
Speech, language and hearing	808	808	785	23
Total	<u>19,234</u>	<u>19,056</u>	<u>18,655</u>	<u>401</u>
Department of Environmental Protection and Resource Management	4,952	5,081	5,060	21
Human Services:				
Department of Social Services:				
Adult foster care assistance	145	145	145	-
Welfare to work program	400	400	400	-
Emergency funds/housing for the homeless	527	642	639	3
Battered spouse program	123	123	123	-
Day Resource Center	216	196	174	22
In-home care program	229	229	219	10
Volunteer program	80	87	83	4
Adult services	873	873	851	22
General administration	1,178	1,283	1,264	19
STEPS program	275	275	274	1
Children's services	453	424	423	1
Income maintenance	566	566	556	10
Family services	1,215	1,215	1,201	14
Total	<u>6,280</u>	<u>6,458</u>	<u>6,352</u>	<u>106</u>
Aging Programs & Services:				
Department of Aging:				
General administration	724	724	711	13
Adult medical day care	50	50	50	-
Senior centers network	1,840	1,865	1,862	3
Special geriatric services	166	166	135	31
Facilities	390	365	300	65
Transportation	1,082	1,082	931	151
Program and volunteer services	293	293	255	38
Total	<u>4,545</u>	<u>4,545</u>	<u>4,244</u>	<u>301</u>
Health and Human Services Total	<u>35,011</u>	<u>35,140</u>	<u>34,311</u>	<u>829</u>

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Culture and Leisure Services:</b>				
Department of Recreation and Parks:				
General administration	1,036	1,036	972	64
Community & neighborhood recreation, organization, direction and development	9,556	9,556	8,632	924
Organization Contributions:				
Organization contributions	2,762	2,762	2,762	-
General grant program	3,658	4,690	4,318	372
Culture and Leisure Services Total	<u>17,012</u>	<u>18,044</u>	<u>16,684</u>	<u>1,360</u>
<b>Economic and Community Development:</b>				
Economic Development Commission	1,345	1,345	1,295	50
Economic and Community Development Total	<u>1,345</u>	<u>1,345</u>	<u>1,295</u>	<u>50</u>
<b>Pension Plan Contributions:</b>				
Employees' retirement contributions	65,630	65,630	65,630	-
Non-system retirement	218	227	226	1
Pension Total	<u>65,848</u>	<u>65,857</u>	<u>65,856</u>	<u>1</u>
<b>Insurance Contributions</b>				
Employee health & life insurance	83,434	92,434	92,294	140
Insurance Total	<u>83,434</u>	<u>92,434</u>	<u>92,294</u>	<u>140</u>
<b>Miscellaneous:</b>				
Social Security	16,771	16,763	16,053	710
Reserve for Contingencies	16,756	-	-	-
Local share - State & Federal	13	13	13	-
Miscellaneous Total	<u>33,540</u>	<u>16,776</u>	<u>16,066</u>	<u>710</u>
<b>Payments to Component Units:</b>				
Community College	38,463	38,463	38,463	-
Board of Education	709,310	725,066	723,040	2,026
Library	33,925	33,925	33,925	-
Total Payments to Component Units	<u>781,698</u>	<u>797,454</u>	<u>795,428</u>	<u>2,026</u>

(continued)

**Baltimore County**  
**Schedule of Appropriations and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Debt Service:</b>				
Principal retirement:				
General obligation bonds:				
Community College	3,437	3,437	3,437	-
General public facilities	35,011	35,011	35,011	-
Pension funding bonds	7,015	7,015	7,015	-
Non-general obligation debt	9,080	9,080	9,080	-
Total	<u>54,543</u>	<u>54,543</u>	<u>54,543</u>	<u>-</u>
Interest:				
General obligation bonds:				
Community College	3,032	3,032	2,942	90
General public facilities	21,309	21,309	20,753	556
Pension funding bonds	1,061	1,061	1,061	-
Non-general obligation debt	3,421	3,421	1,994	1,427
Total	<u>28,823</u>	<u>28,823</u>	<u>26,750</u>	<u>2,073</u>
Fiscal charges:				
General obligation bonds:				
General public facilities	1,000	1,000	534	466
Non-general obligation debt	10	10	8	2
Total	<u>1,010</u>	<u>1,010</u>	<u>542</u>	<u>468</u>
Debt Service Total	<u>84,376</u>	<u>84,376</u>	<u>81,835</u>	<u>2,541</u>
<b>Operating Transfers Out:</b>				
Contribution to capital budget	5,000	5,000	5,000	-
Contribution to capital budget - schools	8,938	8,938	8,938	-
Gifts and Grants	6,652	6,652	6,652	-
Total Operating Transfers Out	<u>20,590</u>	<u>20,590</u>	<u>20,590</u>	<u>-</u>
General Fund Total	<u>\$ 1,648,480</u>	<u>\$ 1,657,481</u>	<u>\$ 1,639,365</u>	<u>\$ 18,116</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, 2013**  
**(In Thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Licenses and permits	\$ 1,090	\$ 1,038	\$ (52)
Total revenues	<u>1,090</u>	<u>1,038</u>	<u>(52)</u>
<b>Expenditures:</b>			
General government:			
License sale and control	676	611	65
Total expenditures	<u>676</u>	<u>611</u>	<u>65</u>
Excess of revenues over expenditures	<u>414</u>	<u>427</u>	<u>13</u>
<b>Other financing uses:</b>			
Operating transfers out	<u>(600)</u>	<u>(600)</u>	<u>-</u>
Deficiency of revenues over expenditures, and other uses	<u>\$ (186)</u>	<u>(173)</u>	<u>\$ 13</u>
Fund balance at beginning of year		356	
Fund balance at end of year		<u>\$ 183</u>	

**Baltimore County, Maryland**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2013**  
**(In Thousands)**

	<b>Vehicle Operations and Maintenance</b>	<b>Central Printing Service</b>	<b>Self-Insurance Program</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 328	\$ 88,177	\$ 88,505
Receivables, net	26	-	1,199	1,225
Due from other funds	-	-	2,983	2,983
Inventories	576	-	-	576
Prepaid costs	-	-	1,134	1,134
<b>Total current assets</b>	<b>602</b>	<b>328</b>	<b>93,493</b>	<b>94,423</b>
Capital assets:				
Non-depreciable	705	-	-	705
Depreciable (net of accumulated depreciation)	15,190	142	-	15,332
<b>Total assets</b>	<b>16,497</b>	<b>470</b>	<b>93,493</b>	<b>110,460</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,204	9	4,041	5,254
Accrued payroll	48	5	-	53
Compensated absences	221	18	-	239
Due to other funds	2,983	-	-	2,983
Claims and judgments	-	-	34,915	34,915
<b>Total current liabilities</b>	<b>4,456</b>	<b>32</b>	<b>38,956</b>	<b>43,444</b>
Noncurrent liabilities:				
Claims and judgments	-	-	28,591	28,591
<b>Total liabilities</b>	<b>4,456</b>	<b>32</b>	<b>67,547</b>	<b>72,035</b>
<b>NET POSITION</b>				
Net investment in capital assets	15,895	142	-	16,037
Unrestricted (deficit)	(3,854)	296	25,946	22,388
<b>Total net position</b>	<b>\$ 12,041</b>	<b>\$ 438</b>	<b>\$ 25,946</b>	<b>\$ 38,425</b>

**Baltimore County, Maryland**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<b>Vehicle Operations and Maintenance</b>	<b>Central Printing Service</b>	<b>Self-Insurance Program</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services-internal	\$ 17,543	\$ 757	\$ 76,563	\$ 94,863
Charges for services-other	4,433	9	169,856	174,298
Miscellaneous	195	-	-	195
Total operating revenues	<u>22,171</u>	<u>766</u>	<u>246,419</u>	<u>269,356</u>
<b>OPERATING EXPENSES</b>				
Personal services	2,404	364	-	2,768
Contractual services	534	69	-	603
Rents and utilities	101	190	-	291
Supplies and maintenance	13,128	170	-	13,298
Insurance claims and expenses	-	-	267,539	267,539
Depreciation	4,001	18	-	4,019
Other expenses	766	33	-	799
Total operating expenses	<u>20,934</u>	<u>844</u>	<u>267,539</u>	<u>289,317</u>
Operating income (loss)	<u>1,237</u>	<u>(78)</u>	<u>(21,120)</u>	<u>(19,961)</u>
<b>NONOPERATING REVENUES</b>				
Interest on investments	-	-	209	209
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>209</u>	<u>209</u>
Income (loss) before transfers	<u>1,237</u>	<u>(78)</u>	<u>(20,911)</u>	<u>(19,752)</u>
Transfers out	-	-	(134)	(134)
Change in net position	<u>1,237</u>	<u>(78)</u>	<u>(21,045)</u>	<u>(19,886)</u>
Net position at beginning of the year	10,804	516	46,991	58,311
Net position at end of the year	<u>\$ 12,041</u>	<u>\$ 438</u>	<u>\$ 25,946</u>	<u>\$ 38,425</u>

**Baltimore County, Maryland**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<b>Vehicle Operations and Maintenance</b>	<b>Central Printing Service</b>	<b>Self-Insurance Program</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 21,977	\$ 766	\$ 246,577	\$269,320
Payments to suppliers	(13,814)	(436)	-	(14,250)
Payments to employees	(2,407)	(364)	-	(2,771)
Payment for interfund services used	(766)	(33)	-	(799)
Claims paid	-	-	(255,722)	(255,722)
Other receipts	195	-	-	195
Net cash provided by (used for) operating activities	<u>5,185</u>	<u>(67)</u>	<u>(9,145)</u>	<u>(4,027)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers out	-	-	(134)	(134)
Repayment of advancement	(2,402)	-	2,402	-
Net cash provided by (used for) noncapital activities	<u>(2,402)</u>	<u>-</u>	<u>2,268</u>	<u>(134)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(2,977)	-	-	(2,977)
Sales of capital assets	194	-	-	194
Net cash used for capital and related financing activities	<u>(2,783)</u>	<u>-</u>	<u>-</u>	<u>(2,783)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	-	-	209	209
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>209</u>	<u>209</u>
Net decrease in cash and cash equivalents	-	(67)	(6,668)	(6,735)
Cash and cash equivalents at beginning of the year	-	395	94,845	95,240
Cash and cash equivalents at end of the year	<u>\$ -</u>	<u>\$ 328</u>	<u>\$ 88,177</u>	<u>\$ 88,505</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 1,237	\$ (78)	\$ (21,120)	\$ (19,961)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	4,001	18	-	4,019
Effect of changes in operating assets and liabilities:				
Receivables, net	1	-	158	159
Prepaid costs	-	-	5,411	5,411
Inventories	(68)	-	-	(68)
Accounts and other payables	17	(7)	2,622	2,632
Accrued expenses	(3)	-	-	(3)
Claims and judgements	-	-	3,784	3,784
Net cash provided by (used for) operating activities	<u>\$ 5,185</u>	<u>\$ (67)</u>	<u>\$ (9,145)</u>	<u>\$ (4,027)</u>

**Baltimore County, Maryland**  
**Combining Statement of Net Position**  
**Benefits Trust Funds**  
**June 30, 2013**  
**(In Thousands)**

	<b>Employees' Retirement System Plan A</b>	<b>Employees' Retirement System Plan B</b>	<b>Police, Fire, and Widows' Pension Plan</b>	<b>OPEB Plan</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 73,499	\$ 1,622	\$ 1,120	\$ 14,275	\$ 90,516
Collateral for loaned securities	28,195	287	-	3,727	32,209
Receivables:					
Accrued interest & dividend income	2,769	28	293	366	3,456
Receivable for investments sold	43,693	445	-	5,775	49,913
Receivables other	900	180	-	4,023	5,103
Total receivables	<u>47,362</u>	<u>653</u>	<u>293</u>	<u>10,164</u>	<u>58,472</u>
Investments, at fair value:					
U.S. Government and Agency securities	155,758	1,585	-	20,587	177,930
Municipal bonds	16,171	165	17,965	2,137	36,438
Foreign bonds	14,327	146	7,174	1,894	23,541
Corporate bonds	124,581	1,268	-	16,466	142,315
Stocks	511,825	5,210	-	67,648	584,683
Bond mutual funds	301,393	3,068	8,597	39,835	352,893
Stock mutual funds	394,524	4,016	14,985	52,145	466,670
Real estate equity funds	94,974	967	-	12,553	108,494
Hedge funds	106,667	1,086	-	14,098	121,851
Private equity funds	106,631	1,085	-	14,094	121,810
Real assets	105,945	1,078	-	14,003	121,026
Global asset allocation	321,412	3,271	-	42,481	367,164
Total investments	<u>2,254,208</u>	<u>22,945</u>	<u>48,721</u>	<u>297,941</u>	<u>2,623,815</u>
Total assets	<u>2,403,264</u>	<u>25,507</u>	<u>50,134</u>	<u>326,107</u>	<u>2,805,012</u>
<b>LIABILITIES</b>					
Securities lending payable	29,702	302	-	3,926	33,930
Investments purchased	70,632	719	-	9,336	80,687
Investment expenses payable	3,293	34	-	435	3,762
Refunds payable	134	409	-	-	543
Other	166	-	13	6,511	6,690
Total liabilities	<u>103,927</u>	<u>1,464</u>	<u>13</u>	<u>20,208</u>	<u>125,612</u>
<b>NET POSITION</b>					
Net position held in trust for benefits	<u>\$ 2,299,337</u>	<u>\$ 24,043</u>	<u>\$ 50,121</u>	<u>\$ 305,899</u>	<u>\$ 2,679,400</u>

**Baltimore County, Maryland**  
**Combining Statement of Changes in Net Position**  
**Benefits Trust Funds**  
**For the Year Ended June 30, 2013**  
**(In Thousands)**

	<b>Employees' Retirement System Plan A</b>	<b>Employees' Retirement System Plan B</b>	<b>Police, Fire, and Widows' Pension Plan</b>	<b>OPEB Plan</b>	<b>Total</b>
<b>ADDITIONS</b>					
Contributions:					
Employer	\$ 327,894	\$ 468	\$ 14	\$ 127,540	\$ 455,916
Employees	30,643	7,039	-	31,283	68,965
Intergovernmental	-	-	-	14,135	14,135
Total contributions	<u>358,537</u>	<u>7,507</u>	<u>14</u>	<u>172,958</u>	<u>539,016</u>
Investment earnings:					
Net increase in the fair value of plan assets	172,195	1,340	4,273	20,017	197,825
Interest and dividends	41,523	363	1,424	5,162	48,472
Investment expenses	<u>(15,222)</u>	<u>(141)</u>	<u>(99)</u>	<u>(1,908)</u>	<u>(17,370)</u>
Net investment gain	<u>198,496</u>	<u>1,562</u>	<u>5,598</u>	<u>23,271</u>	<u>228,927</u>
Net loss from securities lending:					
Securities lending income	118	-	-	11	129
Net decrease in fair value of investments	(1,508)	(15)	-	(199)	(1,722)
Borrower rebates	377	4	-	50	431
Agent fees	<u>(142)</u>	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>(160)</u>
Net loss from securities lending	<u>(1,155)</u>	<u>(11)</u>	<u>-</u>	<u>(156)</u>	<u>(1,322)</u>
Total net investment gain	<u>197,341</u>	<u>1,551</u>	<u>5,598</u>	<u>23,115</u>	<u>227,605</u>
Total additions	<u>555,878</u>	<u>9,058</u>	<u>5,612</u>	<u>196,073</u>	<u>766,621</u>
<b>DEDUCTIONS</b>					
Benefits	232,410	-	10,582	122,235	365,227
Refunds	2,085	1,025	-	-	3,110
Administrative expense	2,278	16	-	-	2,294
Total deductions	<u>236,773</u>	<u>1,041</u>	<u>10,582</u>	<u>122,235</u>	<u>370,631</u>
Change in net position	319,105	8,017	(4,970)	73,838	395,990
Net position at beginning of the year	<u>1,980,232</u>	<u>16,026</u>	<u>55,091</u>	<u>232,061</u>	<u>2,283,410</u>
Net position at end of the year	<u>\$ 2,299,337</u>	<u>\$ 24,043</u>	<u>\$ 50,121</u>	<u>\$ 305,899</u>	<u>\$ 2,679,400</u>

