

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, 2014, 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, 2014, 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 on pages 3-12 and the schedule of changes in the County’s net pension liability and related ratios, schedule of County contributions, and schedule of investment returns for the Police, Fire and Widow’s Pension Plan and schedule of funding progress and employers’ contributions for the OPEB Trust on pages 66-67 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, 2014, on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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, 2014

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, 2014. 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 \$4.812 billion and its liabilities were \$3.555 billion, resulting in net position of \$1.257 billion.
- The County's total net position decreased by \$83.53 million as a result of current year operations.

Fund Level:

- The County's governmental funds have combined fund balances of \$445.451 million.
- The General Fund's fund balance is \$433.982 million of which \$284.664 million is unassigned fund balance inclusive of \$85.187 million in a Revenue Stabilization account.

Long-term Debt:

- The County's total bond and note debt increased by \$77.943 million during the current year. The key factors in this increase were the issuance of \$200 million in bond anticipation notes and a \$11.657 million draw on the Maryland Water Quality Revolving Loan Fund offset by debt service payments of \$126.499 million and net principal reductions of \$7.215 million from bond refundings.

Overview of the Financial Statements

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

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

The *Statement of Net 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 \$83.53 million in FY 2014. The net position of the governmental activities decreased \$43.282 million and business-type activities decreased \$40.248 million. The schedule below presents the net position of the County's governmental and business-type activities as of June 30, 2014.

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 \$363.126 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 \$214.318 million in the business-type activities. These situations are described in more detail in Note 8.

Net Position as of June 30 (in thousands)

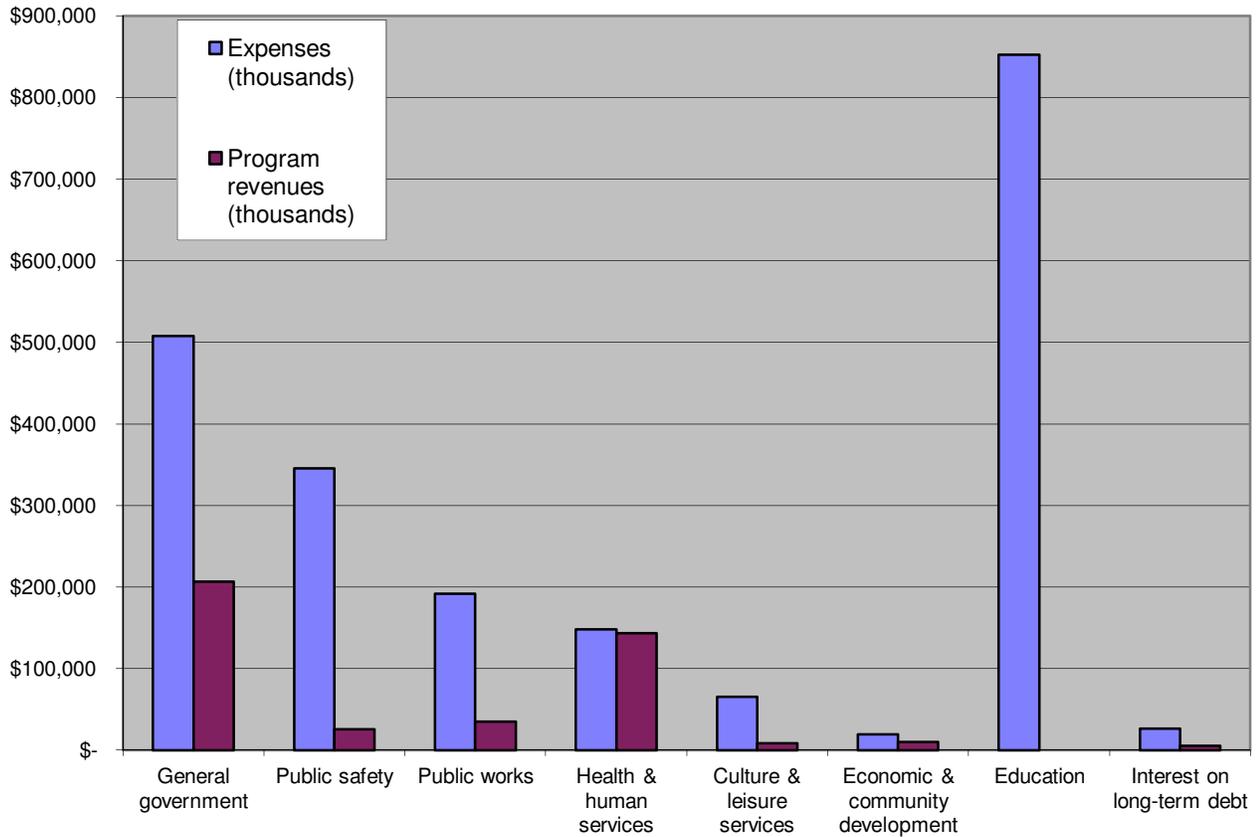
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other non-current assets	\$ 1,011,587	\$ 1,006,845	\$ 226,947	\$ 255,570	\$ 1,238,534	\$ 1,262,415
Capital assets	2,344,151	2,335,708	1,214,119	1,185,757	3,558,270	3,521,465
Total assets	3,355,738	3,342,553	1,441,066	1,441,327	4,796,804	4,783,880
Total deferred outflow of resources	\$ 9,388	\$ 9,683	\$ 5,527	\$ 5,013	\$ 14,915	\$ 14,696
Liabilities:						
Current liabilities	568,206	582,913	270,926	258,746	839,132	841,659
Long-term liabilities	1,853,007	1,782,128	863,078	834,757	2,716,085	2,616,885
Total liabilities	2,421,213	2,365,041	1,134,004	1,093,503	3,555,217	3,458,544
Net position:						
Net investment in capital assets	1,277,986	1,313,131	526,907	553,132	1,804,893	1,866,263
Restricted	29,053	26,972	-	-	29,053	26,972
Unrestricted (deficit)	(363,126)	(352,908)	(214,318)	(200,295)	(577,444)	(553,203)
Total net position	\$ 943,913	\$ 987,195	\$ 312,589	\$ 352,837	\$ 1,256,502	\$ 1,340,032

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.

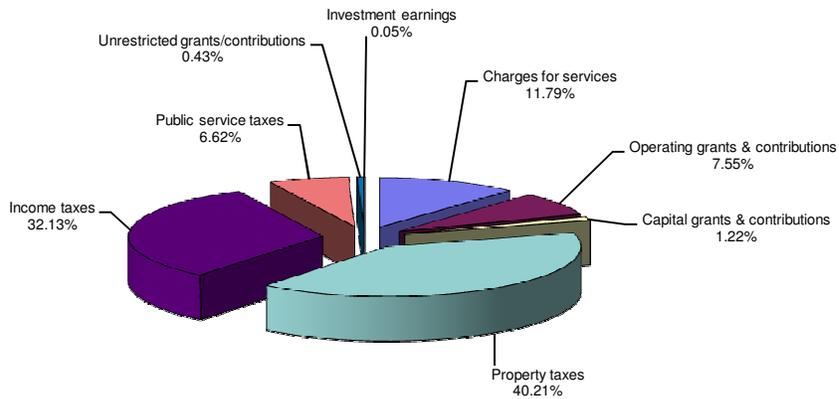
	Changes in Net Position (in thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues						
Charges for services	\$ 249,260	\$ 220,037	\$ 214,154	\$ 215,703	\$ 463,414	\$ 435,740
Operating grants	159,549	155,687	2,942	3,184	162,491	158,871
Capital grants	25,843	32,015	14,641	16,071	40,484	48,086
General revenues						
Property taxes	850,367	847,439	-	-	850,367	847,439
Income taxes	679,371	573,376	-	-	679,371	573,376
Public service taxes	140,032	143,067	-	-	140,032	143,067
Unrestricted grants and contributions	9,063	9,686	-	-	9,063	9,686
Investment earnings	1,096	1,416	192	322	1,288	1,738
Total revenues	<u>2,114,581</u>	<u>1,982,723</u>	<u>231,929</u>	<u>235,280</u>	<u>2,346,510</u>	<u>2,218,003</u>
Expenses						
General government	507,968	499,598	-	-	507,968	499,598
Public safety	345,801	336,402	-	-	345,801	336,402
Public works	192,092	153,997	-	-	192,092	153,997
Health and human services	147,998	149,078	-	-	147,998	149,078
Culture and leisure services	65,487	64,554	-	-	65,487	64,554
Economic and community development	19,637	21,126	-	-	19,637	21,126
Education	852,799	807,336	-	-	852,799	807,336
Interest on long-term debt	26,081	26,885	-	-	26,081	26,885
Water and sewer services	-	-	272,177	270,090	272,177	270,090
Total expenses	<u>2,157,863</u>	<u>2,058,976</u>	<u>272,177</u>	<u>270,090</u>	<u>2,430,040</u>	<u>2,329,066</u>
Change in net position	(43,282)	(76,253)	(40,248)	(34,810)	(83,530)	(111,063)
Net position - beginning	987,195	1,063,448	352,837	387,647	1,340,032	1,451,095
Net position - ending	<u>\$ 943,913</u>	<u>\$ 987,195</u>	<u>\$ 312,589</u>	<u>\$ 352,837</u>	<u>\$ 1,256,502</u>	<u>\$ 1,340,032</u>

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

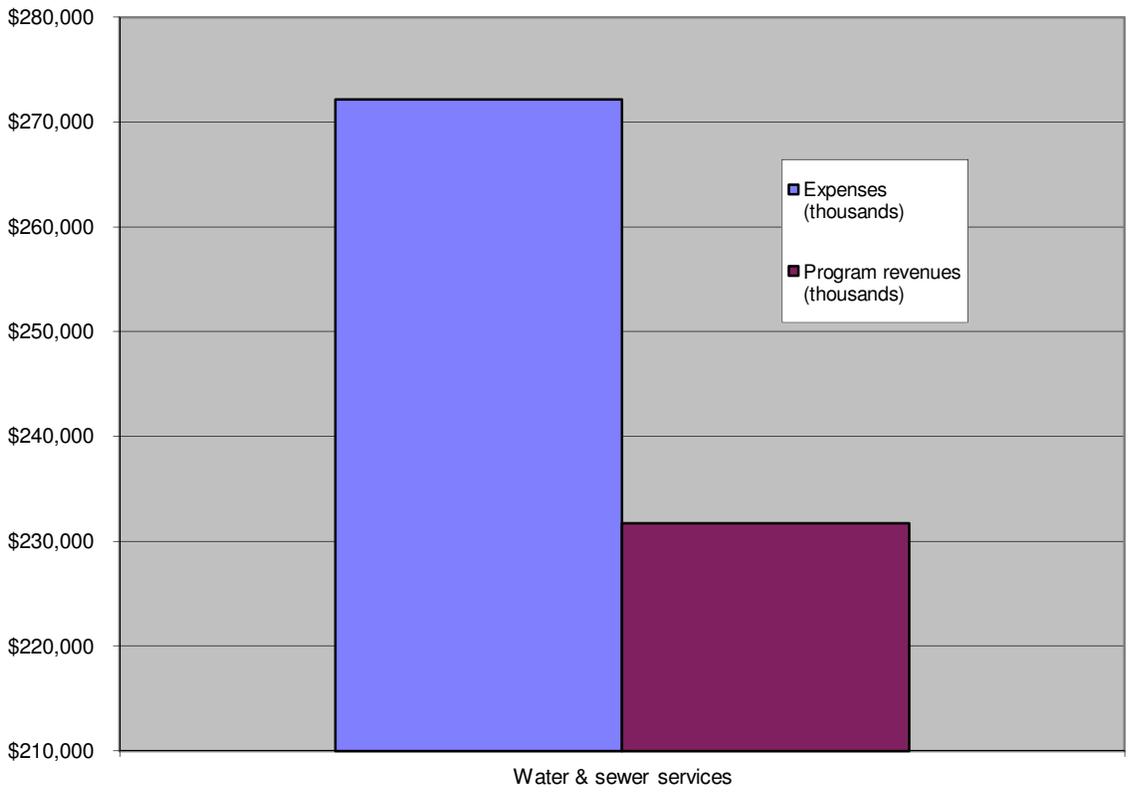
Expenses & Program Revenues-Governmental Activities



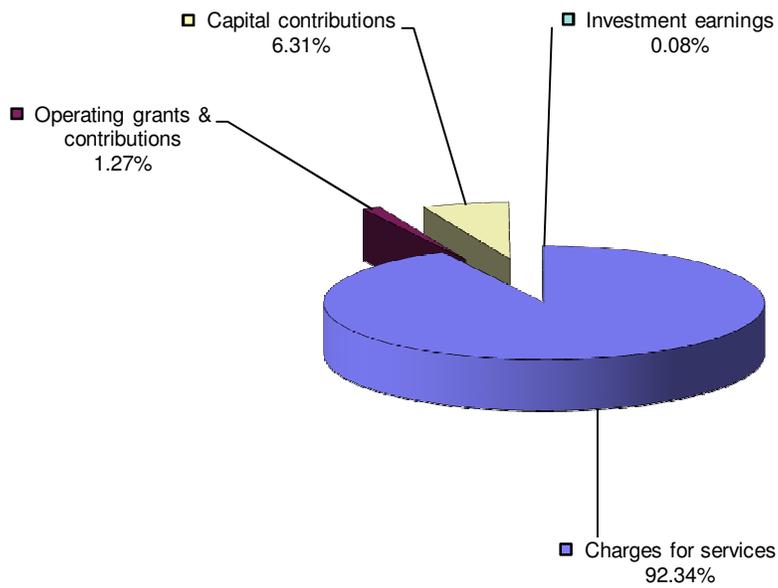
Revenues by Source-Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source-Business-type Activities



Governmental Activities

Governmental activities decreased the County's net position by \$43.282 million. Key elements affecting the change in net position included:

- General revenues increased \$104.945 million over the prior fiscal year. Income tax revenue increased \$105.995 million due from a \$62.13 million change to the County's portion of income tax reserves held by the state that was recognized under full accrual accounting and from \$43.86 million more collected, due in part, from a gradual recovery in local employment levels.
- Public Works expenses increased \$38.095 million from FY13 due primarily from additional costs incurred for snow removal, monies spent on the County landfill and increased depreciation expense on capital projects.
- Education expenses increased \$45.463 million from FY13 due to \$27.8 million additional funding of operational costs for the Board of Education and increased non-capitalizable expenses of \$18.3 million incurred for component unit assets.
- The outstanding debt for the Board of Education and the Community College capital projects (see previous discussion) increased by \$51 million in FY14.

Business-type Activities

Business-type activities decreased the County's net position by \$40.248 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 FY14, the County's cost sharing contribution of \$57.213 million to Baltimore City for capital facilities remained at a high level. The upgrade of the Patapsco and Back River wastewater treatment plants by the city are major projects contributing to this high level of cost sharing.
- Final settlement of FY13 water and sewer operating costs between the County and Baltimore City resulted in a \$8.329 million payment to the city in FY14. Additionally, a payment of \$2.321 million was made to the city as a result of a revision to the FY12 water settlement.
- Front foot assessments that are billed over 40 years to County homeowners to recover costs for County construction of water and sewer lines showed a continuing decline of \$6.341 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 \$445.451 million as of June 30, 2014, a decrease of \$4.47 million. Unassigned fund balance of the General Fund, as stated below, is available at the County's discretion. The remaining positive fund balance of \$184.043 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 FY14, unassigned fund balance of the General Fund was \$284.664 million, while total fund balance was \$433.982 million. Unassigned fund balance represents 16.52% of total budgetary expenditures, while total fund balance represents 25.19% of total budgetary expenditures. These ratios are typically useful as a measure of the General Fund's liquidity. The County has \$85.187 million in a Revenue Stabilization account and has assigned \$78.056 million to finance, in part, the FY15 operating budget.

The General Fund fund balance decreased by \$28.151 million during the current fiscal year. Income tax revenue was \$43.863 million more than in FY13, due, in part, from improved resident employment. Payments for component units, including transfers for school projects, increased \$48.468 million which reflects the County's funding commitment at Maintenance of Effort level and to address aging school concerns, plus one-time money to address initiatives of the new school superintendent. The General Fund also had increased contributions of \$13.109 million due to increased pension and healthcare costs and increased debt service obligations of \$17.57 million from added borrowing to fund capital construction.

The Gifts and Grants Fund fund balance of \$31.855 million consists primarily of \$17.768 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 \$4.097 million decrease in total fund balance is a \$3.41 million spend down of administrative fees earned by the County's Section 8 Housing Office.

The Consolidated Public Improvement Construction Fund fund balance increased \$25.091 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 \$122.088 million in new debt to fund capital projects. Capital expenditures for various County projects decreased \$2.594 million to \$95.334 million while payments to component units for their capital facilities increased \$16.28 million to \$82.799 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 position decreased \$40.208 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 \$12 million to various Public Works programs to cover unanticipated costs. The major part of the supplement was \$10.73 million to the Storm Emergencies program to cover winter storm related costs where snow accumulation totals for the winter were the highest in 15 years. Significant differences between the final budget and actual amounts are summarized as follows:

- The County had \$9.13 million in salary savings across the board from the continuation of position vacancy control and from overfunding the level of salary increments.
- Income tax revenue was \$63.63 million more than budget because of a change in the State's allocation formula for current quarterly distributions. Also, the County estimated a decrease in collections in FY14 to reflect a shift in reportable income on taxpayer returns that will not occur until FY15.
- Savings of \$1.014 million on the Board of Elections program was due primarily to the County's pro rate share of maintenance on the State election system being substantially lower.
- A major factor for miscellaneous revenue being \$2.559 million more than budget is the County realizing additional revenue from the sale of recyclable materials with the opening of the new Single Stream Recycling Facility in November 2013.
- The Storm Emergencies program used only \$8.072 million of the above \$10.73 million supplemental appropriation due to lower than anticipated costs for snow removal.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities totaled \$3.558 billion net of accumulated depreciation. The investment in capital assets includes land, buildings, machinery, vehicles and infrastructure assets.

Capital Assets as of June 30, net of accumulated depreciation (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 268,599	\$ 267,218	\$ 1,317	\$ 1,317	\$ 269,916	\$ 268,535
Buildings and improvements	338,292	341,244	113,582	110,171	451,874	451,415
Vehicles and equipment	121,794	110,534	4,996	3,870	126,790	114,404
Infrastructure	1,200,698	1,236,289	864,267	828,631	2,064,965	2,064,920
Construction in progress	414,768	380,423	229,957	241,768	644,725	622,191
Total	<u>\$ 2,344,151</u>	<u>\$ 2,335,708</u>	<u>\$ 1,214,119</u>	<u>\$ 1,185,757</u>	<u>\$ 3,558,270</u>	<u>\$ 3,521,465</u>

The County added \$4.8 million for new or improved roads, \$.43 million for storm drains, and \$26.9 million for water and sewer lines as a major part of its infrastructure assets for FY14.

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

- The County opened a new Single Stream Recycling Facility at a cost of \$22.2 million.
- The County completed repairs and renovations to the Orem Road, Randallstown and Duck Creek pumping stations totaling \$12.5 million.
- The County completed upgrades to the Essex Sewage pumping station at a cost of \$4.2 million.
- The County completed a communication systems upgrade for \$5.6 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 \$2.778 billion. This includes Consolidated Public Improvement bonds and notes of \$1.452 billion, Pension Funding bonds of \$.267 billion and Metropolitan District bonds and notes of \$1.059 billion. The bonds and notes are backed by the full faith and credit of the County.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 1,502,815	\$ 1,435,110	\$ 875,708	\$ 850,645	\$ 2,378,523	\$ 2,285,755
General obligation BANs	216,000	240,000	183,800	160,000	399,800	400,000
Total	<u>\$ 1,718,815</u>	<u>\$ 1,675,110</u>	<u>\$ 1,059,508</u>	<u>\$ 1,010,645</u>	<u>\$ 2,778,323</u>	<u>\$ 2,685,755</u>

The County's general obligation debt increased in 2014 by \$92.568 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 \$3.141 billion and \$2.229 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 2013 to January 2014 period, County residential employment increased by 14,178 people, or 0.5%.
- The unemployment rate among County residents was 6.3% in January 2014, down from 7.6% a year earlier, and higher than the current state rate of 6.1%.
- Existing home sales in the County totaled 7,213 units in CY13, 10.3% above CY12 sales.
- The County's Spending Affordability Committee set a budget base for FY15 not to exceed 3.87%. 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 \$34.832 million in FY14 to \$18.114 million in FY15.

These and other economic indicators were considered when preparing the FY15 General Fund budget, which estimates revenues at \$1.784 billion. General Fund appropriations for FY15 of \$1.862 billion reflect a 7.25% increase over the FY14 adjusted budget. The FY15 budget includes funding for a 3% bonus to County and component units employees. The County lowered the Retirement System's Valuation Rate (the assumed long term earnings on the System's investments) to 7%, which required an additional \$7.2 million to fully fund its Annual Required Contribution (ARC). The budget includes \$116.1 million in OPEB contributions meeting its ARC with current year funding for the first time. Also, the County's Schools for Our Future Initiative begins with \$19.3 million to the Schools Capital Budget in FY15 plus another \$157.9 million in a borrowing ordinance to address space, air conditioning and inefficient aging building concerns in the Public School System. The difference between estimated revenue and appropriations of \$78 million is covered by fund balance reserves. The projected unassigned fund balance at the end of FY15 is \$267.278 million or 15 % of the estimated FY15 total revenues.

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, 2014
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments (Note 3)	\$ 531,221	\$ 88,861	\$ 620,082	\$ 87,105
Receivables, net (Note 5)	182,283	132,172	314,455	47,406
Due from primary government (Note 6)	-	-	-	58,675
Inventories	6,092	794	6,886	2,736
Prepaid costs	1,135	-	1,135	145
Net pension asset	255,000	-	255,000	-
Restricted assets:				
Cash and investments (Note 3)	35,856	5,120	40,976	6,458
Capital assets (Note 7)				
Not being depreciated	683,367	231,274	914,641	256,710
Depreciable (net of accumulated depreciation)	1,660,784	982,845	2,643,629	1,364,123
Total assets	<u>3,355,738</u>	<u>1,441,066</u>	<u>4,796,804</u>	<u>1,823,358</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	9,388	5,527	14,915	-
Total deferred outflows of resources	<u>9,388</u>	<u>5,527</u>	<u>14,915</u>	<u>-</u>
LIABILITIES				
Accounts payable	50,660	29,246	79,906	48,190
Accrued payroll	10,737	438	11,175	22,414
Accrued interest payable	22,004	11,780	33,784	-
Internal balances	2,820	(2,820)	-	-
Due to component units (Note 6)	54,364	-	54,364	-
Other liabilities	24,098	2,964	27,062	3,587
Unearned revenue (Note 5)	3,603	-	3,603	8,869
Liabilities payable from restricted assets	-	-	-	6,458
Noncurrent liabilities (Note 8)				
Due within one year	399,920	229,318	629,238	34,965
Due in more than one year	1,853,007	863,078	2,716,085	68,978
Total liabilities	<u>2,421,213</u>	<u>1,134,004</u>	<u>3,555,217</u>	<u>193,461</u>
NET POSITION				
Net investment in capital assets	1,277,986	526,907	1,804,893	1,574,290
Restricted for:				
Public works	9,938	-	9,938	-
Economic development	899	-	899	-
Education	-	-	-	22,137
Grant projects	17,768	-	17,768	-
Debt service	448	-	448	-
Expendable endowments	-	-	-	4,832
Unrestricted (deficit)	(363,126)	(214,318)	(577,444)	28,638
Total net position	<u>\$ 943,913</u>	<u>\$ 312,589</u>	<u>\$ 1,256,502</u>	<u>\$ 1,629,897</u>

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

Baltimore County, Maryland
Statement of Activities
For the Year Ended June 30, 2014
(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	Primary Government		
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 507,968	\$ 202,899	\$ 3,849	\$ -	\$ (301,220)	\$ -	\$ (301,220)
Public safety	345,801	9,205	16,175	-	(320,421)	-	(320,421)
Public works	192,092	3,681	5,614	25,843	(156,954)	-	(156,954)
Health and human services	147,998	28,872	114,841	-	(4,285)	-	(4,285)
Culture and leisure services	65,487	4,018	4,124	-	(57,345)	-	(57,345)
Economic and community development	19,637	585	9,524	-	(9,528)	-	(9,528)
Education	852,799	-	-	-	(852,799)	-	(852,799)
Interest on long-term debt	26,081	-	5,422	-	(20,659)	-	(20,659)
Total governmental activities	2,157,863	249,260	159,549	25,843	(1,723,211)	-	(1,723,211)
Business-type activities:							
Water and sewer services	272,177	214,154	2,942	14,641	-	(40,440)	(40,440)
Total business-type activities	272,177	214,154	2,942	14,641	-	(40,440)	(40,440)
Total primary government	\$ 2,430,040	\$ 463,414	\$ 162,491	\$ 40,484	\$ (1,723,211)	\$ (40,440)	\$ (1,763,651)
COMPONENT UNITS							
Board of Education	\$ 1,530,860	\$ 13,134	\$ 183,182	\$ 92,056	-	-	(1,242,488)
Community College	214,948	71,969	95,910	16,970	-	-	(30,099)
Board of Library Trustees	45,345	3,374	6,247	-	-	-	(35,724)
Total component units	\$ 1,791,153	\$ 88,477	\$ 285,339	\$ 109,026	-	-	(1,308,311)
General revenues:							
Taxes:							
Property taxes					850,367	-	850,367
Income taxes					679,371	-	679,371
Public service taxes					140,032	-	140,032
Grants and contributions not restricted to specific programs:							
Baltimore County					-	-	786,262
State of Maryland					9,063	-	585,920
Unrestricted investment earnings					1,096	192	719
Other					-	-	7,279
Total general revenues and transfers					1,679,929	192	1,680,121
Change in net position					(43,282)	(40,248)	(83,530)
Net position at beginning of the year, as restated (Note 17)					987,195	352,837	1,340,032
Net position at end of the year					\$ 943,913	\$ 312,589	\$ 1,256,502

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

Baltimore County, Maryland
Balance Sheet
Governmental Funds
June 30, 2014
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 406,220	\$ 17,695	\$ 15,271	\$ 2,414	\$ 441,600
Cash and investments - restricted	35,856	-	-	-	35,856
Receivables, net	122,561	52,265	5,552	486	180,864
Inventories	5,574	-	-	-	5,574
Total assets	<u>\$ 570,211</u>	<u>\$ 69,960</u>	<u>\$ 20,823</u>	<u>\$ 2,900</u>	<u>\$ 663,894</u>
LIABILITIES					
Accounts payable	\$ 21,287	\$ 3,572	\$ 17,842	\$ 4	\$ 42,705
Accrued expenditures	10,102	548	-	26	10,676
Due to component units	42,904	-	11,460	-	54,364
Other liabilities	11,714	1,257	11,127	-	24,098
Unearned revenue - other (Note 5)	488	3,115	-	-	3,603
Total liabilities	<u>86,495</u>	<u>8,492</u>	<u>40,429</u>	<u>30</u>	<u>135,446</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue (Note 5)	49,734	29,613	3,650	-	82,997
Total deferred inflows of resources	<u>49,734</u>	<u>29,613</u>	<u>3,650</u>	<u>-</u>	<u>82,997</u>
FUND BALANCES (DEFICITS) (NOTE 15)					
Nonspendable	5,574	-	-	-	5,574
Restricted	34,889	18,667	-	-	53,556
Committed	-	-	-	-	-
Assigned	108,855	13,188	-	2,870	124,913
Unassigned	284,664	-	(23,256)	-	261,408
Total fund balances (deficit)	<u>433,982</u>	<u>31,855</u>	<u>(23,256)</u>	<u>2,870</u>	<u>445,451</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 570,211</u>	<u>\$ 69,960</u>	<u>\$ 20,823</u>	<u>\$ 2,900</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.	2,329,611
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.	82,997
Excess Plan A pension benefits contributions made in relation to the Annual Required Contribution is recognized as a year-end asset in the governmental activities.	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.	44,577
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).	(2,213,723)
Net position of governmental activities	<u>\$ 943,913</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, 2014
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,645,650	\$ -	\$ -	\$ -	\$ 1,645,650
Licenses and permits	4,925	-	-	25,660	30,585
Intergovernmental	43,473	123,954	9,666	-	177,093
Repayment of loans	-	2,978	-	-	2,978
Charges for services	11,118	11,392	1,075	85	23,670
Assessments	-	-	2,745	-	2,745
Fines and forfeitures	5,066	-	-	-	5,066
Investment income	1,048	343	-	37	1,428
Miscellaneous	28,837	1,285	3,582	-	33,704
Total revenues	<u>1,740,117</u>	<u>139,952</u>	<u>17,068</u>	<u>25,782</u>	<u>1,922,919</u>
EXPENDITURES					
Current:					
General government	109,055	2,984	-	1,630	113,669
Public safety	332,145	10,631	-	-	342,776
Public works	114,481	1,938	-	-	116,419
Health and human services	34,600	112,012	-	-	146,612
Culture and leisure services	17,237	3,270	-	-	20,507
Economic and community development	1,129	19,792	-	-	20,921
Pension plan contributions	71,791	-	-	-	71,791
Healthcare contributions	99,447	-	-	-	99,447
Miscellaneous	16,532	-	-	-	16,532
Capital projects	-	-	95,334	-	95,334
Payments to component units	828,510	-	82,799	-	911,309
Debt service:					
Principal retirement	59,631	-	-	-	59,631
Interest	49,256	-	-	-	49,256
Fiscal charges	1,250	-	-	-	1,250
Total expenditures	<u>1,735,064</u>	<u>150,627</u>	<u>178,133</u>	<u>1,630</u>	<u>2,065,454</u>
Excess (deficiency) of revenues over expenditures	<u>5,053</u>	<u>(10,675)</u>	<u>(161,065)</u>	<u>24,152</u>	<u>(142,535)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	140,000	-	140,000
Refunding bonds issued	39,530	-	-	-	39,530
Bond anticipation notes issued	-	-	116,000	-	116,000
Bond anticipation notes - refunding	-	-	(140,000)	-	(140,000)
Payment to refunding escrow agents	(44,190)	-	-	-	(44,190)
Premiums on debt	20,659	-	-	-	20,659
Loans	-	-	6,088	-	6,088
Transfers in	275	6,853	64,648	-	71,776
Transfers out	(49,478)	(275)	(580)	(21,465)	(71,798)
Total other financing sources (uses)	<u>(33,204)</u>	<u>6,578</u>	<u>186,156</u>	<u>(21,465)</u>	<u>138,065</u>
Net change in fund balances	<u>(28,151)</u>	<u>(4,097)</u>	<u>25,091</u>	<u>2,687</u>	<u>(4,470)</u>
Fund balances (deficit) at beginning of the year	462,133	35,952	(48,347)	183	449,921
Fund balances (deficit) at end of the year	<u>\$ 433,982</u>	<u>\$ 31,855</u>	<u>\$ (23,256)</u>	<u>\$ 2,870</u>	<u>\$ 445,451</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, 2014
(In Thousands)

Net change in fund balances-total governmental funds	\$ (4,470)
<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>	1,092
<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>	8,848
<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 inflows increased this year.</p>	8,412
<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>	(55,821)
<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>	(10,355)
<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>	9,012
<p>Change in net position of governmental activities</p>	<u><u>\$ (43,282)</u></u>

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, 2014
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES				
Taxes	\$ 1,584,576	\$ 1,584,576	\$ 1,645,650	\$ 61,074
Licenses and permits	4,559	4,559	4,925	366
Intergovernmental	42,791	42,791	43,473	682
Charges for services	10,909	10,909	11,118	209
Fines and forfeitures	4,612	4,612	5,066	454
Reimbursement from other funds	8,502	8,502	8,637	135
Interest on investments	1,350	1,350	1,022	(328)
Miscellaneous	27,385	27,385	29,944	2,559
Total revenues	<u>1,684,684</u>	<u>1,684,684</u>	<u>1,749,835</u>	<u>65,151</u>
EXPENDITURES				
Current:				
General government	105,824	106,578	103,973	2,605
Public safety	328,546	329,196	324,374	4,822
Public works	95,419	107,419	104,495	2,924
Health and human services	35,726	35,930	34,837	1,093
Culture and leisure services	17,955	18,078	17,289	789
Economic and community development	1,249	1,249	1,170	79
Pension plan contributions	71,805	71,810	71,807	3
Healthcare contributions	101,080	99,772	99,500	272
Miscellaneous	17,375	16,897	16,532	365
Payments to component units	821,370	821,370	821,274	96
Debt service:				
Principal retirement	59,590	59,631	59,631	-
Interest	35,684	35,693	35,656	37
Fiscal charges	635	635	635	-
Total expenditures	<u>1,692,258</u>	<u>1,704,258</u>	<u>1,691,173</u>	<u>13,085</u>
Excess (deficiency) of revenues over expenditures (budgetary basis)	<u>(7,574)</u>	<u>(19,574)</u>	<u>58,662</u>	<u>78,236</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	275	275	275	-
Transfers out	(32,233)	(32,233)	(32,233)	-
Total other financing sources (uses)	<u>(31,958)</u>	<u>(31,958)</u>	<u>(31,958)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	<u>\$ (39,532)</u>	<u>\$ (51,532)</u>	<u>26,704</u>	<u>\$ 78,236</u>
Adjustments required under generally accepted accounting principles:				
Net change during year in reserve for encumbrances			445	
Unbudgeted equipment financing activity			(34,380)	
Unbudgeted bond escrow payment			128	
Net change in reserve for inventories, imprest funds and other programs			(22,596)	
Prior year encumbrances liquidations			1,548	
Net change in fund balance-GAAP			(28,151)	
Fund balance at beginning of the year			<u>462,133</u>	
Fund balance at end of the year			<u>\$ 433,982</u>	

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

Baltimore County, Maryland
Statement of Net Position
Proprietary Funds
June 30, 2014
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and investments	\$ 88,861	\$ 89,621
Cash and investments - restricted	5,120	-
Receivables, net (Note 5)	18,783	1,419
Due from other funds	-	1,413
Inventories	794	518
Prepaid costs	-	1,135
Total current assets	<u>113,558</u>	<u>94,106</u>
Noncurrent assets:		
Assessments receivable (Note 5)	113,389	-
Capital assets:		
Non-depreciable	231,274	705
Depreciable (net of accumulated depreciation)	<u>982,845</u>	<u>13,835</u>
Total noncurrent assets	<u>1,327,508</u>	<u>14,540</u>
Total assets	<u>1,441,066</u>	<u>108,646</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	5,527	-
Total deferred outflows of resources	<u>5,527</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	29,246	7,955
Accrued payroll	438	61
Accrued interest payable	11,780	-
Due to other funds	-	1,413
Compensated absences (Note 8)	1,542	271
Claims and judgments (Note 8)	-	31,394
General obligation debt (Note 8)	227,151	-
Certificates of participation (Note 8)	625	-
Other liabilities	2,964	-
Total current liabilities	<u>273,746</u>	<u>41,094</u>
Noncurrent liabilities (Note 8):		
Compensated absences	104	-
Claims and judgments	-	20,155
General obligation debt	858,238	-
Certificates of participation	4,736	-
Total noncurrent liabilities	<u>863,078</u>	<u>20,155</u>
Total liabilities	<u>1,136,824</u>	<u>61,249</u>
NET POSITION		
Net investment in capital assets	526,907	14,540
Unrestricted (deficit)	<u>(217,138)</u>	<u>32,857</u>
Total net position	309,769	<u>\$ 47,397</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	2,820	
Net position of business-type activities	<u>\$ 312,589</u>	

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, 2014
(In Thousands)

	Metropolitan District Enterprise Fund	Total	Internal Service Funds
OPERATING REVENUES			
Licenses and permits	\$ 1,080	\$ 1,080	\$ -
Charges for services	206,409	206,409	274,864
Assessments	6,424	6,424	-
Intergovernmental	2,942	2,942	-
Miscellaneous	241	241	226
Total operating revenues	<u>217,096</u>	<u>217,096</u>	<u>275,090</u>
OPERATING EXPENSES			
Personal services	20,685	20,685	2,800
Business and travel	93	93	-
Contractual services	60,646	60,646	715
Rents and utilities	4,716	4,716	244
Supplies and maintenance	69,787	69,787	13,886
Insurance claims and expenses	-	-	255,258
Equipment	441	441	-
Fringe benefits and overhead	13,113	13,113	-
Depreciation expense	26,717	26,717	4,016
Other	43	43	695
Total operating expenses	<u>196,241</u>	<u>196,241</u>	<u>277,614</u>
Operating income (loss)	<u>20,855</u>	<u>20,855</u>	<u>(2,524)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	192	192	48
Interest expense	(18,683)	(18,683)	-
Capital contributions to other subdivisions	(57,213)	(57,213)	-
Total nonoperating revenues (expenses)	<u>(75,704)</u>	<u>(75,704)</u>	<u>48</u>
Income/(loss) before capital contributions, special item, and transfers	(54,849)	(54,849)	(2,476)
Capital contributions from external parties	14,641	14,641	-
Special Item- claims liability transfer	-	-	11,426
Transfer In	-	-	22
Change in net position	<u>(40,208)</u>	<u>(40,208)</u>	<u>8,972</u>
Net position at beginning of the year	349,977		38,425
Net position at end of the year	<u>\$ 309,769</u>		<u>\$ 47,397</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		(40)	
Change in net position of business-type activities		<u>\$ (40,248)</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, 2014
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 223,711	\$ 274,670
Payments to suppliers	(135,476)	(14,867)
Payments to employees	(33,692)	(2,760)
Payment for interfund services used	-	(695)
Claims paid	-	(253,009)
Other receipts	-	226
Net cash provided by operating activities	<u>54,543</u>	<u>3,565</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	22
Capital contributions paid to other subdivisions	(67,529)	-
Net cash provided by (used for) noncapital financing activities	<u>(67,529)</u>	<u>22</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	160,473	-
Retirement of bond anticipation notes	(60,000)	-
Capital contributions from external parties	11,540	-
Acquisition and construction of capital assets	(39,355)	(2,645)
Principal paid on capital debt	(44,274)	-
Interest paid on capital debt	(36,340)	-
Sales of capital assets	-	126
Net cash used for capital and related financing activities	<u>(7,956)</u>	<u>(2,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	192	48
Net cash provided by investing activities	<u>192</u>	<u>48</u>
Net increase (decrease) in cash and cash equivalents	(20,750)	1,116
Cash and cash equivalents at beginning of the year	114,731	88,505
Cash and cash equivalents at end of the year	<u>\$ 93,981</u>	<u>\$ 89,621</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 20,855	\$ (2,524)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	26,717	4,016
Effect of changes in operating assets and liabilities:		
Receivables, net	7,580	(194)
Prepaid costs	-	(1)
Inventories	(171)	58
Accounts and other payables	(637)	2,701
Accrued expenses	199	40
Claims and judgements	-	(531)
Net cash provided by operating activities	<u>\$ 54,543</u>	<u>\$ 3,565</u>
NONCASH CAPITAL AND NONCAPITAL FINANCING ACTIVITIES		
Capital assets acquired through contributions from developers.	\$ 3,564	\$ -
Transfer of estimated liability for claims and judgements	-	11,426

During the year the County issued bonds to refund outstanding Metropolitan District Bonds. The \$55,876 in net proceeds were deposited in an irrevocable trust for the defeasance of \$54,660 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, 2014
(In Thousands)

	Benefits Trust Funds
ASSETS	
Cash and cash equivalents (Note 3)	\$ 30,316
Collateral for loaned securities (Note 3)	31,517
Receivables:	
Accrued interest & dividend income	2,842
Receivable for investments sold	45,989
Receivables other	2,789
Total receivables	51,620
Investments, at fair value (Note 3):	
U.S. Government and Agency securities	172,503
Municipal bonds	33,317
Foreign bonds	28,858
Corporate bonds	132,864
Stocks	659,374
Bond mutual funds	430,066
Stock mutual funds	521,115
Real estate equity funds	120,546
Hedge funds	135,107
Private equity funds	131,464
Real assets	142,437
Global asset allocation	437,910
Total investments	2,945,561
Total assets	3,059,014
LIABILITIES	
Securities lending payable	31,517
Investments purchased	54,353
Investment expenses payable	3,350
Refunds payable	695
Other	7,060
Total liabilities	96,975
NET POSITION	
Net position held in trust for benefits	\$ 2,962,039

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, 2014
(In Thousands)

	Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 192,642
Employees	68,628
Other	15,490
Total contributions	276,760
Investment earnings:	
Net increase in the fair value of plan assets	350,174
Interest and dividends	51,366
Investment expenses	(21,589)
Net investment gain	379,951
Net income from securities lending:	
Securities lending income	86
Borrower rebates	283
Agent fees	(104)
Net income from securities lending	265
Total net investment gain	380,216
Total additions	656,976
DEDUCTIONS	
Benefits	288,053
Refunds	3,166
Administrative expense	83,118
Total deductions	374,337
Change in net position	282,639
Net position at beginning of the year	2,679,400
Net position at end of the year	\$ 2,962,039

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

Baltimore County, Maryland
Statement of Net Position
Component Units
June 30, 2014
(In Thousands)

	<u>Board of Education</u>	<u>Community College</u>	<u>Board of Library Trustees</u>	<u>Total</u>
ASSETS				
Cash and investments (Note 3)	\$ 49,864	\$ 24,566	\$ 12,675	\$ 87,105
Receivables	37,103	10,189	114	47,406
Due from primary government	54,637	4,038	-	58,675
Inventories	1,138	1,481	117	2,736
Prepaid costs and other assets	4	134	7	145
Cash restricted for lease purchase	6,458	-	-	6,458
Capital assets (Note 7)				
Non-depreciable	229,924	26,786	-	256,710
Depreciable (net of accumulated depreciation)	1,213,615	138,941	11,567	1,364,123
Total assets	<u>1,592,743</u>	<u>206,135</u>	<u>24,480</u>	<u>1,823,358</u>
LIABILITIES				
Accounts payable	38,039	9,324	827	48,190
Accrued payroll	17,108	3,995	1,311	22,414
Other liabilities	2,264	1,323	-	3,587
Unearned revenue	3,513	5,110	246	8,869
Liabilities payable from restricted assets	6,458	-	-	6,458
Noncurrent liabilities (Note 8)				
Due within one year	29,596	4,241	1,128	34,965
Due in more than one year	60,605	5,965	2,408	68,978
Total liabilities	<u>157,583</u>	<u>29,958</u>	<u>5,920</u>	<u>193,461</u>
NET POSITION				
Net investment in capital assets	1,397,527	165,196	11,567	1,574,290
Restricted for:				
Education	16,973	5,164	-	22,137
Expendable endowments	-	4,283	549	4,832
Unrestricted	20,660	1,534	6,444	28,638
Total net position	<u>\$ 1,435,160</u>	<u>\$ 176,177</u>	<u>\$ 18,560</u>	<u>\$ 1,629,897</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, 2014
(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
BOARD OF EDUCATION							
Public education	\$ 1,327,341	\$ 243	\$ 92,052	\$ (1,087,522)	\$ -	\$ -	\$ (1,087,522)
Facilities operations	161,137	-	4	(156,583)	-	-	(156,583)
Food service	42,382	12,891	-	1,617	-	-	1,617
Total Board of Education	1,530,860	13,134	92,056	(1,242,488)	-	-	(1,242,488)
COMMUNITY COLLEGE							
Educational and general expenses	180,034	64,166	-	-	(19,958)	-	(19,958)
Facilities operations	25,341	-	16,970	-	(8,371)	-	(8,371)
Auxiliary enterprises	9,573	7,803	-	-	(1,770)	-	(1,770)
Total Community College	214,948	71,969	16,970	-	(30,099)	-	(30,099)
BOARD OF LIBRARY TRUSTEES							
Culture and leisure services	45,345	3,374	-	-	-	(35,724)	(35,724)
Total component units	\$ 1,791,153	\$ 88,477	\$ 109,026	(1,242,488)	(30,099)	(35,724)	(1,308,311)
General Revenues:							
Baltimore County				712,535	38,463	35,264	786,262
State of Maryland				585,920	-	-	585,920
Unrestricted investment earnings				-	719	-	719
Other				7,279	-	-	7,279
Total general revenues				1,305,734	39,182	35,264	1,380,180
Change in net position				63,246	9,083	(460)	71,869
Net position at beginning of the year, as restated (Note 17)				1,371,914	167,094	19,020	1,558,028
Net position at end of the year				\$ 1,435,160	\$ 176,177	\$ 18,560	\$ 1,629,897

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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
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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, 2014 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, 2014

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, 2014

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 and deferred inflows are recognized in the governmental fund statements when revenue is unearned or unavailable, respectively.

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 \$12 million in supplementary and emergency appropriations adopted for the General Fund operating budget during fiscal year 2014.

Annual budgets are adopted for the General Fund and the nonmajor Special Revenue Funds - Liquor License Fund and the Stormwater Management 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 \$0.003 million of interest income decreased by \$34.383 million of equipment purchases. The unspent equipment financing proceeds of \$34.441 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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

projects must be approved by the County Executive and the County Council.

Pooled Cash, Cash Equivalents and Investment Income

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

For purposes of the statements of cash flows, the County defines cash equivalents to include the following: all highly liquid, unrestricted investments with a maturity of three months or less when purchased; all cash and investment pools that are used essentially as demand accounts; all cash with fiscal agents; and all restricted cash and investments that 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 \$96.0 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, 2014. 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, 2014, 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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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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.

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, 2014, the County recognized deferred inflows of resources in the governmental funds balance sheet for revenues which do not meet the availability criteria.

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, 2014.

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 \$29.053 million of restricted net position, of which \$9.938 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 commit fund balance by adoption of a Council bill prior to fiscal year end. 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
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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 financial resources for unanticipated decreases in revenues, primarily intergovernmental revenues. The General Fund Unassigned Fund Balance includes \$85.187 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 \$2,213,723 difference are as follows:

General obligation debt	\$ 1,718,815
Certificates of participation and loan payable	126,653
Add: Issuance premium (to be amortized as a reduction to interest expense)	99,055
Less: Issuance discount (to be amortized as interest expense)	(1,629)
Less: Deferred charge on refunding (to be amortized as interest expense)	(9,388)
Accrued interest payable	22,004
Compensated absences	61,458
Other post employment benefits liability	180,490
Estimated landfill closing costs	16,265
Net adjustment to reduce fund balance - total funds to arrive at net position of governmental activities	\$ 2,213,723

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 “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,092 difference are as follows:

Capital outlay	\$ 82,490
Depreciation expense	<u>(81,398)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 1,092</u></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 \$8,848 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.	\$ (816)
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>9,664</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$ 8,848</u></u>

Another element of the reconciliation states that “The issuance of long-term debt (e.g., bonds, certificates of participation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 \$55,821 difference are as follows:

Debt issued or incurred:	
General obligation debt	\$ (295,530)
Payment to escrow agent for refundings	44,190
Loan payment	(6,088)
Add: premium	(20,659)
Principal repayments:	
General obligation debt	208,625
Certificates of participation and loans	<u>13,641</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>\$ (55,821)</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 \$10,355 difference are as follows:

Increase in compensated absences	\$ (3,276)
Decrease in accrued interest	3,339
Increase in other post employment benefits liability	(29,191)
Increase in landfill closure and post-closure costs	(1,063)
Amortization of deferred charge on refunding	(1,285)
Amortization of premiums	21,212
Amortization of discounts	<u>(91)</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>\$ (10,355)</u></u>

3. CASH, INVESTMENTS AND SECURITIES LENDING:

The County maintains a cash and investment pool that is available for use by all funds, except for the fiduciary funds. Each fund's portion of this pool is reported on the statement of net 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, 2014, the carrying amounts of cash for the primary government and its component units were \$(4.520) million and \$27.084 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. 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, 2014 are as follows (in thousands):

Primary Government Investments	<u>The System</u>					Pension Plan	Total Primary Government
	<u>The Pool</u>	<u>Plan A</u>	<u>Plan B</u>	<u>OPEB Plan</u>			
U.S. securities and agencies							
Not on securities loan	\$ 448	\$ 115,134	\$ 1,515	\$ 17,699	\$ -	\$ -	\$ 134,796
On securities loan for securities or cash collateral	-	32,698	430	5,027	-	-	38,155
MLGIP	109,159	-	-	-	-	-	109,159
Municipal bonds	-	5,152	68	792	27,305	-	33,317
Foreign bonds	-	18,103	238	2,783	7,734	-	28,858
Corporate bonds							
Not on securities loan	-	110,630	1,456	17,007	-	-	129,093
On securities loan for securities or cash collateral	-	3,232	42	497	-	-	3,771
Bond mutual funds	-	368,502	4,849	56,650	65	-	430,066
Money market funds	547,445	31,713	417	4,875	1,837	-	586,287
Real estate equity funds	-	103,306	1,359	15,881	-	-	120,546
Stocks							
Not on securities loan	-	547,411	7,203	84,154	-	-	638,768
On securities loan for securities or cash collateral	-	17,659	232	2,715	-	-	20,606
Stock mutual funds	-	440,659	5,798	67,743	6,915	-	521,115
Private equity funds	-	115,784	1,523	17,800	-	-	135,107
Hedge funds	-	112,662	1,482	17,320	-	-	131,464
Real assets	-	122,066	1,606	18,765	-	-	142,437
Global Asset Allocation fund	-	375,280	4,938	57,692	-	-	437,910
Securities lending short-term collateral investment pool	-	27,010	355	4,152	-	-	31,517
Total	\$ 657,052	\$ 2,547,001	\$ 33,511	\$ 391,552	\$ 43,856	\$ -	\$ 3,672,972

Component units' investments of \$66.479 million include \$52.183 million of MLGIP and \$14.296 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, 2014 totaled \$73.052 million and \$62.533 million, respectively. At June 30, 2014, the cash collateral pool had an unrealized loss of \$0.230 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
The Pool							
U.S. Government Securities	\$ 448	\$ -	\$ -	\$ -	\$ 448	\$ -	\$ -
The System - Plan A							
U.S. Government Obligations	\$ 85,240	\$ 24,103	\$ 12,867	\$ 9,851	\$ 11,559	\$ 15,389	\$ 11,471
U.S. Agency Securities	62,592	948	9,611	11,809	14,916	25,250	58
Municipal Bonds	5,152	-	-	1,663	-	3,489	-
Corporate Debt	113,862	26,536	25,307	27,711	9,625	14,252	10,431
Bond Mutual Funds	368,502	-	42,927	325,575	-	-	-
Foreign Debt	18,103	3,937	4,274	5,507	1,716	1,338	1,331
Total	<u>653,451</u>	<u>55,524</u>	<u>94,986</u>	<u>382,116</u>	<u>37,816</u>	<u>59,718</u>	<u>23,291</u>
The System - Plan B							
U.S. Government Obligations	1,122	317	169	130	152	202	152
U.S. Agency Securities	823	13	126	155	196	332	1
Municipal Bonds	68	-	-	22	-	46	-
Corporate Debt	1,498	349	333	365	127	188	136
Bond Mutual Funds	4,849	-	565	4,284	-	-	-
Foreign Debt	238	52	56	72	22	18	18
Total	<u>8,598</u>	<u>731</u>	<u>1,249</u>	<u>5,028</u>	<u>497</u>	<u>786</u>	<u>307</u>
OPEB Plan							
U.S. Government Obligations	13,104	3,705	1,978	1,515	1,777	2,366	1,763
U.S. Agency Securities	9,622	146	1,477	1,815	2,293	3,882	9
Municipal Bonds	792	-	-	256	-	536	-
Corporate Debt	17,504	4,080	3,891	4,260	1,480	2,190	1,603
Bond Mutual Funds	56,650	-	6,599	50,051	-	-	-
Foreign Debt	2,783	605	657	847	264	206	204
Total	<u>100,455</u>	<u>8,536</u>	<u>14,602</u>	<u>58,744</u>	<u>5,814</u>	<u>9,180</u>	<u>3,579</u>
Pension Plan							
Municipal Bonds	27,305	4,472	2,225	1,990	18,618	-	-
Bond Mutual Funds	65	-	65	-	-	-	-
Foreign Debt	7,734	-	2,500	-	-	-	5,234
Total	<u>35,104</u>	<u>4,472</u>	<u>4,790</u>	<u>1,990</u>	<u>18,618</u>	<u>-</u>	<u>5,234</u>
Total Primary Government	<u>\$ 798,056</u>	<u>\$ 69,263</u>	<u>\$ 115,627</u>	<u>\$ 447,878</u>	<u>\$ 63,193</u>	<u>\$ 69,684</u>	<u>\$ 32,411</u>

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, 2014, 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	24.6%	\$ 160,646	24.6%	\$ 2,114	24.6%	\$ 24,696	1.3%	\$ 473
AA	1.8%	11,867	1.8%	156	1.8%	1,825	19.7%	6,902
A	4.2%	27,660	4.2%	364	4.2%	4,252	2.3%	793
BBB	7.1%	46,441	7.1%	611	7.1%	7,139	0.0%	0
BB	0.4%	2,843	0.4%	37	0.4%	437	0.0%	0
B	0.4%	2,859	0.4%	38	0.4%	439	0.0%	0
CCC	0.8%	5,054	0.8%	66	0.8%	777	0.0%	0
CC	0.3%	1,873	0.3%	25	0.3%	288	0.0%	0
Not Rated	60.4%	394,208	60.4%	5,187	60.4%	60,602	76.7%	26,936
Total	100.0%	\$ 653,451	100.0%	\$ 8,598	100.0%	\$ 100,455	100.0%	\$ 35,104

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	\$ 6,318	\$ 83	\$ 971	\$ 7,372
Danish Krone	689	9	106	804
Euro Currency Unit	63,028	829	9,689	73,546
Hong Kong Dollar	6,883	91	1,058	8,032
Israeli Shekel	1,181	16	182	1,379
Japanese Yen	42,592	560	6,548	49,700
Norwegian Krone	1,857	25	285	2,167
Pound Sterling	20,138	265	3,096	23,499
Singapore Dollar	1,616	21	248	1,885
South Korean Won	5,235	69	805	6,109
Swedish Krona	5,866	77	902	6,845
Swiss Franc	12,249	161	1,883	14,293
	<u>\$ 167,652</u>	<u>\$ 2,206</u>	<u>\$ 25,773</u>	<u>\$ 195,631</u>

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Because of daily settlement, the futures contracts have no fair value. The System and the OPEB Plan entered into certain futures contracts of which the notional value at June 30, 2014 was \$(51,789,691).

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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, 2014, classified by type and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value (expressed in thousands)		Fair Value as of June 30, 2013 (expressed in thousands)	
	Classification	Amount	Amount	Notional Value
Investment Derivatives				
The System - Plan A				
Futures	Investment revenue	\$ -	\$ -	\$ (44,383)
Options	Investment revenue	(5)	3	634
Swaps	Investment revenue	(16)	173	6,328
Mortgage Derivatives	Investment revenue	(42)	2,090	2,090
TBA Transactions	Investment revenue	70	11,122	11,122
The System - Plan B				
Futures	Investment revenue	\$ -	\$ -	\$ (584)
Options	Investment revenue	-	-	8
Swaps	Investment revenue	-	2	83
Mortgage Derivatives	Investment revenue	(1)	28	28
TBA Transactions	Investment revenue	1	146	146
OPEB				
Futures	Investment revenue	\$ -	\$ -	\$ (6,823)
Options	Investment revenue	(1)	-	98
Swaps	Investment revenue	(2)	27	973
Mortgage Derivatives	Investment revenue	(6)	321	321
TBA Transactions	Investment revenue	11	1,710	1,710

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 2014 was \$80.9 billion.

The property tax rate for the year ended June 30, 2014 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, 2014 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	Nonmajor and Other Funds	Metropolitan District	
Property taxes	\$ 11,396	\$ -	\$ -	\$ -	\$ -	\$ 11,396
Accounts	18,193	-	-	1,419	772	20,384
Intergovernmental	94,132	22,627	1,887	-	3,215	121,861
Assessments	680	-	3,665	486	128,185	133,016
Loans	406	58,511	-	-	-	58,917
Interest	19	-	-	-	-	19
Total receivables	<u>124,826</u>	<u>81,138</u>	<u>5,552</u>	<u>1,905</u>	<u>132,172</u>	<u>345,593</u>
Allowance for uncollectible accounts	<u>(2,265)</u>	<u>(28,873)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,138)</u>
Net total receivables	<u>\$ 122,561</u>	<u>\$ 52,265</u>	<u>\$ 5,552</u>	<u>\$ 1,905</u>	<u>\$ 132,172</u>	<u>\$ 314,455</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 500</u>	<u>\$ 28,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,709</u>

At June 30, 2014, the County has recorded \$58.511 million of outstanding loans receivable in the Gifts and Grants Fund. Of these receivables, \$51.958 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 \$28.873 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 inflows of resources 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 inflows and deferred revenue reported in the governmental funds as of June 30, 2014 were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ 8,173	\$ 488	\$ 8,661
Income taxes receivable	39,590	-	39,590
Interest subsidy receivable	886	-	886
Economic and community development loans	30,017	-	30,017
Special assessments not yet due	4,331	-	4,331
Grant funds received prior to meeting all eligibility requirements	-	3,115	3,115
Total deferred revenue for governmental funds	<u>\$ 82,997</u>	<u>\$ 3,603</u>	<u>\$ 86,600</u>

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

The composition of interfund balances as of June 30, 2014 is as follows:

Receivable fund	Payable fund	Purpose	Amount
Self-Insurance Program	Vehicle Operation and Maintenance	Deficit cash balance	\$ 1,413
		Total	<u>\$ 1,413</u>

Interfund transfers for the fiscal year ended June 30, 2014 were as follows:

Transferred from	Transferred to				Total
	General	Gifts and Grants	Consolidated Public Improvement Construction	Internal Service Funds	
General	\$ -	\$ 5,673	\$ 43,805	\$ -	\$ 49,478
Gifts and Grants	275	-	-	-	275
Consolidated Public Improvement Construction	-	580	-	-	580
Nonmajor Governmental Funds	-	600	20,843	22	21,465
Total transfers	<u>\$ 275</u>	<u>\$ 6,853</u>	<u>\$ 64,648</u>	<u>\$ 22</u>	<u>\$ 71,798</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 \$5.398 million between the General Fund and the Gifts and Grants Fund are County matching funds for grant funded programs. A transfer of \$0.58 million from CPI to the Gifts and Grants Fund is funds allocated to the County's economic development loan program. A transfer of \$20.843 million from the Stormwater Management Fund to CPI is allocated for capital improvements to reduce stormwater runoff into the Chesapeake Bay. The remaining transfers are various funding contributions for operations.

As of June 30, 2014, 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, 2014 is reported below:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 267,218	\$ 1,951	\$ (570)	\$ 268,599
Construction in progress	380,423	72,877	(38,532)	414,768
Total capital assets not being depreciated	<u>647,641</u>	<u>74,828</u>	<u>(39,102)</u>	<u>683,367</u>
Capital assets being depreciated:				
Buildings and improvements	502,573	9,862	-	512,435
Machinery and equipment	129,136	20,518	(12,995)	136,659
Vehicles	117,414	13,776	(9,723)	121,467
Infrastructure	2,424,122	14,348	(95)	2,438,375
Total capital assets being depreciated	<u>3,173,245</u>	<u>58,504</u>	<u>(22,813)</u>	<u>3,208,936</u>
Less accumulated depreciation for:				
Buildings and improvements	(161,329)	(12,814)	-	(174,143)
Machinery and equipment	(62,791)	(12,599)	13,320	(62,070)
Vehicles	(73,225)	(10,100)	9,063	(74,262)
Infrastructure	(1,187,833)	(49,901)	57	(1,237,677)
Total accumulated depreciation	<u>(1,485,178)</u>	<u>(85,414)</u>	<u>22,440</u>	<u>(1,548,152)</u>
Total capital assets being depreciated, net	<u>1,688,067</u>	<u>(26,910)</u>	<u>(373)</u>	<u>1,660,784</u>
Governmental activities capital assets, net	<u>\$ 2,335,708</u>	<u>\$ 47,918</u>	<u>\$ (39,475)</u>	<u>\$ 2,344,151</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,317	\$ -	\$ -	\$ 1,317
Construction in progress	241,768	41,322	(53,133)	229,957
Total capital assets not being depreciated	<u>243,085</u>	<u>41,322</u>	<u>(53,133)</u>	<u>231,274</u>
Capital assets being depreciated:				
Buildings and improvements	181,611	8,909	-	190,520
Machinery and equipment	1,256	231	(176)	1,311
Vehicles	10,381	1,678	(609)	11,450
Infrastructure	1,145,248	56,072	-	1,201,320
Total capital assets being depreciated	<u>1,338,496</u>	<u>66,890</u>	<u>(785)</u>	<u>1,404,601</u>
Less accumulated depreciation for:				
Buildings and improvements	(71,440)	(5,498)	-	(76,938)
Machinery and equipment	(713)	(79)	176	(616)
Vehicles	(7,054)	(704)	609	(7,149)
Infrastructure	(316,617)	(20,436)	-	(337,053)
Total accumulated depreciation	<u>(395,824)</u>	<u>(26,717)</u>	<u>785</u>	<u>(421,756)</u>
Total capital assets being depreciated, net	<u>942,672</u>	<u>40,173</u>	<u>-</u>	<u>982,845</u>
Business-type activities capital assets, net	<u>\$ 1,185,757</u>	<u>\$ 81,495</u>	<u>\$ (53,133)</u>	<u>\$ 1,214,119</u>

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Depreciation expense was charged to primary government functions as follows:

Governmental activities:

General government	\$ 13,056
Public safety	6,351
Public works, which includes the depreciation of infrastructure assets	51,514
Health and human services	1,303
Culture and leisure services	9,156
Economic and community development	18
Capital assets held by the County's internal service funds is charged to the various activities based on their usage of the assets.	<u>4,016</u>
Total depreciation expense - governmental activities	<u><u>\$ 85,414</u></u>

Business-type activities:

Water and sewer services, which include the depreciation of infrastructure assets	<u>\$ 26,717</u>
Total depreciation expense - business-type activities	<u><u>\$ 26,717</u></u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Board of Education:				
Capital assets not being depreciated:				
Land	\$ 28,857	\$ 1,669	\$ -	\$ 30,526
Construction in progress	270,621	92,077	(163,300)	199,398
Total capital assets not being depreciated	<u>299,478</u>	<u>93,746</u>	<u>(163,300)</u>	<u>229,924</u>
Capital assets being depreciated:				
Buildings	1,483,086	172,726	(12,972)	1,642,840
Improvements other than buildings	77,790	12,461	(1,047)	89,204
Equipment and vehicles	142,970	18,866	(11,572)	150,264
Total capital assets being depreciated	<u>1,703,846</u>	<u>204,053</u>	<u>(25,591)</u>	<u>1,882,308</u>
Less accumulated depreciation	<u>(628,947)</u>	<u>(60,359)</u>	<u>20,613</u>	<u>(668,693)</u>
Total capital assets being depreciated, net	<u>1,074,899</u>	<u>143,694</u>	<u>(4,978)</u>	<u>1,213,615</u>
Board of Education capital assets, net	<u><u>\$ 1,374,377</u></u>	<u><u>\$ 237,440</u></u>	<u><u>\$ (168,278)</u></u>	<u><u>\$ 1,443,539</u></u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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	Beginning Balance	Increases	Decreases	Ending Balance
Community College:				
Capital assets not being depreciated:				
Land	\$ 4,798	\$ -	\$ -	\$ 4,798
Construction in progress	22,061	16,843	(16,916)	21,988
Total capital assets not being depreciated	<u>26,859</u>	<u>16,843</u>	<u>(16,916)</u>	<u>26,786</u>
Capital assets being depreciated:				
Buildings and improvements	179,811	15,202	-	195,013
Infrastructure	25,244	1,714	-	26,958
Equipment and vehicles	26,269	1,526	(128)	27,667
Library materials	6,938	215	-	7,153
Total capital assets being depreciated	<u>238,262</u>	<u>18,657</u>	<u>(128)</u>	<u>256,791</u>
Less accumulated depreciation	<u>(107,895)</u>	<u>(10,083)</u>	<u>128</u>	<u>(117,850)</u>
Total capital assets being depreciated, net	<u>130,367</u>	<u>8,574</u>	<u>-</u>	<u>138,941</u>
The Community College of Baltimore County capital assets, net	<u>\$ 157,226</u>	<u>\$ 25,417</u>	<u>\$ (16,916)</u>	<u>\$ 165,727</u>
Board of Library Trustees:				
Capital assets being depreciated:				
Equipment and vehicles	\$ 13,024	\$ 209	\$ -	\$ 13,233
Circulation materials	18,793	5,620	(6,472)	17,941
Total capital assets being depreciated	<u>31,817</u>	<u>5,829</u>	<u>(6,472)</u>	<u>31,174</u>
Less accumulated depreciation	<u>(17,285)</u>	<u>(8,794)</u>	<u>6,472</u>	<u>(19,607)</u>
Board of Library Trustees capital assets, net	<u>\$ 14,532</u>	<u>\$ (2,965)</u>	<u>\$ -</u>	<u>\$ 11,567</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.

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

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

	(in thousands)	
	General Bonds	Metropolitan District
Legal limitation for the borrowing of funds and issuance of bonds	\$ 3,141,409	\$ 2,228,948
General obligation debt outstanding applicable to debt limit	1,718,815	1,059,508

General obligation debt issuances require approval by voter referendum. Approved and unissued general obligation bonded debt totaled \$461,177,361 as of June 30, 2014, comprised of \$204,846,881 for public schools, \$226,390,910 for public facilities and \$29,939,570 for the Community College. Appropriated and unissued Metropolitan District bonded debt totaled \$742,202,751 as of June 30, 2014.

General Obligation Bonds

On February 20, 2014, the County sold \$200 million General Obligation Bonds consisting of \$60 million Metropolitan District Bonds (76th Issue) and \$140 million Consolidated Public Improvement Bonds – 2014 Series. The Metropolitan District Bonds were issued for the purpose of providing funds for the redemption of Fixed Rate Bond Anticipation Notes – 2013 Series, due February 24, 2014, 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 – 2013 Series, due February 24, 2014.

On February 20, 2014, the County sold \$30,325,000 General Obligation Metropolitan District Bonds – 2014 Refunding Series for the refunding of \$32,000,000 Metropolitan District 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. As a result of the refunding, a net present value savings of \$3,049,731 was obtained. The refunding of the \$32,000,000 Metropolitan District Bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net position.

On June 26, 2014, the County sold \$60,320,000 General Obligation Refunding Bonds, comprised of \$20,790,000 Metropolitan District Bonds – 2014B Refunding Series and \$39,530,000 Consolidated Public Improvement Bonds – 2014 Refunding Series for the refunding of \$22,660,000 Metropolitan District Bonds and \$43,200,000 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. As a result of the refunding, a net present value savings of \$6,874,755 was obtained. The refunded bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net position.

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General Obligation Bond Anticipation Notes (BANs)

As of June 30, 2014, the County has outstanding \$216 million Consolidated Public Improvement (CPI) BANs and \$183.8 million Metropolitan District (MD) BANs, comprised of both Commercial Paper (CP) BANs and Fixed Rate (FR) BANs.

On February 20, 2014, the County issued \$200 million FR BANs for the purpose of providing funds for capital improvement projects. Of the \$200 million FR BANs, \$116 million were issued as CPI FR BANs, and \$84 million were issued as MD FR BANs, maturing on February 25, 2015, with a true interest cost of 0.14%.

Commercial Paper Bond Anticipation Notes, are sold with an initial maturity of up to 270 days, and upon maturity they are remarketed. This remarketing is backed for liquidity purposes by a line of credit, the terms of which provide that no principal repayments are due by the County until the completion of the Liquidity Agreement. The weighted-average maturity of the Commercial Paper Bond Anticipation Notes for FY 2014 was 68 days and interest rates ranged from 0.06% to 0.18%.

Maryland Water Quality Financing Agreement

During FY 2014, the County issued \$11,657,182 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, 2014, the balance outstanding was \$98,158,416.

General Obligation Bonds Defeasance

The County defeased certain general obligation bonds in the current and prior years by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2014, \$180,860,000 of bonds were refunded in advance and are considered defeased.

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.

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 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 has been paid monthly at an annual rate of 7.875%. As of June 30, 2014, the balance of outstanding principal was \$18,617,495.

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.

- The Board of Education and the Community College have no authority to issue bonded debt. That authority

BALTIMORE COUNTY, MARYLAND
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JUNE 30, 2014

rests with the County subject to voter approval. The County had \$543.17 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, 2014.

- 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 \$932.883 million towards these City owned facilities that are funded primarily with bond proceeds. The County estimates 35.97% of its net Metropolitan District general obligation bonds outstanding or \$388.426 million is related to these facilities as of June 30, 2014.

At June 30, 2014, the County has accrued \$16.26 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, 2014 represents the cumulative unspent amount reported to date based on the use of 55.13% of the estimated landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$13.24 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, 2013 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, 2014 for bonds issued prior to July 1, 1996 could not be determined, however, the original issue amounts approximate \$497.65 million. The aggregate principal amount payable for bonds issued after July 1, 1996 was \$365.24 million at June 30, 2014.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Long-term liability activity for the year ended June 30, 2014 is as follows (in thousands):

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Primary Government:					
Governmental activities:					
General obligation debt					
Consolidated public improvement bonds	\$ 1,160,940	\$ 179,530	\$ (104,820)	\$ 1,235,650	\$ 69,610
Installment purchase agreement	160	-	(80)	80	80
Pension funding bonds	274,010	-	(6,925)	267,085	7,790
Bond anticipation notes	240,000	116,000	(140,000)	216,000	216,000
	<u>1,675,110</u>	<u>295,530</u>	<u>(251,825)</u>	<u>1,718,815</u>	<u>293,480</u>
Add remaining original issue premium	86,378	20,659	(18,531)	88,506	-
Less remaining original issue discount	(1,720)	-	91	(1,629)	-
Total general obligation debt	<u>1,759,768</u>	<u>316,189</u>	<u>(270,265)</u>	<u>1,805,692</u>	<u>293,480</u>
Certificates of participation	121,260	-	(13,600)	107,660	11,235
Add remaining original issue premium	13,230	-	(2,681)	10,549	-
Total certificates of participation	<u>134,490</u>	<u>-</u>	<u>(16,281)</u>	<u>118,209</u>	<u>11,235</u>
Other long-term liabilities					
Loan payable	12,946	6,088	(41)	18,993	4,497
Compensated absences	58,421	54,256	(50,948)	61,729	59,314
Claims payable	63,506	255,258	(267,215)	51,549	31,394
Other post employment benefits	151,299	29,191	-	180,490	-
Estimated landfill closing costs	15,202	1,063	-	16,265	-
Total other long-term liabilities	<u>301,374</u>	<u>345,856</u>	<u>(318,204)</u>	<u>329,026</u>	<u>95,205</u>
Total governmental activities long-term liabilities	<u>\$ 2,195,632</u>	<u>\$ 662,045</u>	<u>\$ (604,750)</u>	<u>\$ 2,252,927</u>	<u>\$ 399,920</u>
Business-type activities:					
General obligation debt					
Metropolitan District bonds	\$ 850,645	\$ 122,772	\$ (97,709)	\$ 875,708	\$ 43,351
Bond anticipation notes	160,000	84,000	(60,200)	183,800	183,800
	<u>1,010,645</u>	<u>206,772</u>	<u>(157,909)</u>	<u>1,059,508</u>	<u>227,151</u>
Add remaining original issue premium	21,575	9,803	(5,497)	25,881	-
Total general obligation debt	<u>1,032,220</u>	<u>216,575</u>	<u>(163,406)</u>	<u>1,085,389</u>	<u>227,151</u>
Certificates of participation	5,850	-	(1,025)	4,825	625
Add remaining original issue premium	672	-	(136)	536	-
Total certificates of participation	<u>6,522</u>	<u>-</u>	<u>(1,161)</u>	<u>5,361</u>	<u>625</u>
Compensated absences	1,503	960	(817)	1,646	1,542
Total business-type activities long-term liabilities	<u>\$ 1,040,245</u>	<u>\$ 217,535</u>	<u>\$ (165,384)</u>	<u>\$ 1,092,396</u>	<u>\$ 229,318</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Component Units:					
Board of Education:					
Compensated absences	\$ 21,407	\$ 13,389	\$ (12,636)	\$ 22,160	\$ 12,636
Capital leases	16,038	37,199	(7,226)	46,011	10,649
Claims payable	-	14,327	(3,027)	11,300	6,500
Net OPEB obligation	32,795	49,246	(71,311)	10,730	-
Total Board of Education	<u>70,240</u>	<u>114,161</u>	<u>(94,200)</u>	<u>90,201</u>	<u>29,785</u>
Community College:					
Compensated absences	5,949	3,839	(3,669)	6,119	3,890
Capital leases	960	-	(430)	530	351
Net OPEB obligation	5,752	-	(2,195)	3,557	-
Total Community College	<u>12,661</u>	<u>3,839</u>	<u>(6,294)</u>	<u>10,206</u>	<u>4,241</u>
Board of Library Trustees:					
Compensated absences	1,046	82	-	1,128	1,128
Net OPEB obligation	2,087	321	-	2,408	-
Total Board of Library Trustees	<u>3,133</u>	<u>403</u>	<u>-</u>	<u>3,536</u>	<u>1,128</u>
Total component unit long-term liabilities	<u>\$ 86,034</u>	<u>\$ 118,403</u>	<u>\$ (100,494)</u>	<u>\$ 103,943</u>	<u>\$ 35,154</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

General long-term debt currently outstanding as of June 30, 2014 is as follows:

Governmental Activities:
(in thousands)

General Obligation Debt:

Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2014	Unamortized Premium/ (Discount)	Carrying Value 6/30/2014
02/26/04	2005-2024	3.000 - 5.000	\$ 152,000	\$ 8,300	\$ 11	\$ 8,311
02/26/04	2009-2020	3.250 - 5.000	63,085 *	7,815	11	7,826
09/27/06	2007-2026	4.000 - 5.000	111,000	73,000	1,293	74,293
01/03/08	2009-2028	4.000 - 5.000	140,000	100,000	2,942	102,942
02/24/09	2009-2018	2.000 - 5.000	26,880 *	14,410	1,139	15,549
02/24/09	2009-2015	3.000 - 5.000	46,140 *	10,795	148	10,943
11/05/09	2010-2025	6.150 - 6.150	19,400	19,400	(1,629)	17,771
11/10/09	2010-2029	0.650 - 5.650	155,570	129,200	386	129,586
08/10/10	2011-2022	2.500 - 4.000	13,565 *	13,550	963	14,513
11/09/10	2012-2017	5.000 - 5.000	70,050	53,000	3,462	56,462
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	80	-	80
11/30/11	2013-2032	3.000 - 5.000	170,000	162,000	18,364	180,364
12/12/12	2013-2024	2.000 - 5.000	94,080 *	86,495	11,449	97,944
12/12/12	2013-2032	3.000 - 5.000	193,000	192,000	28,847	220,847
12/13/12	2013-2042	0.416 - 3.739	256,290 **	256,290	-	256,290
02/20/14	2016-2034	3.000 - 5.000	140,000	140,000	14,063	154,063
06/26/14	2015-2020	4.000 - 5.000	39,530 *	39,530	4,787	44,317
			<u>1,887,860</u>	<u>1,502,815</u>	<u>86,236</u>	<u>1,589,051</u>
Bond Anticipation Notes						
02/24/14	2014-2015	1.000 - 1.000	116,000	116,000	641	116,641
05/16/14	2014-2015	0.060 - 0.160	100,000	100,000	-	100,000
			<u>216,000</u>	<u>216,000</u>	<u>641</u>	<u>216,641</u>
Total General Obligation Debt			<u>\$ 2,103,860</u>	<u>\$ 1,718,815</u>	<u>\$ 86,877</u>	<u>\$ 1,805,692</u>
Certificates of Participation						
08/12/08	2009-2018	3.250 - 5.000	\$ 34,700	\$ 22,000	\$ 470	\$ 22,470
06/19/12	2013-2022	3.000 - 5.000	78,430	75,000	9,502	84,502
02/06/13	2013-2021	1.500 - 3.000	11,830 *	10,660	577	11,237
Total Certificates of Participation			<u>\$ 124,960</u>	<u>\$ 107,660</u>	<u>\$ 10,549</u>	<u>\$ 118,209</u>
Loan Payable						
08/15/13	2014-2021	7.875 - 7.875	\$ 18,618	\$ 18,618	\$ -	\$ 18,618
06/30/14	2014-2015	- -	416	375	-	375
Total Loan Payable			<u>\$ 19,034</u>	<u>\$ 18,993</u>	<u>\$ -</u>	<u>\$ 18,993</u>

* Refunding issue

** Taxable Issue

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Business-type Activities:
(in thousands)

General Obligation Debt:
Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2014	Unamortized Premium	Carrying Value 6/30/2014
11/04/94	1997-2016	3.500 - 4.750	\$ 20,902	\$ 2,972	\$ -	\$ 2,972
03/22/00	2001-2020	2.600 - 2.600	14,417	5,331	-	5,331
06/22/01	2003-2022	2.300 - 2.300	14,105	6,687	-	6,687
06/26/02	2004-2023	2.000 - 2.000	7,006	3,327	-	3,327
03/11/03	2004-2023	1.100 - 1.100	8,638	4,170	-	4,170
02/26/04	2009-2019	3.250 - 5.000	38,645 *	5,050	7	5,057
02/26/04	2005-2035	3.000 - 5.000	48,000	1,600	24	1,624
07/16/04	2005-2025	1.200 - 1.200	8,501	3,507	-	3,507
09/12/05	2006-2024	1.000 - 1.000	21,146	11,795	-	11,795
09/27/06	2007-2036	4.000 - 5.000	89,000	68,000	(624)	67,376
07/31/07	2008-2027	1.000 - 1.000	16,794	11,735	-	11,735
01/03/08	2009-2038	4.250 - 5.000	200,000	164,000	3,258	167,258
02/24/09	2009-2018	3.000 - 5.000	24,515 *	8,540	480	9,020
11/10/09	2010-2039	0.650 - 5.600	106,600	92,200	260	92,460
12/18/09	2011-2032	1.000 - 1.000	15,625	13,787	-	13,787
08/10/10	2011-2030	2.000 - 4.500	61,720 *	61,525	3,581	65,106
11/09/10	2012-2018	2.000 - 5.000	30,100	21,500	1,074	22,574
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	79,200	5,564	84,764
05/31/12	2014-2032	1.800 - 1.800	37,046	34,237	-	34,237
12/12/12	2013-2032	2.250 - 5.000	18,005	12,920	143	13,063
12/12/12	2013-2042	2.000 - 5.000	60,000	58,000	2,977	60,977
09/10/13	2013-2034	2.200 - 2.200	1,198	610	-	610
02/20/14	2016-2034	3.000 - 5.000	60,000	60,000	3,849	63,849
02/20/14	2015-2020	4.000 - 5.000	30,325 *	30,325	2,369	32,694
06/26/14	2015-2020	4.000 - 5.000	20,790 *	20,790	2,455	23,245
			<u>1,131,978</u>	<u>875,708</u>	<u>25,417</u>	<u>901,125</u>
Bond Anticipation Notes						
02/24/14	2014-2015	1.000 - 1.000	84,000	84,000	464	84,464
06/16/14	2014-2015	0.080 - 0.180	100,000	99,800	-	99,800
			<u>184,000</u>	<u>183,800</u>	<u>464</u>	<u>184,264</u>
Total General Obligation Debt			<u>\$ 1,315,978</u>	<u>\$ 1,059,508</u>	<u>\$ 25,881</u>	<u>\$ 1,085,389</u>
Certificates of Participation						
08/12/08	2009-2018	3.250 - 5.000	\$ 2,000	\$ 1,000	\$ 21	\$ 1,021
06/19/12	2013-2022	3.000 - 5.000	4,250	3,825	515	4,340
Total Certificates of Participation			<u>\$ 6,250</u>	<u>\$ 4,825</u>	<u>\$ 536</u>	<u>\$ 5,361</u>

* Refunding issues

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The following is a schedule of the primary government's debt service payments for certain long-term debt as of June 30, 2014:

Fiscal Year Ended June 30	Governmental Activities					
	General Obligation Debt		COPs & Other Long-term Debt		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 293,480	\$ 51,875	\$ 15,732	\$ 2,498	\$ 309,212	\$ 54,373
2016	85,070	52,432	18,218	3,920	103,288	56,352
2017	87,370	54,782	19,602	4,199	106,972	58,981
2018	87,365	50,774	20,026	3,105	107,391	53,879
2019	87,375	46,861	14,840	2,178	102,215	49,039
2020-2024	413,650	178,587	38,235	3,493	451,885	182,080
2025-2029	358,175	96,698	-	-	358,175	96,698
2030-2034	197,450	35,214	-	-	197,450	35,214
2035-2039	55,935	15,283	-	-	55,935	15,283
2040-2044	52,945	4,052	-	-	52,945	4,052
Total	<u>\$ 1,718,815</u>	<u>\$ 586,558</u>	<u>\$ 126,653</u>	<u>\$ 19,393</u>	<u>\$ 1,845,468</u>	<u>\$ 605,951</u>

Fiscal Year Ended June 30	Business-type Activities					
	General Obligation Debt		COPs		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 227,151	\$ 32,019	\$ 625	\$ 42	\$ 227,776	\$ 32,061
2016	44,906	33,121	625	129	45,531	33,250
2017	41,821	32,652	625	163	42,446	32,815
2018	41,985	30,984	625	132	42,610	31,116
2019	42,017	29,378	625	101	42,642	29,479
2020-2024	193,308	123,326	1,700	170	195,008	123,496
2025-2029	172,725	86,449	-	-	172,725	86,449
2030-2034	150,575	50,973	-	-	150,575	50,973
2035-2039	106,720	20,918	-	-	106,720	20,918
2040-2044	38,300	2,964	-	-	38,300	2,964
Total	<u>\$ 1,059,508</u>	<u>\$ 442,784</u>	<u>\$ 4,825</u>	<u>\$ 737</u>	<u>\$ 1,064,333</u>	<u>\$ 443,521</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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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, 2014 (in thousands):

Year ending June 30	Primary Government	Component Units
2015	\$ 431,000	\$ 10,407
2016	208,000	8,293
2017	100,000	6,977
2018	94,000	4,040
2019	52,000	3,809
2020-2024	180,000	10,764
2025-2029	109,000	5,217
2030-2034	60,000	-
2035-2039	37,000	-
	<u>\$ 1,271,000</u>	<u>\$ 49,507</u>

The total rental expenditures for the year ended June 30, 2014, for all leases except those with terms of a month or less that were not renewed were approximately \$4.6 million for the primary government and \$5.5 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 \$75.7 million, \$113.3 million, and \$14.1 million, respectively, at June 30, 2014. 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 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

BALTIMORE COUNTY, MARYLAND
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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, 2014. 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 2013 and 2014 were as follows (in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2013	59,722	267,539	(263,755)	63,506
2014	63,506	255,258	(267,215)	51,549

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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, 2014, 2013 and 2012, were \$80,453,263, \$73,362,028 and \$65,126,694, respectively, which were equal to the required contributions for each year. The primary government's contributions for the three aforementioned fiscal years were \$73,586,208, \$67,353,091 and \$60,203,061, 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

Plan Description: The County administers the Police, Fire, and Widow's Pension Plan (Pension Plan) which is a single-employer defined benefit pension plan that provides pensions for policemen and firemen hired prior to October 1, 1959 and for their widows. The Pension Plan has been closed and frozen. The Pension Plan valuation was based on the plan provisions as described in the Baltimore County Code for Pensions and Retirements, Article III for Fire and Police Departments, Section 23-141 through Section 23-204. The pension allowance for retired firefighters and police officers is one-half of the salary of a current employee with the same rank the pensioner held at the time of his retirement. The pension allowance to a widow of a deceased pensioner is one-fourth of the base salary of an active member of the County Police and Fire departments. The County intends to fund the Pension Plan on a pay-as-you-go basis once the Pension Plan assets are depleted. For the year ended June 30, 2014, the County contributed \$14,565 to the Pension Plan. Management of the Pension Plan is vested in an eight-member Board of Trustees, comprised of ex-officio and elected representatives. The general administration of the Pension Plan is vested in the Director of Budget and Finance.

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NOTES TO BASIC FINANCIAL STATEMENTS
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At June 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	280
Inactive plan members entitled to, but not yet receiving benefits	0
Active plan members	<u>0</u>
Total	<u><u>280</u></u>

Investments: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability:

The components of the net pension liability at June 30, 2014, were as follows (dollars in thousands):

Total pension liability	\$ 68,727
Plan fiduciary net position	<u>(45,184)</u>
County's net pension liability	<u><u>\$ 23,543</u></u>
Plan fiduciary net position as a percentage of the total pension liability	65.74%

The total pension liability was determined by an actuarial valuation as of June 30, 2013 and rolled forward to June 30, 2014 using the actuarial assumptions and methods set forth below. These assumptions were applied to all periods included in the measurement.

Investment rate of return: 5.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.00% and a real rate of return of 2.00%.

Cost-of-living adjustments: Annual COLA increases starting in fiscal year 2015 of 3.00%.

Healthy mortality: RP-2000 Mortality Table for Healthy Annuitants (sex-distinct) with fully generational improvements projected with Scale AA.

Disabled mortality: Based on a special mortality table for policemen and firemen. Sample rates are shown below:

<u>Age</u>	<u>Mortality Rate</u>
50	1.947%
55	2.109%
60	2.437%
65	2.964%
70	3.781%
75	5.055%
80	7.007%
85	9.969%
90	14.265%
95	20.293%

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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Loading for expenses: None.

Asset valuation method: Market value.

Actuarial cost method: Entry Age Normal.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the table below.

Asset Class	Long-Term Expected Rate of Return
Domestic equity	7.75%
International equity	8.25%
Fixed income	4.46%
Cash	3.75%

The discount rate used to measure the total pension liability was 4.03%. The projection of cash flows used to determine the discount rate assumed that County contributions will continue to follow the current funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the year 2021. A municipal bond rate of 3.66% was used in the development of the blended GASB discount rate after that point. The 3.66% rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2014. Based on the long-term rate of return of 5.00% and the municipal bond rate of 3.66%, the blended GASB discount rate would be 4.03%. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability (in thousands), calculated using the discount rate of 4.03%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.03%) or 1 percentage point higher (5.03%) than the current rate:

	1.00% Decrease (3.03%)	Current Discount Rate (4.03%)	1.00% Increase (5.03%)
County's net pension liability	\$27,455	\$23,543	\$20,017

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The condensed financial statements as of and for the year ended June 30, 2014 are as follows (in thousands):

Statement of Fiduciary Net Position
Police, Fire, and Widows' Pension Plan
As of June 30, 2014

Assets	
Cash and cash equivalents	\$ 1,830
Investment securities	42,019
Interest and dividends receivable	1,342
Total assets	<u>45,191</u>
Liabilities	
Accounts payable	7
Total liabilities	<u>7</u>
Net position restricted for pensions	<u><u>\$ 45,184</u></u>

Statement of Changes in Fiduciary Net Position
Police, Fire and Widows' Pension Plan
For the year ended June 30, 2014

Additions	
Contributions:	
Other	\$ 14
Total contributions	<u>14</u>
Investment earnings:	
Net increase in the fair value of plan assets	2,859
Interest and dividends	1,848
Investment expenses	(36)
Net investment gain	<u>4,671</u>
Total additions	<u>4,685</u>
Deductions	
Benefits	9,622
Total deductions	<u>9,622</u>
Net decrease in net position	(4,937)
Net position restricted for pensions	
Beginning of the year	50,121
End of the year	<u><u>\$ 45,184</u></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.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Substantially all employees of the component units who do not participate in the System participate in the State of Maryland Teachers' Retirement and Pension Systems. Employer contributions to these systems for the years ended June 30, 2014, 2013, 2012, of approximately \$94.40 million, \$82.15 million and \$103.45 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)	\$ 116,399	\$ 60,872
Interest on net OPEB liability	12,476	9,834
Adjustment to ARC	(11,436)	(9,015)
Annual OPEB cost (expense)	117,439	61,691
Contributions made	(112,187)	(32,500)
Increase (decrease) in net OPEB liability	5,252	29,191
Net OPEB obligation beginning of year	191,932	151,299
Net OPEB obligation end of year	\$ 197,184	\$ 180,490

BALTIMORE COUNTY, MARYLAND
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The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2014 and the two preceding fiscal years were as follows (dollars in thousands):

Fiscal Year Ended June 30	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 234,347	27.43	\$ 198,323
2013	121,150	105.27	191,932
2014	117,439	95.53	197,184

Funded Status and Funding Progress

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

Schedule of Funding Progress

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2013	\$ 293,659	\$ 1,649,039	\$ 1,355,380	17.81	\$1,172,926	115.55

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 6.5%. 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, 2014 was twenty-three 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

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The condensed financial statements as of and for the year ended June 30, 2014 are as follows (in thousands):

Statement of Net Position
OPEB Plan
As of June 30, 2014

Assets	
Investments, at fair value	\$ 382,525
Collateral for loaned securities (net of unrealized loss)	4,152
Receivables:	
Accrued interest & dividend income	355
Receivable for investments sold	5,901
Receivables other	2,417
Total assets	<u>395,350</u>
Liabilities	
Cash overdraft	3,937
Payable for collateral for loaned securities	4,152
Investments purchased	7,161
Investment expenses payable	441
Other	1,570
Total liabilities	<u>17,261</u>
Net position	
Net position held in trust for benefits	<u>\$ 378,089</u>

Statement of Changes in Net Position
OPEB Plan
For the year ended June 30, 2014

Additions	
Contributions:	
Employer	\$ 112,188
Employee	30,784
On-behalf	15,476
Total contributions	<u>158,448</u>
Investment earnings:	
Net increase in the fair value of plan assets	44,596
Interest and dividends	6,504
Securities lending loss	34
Investment expenses	(2,853)
Net investment gain	<u>48,281</u>
Total additions	<u>206,729</u>
Deductions	
Benefits	52,763
Administrative expenses	81,776
Total deductions	<u>134,539</u>
Change in net position	72,190
Net position at beginning of the year	305,899
Net position at end of the year	<u>\$ 378,089</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

15. INDIVIDUAL FUND DISCLOSURES:

Details of Fund Balances

The details of the Governmental Funds balances at June 30, 2014 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	\$ 5,574	\$ -	\$ -	\$ -	\$ 5,574
Total Nonspendable	<u>5,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,574</u>
Restricted for:					
Equipment financing	34,441	-	-	-	34,441
Bond escrow	448	-	-	-	448
Loan guarantees and grants	-	18,667	-	-	18,667
Total Restricted	<u>34,889</u>	<u>18,667</u>	<u>-</u>	<u>-</u>	<u>53,556</u>
Assigned to:					
Encumbrances for:					
Contractual services	1,943	-	-	-	1,943
Supplies & materials	1,292	-	-	-	1,292
Equipment & other	2,420	-	-	-	2,420
Imprest funds	69	-	-	-	69
Loans & grants	-	13,188	-	-	13,188
Subsequent year's expenditures	78,056	-	-	-	78,056
Retirement of long-term debt	25,075	-	-	-	25,075
Stormwater remediation	-	-	-	2,821	2,821
Liquor license regulation	-	-	-	49	49
Total Assigned	<u>108,855</u>	<u>13,188</u>	<u>-</u>	<u>2,870</u>	<u>124,913</u>
Unassigned:					
Revenue stabilization	85,187	-	-	-	85,187
Other	199,477	-	(23,256)	-	176,221
Total Unassigned	<u>284,664</u>	<u>-</u>	<u>(23,256)</u>	<u>-</u>	<u>261,408</u>
Total fund balances(deficit)	<u>\$ 433,982</u>	<u>\$ 31,855</u>	<u>\$ (23,256)</u>	<u>\$ 2,870</u>	<u>\$ 445,451</u>

Deficit Fund Balance

At June 30, 2014, the Consolidated Public Improvement Construction Fund had an unassigned fund deficit of \$23,256 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. 66, *Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These Statements had no material effect on the County's financial statements.

The County adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which improves financial reporting by state and local governmental pension plans that are administered through trusts or equivalent arrangements. This statement enhanced note disclosures and schedules of required supplementary information.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

17. NET POSITION RESTATEMENT:

Net position at July 1, 2013 for the Board of Library Trustees component unit has been restated to correct an error in accounting for depreciation of capital assets. The restatement reduced net position \$2.036 million from \$21.056 million to \$19.020 million.

18. SUBSEQUENT EVENTS:

On July 15, 2014, the County sold \$74,605,000 General Obligation Refunding Bonds, comprised of \$26,370,000 Metropolitan District Bonds – 2014 C Refunding Series and \$48,235,000 Consolidated Public Improvement Bonds – 2014 B Refunding Series for the advance refunding of \$27,000,000 Metropolitan District Bonds and \$50,000,000 Consolidated Public Improvement Bonds. The net proceeds of the advance 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. As a result of the refunding, a net present value savings of \$5,607,228 was obtained. The refunded bonds are considered defeased and the liability for those bonds will be removed from the government-wide statement of net position.

On December 23, 2014, the County sold \$200,000,000 General Obligation Bonds, consisting of \$84,000,000 Metropolitan District Bonds – 77th Issue, for the payment of Baltimore County Metropolitan District Bond Anticipation Notes – 2014 Series and \$116,000,000 Consolidated Public Improvement Bonds 2014B Series, for the payment of Baltimore County Consolidated Public Improvement Bond Anticipation Notes – 2014 Series. The Metropolitan District Bonds are due August 1, in each of the years 2015 to 2044, inclusive, and bear a true interest cost of 3.31%. The Consolidated Public Improvement Bonds are due August 1, in each of the years 2016 to 2034, inclusive, and bear a true interest cost of 2.71%.





Required Supplementary Information

**BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

Police, Fire and Widow's Pension Plan (dollars in thousands):

The following schedules present the initial year of GASB Statement No.67 only. Additional years will be presented as the information becomes available.

Schedule of Changes in County's Net Pension Liability and Related Ratios

	<u>2014</u>
Total pension liability	
Service cost	\$ -
Interest	3,342
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	3,425
Benefit payments	(9,622)
Net change in total pension liability	(2,855)
Beginning total pension liability	71,582
Ending total pension liability: (a)	<u>\$ 68,727</u>
 Plan fiduciary net position	
Employer contributions	-
Employee contributions	-
Net investment income	4,671
Benefit payments	(9,622)
Administrative expense	-
Other income	14
Net change in plan fiduciary net position	(4,937)
Beginning Plan fiduciary net position	50,121
Ending Plan fiduciary net position: (b)	<u>\$ 45,184</u>
Ending County's net pension liability: (a) - (b)	<u>\$ 23,543</u>
 Plan fiduciary net position as a percentage of the total pension liability	65.74%
 Covered-employee payroll	Not applicable
Net pension liability as a percentage of covered-employee payroll	Not applicable

Schedule of County Contributions

	<u>2014</u>
Actuarially determined contribution	Not calculated
Contributions related to the actuarially determined contribution	\$ -
Contribution deficiency (excess)	Not applicable

Note to Schedule:

The County intends to fund the Plan on a pay-as-you-go basis once the Plan assets are depleted.

**BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

Schedule of Investment Returns

	2014
Annual money-weighted rate of return, net of investment expenses	10.31%

OPEB Plan (dollars in thousands):

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

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)
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
2013 *	293,659	1,649,039	1,355,380	17.81	1,172,926	115.55

* The June 30, 2013 actuarial valuation contained OPEB projections for fiscal years 2013 and 2014. The large decrease to the actuarial accrued liability in 2013 is primarily the result of changing the discount rate from 4.0% in 2012 to 7.25% in 2013.

Schedule of Employers' Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 234,440	27.42
2013	120,211	106.10
2014	116,399	96.38





Supplementary Information Schedules & Combining Financial Statements

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

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2014
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Government:				
Legislative:				
County Council	\$ 1,961	\$ 1,961	\$ 1,820	\$ 141
Judicial:				
Circuit Court:				
Criminal and civil adjudication	4,469	4,469	4,375	94
Orphans Court:				
Adjudication of estates	202	202	197	5
States Attorney:				
Criminal prosecution	8,267	8,267	8,129	138
County Sheriff:				
Conveying prisoners and serving summonses	5,553	5,553	5,276	277
Total	<u>18,491</u>	<u>18,491</u>	<u>17,977</u>	<u>514</u>
Executive:				
Office of the County Executive	969	969	934	35
County Administrative Officer:				
General administration	1,262	1,262	1,248	14
Baltimore metropolitan council	140	140	140	-
Total	<u>2,371</u>	<u>2,371</u>	<u>2,322</u>	<u>49</u>
Elections:				
Board of Supervisors of Elections	4,207	4,207	3,193	1,014
Financial Administration:				
Office of Budget and Finance:				
Budget formulation and administration	1,193	1,193	1,162	31
Financial operations	4,148	4,558	4,423	135
Pay systems	264	264	258	6
Investment and debt management	333	333	330	3
Insurance administration	1,654	1,128	1,071	57
Purchasing and disbursements	1,282	1,282	1,208	74
Total	<u>8,874</u>	<u>8,758</u>	<u>8,452</u>	<u>306</u>
County Auditor	1,507	1,507	1,366	141
Office of Law:				
General legal services	2,515	2,515	2,343	172
Legislative relations	309	309	303	6
Ethics/human relations	-	-	-	-
Total	<u>2,824</u>	<u>2,824</u>	<u>2,646</u>	<u>178</u>
Other:				
Vehicle Operations and Maintenance	205	226	224	2
Office of Planning and Community Conservation				
General administration	2,045	2,032	1,973	59
Zoning commissioner	379	388	384	4
People's counsel	184	188	186	2
Community conservation	355	453	438	15
Office of Human Resources:				
Personnel administration	2,448	2,663	2,655	8

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2014
(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	1,467	1,514	1,511	3
Electrical licensing and regulation	17	17	17	-
Plumbing licensing and regulation	28	28	25	3
Real estate compliance (1713)	763	807	805	2
Development processing	816	897	895	2
Code inspections and enforcement	4,404	4,174	4,170	4
Permits and licenses	626	682	680	2
Board of Appeals	215	215	170	45
Cooperative Extension Service	244	244	238	6
Office of Information Technology:				
General administration	2,412	2,446	2,445	1
Applications development	5,953	5,839	5,836	3
Computer and technical services	9,052	9,202	9,201	1
Telecommunications Services	3,320	3,250	3,232	18
Property Management				
Administration	971	1,068	1,050	18
Building maintenance	6,305	6,665	6,660	5
Building operation and management	17,279	17,420	17,363	57
Maintenance of grounds and recreation sites	6,101	6,041	6,039	2
Total	<u>65,589</u>	<u>66,459</u>	<u>66,197</u>	<u>262</u>
General Government Total	<u>105,824</u>	<u>106,578</u>	<u>103,973</u>	<u>2,605</u>
Public Safety:				
Police Department:				
General administration	3,501	3,501	3,361	140
Administrative & technical services	24,136	24,136	23,974	162
Criminal/forensic investigations	23,001	23,001	22,050	951
Vice/intelligence/narcotics	8,430	8,430	7,369	1,061
Patrol/precincts	114,585	114,585	114,573	12
Support operations	13,499	13,499	12,778	721
Human resources	3,235	3,235	3,168	67
School safety	1,328	1,328	1,286	42
Total	<u>191,715</u>	<u>191,715</u>	<u>188,559</u>	<u>3,156</u>
Bureau of Corrections:				
Custodial care of prisoners	34,509	34,509	34,486	23
Fire Department:				
General administration	947	972	971	1
Investigative services	1,556	1,667	1,666	1
Alarm and communication system	931	936	936	-
Field operations	77,802	77,649	76,422	1,227
Office of emergency preparedness	149	151	150	1
Field operation administration	1,367	1,377	1,370	7
Fire/rescue academy	1,270	1,270	1,085	185
Contributions - volunteer fire companies	6,883	6,883	6,764	119
Total	<u>90,905</u>	<u>90,905</u>	<u>89,364</u>	<u>1,541</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2014
(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	11,417	12,067	11,965	102
Public Safety Total	<u>328,546</u>	<u>329,196</u>	<u>324,374</u>	<u>4,822</u>
Public Works:				
Office of Director of Public Works:				
General administration	542	542	535	7
Metro Financing/Petition Proc	26	26	22	4
	<u>568</u>	<u>568</u>	<u>557</u>	<u>11</u>
Bureau of Engineering and Construction:				
General administration	371	356	348	8
Structural design	1,677	1,607	1,598	9
General surveying	369	334	325	9
Contracts and construction inspection	1,774	1,689	1,680	9
Total	<u>4,191</u>	<u>3,986</u>	<u>3,951</u>	<u>35</u>
Bureau of Highways & Equipment Management:				
General administration	778	708	700	8
General operations and maintenance	12,570	13,080	12,968	112
Equipment maintenance	6,256	6,256	6,228	28
Storm emergencies	5,987	16,717	14,059	2,658
Total	<u>25,591</u>	<u>36,761</u>	<u>33,955</u>	<u>2,806</u>
Bureau of Solid Waste Management:				
General administration	474	434	424	10
Refuse collection	28,666	28,686	28,678	8
Refuse disposal	22,206	22,506	22,494	12
Recycling	1,761	1,716	1,709	7
Total	<u>53,107</u>	<u>53,342</u>	<u>53,305</u>	<u>37</u>
Bureau of Traffic Engineering and Transportation Planning:				
Traffic planning	8,945	9,725	9,709	16
Traffic sign installation and maintenance	1,520	1,570	1,561	9
Traffic signal operation and maintenance	923	893	888	5
Total	<u>11,388</u>	<u>12,188</u>	<u>12,158</u>	<u>30</u>
Bureau of Utilities:				
Sewer and water maintenance	574	574	569	5
Public Works Total	<u>95,419</u>	<u>107,419</u>	<u>104,495</u>	<u>2,924</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2014
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Health and Human Services:				
Health:				
Department of Health:				
General administration	2,371	2,521	2,476	45
Nursing services	2,962	2,754	2,656	98
Acute communicable disease control	1,250	1,250	1,234	16
Medical environmental health	2,280	2,206	2,146	60
Medical social work service	905	970	951	19
Animal control	1,675	1,875	1,840	35
School health services	222	202	172	30
Developmental disabilities	977	992	978	14
Home health services	1,548	1,548	1,517	31
Long-term care services	1,456	1,386	1,340	46
Medical assistance and hospital support	1,849	1,819	1,779	40
Dental health services	1,020	972	931	41
Speech, language and hearing	822	842	837	5
Total	<u>19,337</u>	<u>19,337</u>	<u>18,857</u>	<u>480</u>
Department of Environmental Protection and Resource Management	<u>5,113</u>	<u>5,237</u>	<u>5,153</u>	<u>84</u>
Human Services:				
Department of Social Services:				
Adult foster care assistance	145	145	145	-
Welfare to work program	400	400	400	-
Bridge Program	460	440	430	10
Emergency funds/housing for the homeless	650	780	777	3
Battered spouse program	127	127	127	-
Day Resource Center	206	206	163	43
In-home care program	228	228	187	41
Volunteer program	69	69	66	3
Adult services	941	966	945	21
General administration	1,240	1,240	1,215	25
Children's services	436	411	383	28
Income maintenance	656	656	634	22
Family services	1,308	1,278	1,227	51
Total	<u>6,866</u>	<u>6,946</u>	<u>6,699</u>	<u>247</u>
Aging Programs & Services:				
Department of Aging:				
General administration	785	785	759	26
Adult medical day care	50	50	50	-
Senior centers network	1,759	1,804	1,783	21
Special geriatric services	238	238	234	4
Facilities	370	370	337	33
Transportation	972	927	782	145
Program and volunteer services	236	236	183	53
Total	<u>4,410</u>	<u>4,410</u>	<u>4,128</u>	<u>282</u>
Health and Human Services Total	<u>35,726</u>	<u>35,930</u>	<u>34,837</u>	<u>1,093</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2014
(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>		
Culture and Leisure Services:				
Department of Recreation and Parks:				
General administration	878	878	869	9
Community & neighborhood recreation, organization, direction and development	9,523	9,523	9,028	495
Organization Contributions:				
Organization contributions	2,777	2,777	2,742	35
General grant program	4,777	4,900	4,650	250
Culture and Leisure Services Total	<u>17,955</u>	<u>18,078</u>	<u>17,289</u>	<u>789</u>
Economic and Community Development:				
Economic Development Commission	1,249	1,249	1,170	79
Economic and Community Development Total	<u>1,249</u>	<u>1,249</u>	<u>1,170</u>	<u>79</u>
Pension Plan Contributions:				
Employees' retirement contributions	71,574	71,574	71,574	-
Non-system retirement	231	236	233	3
Pension Total	<u>71,805</u>	<u>71,810</u>	<u>71,807</u>	<u>3</u>
Insurance Contributions:				
Employee health & life insurance	101,080	99,772	99,500	272
Insurance Total	<u>101,080</u>	<u>99,772</u>	<u>99,500</u>	<u>272</u>
Miscellaneous:				
Social Security	16,364	16,527	16,521	6
Reserve for Contingencies	1,000	359	-	359
Local share - State & Federal	11	11	11	-
Miscellaneous Total	<u>17,375</u>	<u>16,897</u>	<u>16,532</u>	<u>365</u>
Payments to Component Units:				
Community College	38,463	38,463	38,463	-
Board of Education	747,643	747,643	747,547	96
Library	35,264	35,264	35,264	-
Total Payments to Component Units	<u>821,370</u>	<u>821,370</u>	<u>821,274</u>	<u>96</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2014
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt Service:				
Principal retirement:				
General obligation bonds:				
Community College	3,280	3,280	3,280	-
General public facilities	35,785	35,785	35,785	-
Pension funding bonds	6,925	6,925	6,925	-
Non-general obligation debt	13,600	13,641	13,641	-
Total	<u>59,590</u>	<u>59,631</u>	<u>59,631</u>	<u>-</u>
Interest:				
General obligation bonds:				
Community College	2,873	2,873	2,850	23
General public facilities	19,925	19,898	19,885	13
Pension funding bonds	9,614	9,595	9,594	1
Non-general obligation debt	3,272	3,327	3,327	-
Total	<u>35,684</u>	<u>35,693</u>	<u>35,656</u>	<u>37</u>
Fiscal charges:				
General obligation bonds:				
General public facilities	625	625	625	-
Non-general obligation debt	10	10	10	-
Total	<u>635</u>	<u>635</u>	<u>635</u>	<u>-</u>
Debt Service Total	<u>95,909</u>	<u>95,959</u>	<u>95,922</u>	<u>37</u>
Operating Transfers Out:				
Contribution to capital budget	16,593	16,593	16,593	-
Contribution to capital budget - schools	9,967	9,967	9,967	-
Gifts and Grants	5,673	5,673	5,673	-
Total Operating Transfers Out	<u>32,233</u>	<u>32,233</u>	<u>32,233</u>	<u>-</u>
General Fund Total	<u>\$ 1,724,491</u>	<u>\$ 1,736,491</u>	<u>\$ 1,723,406</u>	<u>\$ 13,085</u>

**Baltimore County, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(In Thousands)**

	Special Revenue Funds		
	Liquor License	Stormwater Management	Total
ASSETS			
Cash and investments	\$ 56	\$ 2,358	\$ 2,414
Receivables, net	-	486	486
Total assets	\$ 56	\$ 2,844	\$ 2,900
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	1	3	4
Accrued expenditures	6	20	26
Total liabilities	7	23	30
Fund Balance			
Assigned	49	2,821	2,870
Total fund balances	49	2,821	2,870
Total liabilities and fund balances	\$ 56	\$ 2,844	\$ 2,900

Baltimore County, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014
(In Thousands)

	Special Revenue Funds		
	Liquor License	Stormwater Management	Total
REVENUES			
Licenses and permits	\$ 990	\$ 24,670	\$ 25,660
Charges for services	85	-	85
Interest revenue	-	37	37
Total revenues	1,075	24,707	25,782
EXPENDITURES			
General government	609	1,021	1,630
Total expenditures	609	1,021	1,630
Excess of revenues over expenditures	466	23,686	24,152
OTHER FINANCING USES			
Transfers out	(600)	(20,865)	(21,465)
Total other financing uses	(600)	(20,865)	(21,465)
Net change in fund balances	(134)	2,821	2,687
Fund balances at beginning of the year	183	-	183
Fund balances at end of the year	\$ 49	\$ 2,821	\$ 2,870

Baltimore County, Maryland
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Liquor License Fund
For the Year Ended June 30, 2014
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 1,290	\$ 1,075	\$ (215)
Total revenues	<u>1,290</u>	<u>1,075</u>	<u>(215)</u>
Expenditures:			
General government:			
License sale and control	669	609	60
Total expenditures	<u>669</u>	<u>609</u>	<u>60</u>
Excess of revenues over expenditures	<u>621</u>	<u>466</u>	<u>(155)</u>
Other financing uses:			
Operating transfers out	(600)	(600)	-
Deficiency of revenues over expenditures, and other uses	<u>\$ 21</u>	<u>(134)</u>	<u>\$ (155)</u>
Fund balance at beginning of year		183	
Fund balance at end of year		<u>\$ 49</u>	

Baltimore County, Maryland
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Stormwater Management Fund
For the Year Ended June 30, 2014
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Fees	\$ 23,401	\$ 24,670	\$ 1,269
Interest revenue	-	37	37
Total revenues	<u>23,401</u>	<u>24,707</u>	<u>1,306</u>
Expenditures:			
General government:			
General administration	2,558	1,206	1,352
Total expenditures	<u>2,558</u>	<u>1,206</u>	<u>1,352</u>
Excess of revenues over expenditures	<u>20,843</u>	<u>23,501</u>	<u>2,658</u>
Other financing uses:			
Operating transfers out	(20,843)	(20,843)	-
Excess of revenues over expenditures, and other uses	<u>\$ -</u>	2,658	<u>\$ 2,658</u>
Net change during year in reserve for encumbrances		163	
Fund balance at beginning of year		-	
Fund balance at end of year		<u>\$ 2,821</u>	

Baltimore County, Maryland
Combining Statement of Net Position
Internal Service Funds
June 30, 2014
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 323	\$ 89,298	\$ 89,621
Receivables, net	28	-	1,391	1,419
Due from other funds	-	-	1,413	1,413
Inventories	518	-	-	518
Prepaid costs	-	-	1,135	1,135
Total current assets	<u>546</u>	<u>323</u>	<u>93,237</u>	<u>94,106</u>
Capital assets:				
Non-depreciable	705	-	-	705
Depreciable (net of accumulated depreciation)	13,710	125	-	13,835
Total assets	<u>14,961</u>	<u>448</u>	<u>93,237</u>	<u>108,646</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,099	34	6,822	7,955
Accrued payroll	56	5	-	61
Compensated absences	259	12	-	271
Due to other funds	1,413	-	-	1,413
Claims and judgments	-	-	31,394	31,394
Total current liabilities	<u>2,827</u>	<u>51</u>	<u>38,216</u>	<u>41,094</u>
Noncurrent liabilities:				
Claims and judgments	-	-	20,155	20,155
Total liabilities	<u>2,827</u>	<u>51</u>	<u>58,371</u>	<u>61,249</u>
NET POSITION				
Net investment in capital assets	14,415	125	-	14,540
Unrestricted (deficit)	(2,281)	272	34,866	32,857
Total net position	<u>\$ 12,134</u>	<u>\$ 397</u>	<u>\$ 34,866</u>	<u>\$ 47,397</u>

Baltimore County, Maryland
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
OPERATING REVENUES				
Charges for services-internal	\$ 16,931	\$ 696	\$ 81,591	\$ 99,218
Charges for services-other	4,530	3	171,113	175,646
Miscellaneous	226	-	-	226
Total operating revenues	<u>21,687</u>	<u>699</u>	<u>252,704</u>	<u>275,090</u>
OPERATING EXPENSES				
Personal services	2,511	289	-	2,800
Contractual services	589	126	-	715
Rents and utilities	83	161	-	244
Supplies and maintenance	13,766	120	-	13,886
Insurance claims and expenses	-	-	255,258	255,258
Depreciation	3,999	17	-	4,016
Other expenses	668	27	-	695
Total operating expenses	<u>21,616</u>	<u>740</u>	<u>255,258</u>	<u>277,614</u>
Operating income (loss)	<u>71</u>	<u>(41)</u>	<u>(2,554)</u>	<u>(2,524)</u>
NONOPERATING REVENUES				
Interest on investments	-	-	48	48
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Income (loss) before special item and transfers	71	(41)	(2,506)	(2,476)
Special item-claims liability transfer	-	-	11,426	11,426
Transfers in	22	-	-	22
Change in net position	93	(41)	8,920	8,972
Net position at beginning of the year	12,041	438	25,946	38,425
Net position at end of the year	<u>\$ 12,134</u>	<u>\$ 397</u>	<u>\$ 34,866</u>	<u>\$ 47,397</u>

Baltimore County, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 21,459	\$ 699	\$ 252,512	\$274,670
Payments to suppliers	(14,485)	(382)	-	(14,867)
Payments to employees	(2,465)	(295)	-	(2,760)
Payment for interfund services used	(668)	(27)	-	(695)
Claims paid	-	-	(253,009)	(253,009)
Other receipts	226	-	-	226
Net cash provided by (used for) operating activities	<u>4,067</u>	<u>(5)</u>	<u>(497)</u>	<u>3,565</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	22	-	-	22
Repayment of advancement	(1,570)	-	1,570	-
Net cash provided by (used for) noncapital activities	<u>(1,548)</u>	<u>-</u>	<u>1,570</u>	<u>22</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,645)	-	-	(2,645)
Sales of capital assets	126	-	-	126
Net cash used for capital and related financing activities	<u>(2,519)</u>	<u>-</u>	<u>-</u>	<u>(2,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	-	48	48
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Net increase (decrease) in cash and cash equivalents	-	(5)	1,121	1,116
Cash and cash equivalents at beginning of the year	-	328	88,177	88,505
Cash and cash equivalents at end of the year	<u>\$ -</u>	<u>\$ 323</u>	<u>\$ 89,298</u>	<u>\$ 89,621</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ 71	\$ (41)	\$ (2,554)	\$ (2,524)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	3,999	17	-	4,016
Effect of changes in operating assets and liabilities:				
Receivables, net	(2)	-	(192)	(194)
Prepaid costs	-	-	(1)	(1)
Inventories	58	-	-	58
Accounts and other payables	(105)	25	2,781	2,701
Accrued expenses	46	(6)	-	40
Claims and judgements	-	-	(531)	(531)
Net cash provided by (used for) operating activities	<u>\$ 4,067</u>	<u>\$ (5)</u>	<u>\$ (497)</u>	<u>\$ 3,565</u>

Baltimore County, Maryland
Combining Statement of Net Position
Benefits Trust Funds
June 30, 2014
(In Thousands)

	Employees' Retirement System Plan A	Employees' Retirement System Plan B	Police, Fire, and Widows' Pension Plan	OPEB Plan	Total
ASSETS					
Cash and cash equivalents	\$ 29,900	\$ 2,523	\$ 1,830	\$ -	\$ 34,253
Collateral for loaned securities	27,010	355	-	4,152	31,517
Receivables:					
Accrued interest & dividend income	2,313	31	143	355	2,842
Receivable for investments sold	38,384	505	1,199	5,901	45,989
Receivables other	260	112	-	2,417	2,789
Total receivables	<u>40,957</u>	<u>648</u>	<u>1,342</u>	<u>8,673</u>	<u>51,620</u>
Investments, at fair value:					
U.S. Government and Agency securities	147,832	1,945	-	22,726	172,503
Municipal bonds	5,152	68	27,305	792	33,317
Foreign bonds	18,103	238	7,734	2,783	28,858
Corporate bonds	113,862	1,498	-	17,504	132,864
Stocks	565,070	7,435	-	86,869	659,374
Bond mutual funds	368,502	4,849	65	56,650	430,066
Stock mutual funds	440,659	5,798	6,915	67,743	521,115
Real estate equity funds	103,306	1,359	-	15,881	120,546
Hedge funds	115,784	1,523	-	17,800	135,107
Private equity funds	112,662	1,482	-	17,320	131,464
Real assets	122,066	1,606	-	18,765	142,437
Global asset allocation	375,280	4,938	-	57,692	437,910
Total investments	<u>2,488,278</u>	<u>32,739</u>	<u>42,019</u>	<u>382,525</u>	<u>2,945,561</u>
Total assets	<u>2,586,145</u>	<u>36,265</u>	<u>45,191</u>	<u>395,350</u>	<u>3,062,951</u>
LIABILITIES					
Bank overdraft	-	-	-	3,937	3,937
Securities lending payable	27,010	355	-	4,152	31,517
Investments purchased	46,579	613	-	7,161	54,353
Investment expenses payable	2,871	38	-	441	3,350
Refunds payable	22	673	-	-	695
Other	5,483	-	7	1,570	7,060
Total liabilities	<u>81,965</u>	<u>1,679</u>	<u>7</u>	<u>17,261</u>	<u>100,912</u>
NET POSITION					
Net position held in trust for benefits	<u>\$ 2,504,180</u>	<u>\$ 34,586</u>	<u>\$ 45,184</u>	<u>\$ 378,089</u>	<u>\$ 2,962,039</u>

Baltimore County, Maryland
Combining Statement of Changes in Net Position
Benefits Trust Funds
For the Year Ended June 30, 2014
(In Thousands)

	Employees' Retirement System Plan A	Employees' Retirement System Plan B	Police, Fire, and Widows' Pension Plan	OPEB Plan	Total
ADDITIONS					
Contributions:					
Employer	\$ 80,127	\$ 327	\$ -	\$ 112,188	\$ 192,642
Employees	29,860	7,984	-	30,784	68,628
Other	-	-	14	15,476	15,490
Total contributions	<u>109,987</u>	<u>8,311</u>	<u>14</u>	<u>158,448</u>	<u>276,760</u>
Investment earnings:					
Net increase in the fair value of plan assets	299,349	3,370	2,859	44,596	350,174
Interest and dividends	42,512	502	1,848	6,504	51,366
Investment expenses	(18,469)	(231)	(36)	(2,853)	(21,589)
Net investment gain	<u>323,392</u>	<u>3,641</u>	<u>4,671</u>	<u>48,247</u>	<u>379,951</u>
Net income from securities lending:					
Securities lending income	74	1	-	11	86
Borrower rebates	243	3	-	37	283
Agent fees	(89)	(1)	-	(14)	(104)
Net income from securities lending	<u>228</u>	<u>3</u>	<u>-</u>	<u>34</u>	<u>265</u>
Total net investment gain	<u>323,620</u>	<u>3,644</u>	<u>4,671</u>	<u>48,281</u>	<u>380,216</u>
Total additions	<u>433,607</u>	<u>11,955</u>	<u>4,685</u>	<u>206,729</u>	<u>656,976</u>
DEDUCTIONS					
Benefits	225,668	-	9,622	52,763	288,053
Refunds	1,770	1,396	-	-	3,166
Administrative expense	1,326	16	-	81,776	83,118
Total deductions	<u>228,764</u>	<u>1,412</u>	<u>9,622</u>	<u>134,539</u>	<u>374,337</u>
Change in net position	204,843	10,543	(4,937)	72,190	282,639
Net position at beginning of the year	2,299,337	24,043	50,121	305,899	2,679,400
Net position at end of the year	<u>\$ 2,504,180</u>	<u>\$ 34,586</u>	<u>\$ 45,184</u>	<u>\$ 378,089</u>	<u>\$ 2,962,039</u>