

FINANCIAL



SECTION

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baltimore County, Maryland (the County) as of and for the year ended June 30, 2010 and the budgetary comparison for the general fund for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baltimore County, Maryland as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clifton Henderson LLP

Baltimore, Maryland
December 21, 2010

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, 2010. Readers are to consider the data presented here in conjunction with the information presented in the transmittal letter at the front of this report and with all the County's financial statements and accompanying notes to those financial statements, which follow this section.

Financial Highlights

Government-wide:

- The County's assets and liabilities are \$3.904 billion and \$2.153 billion respectively resulting in net assets of \$1.751 billion.
- The County's total net assets decreased by \$281.31 million as a result of current year operations.

Fund Level:

- The County's governmental funds have combined fund balances of \$46.896 million.
- The General Fund's fund balance is \$232.489 million of which \$109.231 million is unreserved undesignated fund balance.

Long-term Debt:

- The County's total bond, note and certificate of participation debt increased by \$185.814 million during the current year. The key factors in this increase were the issuance of \$281.57 million in general obligation bonds and a \$.532 million draw on the Maryland Water Quality Revolving Loan Fund offset by debt service payments of \$96.288 million.

Overview of the Financial Statements

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

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

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

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

The *Statement of Activities* on page 15 presents information showing how the County's net assets changed during fiscal year 2010. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

Notes to Basic Financial Statements

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

Other Information

Required supplementary information includes schedules concerning the County's progress in funding its obligations to provide pension and post employment healthcare benefits to its employees. These schedules can be found on pages 66 and 67. Other supplementary information includes combining and individual fund financial statements and schedules for the General Fund, non-major governmental funds, internal service funds, and fiduciary funds. These statements and schedules can be found starting on page 70.

Financial Analysis of the County as a Whole

The County's combined net assets decreased \$281.31 million for FY 2010. The net assets of the governmental activities decreased \$259.792 million and business-type activities decreased \$21.518 million. The schedule below presents the net assets of the County's governmental and business-type activities as of June 30, 2010.

The largest component of the County's net assets reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related outstanding debt used to acquire the assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not liquid or available for future spending or liquidation of any liabilities. It is important to note that counties in the State of Maryland issue debt for the construction of schools, yet the school buildings are owned by each county's Board of Education. Ownership reverts to the County if the local board determines a building is no longer needed. The County also funds projects for the Community College of Baltimore County. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. The governmental activities negative unrestricted net assets of \$309.38 million reflect the result of recording the liabilities without the corresponding assets. The County has a similar situation where it issues debt to finance capital contributions for Baltimore City owned assets. This is what causes the negative unrestricted net assets of \$159.788 million in the business-type activities. These situations are described in more detail in Note 8.

Net Assets as of June 30 (in thousands)

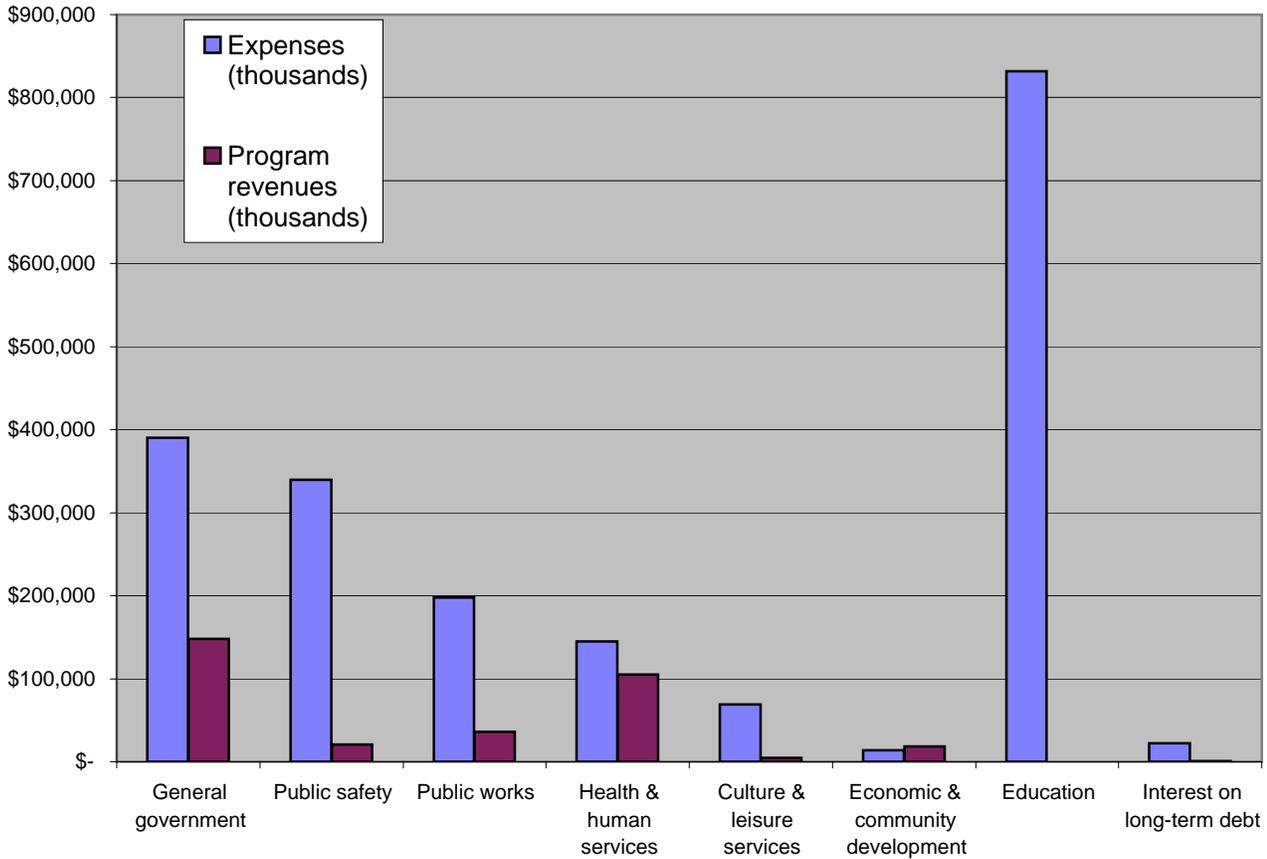
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other non-current assets	\$ 457,308	\$ 636,121	\$ 193,197	\$ 193,445	\$ 650,505	\$ 829,566
Capital assets	2,219,105	2,151,382	1,034,558	984,145	3,253,663	3,135,527
Total assets	<u>2,676,413</u>	<u>2,787,503</u>	<u>1,227,755</u>	<u>1,177,590</u>	<u>3,904,168</u>	<u>3,965,093</u>
Liabilities:						
Current liabilities	470,960	446,529	178,623	176,254	649,583	622,783
Long-term liabilities	863,670	739,399	640,233	570,919	1,503,903	1,310,318
Total liabilities	<u>1,334,630</u>	<u>1,185,928</u>	<u>818,856</u>	<u>747,173</u>	<u>2,153,486</u>	<u>1,933,101</u>
Net assets:						
Invested in capital assets, net of related debt	1,593,450	1,595,901	568,687	568,225	2,162,137	2,164,126
Restricted	57,713	73,357	-	-	57,713	73,357
Unrestricted (deficit)	(309,380)	(67,683)	(159,788)	(137,808)	(469,168)	(205,491)
Total net assets	<u>\$ 1,341,783</u>	<u>\$ 1,601,575</u>	<u>\$ 408,899</u>	<u>\$ 430,417</u>	<u>\$ 1,750,682</u>	<u>\$ 2,031,992</u>

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

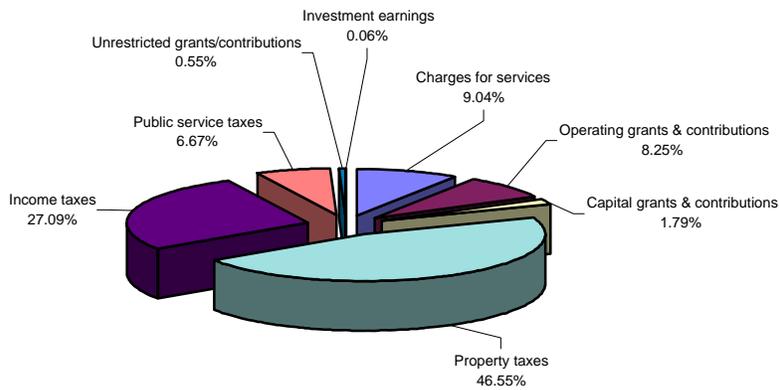
	Changes in Net Assets (in thousands)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program revenues						
Charges for services	\$ 158,074	\$ 198,815	\$206,031	\$200,741	\$ 364,105	\$ 399,556
Operating grants	144,350	179,198	829	-	145,179	179,198
Capital grants	31,263	54,852	12,071	25,585	43,334	80,437
General revenues						
Property taxes	813,970	767,103	-	-	813,970	767,103
Income taxes	473,792	569,736	-	-	473,792	569,736
Public service taxes	116,592	123,863	-	-	116,592	123,863
Unrestricted grants and contributions	9,655	6,954	-	-	9,655	6,954
Investment earnings	1,098	5,688	177	1,094	1,275	6,782
Total revenues	<u>\$ 1,748,794</u>	<u>\$1,906,209</u>	<u>\$219,108</u>	<u>\$227,420</u>	<u>\$1,967,902</u>	<u>\$2,133,629</u>
Expenses						
General government	390,428	457,696	-	-	390,428	457,696
Public safety	339,301	336,325	-	-	339,301	336,325
Public works	198,075	163,493	-	-	198,075	163,493
Health and human services	144,614	141,023	-	-	144,614	141,023
Culture and leisure services	68,818	66,856	-	-	68,818	66,856
Economic and community development	13,743	10,578	-	-	13,743	10,578
Education	831,550	774,053	-	-	831,550	774,053
Interest on long-term debt	22,057	20,305	-	-	22,057	20,305
Water and sewer services	-	-	240,626	223,534	240,626	223,534
Total expenses	<u>2,008,586</u>	<u>1,970,329</u>	<u>240,626</u>	<u>223,534</u>	<u>2,249,212</u>	<u>2,193,863</u>
Increase (decrease) in net assets	(259,792)	(64,120)	(21,518)	3,886	(281,310)	(60,234)
Net assets - beginning	1,601,575	1,665,695	430,417	426,531	2,031,992	2,092,226
Net assets - ending	<u>\$ 1,341,783</u>	<u>\$1,601,575</u>	<u>\$408,899</u>	<u>\$430,417</u>	<u>\$1,750,682</u>	<u>\$2,031,992</u>

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

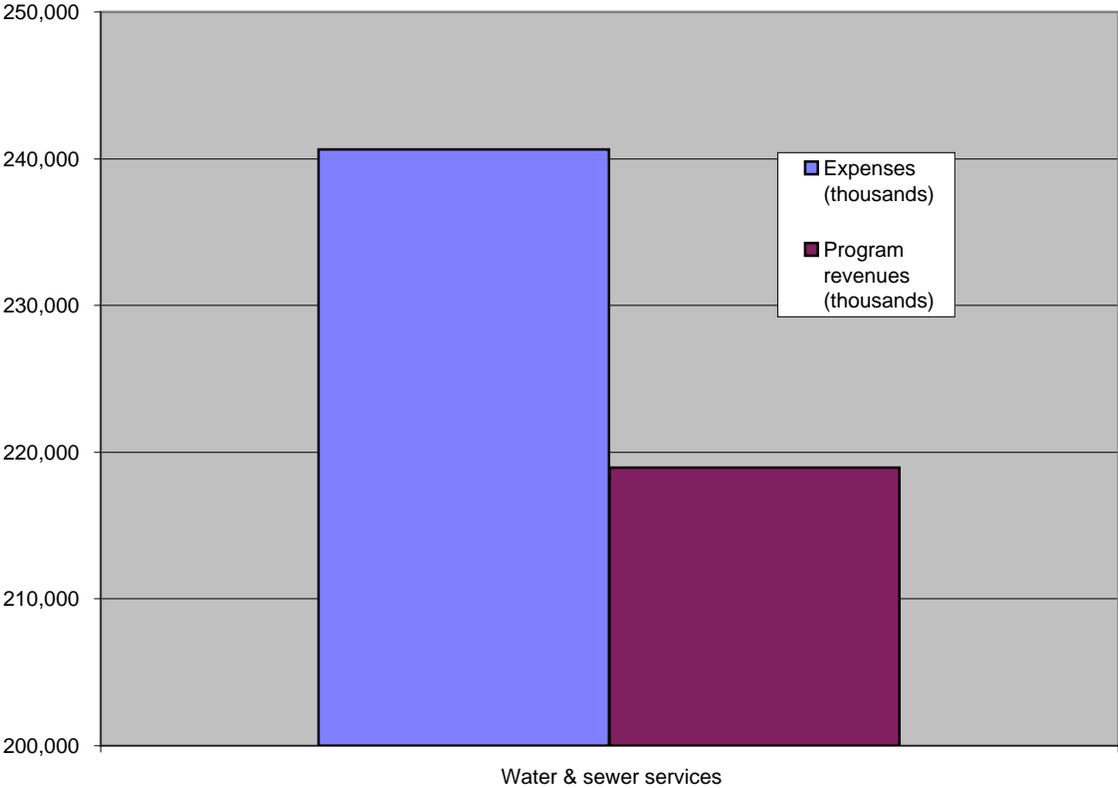
Expenses & Program Revenues-Governmental Activities



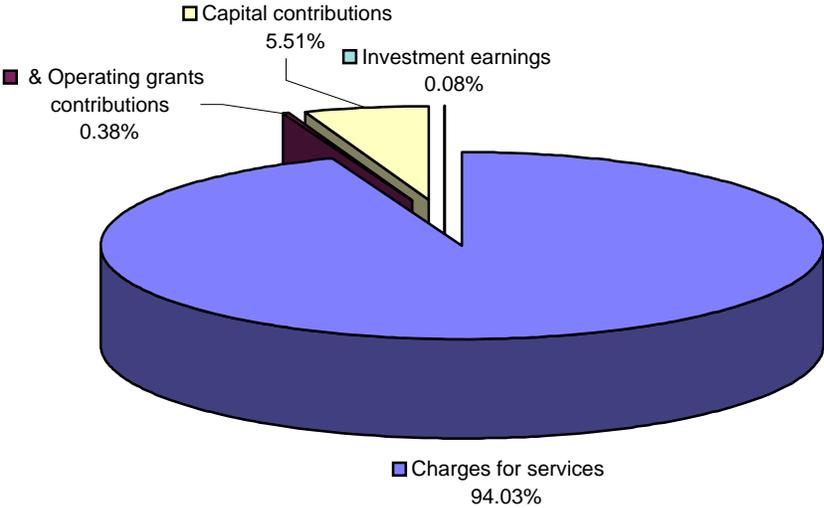
Revenues by Source-Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source-Business-type Activities



Governmental Activities

Governmental activities decreased the County's net assets by \$257.792 million. Key elements affecting the decrease in net assets included:

- Total tax revenue from all governmental sources continued to decline with a 3.9% decrease in FY10 compared to a 4.5% decrease in the prior year:
 - Property taxes provided 46.5% of total revenue with an increase of \$46.867 million. A steady growth in property taxes will continue from reassessment of real property. For most homeowners, they will be taxed on a maximum 4% annual increase according to the County's assessment growth cap no matter how large an increase in the assessed value of their property.
 - Local income taxes decreased \$95.944 million or 16.8% this year. A \$66 million decrease is the result of the State of Maryland subtracting monies from the County's FY10 income tax receipts for an over distribution of payments during FY09. The remaining decrease is due to increased unemployment and diminished tax receipts resulting from the slowed real estate market.
 - Public service taxes decreased 5.9%. Recordation and transfer taxes had the highest percentage decreases that were due to decreases in the quantity and value of real estate transactions during the year.
- Capital asset infrastructure donations from developers decreased 57.4% to \$11.653 million.

Business-type Activities

Business-type activities decreased the County's net assets by \$21.518 million. The key elements of the Metropolitan District operations that affect net assets are as follows:

- The County's net cost sharing contributions to Baltimore City for capital facilities increased \$5.7 million. The County's construction and capital maintenance activities increased \$13.7 million. These two increases were due to the County's consent decree with the U.S. Environmental Protection Agency.
- Front foot assessments that are billed over 40 years to County homeowners to recover costs for County construction of water and sewer lines showed a continuing decline of \$6.131 million due to developers assuming the responsibility for construction of these lines.

Financial Analysis of the County's Funds

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

Governmental Funds

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

The County's governmental funds reported combined ending fund balances of \$46.896 million as of June 30, 2010, a decrease of \$152.467 million. Unreserved fund balance of the General Fund, as stated below, is available at the County's discretion. Reserved fund balance of \$49.443 million is not available for new spending because it has already been committed.

The General Fund is the County's chief operating fund. At the end of FY10, unreserved fund balance of the General Fund was \$202.988 million, while total fund balance was \$232.489 million. Unreserved fund balance represents 12.5% of total fund expenditures, while total fund balance represents 14.32% of total expenditures. These ratios are typically useful as a measure of the General Fund's liquidity. Of its unreserved fund balance, the County has designated \$84.357 million to its Revenue Stabilization Reserve account and \$9.4 million to finance, in part, the FY11 operating budget.

The General Fund fund balance decreased by \$28.471 million during the current fiscal year. Factors affecting fund balance are addressed in the discussion of the General Fund budget below.

The Gifts and Grants Fund fund balance of \$16.94 million reflects the accumulation of earned revenue in excess of grant expenditures for the various grant activities administered by the County and is restricted for those activities. The \$3.724 increase from last year is attributable to a \$2.2 million increase in federal stimulus funds for police programs, \$.989 million in unused county matching funds for senior citizen activities, and additional fees and donations of \$.397 million from county grants.

The Consolidated Public Improvement Construction Fund fund balance decreased \$110.833 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 assesses its overall cash flow needs where bond proceeds have been more on a reimbursable basis. Also, the County returned \$99 million of prior year current expense contributions to the General Fund to mitigate an income tax revenue shortfall.

Proprietary Funds

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

The Metropolitan District Fund net assets decreased \$21.109 million. The main factors concerning this decrease have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The County had no major supplemental appropriations to its original budget during the year. The County sustained cost overruns of \$15 million to its Storm Emergencies program caused by historic snowfall this past winter which was funded by a budget appropriation transfer from its Insurance Contribution program. Significant differences between the final budget and actual amounts are summarized as follows:

- Income taxes budget estimates were \$101.975 million less due primarily to a reduction of \$66 million in tax receipts for overpayments of FY09 distributions and to the depressed economy.
- Respective revenue amounts of \$15.9 million, \$3.4 million, and \$2.1 million for Highway User, State Aid for Police Protection, and Detention Center boarding of prisoners were under budget. These reflect state aid cutbacks to local subdivisions resulting from the State budget deficit.
- The County transferred in \$117 million of operating funds previously committed to the capital budget to address the above revenue gap.
- The \$13 million variance to the Pension Plan contributions was prefunding that was not used due to the County's ability to negotiate major changes to its retirement system with labor unions.
- The County released \$25 million from its health care reserves to maintain unreserved General Fund balances at a higher targeted level during this period of revenue uncertainty.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities totaled \$3.254 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 245,965	\$ 236,396	\$ 1,306	\$ 1,306	\$ 247,271	\$ 237,702
Buildings and improvements	322,761	322,169	86,359	81,281	409,120	403,450
Vehicles and equipment	99,502	88,280	4,718	4,668	104,220	92,948
Infrastructure	1,246,515	1,227,614	712,595	686,064	1,959,110	1,913,678
Construction in progress	304,362	276,923	229,580	210,826	533,942	487,749
Total	<u>\$ 2,219,105</u>	<u>\$ 2,151,382</u>	<u>\$ 1,034,558</u>	<u>\$ 984,145</u>	<u>\$ 3,253,663</u>	<u>\$ 3,135,527</u>

The County added \$12.1 million for new or improved roads, \$6.1 million for storm drains, and \$24.5 million for water and sewer lines as a major part of its infrastructure assets for FY10.

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

- Acquisition of additional 50.2 acres to Reisterstown Regional Park, 13 acres to Cloverland Park, and 6.1 acres for a future park site were made totaling \$3.1 million.
- The County acquired the former Perring Racquet Club for \$3.9 million which will be transformed into a unique sportsplex recreational facility.
- The Arbutus Library/Community/Recreation Center, which was started in fiscal year 2008, nears completion at a cost of \$6.8 million.
- The County has spent \$1.4 million on various revitalization projects, such as streetscape, throughout the region.

Additional capital asset information can be found in Note 7.

Long-term Debt

At the end of the current fiscal year, the County had total general obligation debt outstanding of \$1.682 billion. This includes Consolidated Public Improvement bonds and notes of \$877.465 million, Pension Funding bonds of \$38.885 million and Metropolitan District bonds and notes of \$765.337 million. The bonds and notes are backed by the full faith and credit of the County.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$741,450	\$620,375	\$658,837	\$585,648	\$1,400,287	\$1,206,023
General obligation BANs	174,900	175,000	106,500	106,600	281,400	281,600
Total	<u>\$916,350</u>	<u>\$795,375</u>	<u>\$765,337</u>	<u>\$692,248</u>	<u>\$1,681,687</u>	<u>\$1,487,623</u>

The County's total general obligation debt increased in 2010 by \$194.064 million (considering new borrowing and debt retirement).

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

The County Charter limits the amount of general obligation debt that the County may issue for Consolidated Public Improvements to 4% of the County's assessable property base. Metropolitan District debt may be issued up to debt limit of 3.2% of the District's assessable property base. The County's debt is significantly below the respective limits of \$3.57 billion and \$2.51 billion. Additional information on the County's long-term debt can be found in Note 8.

Economic Factors and Next Years Budgets and Rates

- The County, as well as the State of Maryland, and the Country as a whole, continue to be in the midst of very difficult economic times. The collapse of the real estate market, the sub-prime mortgage crisis, along with bankruptcies of major financial institutions have contributed to this situation.
- The above economic issues have translated into \$23 million of additional state aid reductions to the County in August 2009.
- Estimated personal income growth in the County is projected to be 3.8%.
- 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 \$200.1 million in FY10 to \$171.8 million in FY11.

These and other economic indicators were considered when preparing the FY11 General Fund budget, which estimates revenues at \$1.591 billion. General Fund appropriations for FY11 of \$1.6 billion reflect a 4.4% decrease over the FY10 adjusted budget. The FY11 budget reflects successful steps taken to secure two year contracts with labor unions that reduce retirement and health care costs in exchange for a pledge to fund salary step and longevity increases, as well as no furloughs or layoffs during FY11 and FY12. The retirement and health care changes have projected savings of \$26 million a year in future years. The difference between estimated revenue and appropriations of \$9 million is covered by fund balance reserves. The projected unreserved fund balance at the end of FY11 is \$169.6 million or 10.66% of the estimated FY11 total revenues.

There are no new taxes levied to fund the FY11 budget. The income tax rate of 2.83% is unchanged. The respective real property and personnel property tax rates remain at \$1.10 and \$2.75 per \$100 of assessed value. The Homestead Assessment Growth Cap remains at 4%, excluding home sales, new construction, and non-principal residences. Additional construction and capital maintenance activities arising from the County's consent decree with the U.S. Environmental Protection Agency required the Metropolitan District Sewer Service, Water Distribution and Water Consumption charges to be increased 10% July 1, 2010.

Other Significant Matters

The County administers an Other Post Employment Benefits trust fund (OPEB Plan) to provide for payment of healthcare and life insurance benefits for retirees of Baltimore County Government (County), Baltimore County Board of Education (BOE), the Community College of Baltimore County (CCBC), the Board of Library Trustees for Baltimore County (BLT) and the Baltimore County Revenue Authority (BCRA). At the end of each fiscal year, each employer must report an OPEB contribution deficiency or excess contribution if their actual contributions do not equal their actuarially determined annual required contribution (ARC). At June 30, 2010, the County and its component units had respective net OPEB assets of \$34.995 million and \$19.512 million that are reported in the Governmental Activities of the Government-wide Statement of Net Assets.

Information Requests

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

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



Basic Financial Statements

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

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

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

Baltimore County, Maryland
Statement of Net Assets
June 30, 2010
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments (Note 3)	\$ 172,078	\$ 21,211	\$ 193,289	\$ 40,854
Receivables, net (Note 5)	213,110	168,455	381,565	48,403
Due from primary government (Note 6)	-	-	-	67,570
Inventories	6,442	570	7,012	3,536
Prepaid costs	9,058	-	9,058	1,498
Deferred charges	2,994	1,687	4,681	133
Net OPEB asset (Note 15)	34,995	-	34,995	19,512
Restricted assets:				
Cash and investments (Note 3)	18,631	1,274	19,905	1,108
Capital assets (Note 7)				
Non-depreciable	550,327	230,886	781,213	299,159
Depreciable (net of accumulated depreciation)	1,668,778	803,672	2,472,450	1,016,511
Total assets	<u>2,676,413</u>	<u>1,227,755</u>	<u>3,904,168</u>	<u>1,498,284</u>
LIABILITIES				
Accounts payable	43,460	21,418	64,878	50,776
Accrued payroll	15,499	1,273	16,772	24,231
Accrued interest payable	12,731	9,712	22,443	-
Internal balances	2,623	(2,623)	-	-
Due to component units (Note 6)	68,103	-	68,103	-
Other liabilities	19,313	3,708	23,021	3,213
Unearned revenue (Note 5)	14,280	-	14,280	9,762
Liabilities payable from restricted assets	-	-	-	1,108
Noncurrent liabilities (Note 8)				
Due within one year	294,951	145,135	440,086	21,736
Due in more than one year	863,670	640,233	1,503,903	23,235
Total liabilities	<u>1,334,630</u>	<u>818,856</u>	<u>2,153,486</u>	<u>134,061</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,593,450	568,687	2,162,137	1,296,542
Restricted for:				
OPEB trust	34,995	-	34,995	19,512
Public works	4,883	-	4,883	-
Economic development	895	-	895	-
Education	-	-	-	12,803
Grant projects	16,940	-	16,940	-
Expendable endowments	-	-	-	3,496
Unrestricted (deficit)	(309,380)	(159,788)	(469,168)	31,870
Total net assets	<u>\$ 1,341,783</u>	<u>\$ 408,899</u>	<u>\$ 1,750,682</u>	<u>\$ 1,364,223</u>

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

Baltimore County, Maryland
Statement of Activities
For the Year Ended June 30, 2010
(In Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Operating		Governmental Activities	Primary Government			Total
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Business-type Activities		
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ 390,428	\$ 145,403	\$ 2,894	\$ -	\$ (242,131)	\$ -	\$ (242,131)	
Public safety	339,301	2,294	18,115	-	(318,892)	-	(318,892)	
Public works	198,075	2,616	2,128	31,263	(162,068)	-	(162,068)	
Health and human services	144,614	3,801	100,877	-	(39,936)	-	(39,936)	
Culture and leisure services	68,818	3,247	1,261	-	(64,310)	-	(64,310)	
Economic and community development	13,743	713	17,938	-	4,908	-	4,908	
Education	831,550	-	-	-	(831,550)	-	(831,550)	
Interest on long-term debt	22,057	-	1,137	-	(20,920)	-	(20,920)	
Total governmental activities	2,008,586	158,074	144,350	31,263	(1,674,899)	-	(1,674,899)	
Business-type activities:								
Water and sewer services	240,626	206,031	829	12,071	-	(21,695)	(21,695)	
Total business-type activities	240,626	206,031	829	12,071	-	(21,695)	(21,695)	
Total primary government	\$ 2,249,212	\$ 364,105	\$ 145,179	\$ 43,334	\$ (1,674,899)	\$ (21,695)	\$ (1,696,594)	
COMPONENT UNITS								
Board of Education	\$ 1,444,328	\$ 15,840	\$ 183,009	\$ 108,618	-	-	(1,136,861)	
Community College	189,066	61,192	85,245	24,294	-	-	(18,335)	
Board of Library Trustees	46,334	4,345	5,974	917	-	-	(35,098)	
Total component units	\$ 1,679,728	\$ 81,377	\$ 274,228	\$ 133,829	\$ -	\$ -	\$ (1,190,294)	
General revenues:								
Taxes:								
Property taxes					813,970	-	813,970	
Income taxes					473,792	-	473,792	
Public service taxes					116,592	-	116,592	
Grants and contributions not restricted to specific programs:								
Baltimore County					-	-	741,764	
State of Maryland					9,655	-	9,655	
Unrestricted investment earnings					1,098	177	1,275	
Other					-	-	12,249	
Total general revenues and transfers					1,415,107	177	1,415,284	
Change in net assets					(259,792)	(21,518)	(281,310)	
Net assets at beginning of the year					1,601,575	430,417	2,031,992	
Net assets at end of the year					\$ 1,341,783	\$ 408,899	\$ 1,750,682	

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

Baltimore County, Maryland
Balance Sheet
Governmental Funds
June 30, 2010
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 71,673	\$ 19,863	\$ -	\$ 6,860	\$ 98,396
Cash and investments - restricted	18,631	-	-	-	18,631
Receivables, net	151,248	34,088	12,200	11,934	209,470
Due from other funds	169,456	-	-	-	169,456
Inventories	5,906	-	-	-	5,906
Total assets	<u>\$ 416,914</u>	<u>\$ 53,951</u>	<u>\$ 12,200</u>	<u>\$ 18,794</u>	<u>\$ 501,859</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 15,528	\$ 3,994	\$ 18,046	\$ -	\$ 37,568
Accrued expenditures	13,924	1,387	-	39	15,350
Due to other funds	-	-	169,456	-	169,456
Due to component units	50,977	-	17,126	-	68,103
Other liabilities	8,209	975	10,129	-	19,313
Deferred revenue	95,787	30,655	6,797	11,934	145,173
Total liabilities	<u>184,425</u>	<u>37,011</u>	<u>221,554</u>	<u>11,973</u>	<u>454,963</u>
Fund balances					
Reserved for:					
Encumbrances	5,762	-	-	2,107	7,869
Inventories	5,906	-	-	-	5,906
Imprest funds	70	-	-	-	70
Equipment financing	17,763	-	-	-	17,763
Loan guarantees and grants	-	16,940	-	895	17,835
Unreserved:					
Designated for subsequent year's expenditures:					
General Fund	9,400	-	-	-	9,400
Special Revenue Funds	-	-	-	154	154
Designated for revenue stabilization	84,357	-	-	-	84,357
Undesignated, reported in:					
General Fund	109,231	-	-	-	109,231
Capital Projects Fund	-	-	(209,354)	-	(209,354)
Special Revenue Funds	-	-	-	3,665	3,665
Total fund balances (deficit)	<u>232,489</u>	<u>16,940</u>	<u>(209,354)</u>	<u>6,821</u>	<u>46,896</u>
Total liabilities and fund balances	<u>\$ 416,914</u>	<u>\$ 53,951</u>	<u>\$ 12,200</u>	<u>\$ 18,794</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,199,838
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	130,893
Excess other post employment benefits (OPEB) contributions made in relation to the Annual Required Contribution is recognized as a year-end asset.	34,995
Internal service funds are used by management to charge the costs of self insurance, fleet management and reproduction to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	35,960
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 2).	(1,106,799)
Net assets of governmental activities	<u>\$ 1,341,783</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, 2010
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,414,149	\$ -	\$ -	\$ -	\$ 1,414,149
Licenses and permits	3,009	-	-	639	3,648
Intergovernmental	30,904	123,495	16,116	-	170,515
Repayment of loans	-	542	-	1,908	2,450
Charges for services	9,497	3,964	300	343	14,104
Assessments	-	-	1,091	-	1,091
Fines and forfeitures	3,660	-	-	-	3,660
Investment income	618	218	-	249	1,085
Miscellaneous	20,299	834	2,916	-	24,049
Total revenues	<u>1,482,136</u>	<u>129,053</u>	<u>20,423</u>	<u>3,139</u>	<u>1,634,751</u>
EXPENDITURES					
Current:					
General government	70,594	2,728	-	650	73,972
Public safety	333,523	8,212	-	-	341,735
Public works	140,536	173	-	-	140,709
Health and human services	37,973	104,949	-	-	142,922
Culture and leisure services	24,370	2,629	-	-	26,999
Economic and community development	2,064	13,037	-	141	15,242
Pension plan contributions	53,156	-	-	-	53,156
Healthcare contributions	66,769	-	-	-	66,769
Loans	-	-	-	1,163	1,163
Miscellaneous	17,450	101	-	-	17,551
Capital projects	-	-	126,773	-	126,773
Payments to component units	770,916	-	111,543	-	882,459
Debt service:					
Principal retirement	46,030	-	-	-	46,030
Interest	24,213	-	-	-	24,213
Fiscal charges	1,216	-	-	-	1,216
Total expenditures	<u>1,588,810</u>	<u>131,829</u>	<u>238,316</u>	<u>1,954</u>	<u>1,960,909</u>
Excess (deficiency) of revenues over expenditures	<u>(106,674)</u>	<u>(2,776)</u>	<u>(217,893)</u>	<u>1,185</u>	<u>(326,158)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	174,970	-	174,970
Discount on bonds issued	-	-	(2,002)	-	(2,002)
Premium on bonds issued	725	-	-	-	725
Transfers in	117,953	7,831	33,123	-	158,907
Transfers out	(40,475)	(1,331)	(99,031)	(18,072)	(158,909)
Total other financing sources (uses)	<u>78,203</u>	<u>6,500</u>	<u>107,060</u>	<u>(18,072)</u>	<u>173,691</u>
Net change in fund balances	<u>(28,471)</u>	<u>3,724</u>	<u>(110,833)</u>	<u>(16,887)</u>	<u>(152,467)</u>
Fund balances (deficit) at beginning of the year	260,960	13,216	(98,521)	23,708	199,363
Fund balances (deficit) at end of the year	<u>\$ 232,489</u>	<u>\$ 16,940</u>	<u>\$ (209,354)</u>	<u>\$ 6,821</u>	<u>\$ 46,896</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, 2010
(In Thousands)

Net change in fund balances-total governmental funds	\$ (152,467)
<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>	55,819
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets (Note 2).</p>	11,266
<p>Some revenues will not be collected for several months after the fiscal year ends. As such these revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased this year.</p>	(22,885)
<p>Expenses in the statement of activities are adjusted for the difference between OPEB expense in relation to the Annual Required Contribution (ARC) and contributions made in relation to the ARC.</p>	(17,791)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note 2).</p>	(111,037)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (Note 2).</p>	1,152
<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>	(23,849)
Change in net assets of governmental activities	\$ (259,792)

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, 2010
(In Thousands)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 1,527,521	\$ 1,527,521	\$ 1,414,149	\$ (113,372)
Licenses and permits	3,096	3,096	3,009	(87)
Intergovernmental	50,415	50,415	30,904	(19,511)
Charges for services	9,152	9,152	9,497	345
Fines and forfeitures	3,107	3,107	3,660	553
Reimbursement from other funds	6,107	6,107	6,938	831
Interest on investments	3,614	3,614	933	(2,681)
Miscellaneous	18,784	18,784	20,337	1,553
Total revenues	<u>1,621,796</u>	<u>1,621,796</u>	<u>1,489,427</u>	<u>(132,369)</u>
EXPENDITURES				
Current:				
General government	77,555	77,612	75,026	2,586
Public safety	328,754	328,754	327,432	1,322
Public works	125,215	140,215	136,389	3,826
Health and human services	38,626	38,626	37,993	633
Culture and leisure services	25,260	25,260	24,681	579
Economic and community development	2,177	2,177	2,104	73
Pension plan contributions	66,183	66,183	53,175	13,008
Healthcare contributions	107,967	92,910	67,607	25,303
Miscellaneous	18,233	18,381	17,375	1,006
Payments to component units	771,002	770,784	770,486	298
Debt service:				
Principal retirement	46,030	46,030	46,030	-
Interest	25,789	25,919	24,213	1,706
Fiscal charges	546	546	541	5
Total expenditures	<u>1,633,337</u>	<u>1,633,397</u>	<u>1,583,052</u>	<u>50,345</u>
Excess (deficiency) of revenues over expenditures (budgetary basis)	<u>(11,541)</u>	<u>(11,601)</u>	<u>(93,625)</u>	<u>(82,024)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	117,609	117,609
Transfers out	(40,538)	(40,550)	(40,550)	-
Total other financing sources (uses)	<u>(40,538)</u>	<u>(40,550)</u>	<u>77,059</u>	<u>117,609</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	<u>\$ (52,079)</u>	<u>\$ (52,151)</u>	<u>(16,566)</u>	<u>\$ 35,585</u>
Adjustments required under generally accepted accounting principles:				
Net change during year in reserve for encumbrances			777	
Unbudgeted equipment financing activity			(13,369)	
Net change in reserve for inventories, imprest funds and other programs			(2)	
Prior year encumbrances liquidations			689	
Net change in fund balance-GAAP			<u>(28,471)</u>	
Fund balance at beginning of the year			260,960	
Fund balance at end of the year			<u>\$ 232,489</u>	

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

Baltimore County, Maryland
Statement of Net Assets
Proprietary Funds
June 30, 2010
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 21,211	\$ 73,682
Cash and investments - restricted	1,274	-
Receivables, net (Note 5)	26,965	3,640
Due from other funds	-	11,456
Inventories	570	536
Prepaid costs	-	9,058
Deferred charges	1,687	-
Total current assets	51,707	98,372
Noncurrent assets:		
Assessments receivable (Note 5)	141,490	-
Capital assets:		
Non-depreciable	230,886	-
Depreciable (net of accumulated depreciation)	803,672	19,267
Total noncurrent assets	1,176,048	19,267
Total assets	1,227,755	117,639
LIABILITIES		
Current liabilities:		
Accounts payable	21,418	5,892
Accrued payroll	1,273	149
Accrued interest payable	9,712	-
Due to other funds	-	11,456
Compensated absences	423	239
Claims and judgments	-	36,140
General obligation debt (Note 8)	144,112	-
Certificates of participation	600	-
Other liabilities	3,708	-
Total current liabilities	181,246	53,876
Noncurrent liabilities:		
Compensated absences	1,077	-
Claims and judgments	-	25,180
General obligation debt (Note 8)	636,195	-
Certificates of participation	2,961	-
Total noncurrent liabilities	640,233	25,180
Total liabilities	821,479	79,056
NET ASSETS		
Invested in capital assets, net of related debt	568,687	19,267
Unrestricted (deficit)	(162,411)	19,316
Total net assets	406,276	\$ 38,583
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	2,623	
Net assets of business-type activities	\$ 408,899	

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

Baltimore County, Maryland
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010
(In Thousands)

	Metropolitan District Enterprise Fund	Total	Internal Service Funds
OPERATING REVENUES			
Licenses and permits	\$ 438	\$ 438	\$ -
Charges for services	198,383	198,383	210,799
Assessments	7,135	7,135	-
Intergovernmental	829	829	-
Miscellaneous	75	75	265
Total operating revenues	<u>206,860</u>	<u>206,860</u>	<u>211,064</u>
OPERATING EXPENSES			
Personal services	22,508	22,508	3,001
Business and travel	91	91	-
Contractual services	68,382	68,382	707
Rents and utilities	4,347	4,347	558
Supplies and maintenance	59,544	59,544	10,414
Insurance claims and expenses	-	-	215,996
Equipment	1,835	1,835	-
Fringe benefits and overhead	11,655	11,655	-
Depreciation expense	20,687	20,687	4,343
Other	70	70	783
Total operating expenses	<u>189,119</u>	<u>189,119</u>	<u>235,802</u>
Operating income (loss)	<u>17,741</u>	<u>17,741</u>	<u>(24,738)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	177	177	478
Interest expense	(19,428)	(19,428)	-
Capital contributions to other subdivisions	(31,670)	(31,670)	-
Total nonoperating revenues (expenses)	<u>(50,921)</u>	<u>(50,921)</u>	<u>478</u>
Income (loss) before transfers and capital contributions	<u>(33,180)</u>	<u>(33,180)</u>	<u>(24,260)</u>
Transfers in	-	-	346
Transfers out	-	-	(344)
Capital contributions from external parties	12,071	12,071	-
Change in net assets	<u>(21,109)</u>	<u>(21,109)</u>	<u>(24,258)</u>
Net assets at beginning of the year	427,385		62,841
Net assets at end of the year	<u>\$ 406,276</u>		<u>\$ 38,583</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		<u>(409)</u>	
Change in net assets of business-type activities		<u>\$ (21,518)</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, 2010
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 211,917	\$ 210,251
Payments to suppliers	(145,984)	(11,519)
Payments to employees	(33,459)	(2,928)
Payment for interfund services used	-	(783)
Claims paid	-	(213,704)
Other receipts	-	217
Net cash provided (used) by operating activities	<u>32,474</u>	<u>(18,466)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	346
Transfers out	-	(344)
Repayments from other funds	-	1,941
Repayments to other funds	-	(1,941)
Capital contributions paid to other subdivisions	(31,385)	-
Net cash provided (used) by noncapital financing activities	<u>(31,385)</u>	<u>2</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	107,582	-
Retirement of bond anticipation notes	(100)	-
Capital contributions from external parties	5,452	-
Acquisition and construction of capital assets	(55,657)	(5,616)
Principal paid on capital debt	(34,543)	-
Interest paid on capital debt	(27,505)	-
Sales of capital assets	-	635
Net cash provided (used) by capital and related financing activities	<u>(4,771)</u>	<u>(4,981)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	177	478
Net cash provided by investing activities	<u>177</u>	<u>478</u>
Net decrease in cash and cash equivalents	(3,505)	(22,967)
Cash and cash equivalents at beginning of the year	25,990	96,649
Cash and cash equivalents at end of the year	<u>\$ 22,485</u>	<u>\$ 73,682</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 17,741	\$ (24,738)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	20,687	4,343
Amortization expense	303	-
Effect of changes in operating assets and liabilities:		
Receivables, net	(1,884)	(548)
Prepaid costs	-	(1,610)
Inventories	(71)	(48)
Accounts and other payables	(5,098)	(498)
Accrued expenses	796	73
Claims and judgements	-	4,560
Net cash provided (used) by operating activities	<u>\$ 32,474</u>	<u>\$ (18,466)</u>
NONCASH CAPITAL FINANCING ACTIVITIES		
Capital assets acquired through contributions from developers.	\$ 5,589	\$ -

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

Baltimore County, Maryland
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(In Thousands)

	Benefits Trust Funds
ASSETS	
Cash and cash equivalents (Note 3)	\$ 52,546
Collateral for loaned securities (Note 3)	100,951
Receivables:	
Accrued interest & dividend income	4,030
Receivable for investments sold	29,240
Receivables other	3,348
Total receivables	36,618
Investments, at fair value:	
U.S. Government and Agency securities	186,235
Municipal bonds	38,421
Foreign bonds	37,653
Corporate bonds	143,492
Stocks	406,468
Bond mutual funds	207,518
Stock mutual funds	397,186
Real estate equity funds	70,505
Hedge funds	106,369
Private equity funds	96,082
Real assets	36,774
Global asset allocation	320,823
Total investments	2,047,526
Total assets	2,237,641
LIABILITIES	
Securities lending payable	102,880
Investments purchased	51,170
Investment expenses payable	2,342
Refunds payable	251
Other	3,910
Total liabilities	160,553
NET ASSETS	
Net assets held in trust for benefits	\$ 2,077,088

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

Baltimore County, Maryland
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010
(In Thousands)

	Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 168,850
Employees	57,489
Other	9,553
Total contributions	235,892
Investment earnings:	
Net increase in the fair value of plan assets	267,033
Interest and dividends	42,880
Investment expenses	(13,062)
Net investment gain	296,851
Net income from securities lending:	
Securities lending income	550
Less:	
Net decrease in fair value of investments	(1,929)
Borrower rebates	98
Agent fees	(182)
Net loss from securities lending	(1,463)
Total net investment gain	295,388
Total additions	531,280
DEDUCTIONS	
Benefits	275,905
Refunds	2,235
Administrative expense	1,099
Total deductions	279,239
Change in net assets	252,041
Net assets at beginning of the year	1,825,047
Net assets at end of the year	\$ 2,077,088

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

Baltimore County, Maryland
Statement of Net Assets
Component Units
June 30, 2010
(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)	\$ 11,983	\$ 24,718	\$ 4,153	\$ 40,854
Receivables	33,804	14,464	135	48,403
Due from primary government	64,459	1,646	1,465	67,570
Inventories	1,391	1,855	290	3,536
Prepaid costs	1,491	-	7	1,498
Deferred charges	-	133	-	133
Cash restricted for lease purchase	1,108	-	-	1,108
Net OPEB asset (Note 15)	16,908	2,104	500	19,512
Capital assets (Note 7)				
Non-depreciable	267,083	32,076	-	299,159
Depreciable (net of accumulated depreciation)	918,062	88,633	9,816	1,016,511
Total assets	<u>1,316,289</u>	<u>165,629</u>	<u>16,366</u>	<u>1,498,284</u>
LIABILITIES				
Accounts payable	36,490	12,985	1,301	50,776
Accrued payroll	19,921	3,452	858	24,231
Other liabilities	1,704	1,509	-	3,213
Unearned revenue	4,120	5,569	73	9,762
Liabilities payable from restricted assets	1,108	-	-	1,108
Noncurrent liabilities (Note 8)				
Due within one year	17,452	3,240	1,044	21,736
Due in more than one year	21,463	1,772	-	23,235
Total liabilities	<u>102,258</u>	<u>28,527</u>	<u>3,276</u>	<u>134,061</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,166,019	120,709	9,814	1,296,542
Restricted for:				
Education	8,437	4,366	-	12,803
OPEB	16,908	2,104	500	19,512
Expendable endowments	-	1,880	1,616	3,496
Unrestricted	22,667	8,043	1,160	31,870
Total net assets	<u>\$ 1,214,031</u>	<u>\$ 137,102</u>	<u>\$ 13,090</u>	<u>\$ 1,364,223</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, 2010
(In Thousands)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Board of Education	Community College	Board of Library Trustees	Total
BOARD OF EDUCATION								
Public education	\$ 1,266,095	\$ 528	\$ 160,081	\$ 106,847	\$ (998,639)	\$ -	\$ -	\$ (998,639)
Facilities operations	142,017	-	1,077	1,771	(139,169)	-	-	(139,169)
Food service	36,216	15,312	21,851	-	947	-	-	947
Total Board of Education	1,444,328	15,840	183,009	108,618	(1,136,861)	-	-	(1,136,861)
COMMUNITY COLLEGE								
Educational and general expenses	158,012	54,301	85,245	-	-	(18,466)	-	(18,466)
Facilities operations	20,717	-	-	24,294	-	3,577	-	3,577
Auxiliary enterprises	10,337	6,891	-	-	-	(3,446)	-	(3,446)
Total Community College	189,066	61,192	85,245	24,294	-	(18,335)	-	(18,335)
BOARD OF LIBRARY TRUSTEES								
Culture and leisure services	46,334	4,345	5,974	917	-	-	(35,098)	(35,098)
Total component units	\$ 1,679,728	\$ 81,377	\$ 274,228	\$ 133,829	(1,136,861)	(18,335)	(35,098)	(1,190,294)
General Revenues:								
Baltimore County					670,539	36,855	34,370	741,764
State of Maryland					517,079	-	-	517,079
Unrestricted investment earnings					-	515	-	515
Other					12,249	-	-	12,249
Total general revenues					1,199,867	37,370	34,370	1,271,607
Change in net assets					63,006	19,035	(728)	81,313
Net assets at beginning of the year					1,151,025	118,067	13,818	1,282,910
Net assets at end of the year					\$ 1,214,031	\$ 137,102	\$ 13,090	\$ 1,364,223

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Financial Reporting Entity

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

In accordance with GAAP, the accompanying financial statements include the various departments and agencies governed by the County Executive and County Council (the primary government) and the County's component units. Discretely presented component units are reported separately from the primary government to emphasize that they are legally separate from the County. The component units are included as part of the County's reporting entity because of the significance of their operational or financial relationships with the County. The component units are fiscally dependent on the County because the County approves budget requests providing a significant amount of funding for each of these units, levies taxes to provide the majority of their fiscal support, and issues debt for construction of capital facilities.

Discretely Presented Component Units

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

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

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

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

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

Board of Library Trustees
320 York Road
Towson, Maryland 21204

Related Organizations

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

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

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

BALTIMORE COUNTY, MARYLAND
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Commission on Disabilities	Commission on Veterans' Affairs
Criminal Justice Coordinating Council	Design Review Panel
Drug and Alcohol Abuse Advisory Council	Electrical Administrative Board
Ethics Commission	Ethnic Diversity Advisory Council
Human Relations Commission	Landmarks Preservation Commission
Local Management Board	Mental Health Advisory Council
Minority and Women Business Enterprise Commission	Personnel and Salary Advisory Board
Plumbing Board	Planning Board
Revenue Authority	Professional Services Selection Committee
Workforce Development Council	Soil Conservation District Board

The amounts that the County appropriated to these organizations during the fiscal year ended June 30, 2010 were immaterial to the basic financial statements taken as a whole.

Government-Wide and Fund Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Government-Wide Financial Statements

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

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

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

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

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

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

Fund Financial Statements

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

The County reports the following major governmental funds:

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

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

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

The County reports on the following major enterprise fund:

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

The County also reports the following fund types:

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

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

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

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

Budgetary Data

As required by Article VII of the Baltimore County Charter, the annual operating budget and the capital budget are prepared by the County Executive and submitted to the County Council for adoption. Such budgets are generally prepared on the modified accrual basis of accounting described above and reflect encumbrance accounting. Prior to adoption of the budgets, the County Council may decrease or delete any item with the exception of those required by the general laws of the State of Maryland, provisions for debt service on outstanding obligations and provisions to eliminate any estimated cash deficits. Requests for supplementary and emergency appropriations may be prepared during the year by the County Executive and adopted by the County Council. There were \$.072 million in supplementary and emergency appropriations adopted for the General Fund operating budget during fiscal year 2010.

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

The County presents its General Fund budgetary comparison statement as part of the basic financial statements. Unbudgeted equipment financing activity in the General Fund comparison consists of \$.029 million of interest income decreased by \$13.398 million is equipment purchases. The unspent equipment financing proceeds of \$17.763 million are reported as a reservation of fund balance at fiscal year-end.

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

Pooled Cash, Cash Equivalents and Investment Income

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 \$121 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, 2010. 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 and the proprietary funds. Under the purchases method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets. A reservation of fund balance for the amount of General Fund inventories has been made in the governmental fund statements to reflect the non-availability of those amounts for appropriation or expenditure.

Capital Assets

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

Outstanding Claims

The outstanding claims liability includes estimates for all known workers' compensation, personal injury, property damage and health claims and an estimate for claims incurred but not reported at June 30, 2010.

Compensated Absences

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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Reservations/Designations of Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are not legally required, but represent the intent of the County's administration to use fund balance for specific purposes in the future. Designations for subsequent years' expenditures represent funds that will be used to finance, in part, the FY11 General Fund operating budget. Designations for revenue stabilization are intended to protect the County against future revenue shortfalls and may be used upon County Council approval only when certain criteria have been met.

Restricted Net Assets

The government-wide statement of net assets reports \$57.713 million of restricted net assets, of which \$39.878 million is restricted by enabling legislation.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of the reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period

and therefore are not reported in the funds.” The details of this \$1,106,799 difference are as follows:

General obligation debt	\$ 916,350
Certificates of participation and mortgage payable	71,872
Add: Issuance premium (to be amortized as reduction to interest expense)	39,378
Less: Issuance discount (to be amortized as interest expense)	(1,920)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(2,994)
Less: Deferred charge on refunding (to be amortized as interest expense)	(3,940)
Accrued interest payable	12,731
Compensated absences	61,609
Estimated landfill closing costs	13,713
Net adjustment to reduce fund balance - total funds to arrive at net assets of governmental activities	\$ 1,106,799

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$55,819 difference are as follows:

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Capital outlay	\$ 126,734
Depreciation expense	<u>(70,915)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 55,819</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 assets." The details of this \$11,266 difference are as follows:

In the statement of activities, only the gain/(loss) on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	\$ (387)
Donations and transfers in of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>11,653</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ 11,266</u>

Another element of the reconciliation states that "The issuance of long-term debt (e.g., bonds, certificates of participation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$111,037 difference are as follows:

Debt issued or incurred:	
General obligation debt	\$ (174,970)
Add premium	(725)
Less discount	2,002
Less debt issuance costs	918
Principal repayments:	
General obligation debt	53,995
Certificates of participation	7,650
Mortgage payable	<u>93</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (111,037)</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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Another element of the reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$1,152 difference are as follows:

Increase in compensated absences	\$ (361)
Increase in accrued interest	(246)
Increase in landfill closure and post-closure costs	(363)
Amortization of issuance costs	(280)
Amortization of deferred charge on refunding	(1,624)
Amortization of premiums	4,108
Amortization of discounts	<u>(82)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 1,152</u></u>

3. CASH, INVESTMENTS AND SECURITIES LENDING:

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

Deposits

The County maintains cash balances, which are covered by FDIC insurance and collateral held at the Federal Reserve in the County's name. The component units' cash in banks are covered either by FDIC insurance or the County's blanket collateral coverage. At June 30, 2010, the carrying amounts of cash for the primary government and its component units were \$36.775 million and \$7.471 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 26% in U.S. equities, 13% in international equities, 26% in core-plus fixed income investments, 5% in real estate equity, 5% in hedge funds, 5% in private equities, 5% in real assets and 15% in Global Asset Allocation Funds. Certain System and OPEB investment managers have invested in the following types of instruments: asset backed securities, warrants, variable rate securities and interest rate swaps, U.S. Treasury interest and principal strips, U.S. Treasury futures and options, and collateralized mortgage obligations. The System's and OPEB's fixed income managers primarily acquire these types of instruments to increase investment yield and/or decrease investment risk. Open Futures Contract exposure was \$7,032,320 for the System's and OPEB's portfolio at the fiscal year ended June 30, 2010. The Police, Fire and Widows' Pension Plan (the "Pension Plan"), funded through the sale of bonds, invests primarily in fixed income securities.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Investments for the reporting entity as of June 30, 2010 are as follows (in thousands):

Investments	The Pool	The System	OPEB Plan	Pension Plan	Total Primary Government	Component Units	Reporting Entity
U.S. securities and agencies							
Not on securities loan	\$ -	\$ 143,846	\$ 17,981	\$ -	\$ 161,827	\$ -	\$ 161,827
On securities loan for securities or cash collateral	-	21,696	2,712	-	24,408	-	24,408
MLGIP	13	-	-	-	13	21,205	21,218
Municipal bonds	-	1,255	157	37,009	38,421	-	38,421
Foreign bonds	-	28,473	3,559	5,621	37,653	-	37,653
Corporate bonds							
Not on securities loan	-	120,254	15,032	-	135,286	-	135,286
On securities loan for securities or cash collateral	-	7,294	912	-	8,206	-	8,206
Bond mutual funds	-	177,205	22,151	8,162	207,518	-	207,518
Money market funds	175,379	41,429	5,179	6,965	228,952	12,178	241,130
Real estate equity funds	-	62,671	7,834	-	70,505	-	70,505
Stocks							
Not on securities loan	-	301,043	37,631	-	338,674	-	338,674
On securities loan for securities or cash collateral	-	60,261	7,533	-	67,794	-	67,794
Stock mutual funds	-	342,894	42,862	11,430	397,186	-	397,186
Private equity funds	-	85,406	10,676	-	96,082	-	96,082
Hedge funds	-	94,550	11,819	-	106,369	-	106,369
Real assets	-	32,688	4,086	-	36,774	-	36,774
Global Asset Allocation fund	-	285,175	35,648	-	320,823	-	320,823
Securities lending short-term collateral investment pool	-	89,734	11,217	-	100,951	-	100,951
Other	-	-	-	-	-	1,108	1,108
Total	\$ 175,392	\$ 1,895,874	\$ 236,989	\$ 69,187	\$ 2,377,442	\$ 34,491	\$ 2,411,933

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 13 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, 2010 totaled \$103.672 million and \$100.408 million, respectively.

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

Investment Type	Fair Value	Investment Maturities (in years)					
		Less than 1	1 - 4.9	5 - 9.9	10 - 19.9	20 - 30	More than 30
The System							
U.S. Government Obligations	\$ 101,706	\$ 34	\$ 21,420	\$ 33,806	\$ 19,516	\$ 23,619	\$ 3,311
U.S. Agency Securities	63,836	2,492	6,609	19,797	10,059	24,879	-
Municipal Bonds	1,255	-	-	-	-	148	1,107
Corporate Debt	127,548	6,456	31,932	26,870	18,802	24,367	19,121
Bond Mutual Funds	177,205	-	-	177,205	-	-	-
Foreign Debt	28,473	16,537	2,618	6,644	788	1,166	720
Total	500,023	25,519	62,579	264,322	49,165	74,179	24,259
OPEB Plan							
U.S. Government Obligations	12,713	4	2,677	4,226	2,440	2,952	414
U.S. Agency Securities	7,980	312	826	2,475	1,257	3,110	-
Municipal Bonds	157	-	-	-	-	19	138
Corporate Debt	15,944	807	3,992	3,359	2,350	3,046	2,390
Bond Mutual Funds	22,151	-	-	22,151	-	-	-
Foreign Debt	3,559	2,067	327	830	99	146	90
Total	62,504	3,190	7,822	33,041	6,146	9,273	3,032
Pension Plan							
Municipal Bonds	37,009	2,438	8,048	12,620	11,425	2,478	-
Bond Mutual Funds	8,162	-	-	-	8,162	-	-
Foreign Debt	5,621	-	2,500	-	-	-	3,121
Total	50,792	2,438	10,548	12,620	19,587	2,478	3,121
Total Primary Government	\$ 613,319	\$ 31,147	\$ 80,949	\$ 309,983	\$ 74,898	\$ 85,930	\$ 30,412

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, 2010, the Pension Trust Funds’ and the OPEB Plan’s fixed income investments had the following risk characteristics:

Moody's Rating or Comparable	The System		OPEB Plan		Pension Plan	
	Percent of Total Investments	Fair Value (in thousands)	Percent of Total Investments	Fair Value (in thousands)	Percent of Total Investments	Fair Value (in thousands)
AAA	34.94%	\$ 174,729	34.94%	\$ 21,842	21.17%	\$ 10,753
AA	1.72%	8,601	1.72%	1,075	22.02%	11,184
A	8.72%	43,599	8.72%	5,450	21.91%	11,127
BBB	5.65%	28,236	5.65%	3,530	4.36%	2,213
BB	1.31%	6,537	1.31%	817	0.00%	-
B	1.43%	7,153	1.43%	894	0.00%	-
CCC	1.16%	5,823	1.16%	728	0.00%	-
CC	0.19%	955	0.19%	119	0.00%	-
C	0.01%	61	0.01%	8	0.00%	-
D	0.14%	715	0.14%	89	0.00%	-
Not Rated	44.73%	223,614	44.73%	27,952	30.54%	15,515
Total	100.00%	\$ 500,023	100.00%	\$ 62,504	100.00%	\$ 50,792

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

Currency	Fair Value (in thousands)		
	The System	OPEB Plan	Total
Australian Dollar	\$ 3,551	\$ 563	\$ 4,114
British Pound Sterling	13,097	2,076	15,173
Danish Krone	1,418	225	1,643
Euro Currency Unit	47,133	7,474	54,607
Hong Kong Dollar	9,187	1,457	10,644
Japanese Yen	28,097	4,456	32,553
Norwegian Krone	546	87	633
Singapore Dollar	1,345	213	1,558
South Korean Won	3,998	634	4,632
Swedish Krona	3,529	560	4,089
Swiss Franc	8,019	1,272	9,291
	\$ 119,920	\$ 19,017	\$ 138,937

Foreign Investments/Forward Exchange Contracts – Foreign investments include equity and fixed income securities. In conjunction with certain foreign investments, the System and the OPEB Plan has entered into forward exchange contracts to sell or purchase certain foreign currencies at specified rates at stated dates. The System and the OPEB Plan continue to invest in similar contracts. The Pension Trust Funds’ and OPEB’s investment policy guidelines include a section on derivatives, which speaks to the use of futures, forwards and other derivative instruments and securities. These guidelines strictly prohibit the use of derivatives to create leverage, create exposure to currencies and securities

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that would not otherwise be allowed, or increase the actual or potential risk of the portfolio. At June 30, 2010, the System's and the OPEB Plan's contracts to purchase and sell by foreign currencies were as follows:

Forward Exchange Contracts as of June 30, 2010
(expressed in thousands)

Currency	Purchases	Unrealized Loss
Euro Currency Unit	\$ 57,497	\$ (89)
Danish Krone	52,421	(67)
	\$ 109,918	\$ (156)

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, 2010 are as follows:

Futures Contracts as of June 30, 2010
(expressed in thousands)

Currency	Buy Contracts	Sell Contracts
US 10YR Note Future (CBT)	\$ -	\$ 13,086,531
US 5YR Treas. NTS Future (CBT)	-	1,530,547
US Ultra Bond (CBT)	7,596,805	-

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, 2010, classified by type and the changes in fair value of such derivative instruments for the year then ended are as follows:

Investment Derivatives	Classification	Changes in Fair Value (expressed in thousands)	Fair Value as of June 30, 2010 (expressed in thousands)	
		Amount	Amount	Notional Value
Futures		\$ -	\$ -	\$ 7,032,320
Options	Unrealized gain	21,506	17,377	3,308,766
Swaps	Unrealized loss	(417,346)	(632,715)	3,807,479

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.

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

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

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

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

4. PROPERTY TAX:

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

Assessed values are established by the Maryland Department of Assessments and Taxation at one hundred percent of estimated market value. The assessed value of taxable real and personal property in the County for fiscal year 2010 was \$89.4 billion.

The property tax rate for the year ended June 30, 2010 was \$1.10 for real property and \$2.75 for personal property per \$100 of assessed valuation. The current tax collections for the year were 99.6% of the tax levied. Property taxes are recorded as receivables in the General Fund at the levy date with appropriate allowances for estimated uncollectible amounts as described in Note 5.

The full year property tax calendar is as follows:

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

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

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

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

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

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

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

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

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5. RECEIVABLES (in thousands):

Receivables as of June 30, 2010 for the County's major funds, Internal Service Funds, and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Gifts and Grants	Consolidated Public Improvement Construction	Metropolitan District	Nonmajor and Other Funds	Total Receivables
Property taxes	\$ 9,711	\$ -	\$ -	\$ -	\$ -	\$ 9,711
Accounts	13,906	-	-	9,249	3,640	26,795
Intergovernmental	128,154	17,170	5,390	1,905	-	152,619
Assessments	1,578	-	6,810	157,301	-	165,689
Loans	-	37,562	-	-	11,934	49,496
Interest	77	-	-	-	-	77
Total receivables	<u>153,426</u>	<u>54,732</u>	<u>12,200</u>	<u>168,455</u>	<u>15,574</u>	<u>404,387</u>
uncollectible accounts	<u>(2,178)</u>	<u>(20,644)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,822)</u>
Net total receivables	<u>\$ 151,248</u>	<u>\$ 34,088</u>	<u>\$ 12,200</u>	<u>\$ 168,455</u>	<u>\$ 15,574</u>	<u>\$ 381,565</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 1,363</u>	<u>\$ 16,168</u>	<u>\$ 5,353</u>	<u>\$ 141,490</u>	<u>\$ 10,402</u>	<u>\$ 174,776</u>

At June 30, 2010, the County has recorded \$37.562 million of outstanding loans receivable in the Gifts and Grants Fund. These receivables are for loans made to residents and developers to acquire, rehab, or repair low-income housing units or to provide funds for settlement costs to qualified first-time home buyers under various federally funded financial assistance programs. Approximately \$20.644 million of these loans are offset by an allowance for uncollectible accounts because collections are highly uncertain. In many cases, the loan repayment is forgiven if the resident/developer complies with certain federal requirements, which may include residing in the property for a stated number of years.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. The various components of deferred revenue and unearned revenue reported in the governmental funds as of June 30, 2010 were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ 7,047	\$ 540	\$ 7,587
Income taxes	86,623	-	86,623
Economic and community development loans	28,852	-	28,852
Special assessments not yet due	8,371	-	8,371
Grant funds received prior to meeting all eligibility requirements	-	13,740	13,740
Total deferred/unearned revenue for governmental funds	<u>\$ 130,893</u>	<u>\$ 14,280</u>	<u>\$ 145,173</u>

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

The composition of interfund balances as of June 30, 2010 is as follows:

Receivable fund	Payable fund	Purpose	Amount
Self-Insurance Program	Vehicle Operation and Maintenance	Deficit cash balance	\$ 11,456
General	Consolidated Public Improvement	Deficit cash balance	169,456
		Total	<u>\$ 180,912</u>

Interfund transfers for the fiscal year ended June 30, 2010 were as follows:

Transferred from	Transferred to				
	General	Gifts and Grants	Consolidated Public Improvement Construction	Internal Service Funds	Total
General	\$ -	\$ 7,352	\$ 33,123	\$ -	\$ 40,475
Gifts and Grants	985	-	-	346	1,331
Consolidated Public					
Improvement Construction	98,552	479	-	-	99,031
Nonmajor Governmental Funds	18,072	-	-	-	18,072
Internal Service Funds	344	-	-	-	344
Total transfers	<u>\$ 117,953</u>	<u>\$ 7,831</u>	<u>\$ 33,123</u>	<u>\$ 346</u>	<u>\$ 159,253</u>

The transfers from the General Fund to the Consolidated Public Improvement Construction Fund are pay-as-you-go funding for capital projects. The transfers from the Gifts and Grants Fund to the General Fund are unused prior years County matching funds. Respective transfers of \$98.552 million and \$18.072 from the Consolidated Public Improvement Construction Loan Fund and the Economic Development Revolving Loan Fund of prior pay-as-you-go funding was returned to the General Fund to mitigate significant losses in income tax revenues. The transfers of \$0.344 million from the Self-Insurance Program Fund to the General Fund are investment income transfers on pooled cash. The remaining transfers are various funding contributions for operations.

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, 2010 is reported below:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 236,396	\$ 9,573	\$ (4)	\$ 245,965
Construction in progress	276,923	102,856	(75,417)	304,362
Total capital assets not being depreciated	<u>513,319</u>	<u>112,429</u>	<u>(75,421)</u>	<u>550,327</u>
Capital assets being depreciated:				
Buildings and improvements	437,580	11,497	(268)	448,809
Machinery and equipment	104,564	16,217	(2,217)	118,564
Vehicles	109,590	14,410	(9,445)	114,555
Infrastructure	2,223,971	64,983		2,288,954
Total capital assets being depreciated	<u>2,875,705</u>	<u>107,107</u>	<u>(11,930)</u>	<u>2,970,882</u>
Less accumulated depreciation for:				
Buildings and improvements	(115,411)	(10,792)	155	(126,048)
Machinery and equipment	(64,817)	(8,843)	2,406	(71,254)
Vehicles	(61,057)	(9,541)	8,235	(62,363)
Infrastructure	(996,357)	(46,082)	-	(1,042,439)
Total accumulated depreciation	<u>(1,237,642)</u>	<u>(75,258)</u>	<u>10,796</u>	<u>(1,302,104)</u>
Total capital assets being depreciated, net	<u>1,638,063</u>	<u>31,849</u>	<u>(1,134)</u>	<u>1,668,778</u>
Governmental activities capital assets, net	<u>\$ 2,151,382</u>	<u>\$ 144,278</u>	<u>\$ (76,555)</u>	<u>\$ 2,219,105</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,306	\$ -	\$ -	\$ 1,306
Construction in progress	210,826	87,115	(68,361)	229,580
Total capital assets not being depreciated	<u>212,132</u>	<u>87,115</u>	<u>(68,361)</u>	<u>230,886</u>
Capital assets being depreciated:				
Buildings and improvements	135,468	8,723	-	144,191
Machinery and equipment	1,650	105	(21)	1,734
Vehicles	9,930	736	(300)	10,366
Infrastructure	931,805	42,782		974,587
Total capital assets being depreciated	<u>1,078,853</u>	<u>52,346</u>	<u>(321)</u>	<u>1,130,878</u>
Less accumulated depreciation for:				
Buildings and improvements	(54,187)	(3,645)	-	(57,832)
Machinery and equipment	(1,012)	(110)	21	(1,101)
Vehicles	(5,900)	(681)	300	(6,281)
Infrastructure	(245,741)	(16,251)	-	(261,992)
Total accumulated depreciation	<u>(306,840)</u>	<u>(20,687)</u>	<u>321</u>	<u>(327,206)</u>
Total capital assets being depreciated, net	<u>772,013</u>	<u>31,659</u>	<u>-</u>	<u>803,672</u>
Business-type activities capital assets, net	<u>\$ 984,145</u>	<u>\$ 118,774</u>	<u>\$ (68,361)</u>	<u>\$ 1,034,558</u>

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Depreciation expense was charged to primary government functions as follows:

Governmental activities:	
General government	\$ 11,507
Public safety	6,464
Public works, which includes the depreciation of infrastructure assets	44,261
Health and human services	1,481
Culture and leisure services	7,155
Economic and community development	47
Capital assets held by the County's internal service funds is charged to the various activities based on their usage of the assets.	<u>4,343</u>
Total depreciation expense - governmental activities	<u><u>\$ 75,258</u></u>
Business-type activities:	
Water and sewer services, which include the depreciation of infrastructure assets	<u>\$ 20,687</u>
Total depreciation expense - business-type activities	<u><u>\$ 20,687</u></u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Board of Education:				
Capital assets not being depreciated:				
Land	\$ 25,578	\$ 3,276	\$ -	\$ 28,854
Construction in progress	192,131	101,893	(55,795)	238,229
Total capital assets not being depreciated	<u>217,709</u>	<u>105,169</u>	<u>(55,795)</u>	<u>267,083</u>
Capital assets being depreciated:				
Buildings	1,159,429	53,628	-	1,213,057
Improvements other than buildings	58,599	2,340	-	60,939
Equipment and vehicles	118,718	13,724	(7,126)	125,316
Total capital assets being depreciated	<u>1,336,746</u>	<u>69,692</u>	<u>(7,126)</u>	<u>1,399,312</u>
Less accumulated depreciation	<u>(441,301)</u>	<u>(46,955)</u>	<u>7,006</u>	<u>(481,250)</u>
Total capital assets being depreciated, net	<u>895,445</u>	<u>22,737</u>	<u>(120)</u>	<u>918,062</u>
Board of Education capital assets, net	<u><u>\$ 1,113,154</u></u>	<u><u>\$ 127,906</u></u>	<u><u>\$ (55,915)</u></u>	<u><u>\$ 1,185,145</u></u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Community College:				
Capital assets not being depreciated:				
Land	\$ 4,798	\$ -	\$ -	\$ 4,798
Construction in progress	6,587	23,197	(2,506)	27,278
Total capital assets not being depreciated	<u>11,385</u>	<u>23,197</u>	<u>(2,506)</u>	<u>32,076</u>
Capital assets being depreciated:				
Buildings and improvements	119,503	2,734	-	122,237
Infrastructure	24,082	12	-	24,094
Equipment and vehicles	19,814	948	-	20,762
Library materials	5,722	347	-	6,069
Total capital assets being depreciated	<u>169,121</u>	<u>4,041</u>	<u>-</u>	<u>173,162</u>
Less accumulated depreciation	<u>(78,551)</u>	<u>(5,978)</u>	<u>-</u>	<u>(84,529)</u>
Total capital assets being depreciated, net	<u>90,570</u>	<u>(1,937)</u>	<u>-</u>	<u>88,633</u>
The Community College of Baltimore County capital assets, net	<u>\$ 101,955</u>	<u>\$ 21,260</u>	<u>\$ (2,506)</u>	<u>\$ 120,709</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Board of Library Trustees:				
Capital assets being depreciated:				
Equipment and vehicles	\$ 10,320	\$ 159	-	\$ 10,479
Circulation materials	16,764	5,437	(5,602)	16,599
Total capital assets being depreciated	<u>27,084</u>	<u>5,596</u>	<u>(5,602)</u>	<u>27,078</u>
Less accumulated depreciation	<u>(16,970)</u>	<u>(5,894)</u>	<u>5,602</u>	<u>(17,262)</u>
Board of Library Trustees capital assets, net	<u>\$ 10,114</u>	<u>\$ (298)</u>	<u>\$ -</u>	<u>\$ 9,816</u>

8. LONG-TERM OBLIGATIONS:

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

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

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

	(in thousands)	
	General Bonds	Metropolitan District
Legal limitation for the borrowing of funds and issuance of bonds	\$ 3,574,940	\$ 2,506,665
General obligation debt outstanding applicable to debt limit	916,350	765,337

General obligation debt issuances require approval by voter referendum. Approved and unissued general obligation bonded debt totaled \$732,269,881 as of June 30, 2010, comprised of \$269,443,881 for public schools, \$402,580,000 for public facilities and \$60,246,000 for the Community College. Appropriated and unissued Metropolitan District bonded debt totaled \$480,803,525 at June 30, 2010.

On November 10, 2009, the County settled the issuance of Metropolitan District General Obligation Bonds (Federally Taxable – Issuer Subsidy – Build America Bonds) in the amount of \$36,000,000 (72nd Issue – Series A) and \$70,600,000 (72nd Issue – Series B). The Metropolitan District 72nd Issue – Series A Bonds are due November 1 in each of the years 2010-2019 inclusive, and bear a true interest cost rate of 2.28% net of federal subsidy payments. The Metropolitan District 72nd Issue – Series B bonds are due November 1 in each of the years 2020-2039 inclusive, and bear a true interest cost rate of 3.67% net of federal subsidy payments.

On November 10, 2009, the County settled the issuance of Consolidated Public Improvement General Obligation Bonds (Federally Taxable – Issuer Subsidy – Build America Bonds) in the amount of \$60,000,000 (2009 – Series A) and \$63,000,000 (2009 – Series B). The Consolidated Public Improvement (2009 – Series A) bonds are due November 1 in each of the years 2010-2019 inclusive, and bear a true interest cost rate of 2.31% net of federal subsidy payments. The Consolidated Public Improvement (2009 – Series B) bonds are due November 1 in each of the years 2020-2029 inclusive, and bear a true interest cost rate of 3.39% net of federal subsidy payments. Under the American Recovery and Reinvestment Act of 2009, the County will receive federal subsidy payments from the U.S. Treasury of 35% of the amount of the interest payable on the bonds.

On November 10, 2009, the County also settled the issuance of \$32,570,000 Consolidated Public Improvement General Obligation Bonds (2009 – Series C) (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds). The bonds are due November 1 in each of the years 2010-2029 inclusive, and bear a true interest cost rate of 2.55% net of federal subsidy payments. Under the American Recovery and Reinvestment Act of 2009, the County will receive federal subsidy payments from the U.S. Treasury of 45% of the amount of the interest payable on the bonds.

On November 5, 2009 the County through a negotiated sale, settled the issuance of \$19,400,000 Consolidated Public Improvement Bonds (2009 Series – D) Qualified School Construction Bonds (Tax Credit Bonds), with a tax credit rate of 6.15%, a price of 89.68% and a maturity date of September 15, 2025. The County intends to deposit annual installments into a sinking fund account to be held in trust by an escrow agent. The County expects to use the funds in the sinking fund account for the repayment of the principal of the bonds upon maturity.

As of June 30, 2010, the County had \$174.9 million Consolidated Public Improvement Bond Anticipation Commercial Paper Notes outstanding (CPI CP Notes), and \$106.5 million Metropolitan District Bond Anticipation Commercial Paper Notes outstanding (Metro District CP Notes). During FY 2010, the County paid off \$100,000 of CPI CP Notes and \$100,000 of Metro District CP Notes. The CP Notes are sold with an initial maturity of up to 270 days, and upon maturity they are refinanced. This remarketing is backed for liquidity purposes by a line of credit, the terms of which provide that no principal repayments are due by the County until the completion of the agreement. On April 3, 2007, the County entered into a seven-year liquidity agreement for \$200 million with BNP Paribas, which will be in effect until April 3, 2014. On August 12, 2008, the County entered into a second three-year liquidity agreement for \$81.6 million with BNP Paribas, which will be in effect until August 12, 2011. The weighted-average maturity of the CP Notes for FY

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

2010 was 68 days and interest rates ranged from 0.14% to 0.65%.

During fiscal year 2010, the County issued \$532,202 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, 2010, the balance outstanding was \$74,011,646.

The County defeased certain general obligation bonds in prior years by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2010, \$106,040,000 of bonds outstanding from refundings are considered defeased.

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

- The Board of Education and the Community College have no authority to issue bonded debt. That authority rests with the County subject to voter approval. The County had \$329.173 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, 2010.
- 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 \$711.917 million towards these City owned facilities that are funded primarily with bond proceeds. The County estimates 40.79% of its net Metropolitan District general obligation bonds outstanding or \$317.614 million is related to these facilities as of June 30, 2010.

At June 30, 2010, the County has accrued \$13.71 million of estimated closure and postclosure care costs for its one active landfill in the Governmental Activities of the Statement of Net Assets. State and federal laws require the County to place a final cover on its open landfill when it stops accepting waste in approximately 2049 and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs generally will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these costs as a liability in the Governmental Activities of the Statement of Net Assets based on the landfill capacity used as of the end of the fiscal year. The amount included in the landfill closure and postclosure care costs liability at June 30, 2010 represents the cumulative unspent amount reported to date based on the use of 50.9% of the estimated landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$13.2 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, 2009 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, 2010 for bonds issued prior to July 1, 1996 could not be determined, however, the original issue amounts approximate \$571.1 million. The aggregate principal amount payable for bonds issued after July 1, 1996 was \$416.6 million at June 30, 2010.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Long-term liability activity for the year ended June 30, 2010 is as follows (in thousands):

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year
Primary Government:					
Governmental activities:					
General obligation debt					
Consolidated public improvement bonds	\$ 574,235	\$ 174,970	\$ (46,640)	\$ 702,565	\$ 51,305
Pension funding bonds	46,140	-	(7,255)	38,885	7,080
Bond anticipation notes	175,000	-	(100)	174,900	174,900
	<u>795,375</u>	<u>174,970</u>	<u>(53,995)</u>	<u>916,350</u>	<u>233,285</u>
Add remaining original issue premium	39,771	725	(3,676)	36,820	-
Less deferred amount on refunding	(5,564)	-	1,624	(3,940)	-
Less remaining original issue discount	-	(2,002)	82	(1,920)	-
Total general obligation debt	<u>829,582</u>	<u>173,693</u>	<u>(55,965)</u>	<u>947,310</u>	<u>233,285</u>
Certificates of participation	76,100	-	(7,650)	68,450	7,990
Add remaining original issue premium	2,990	-	(432)	2,558	-
Total certificates of participation	<u>79,090</u>	<u>-</u>	<u>(8,082)</u>	<u>71,008</u>	<u>7,990</u>
Other long-term liabilities					
Mortgage	3,515	-	(93)	3,422	101
Compensated absences	61,484	56,966	(56,602)	61,848	17,435
Claims payable	56,760	215,996	(211,436)	61,320	36,140
Estimated landfill closing costs	13,350	363	-	13,713	-
Total other long-term liabilities	<u>135,109</u>	<u>273,325</u>	<u>(268,131)</u>	<u>140,303</u>	<u>53,676</u>
Total governmental activities long-term liabilities	<u>\$ 1,043,781</u>	<u>\$ 447,018</u>	<u>\$ (332,178)</u>	<u>\$ 1,158,621</u>	<u>\$ 294,951</u>
Business-type activities:					
General obligation debt					
Metropolitan District bonds	\$ 585,648	\$ 107,132	\$ (33,943)	\$ 658,837	\$ 37,612
Bond anticipation notes	106,600	-	(100)	106,500	106,500
	<u>692,248</u>	<u>107,132</u>	<u>(34,043)</u>	<u>765,337</u>	<u>144,112</u>
Add remaining original issue premium	18,264	450	(1,349)	17,365	-
Less deferred amount on refunding	(3,257)	-	862	(2,395)	-
Total general obligation debt	<u>707,255</u>	<u>107,582</u>	<u>(34,530)</u>	<u>780,307</u>	<u>144,112</u>
Certificates of participation	4,000	-	(600)	3,400	600
Add remaining original issue premium	192	-	(31)	161	-
Total certificates of participation	<u>4,192</u>	<u>-</u>	<u>(631)</u>	<u>3,561</u>	<u>600</u>
Compensated absences	1,384	929	(813)	1,500	423
Total business-type activities long-term liabilities	<u>\$ 712,831</u>	<u>\$ 108,511</u>	<u>\$ (35,974)</u>	<u>\$ 785,368</u>	<u>\$ 145,135</u>
Component Units:					
Board of Education:					
Compensated absences	\$ 18,588	\$ 12,460	\$ (11,259)	\$ 19,789	\$ 11,259
Capital leases	17,071	8,177	(6,122)	19,126	6,193
Total Board of Education	<u>35,659</u>	<u>20,637</u>	<u>(17,381)</u>	<u>38,915</u>	<u>17,452</u>
Community College:					
Compensated absences	4,721	3,368	(3,077)	5,012	3,240
Board of Library Trustees:					
Compensated absences	1,039	5	-	1,044	1,044
Total component units long-term liabilities	<u>\$ 41,419</u>	<u>\$ 24,010</u>	<u>\$ (20,458)</u>	<u>\$ 44,971</u>	<u>\$ 21,736</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

General long-term debt currently outstanding as of June 30, 2010 is as follows:

Governmental Activities:

(in thousands)

General Obligation Debt:

Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2010	Unamortized Premium/ (Discount)	Unamortized Deferred Difference	Carrying Value 6/30/2010
06/19/01	2002-2021	4.000 - 5.500	\$ 27,000	\$ 1,240	\$ -	\$ -	\$ 1,240
07/02/02	2003-2022	3.000 - 5.250	135,000	33,750	942	-	34,692
09/04/02	2003-2015	3.000 - 5.250	83,385	47,815	3,708	-	51,523
05/06/03	2004-2011	2.000 - 3.250	33,725	7,635	24	-	7,659
02/26/04	2005-2024	3.000 - 5.000	152,000	124,500	8,604	-	133,104
02/26/04	2009-2020	3.250 - 5.000	63,085	59,935	3,761	(2,121)	61,575
09/27/06	2007-2026	4.000 - 5.000	111,000	97,000	4,296	-	101,296
01/03/08	2009-2028	4.000 - 5.000	140,000	132,000	8,010	-	140,010
02/24/09	2009-2018	2.000 - 5.000	26,880	23,720	2,808	(1,187)	25,341
02/24/09	2009-2015	3.000 - 5.000	46,140	38,885	3,959	(632)	42,212
11/05/09	2010-2025	6.150 - 6.150	19,400	19,400	(1,920)	-	17,480
11/10/09	2010-2029	0.650 - 5.650	155,570	155,570	708	-	156,278
			<u>993,185</u>	<u>741,450</u>	<u>34,900</u>	<u>(3,940)</u>	<u>772,410</u>

Bond Anticipation Notes

01/03/08	2008-2010	0.450 - 2.150	75,000	75,000	-	-	75,000
01/03/08	2008-2010	0.300 - 5.000	65,000	64,900	-	-	64,900
08/12/09	2009-2010	0.450 - 1.570	35,000	35,000	-	-	35,000
			<u>175,000</u>	<u>174,900</u>	<u>-</u>	<u>-</u>	<u>174,900</u>

Total General Obligation Debt

<u>\$ 1,168,185</u>	<u>\$ 916,350</u>	<u>\$ 34,900</u>	<u>\$ (3,940)</u>	<u>\$ 947,310</u>
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Certificates of Participation

12/18/01	2002-2021	3.500 - 5.125	\$ 22,000	\$ 15,450	\$ 76	\$ -	\$ 15,526
06/01/04	2005-2014	3.000 - 5.000	42,500	20,000	991	-	20,991
08/12/09	2009-2018	3.250 - 5.000	34,700	33,000	1,491	-	34,491

Total Certificates of Participation

<u>\$ 99,200</u>	<u>\$ 68,450</u>	<u>\$ 2,558</u>	<u>\$ -</u>	<u>\$ 71,008</u>
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Mortgage

12/30/05	2005-2012	7.770 - 7.770	\$ 3,784	\$ 3,422	\$ -	\$ -	\$ 3,422
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Total Mortgage

<u>\$ 3,784</u>	<u>\$ 3,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,422</u>
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* Refunding issue

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Business-type Activities:

(in thousands)

General Obligation Debt:

Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2010	Unamortized Premium	Unamortized Deferred Difference	Carrying Value 6/30/2010
11/27/90	1993-2013	4.894 - 4.894	\$ 9,498	\$ 1,554	\$ -	\$ -	\$ 1,554
12/04/91	1993-2012	4.458 - 4.458	4,071	488	-	-	488
06/23/93	1995-2014	3.250 - 3.250	1,456	360	-	-	360
11/04/94	1997-2016	3.500 - 4.750	20,902	8,210	-	-	8,210
03/22/00	2001-2020	2.600 - 2.600	14,417	8,456	-	-	8,456
06/19/01	2003-2031	4.000 - 5.500	98,000	42,000	-	-	42,000
06/22/01	2003-2022	2.300 - 2.300	14,105	9,601	-	-	9,601
06/26/02	2004-2023	2.000 - 2.000	7,006	4,886	-	-	4,886
07/02/02	2003-2032	3.000 - 5.000	65,000	38,820	9	-	38,829
09/04/02	2003-2015	3.000 - 5.250	46,365 *	24,900	2,030	-	26,930
03/11/03	2004-2023	1.100 - 1.100	8,638	6,016	-	-	6,016
05/06/03	2004-2011	2.000 - 3.250	11,565 *	2,540	7	-	2,547
02/26/04	2009-2019	3.250 - 5.000	38,645 *	36,830	2,493	(1,287)	38,036
02/26/04	2005-2035	3.000 - 5.000	48,000	40,000	1,766	-	41,766
07/16/04	2005-2025	1.200 - 1.200	7,990	5,258	-	-	5,258
09/12/05	2006-2024	1.000 - 1.000	20,495	16,032	-	-	16,032
09/27/06	2007-2036	4.000 - 5.000	89,000	80,000	330	-	80,330
07/31/07	2008-2027	1.000 - 1.000	14,750	13,051	-	-	13,051
01/03/08	2009-2038	4.250 - 5.000	200,000	192,000	8,196	-	200,196
02/24/09	2009-2018	3.000 - 5.000	24,515	21,135	2,091	(1,108)	22,118
11/10/09	2010-2039	0.650 - 5.600	106,600	106,600	443	-	107,043
12/18/09	2011-2032	1.000 - 1.000	100	100	-	-	100
			<u>851,118</u>	<u>658,837</u>	<u>17,365</u>	<u>(2,395)</u>	<u>673,807</u>
Bond Anticipation Notes							
04/06/10	2010-2011	0.260 - 0.380	46,600	46,600	-	-	46,600
05/03/10	2010-2011	0.280 - 0.350	60,000	59,900	-	-	59,900
			<u>106,600</u>	<u>106,500</u>	<u>-</u>	<u>-</u>	<u>106,500</u>
Total General Obligation Debt			<u>\$ 957,718</u>	<u>\$ 765,337</u>	<u>\$ 17,365</u>	<u>\$ (2,395)</u>	<u>\$ 780,307</u>

Certificates of Participation

06/01/04	2005-2014	3.000 - 5.000	\$ 4,000	\$ 1,600	\$ 87	\$ -	\$ 1,687
08/12/09	2009-2018	3.250 - 5.000	2,000	1,800	74	-	1,874
Total Certificates of Participation			<u>\$ 6,000</u>	<u>\$ 3,400</u>	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 3,561</u>

* Refunding issues

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
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The following is a schedule of the primary government's debt service payments for certain long-term debt as of June 30, 2010:

General Long-Term Debt
(in thousands)

Fiscal Year Ended June 30	Governmental Activities					
	General Obligation Debt		COPs & Other Long-term Debt		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 233,285	\$ 33,589	\$ 8,091	\$ 3,343	\$241,376	\$ 36,932
2012	59,090	29,673	11,350	2,977	70,440	32,650
2013	56,975	27,102	9,080	2,343	66,055	29,445
2014	53,825	24,614	10,125	1,917	63,950	26,531
2015	52,150	22,169	5,175	1,461	57,325	23,630
2016-2020	210,995	79,695	24,810	3,479	235,805	83,174
2021-2025	174,130	36,344	3,241	164	177,371	36,508
2026-2030	75,900	7,835	-	-	75,900	7,835
Total	<u>\$ 916,350</u>	<u>\$ 261,021</u>	<u>\$ 71,872</u>	<u>\$ 15,684</u>	<u>\$988,222</u>	<u>\$ 276,705</u>

Fiscal Year Ended June 30	Business-type Activities					
	General Obligation Debt		COPs		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 144,112	\$ 29,262	\$ 600	\$ 150	\$144,712	\$ 29,412
2012	37,536	27,006	600	124	38,136	27,130
2013	35,579	25,600	600	97	36,179	25,697
2014	32,438	24,289	600	70	33,038	24,359
2015	30,718	23,002	200	42	30,918	23,044
2016-2020	140,143	97,031	800	79	140,943	97,110
2021-2025	115,926	70,561	-	-	115,926	70,561
2026-2030	103,785	45,291	-	-	103,785	45,291
2031-2035	83,800	21,268	-	-	83,800	21,268
2036-2040	41,300	4,650	-	-	41,300	4,650
Total	<u>\$ 765,337</u>	<u>\$ 367,960</u>	<u>\$ 3,400</u>	<u>\$ 562</u>	<u>\$768,737</u>	<u>\$ 368,522</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 (in thousands):

Year ending June 30	Primary Government	Component Units
2011	\$ 2,193	\$ 5,929
2012	2,043	5,661
2013	1,837	4,722
2014	1,711	3,300
2015	1,686	3,022
2016-2020	115	6,590
2021-2025	92	7,532
2026-2030	16	3,621
	<u>\$ 9,693</u>	<u>\$ 40,377</u>

The total rental expenditures for the year ended June 30, 2010, for all leases except those with terms of a month or less that were not renewed were approximately \$7.2 million for the primary government and \$8.1 million for the component units.

Contracts and Commitments

Contract commitments in the Consolidated Public Improvement Construction Fund, the Metropolitan District Fund, and the Gifts and Grants Fund amounted to approximately \$93.4 million, \$123.6 million, and \$10.8 million, respectively, at June 30, 2010. Such amounts will be funded by future bond proceeds, approved federal and state grants, and future assessments.

10. LITIGATION:

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

11. CONTINGENCIES:

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The County is contingently liable for loans guaranteed through the Economic Development Revolving Financing Fund that aggregate approximately \$.895 million as of June 30, 2010. A reservation of fund balance has been made for this amount.

12. RISK MANAGEMENT:

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

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

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

Changes in the balances of claim liabilities during fiscal years 2009 and 2010 were as follows (in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2009	\$ 56,809	\$ 202,642	\$ (202,691)	\$ 56,760
2010	56,760	215,996	(211,436)	61,320

13. INDIVIDUAL FUND DISCLOSURE:

At June 30, 2010, the Consolidated Public Improvement Construction Fund had a deficit fund balance of \$209.354 million. This deficit will be eliminated by pay-as-you-go contributions from the General Fund and from bond proceeds.

14. BENEFIT PLANS:

Employees' Retirement System

Plan Description: The Employees' Retirement System of Baltimore County (the "System") is a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent serving five entities including the County and certain employees of the Baltimore County Board of Education, Baltimore County Board of Library Trustees, the Community College of Baltimore County and the Baltimore County Revenue Authority. The System is not an employer. The System provides retirement and disability benefits, cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and maintain the System is specified in Section 5-1-101 of the Baltimore County Code (the "Code"). The System is considered part of the County's reporting entity and its financial statements are included in the County's basic financial statements as a pension trust fund. The System is fiscally dependent on the County by virtue of the legislative and executive controls

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

exercised with respect to its operations, policies and administrative budget. In accordance with Section 5-1-238 of the Code, responsibility for the proper operation of the System is vested in an eight-member Board of Trustees (the "Board"), comprised of a combination of ex-officio and elected representatives. The general administration of the System is vested in the Director of Budget and Finance.

At June 30, 2009, the date of the latest available actuarial valuation, System membership consisted of:

Retirees and beneficiaries currently receiving benefits	
General employees, correctional officers and deputy sheriffs	4,548
Firefighters and police officers	1,962
Terminated employees entitled to benefits but not yet receiving them	
General employees, correctional officers and deputy sheriffs	411
Firefighters and police officers	53
Total retirees and beneficiaries	6,974
Current employees	
Vested - Full-time employees	
General employees, correctional officers and deputy sheriffs	3,982
Firefighters and police officers	2,382
Non-vested - Full-time employees	
General employees, correctional officers and deputy sheriffs	1,802
Firefighters and police officers	539
Part-time employees	
Vested - General employees	595
Non-vested - General employees	472
Total active members	9,772
Non-vested terminations with account balances	43
Members on leave of absence	
General employees, correctional officers and deputy sheriffs	32
Firefighters and police officers	12
Total members on leave of absence	44
Grand Total	16,833

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

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

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

The County has adopted a Back DROP (Deferred Retirement Option Program), for police officers and firefighters under which eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit for life. The DROP period is between three and five years, effective with retirements that occurred on or after July

BALTIMORE COUNTY, MARYLAND
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1, 2004. Police officers and firefighters hired on or after July 1, 2007 are not eligible to participate in the DROP.

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

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

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

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

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

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

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

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

Employee designation

Allowance formula for Vested Employees

General employees
(Hired prior to July 1, 2007)

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

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

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

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

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

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

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

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

Contributions

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

The participating employers are required to contribute on an actuarially determined basis. Per Section 5-1-203 of the Code, contribution requirements of the plan members and the participating employers are established and may be amended by the Board. FY 2010 Schedule of Employers' Contributions is shown below (in thousands):

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$57,976	100%

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Funding Policy

A pension plan is considered adequately funded when sufficient assets are available to meet all expected future obligations to participants. The System funding objective is to meet long-term benefits through annual employer contributions that remain approximately level as a percentage of covered payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that participants are confident that sufficient assets are available for the payment of current and future member benefits. The Schedule of Funding Progress as of the June 30, 2009 actuarial valuation (latest available) is shown below (in thousands).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Excess of) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL (Excess of) as a % of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2009	\$2,143,616	\$2,599,670	\$456,054	82.5%	\$505,908	90.0%

The County's commitment to provide a financially sound retirement plan for its members is illustrated on two schedules found in the Required Supplementary Information of the Financial Section of this report. The six year "Schedule of Funding Progress," includes historical trend information of plan net assets as a percentage of the actuarial accrued liability, which provides one indication of the System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Trends in the unfunded actuarial accrued liability (or excess of) as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. The six year "Schedule of Employer Contributions" includes historical trend information about the annual required contributions (ARC) of the employers and the contributions made by the employers in relation to the ARC. The System's percentages indicate a financially sound retirement system.

The information below is based on the latest actuarial valuation available as of June 30, 2009. The actuarial methods and assumptions used to determine the funded status and the ARC is presented below:

Valuation Date:	June 30, 2009
Actuarial Cost Method:	Projected Unit Credit
Normal Cost Allocation:	Service
Amortization Method:	Level percent closed
Remaining Amortization Period:	29 years
Asset Valuation Method*:	5-year smoothed market
Actuarial Assumptions:	
-Investment Rate of Return**	7.875%
-Projected Salaried Increases**	3.00 – 7.50%
-Cost-of-Living Adjustments***	None
-Mortality Rates	Based on the 1995 George B. Buck Mortality Table

*Actuarial Asset Method was revised to remove 14% Corridor Around Market Value and the Smoothing period changed from four to five years for the June 30, 2009 valuation.

**Includes Inflation at 3%.

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The condensed financial statements of the Employees' Retirement System as of and for the year ended June 30, 2010 are as follows (in thousands):

Statement of Plan Net Assets
Employees' Retirement System
As of June 30, 2010

ASSETS	
Cash and cash equivalents	\$ 41,850
Investments, at fair value:	1,764,711
Collateral for loaned securities	89,734
Receivables:	
Accrued interest & dividend income	3,002
Receivable for investments sold	25,113
Receivables other	1,224
Total assets	<u>1,925,634</u>
LIABILITIES	
Collateral for loaned securities	91,449
Investments purchased	45,464
Investment expenses payable	2,061
Other	389
Total liabilities	<u>139,363</u>
NET ASSETS	
Net assets held in trust for benefits	<u>\$ 1,786,271</u>

Statement of Changes in Plan Net Assets
Employees' Retirement System
For the year ended June 30, 2010

ADDITIONS	
Contributions:	
Employer	\$ 57,976
Employee	33,236
Total contributions	<u>91,212</u>
Investment earnings:	
Net increase in the fair value of plan assets	232,230
Interest and dividends	35,258
Securities lending loss	(1,303)
Investment expenses	(11,380)
Net investment gain	<u>254,805</u>
Total additions	<u>346,017</u>
DEDUCTIONS	
Benefits	150,704
Other	3,334
Total deductions	<u>154,038</u>
Change in net assets	191,979
Net assets at beginning of the year	1,594,292
Net assets at end of the year	<u>\$ 1,786,271</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Police, Fire and Widows' Pension Plan

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

The condensed financial statements as of and for the year ended June 30, 2010 are as follows (in thousands):

Police, Fire, and Widows' Pension Plan
As of June 30, 2010

ASSETS	
Cash and cash equivalents	\$ 6,966
Investment securities	62,222
Interest and dividends receivable	653
Receivable for investments sold	988
Total assets	<u>70,829</u>
LIABILITIES	
Accounts payable	23
Investments purchased	23
Total liabilities	<u>46</u>
NET ASSETS	
Net assets held in trust for pension benefits	<u><u>\$ 70,783</u></u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Statement of Changes in Plan Net Assets
Police, Fire and Widows' Pension Plan
For the year ended June 30, 2010

ADDITIONS

Contributions:	
Employer	\$ 13
Total contributions	13
Investment earnings:	
Net increase in the fair value of plan assets	3,385
Interest and dividends	2,823
Investment expenses	(150)
Net investment gain	6,058
Total additions	6,071

DEDUCTIONS

Benefits	12,594
Total deductions	12,594
Change in net assets	(6,523)
Net assets at beginning of the year	77,306
Net assets at end of the year	\$ 70,783

Other Pension Plans

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

Substantially all employees of the component units who do not participate in the System participate in the State of Maryland Teachers' Retirement and Pension Systems. Employer contributions to these systems for the year ended June 30, 2010, 2009 and 2008, of approximately \$92.0 million, \$78.0 million and \$73.8 million, respectively, were made directly by the State of Maryland on behalf of the component units according to State statute. The contributions have been recognized as a revenue and an expense in the component unit statement of activities. Additionally, some professional employees of the Community College participate in an optional private retirement system.

15. OTHER POST EMPLOYMENT BENEFIT PLAN:

Plan Description and Contribution Information

Plan Description: The County's Other Post Employment Benefit Plan (OPEB Plan) is an agent multiple-employer defined benefit postemployment healthcare plan that covers retired employees of the primary government, the Baltimore County Board of Education, the Community College of Baltimore County, the Board of Library Trustees for Baltimore County and the Baltimore County Revenue Authority. 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, 2009, the date of the latest available valuation, the OPEB Plan covered a projected 31,816 members; 19,993 active plan members and 11,823 retirees receiving benefits.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

	<u>All Employers</u>	<u>The County</u>
Annual required contribution (ARC)	\$ 138,501	\$ 65,628
Interest on net OPEB asset	(6,364)	(4,157)
Adjustment to ARC	<u>5,030</u>	<u>3,285</u>
Annual OPEB cost (expense)	137,167	64,756
Contributions made	<u>(110,861)</u>	<u>(46,965)</u>
Decrease in net OPEB asset	26,306	17,791
Net OPEB asset beginning of year	<u>(80,813)</u>	<u>(52,786)</u>
Net OPEB asset end of year	<u>\$ (54,507)</u>	<u>\$ (34,995)</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2010 and the two preceding fiscal years were as follows (in thousands):

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 148,892	170.76	\$ (105,351)
2009	137,008	82.09	(80,813)
2010	137,167	80.82	(54,507)

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Funded Status and Funding Progress

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2009	\$ 153,449	\$ 1,755,670	\$ 1,602,221	8.74%	\$ 1,167,722	137.21

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

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

The June 30, 2009 actuarial valuation used the projected unit credit method under which the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to all valuation years. The method used to determine the actuarial value of assets was fair value. The actuarial assumptions applied were future salary increases of 3% per year and the interest was assumed to have a discount rate of 7.875%. The discount rate is the rate used to determine the present value of the future cash flows. The unfunded actuarial accrued liability is being amortized over a period of 30 years on a closed basis using level percentage of projected payroll. The remaining amortization period at June 30, 2010 was twenty-seven years. The initial medical trend assumption is 9% decreasing gradually to an ultimate rate of 5.2% after 2079. The medical trend assumption was developed using the Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions. The following assumptions were used as input variables into this model:

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The condensed financial statements as of and for the year ended June 30, 2010 are as follows (in thousands):

Statement of Plan Net Assets
OPEB Plan
As of June 30, 2010

ASSETS

Cash and cash equivalents	\$ 3,730
Investments, at fair value	220,593
Collateral for loaned securities (net of unrealized loss)	11,217
Receivables:	
Accrued interest & dividend income	375
Receivable for investments sold	3,139
Receivables other	2,124
Total assets	<u>241,178</u>

LIABILITIES

Collateral for loaned securities	11,431
Investments purchased	5,683
Investment expenses payable	258
Other	3,772
Total liabilities	<u>21,144</u>

NET ASSETS

Net assets held in trust for benefits	<u>\$ 220,034</u>
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Statement of Changes in Plan Net Assets
OPEB Plan
For the year ended June 30, 2010

ADDITIONS

Contributions:	
Employer	\$ 110,861
Employee	24,253
On-behalf	7,004
Other	2,549
Total contributions	<u>144,667</u>
Investment earnings:	
Net increase in the fair value of plan assets	31,418
Interest and dividends	4,799
Securities lending loss	(160)
Investment expenses	(1,532)
Net investment gain	<u>34,525</u>
Total additions	<u>179,192</u>

DEDUCTIONS

Benefits	<u>112,607</u>
Total deductions	<u>112,607</u>
Change in net assets	66,585
Net assets at beginning of the year	153,449
Net assets at end of the year	<u>\$ 220,034</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

16. NEW ACCOUNTING PRONOUNCEMENTS:

The County has implemented the following Governmental Accounting Standard Board statements effective July 1, 2009:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets to reduce reporting inconsistencies.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments.

17. SUBSEQUENT EVENTS:

Refunding

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

Tax-Exempt Bonds

On November 9, 2010, the County settled the issuance of \$30,100,000 General Obligation Metropolitan District Bonds (73rd Issue – Series A). The bonds are due November 1, in each of the years 2012-2018, inclusive, and bear a true interest cost rate of 4.43%. The County also settled the issuance of \$70,050,000 Consolidated Public Improvement Bonds (2010 Series A) on November 9, 2010. The bonds are due November 1, in each of the years 2012-2017, inclusive, and bear a true interest cost rate of 3.81%. Proceeds of the bonds will be used for the purpose of providing funds for the redemption of \$100,150,000 Commercial Paper Bond Anticipation Notes.

Taxable Bonds

Build America Bonds “BABs”: On November 9, 2010, the County settled the issuance of Metropolitan District General Obligation Bonds (73rd Issue – Series B) (Federally Taxable – Issuer Subsidy – Build America Bonds) in the amount of \$93,900,000. The bonds are due November 1 in each of the years 2019-2040, inclusive, and bear a true interest cost rate of 2.97%, net of federal subsidy payments.

On November 9, 2010, the County settled the issuance of Consolidated Public Improvement General Obligation Bonds (2010 – Series C) (Federally Taxable – Issuer Subsidy – Build America Bonds) in the amount of \$177,000,000. The bonds are due November 1 in each of the years 2018-2030, inclusive, and bear a true interest cost rate of 2.58%, net of federal subsidy payments.

Qualified School Construction Bonds (QSCBs): On November 9, 2010 the County settled the issuance of \$19,950,000 Consolidated Public Improvement Bonds (2010 Series – B) (Federally Taxable – Issuer Subsidy – Qualified School Construction Bonds). The bonds are due on November 1, 2029, and bear a true interest cost rate of 0.05%, net of federal subsidy payments.

The above is all the events that have occurred subsequent to the financial statement date and through the date of this report.





Required Supplementary Information

BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

Employees' Retirement System

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

Schedule of Funding Progress
(dollars in thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a % of Covered Payroll ((b-a)/c)
2004 ⁽¹⁾	\$1,803,811	\$1,924,543	\$120,732	93.7%	\$370,639	32.6%
2005 ⁽²⁾	1,832,922	1,949,611	116,689	94.0	388,052	30.1
2006	1,938,817	2,078,812	139,995	93.3	425,400	32.9
2007 ⁽³⁾	2,101,023	2,289,452	188,429	91.8	439,913	42.8
2008 ⁽⁴⁾	2,191,623	2,491,342	299,719	88.0	479,654	62.5
2009 ⁽⁵⁾	2,143,616	2,599,670	456,054	82.5	506,908	90.0

- (1) Asset method change: difference between expected and actual return on market value smoothed over 4 years.
- (2) Cost method change: from Entry Age Normal to Projected Unit Credit.
- (3) Assumption changes recommended in 2006 experience study were adopted, plus plan changes to all groups including implementation of DROP programs for general employees, correctional officers and deputy sheriffs.
- (4) Amortization period was changed to 30 years. The amendments of GASB Statement No. 50 were recognized, but they had no impact on the information disclosed.
- (5) Actuarial Asset Method is revised to remove 14% Corridor Around Market Value and the Smoothing period was changed from 4 to 5 years. Salary increase rates for all members are reduced.

Schedule of Employers' Contributions
(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	\$ 29,968	100%
2006	34,433	100
2007	40,065	100
2008	44,167	100
2009	49,763	100
2010	57,976	100

**BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

OPEB Plan:

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

(dollars in thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2007	\$ -	\$ 1,765,553	\$ 1,765,553	0%	\$ 1,053,146	167.65%
2008	170,478	1,752,891	1,582,413	9.73	1,165,779	135.74
2009	153,449	1,755,670	1,602,221	8.74	1,167,722	137.21

Schedule of Employers' Contributions
(dollars in thousands)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 148,892	170.76%
2009	138,858	81.00
2010	138,501	80.04





Supplementary Information Schedules & Combining Financial Statements

The schedules provide selected budgetary information concerning the General Fund and the Liquor License Fund. The combining financial statements provide detailed information concerning financial position and results of operations for the nonmajor governmental funds, internal service funds and fiduciary funds.

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2010
(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	\$ 1,856	\$ 1,856	\$ 1,725	\$ 131
Judicial:				
Circuit Court:				
Criminal and civil adjudication	5,130	5,130	5,121	9
Orphans Court:				
Adjudication of estates	210	210	198	12
States Attorney:				
Criminal prosecution	8,214	8,214	8,095	119
County Sheriff:				
Conveying prisoners and serving summonses	5,422	5,422	5,234	188
Total	<u>18,976</u>	<u>18,976</u>	<u>18,648</u>	<u>328</u>
Executive:				
Office of the County Executive	1,160	1,160	1,060	100
County Administrative Officer:				
General administration	1,280	1,280	1,201	79
Human relations commission	384	384	266	118
Fair practices	419	419	356	63
Baltimore metropolitan council	131	131	131	-
Total	<u>3,374</u>	<u>3,374</u>	<u>3,014</u>	<u>360</u>
Elections:				
Board of Supervisors of Elections	<u>2,987</u>	<u>2,987</u>	<u>2,164</u>	<u>823</u>
Financial Administration:				
Office of Budget and Finance:				
Budget formulation and administration	1,987	1,937	1,935	2
Financial operations	4,729	4,729	4,690	39
Pay systems	289	278	264	14
Investment and debt management	361	361	351	10
Insurance administration	1,850	1,907	1,906	1
Purchasing and disbursements	1,414	1,419	1,418	1
Total	<u>10,630</u>	<u>10,631</u>	<u>10,564</u>	<u>67</u>
County Auditor	<u>1,537</u>	<u>1,537</u>	<u>1,525</u>	<u>12</u>
Office of Law:				
General legal services	2,145	2,145	1,859	286
Legislative relations	388	388	256	132
Total	<u>2,533</u>	<u>2,533</u>	<u>2,115</u>	<u>418</u>
Other:				
Vehicle Operations and Maintenance	1,295	1,351	1,350	1
Office of Planning and Community Conservation				
General administration	2,375	2,375	2,249	126
Zoning commissioner	349	349	340	9
People's counsel	190	190	181	9
Community conservation	512	512	475	37
Office of Human Resources:				
Personnel administration	2,419	2,419	2,314	105

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2010
(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	1,560	1,560	1,557	3
Electrical licensing and regulation	17	17	17	-
Plumbing licensing and regulation	28	28	28	-
Development processing	2,274	2,274	2,257	17
Code inspections and enforcement	5,020	5,020	5,003	17
Permits and licenses	912	912	823	89
Board of Appeals	254	254	241	13
Cooperative Extension Service	309	309	300	9
Office of Information Technology:				
General administration	2,521	2,668	2,666	2
Applications development	11,132	10,837	10,833	4
Computer and technical services	2,266	2,456	2,451	5
Telecommunications Services	2,229	2,187	2,186	1
Total	<u>35,662</u>	<u>35,718</u>	<u>35,271</u>	<u>447</u>
General Government Total	<u>77,555</u>	<u>77,612</u>	<u>75,026</u>	<u>2,586</u>
Public Safety:				
Police Department:				
General administration	3,665	3,770	3,762	8
Administrative & technical services	24,416	23,741	23,664	77
Criminal/forensic investigations	21,910	21,160	21,152	8
Vice/intelligence/narcotics	9,150	8,690	8,659	31
Patrol/precincts	112,047	114,487	114,406	81
Support operations	12,591	12,231	12,230	1
Human resources	5,769	5,469	5,343	126
School safety	1,343	1,343	1,337	6
Total	<u>190,891</u>	<u>190,891</u>	<u>190,553</u>	<u>338</u>
Bureau of Corrections:				
Custodial care of prisoners	33,843	33,843	33,841	2
Fire Department:				
General administration	939	939	914	25
Investigative services	3,337	3,345	3,338	7
Alarm and communication system	1,035	1,035	1,015	20
Field operations	77,178	77,110	76,288	822
Office of emergency preparedness	257	282	277	5
Field operation administration	1,815	1,850	1,836	14
Fire/rescue academy	1,494	1,494	1,434	60
Contributions - volunteer fire companies	6,686	6,686	6,664	22
Total	<u>92,741</u>	<u>92,741</u>	<u>91,766</u>	<u>975</u>
Communications:				
Central communications center	11,279	11,279	11,272	7
Public Safety Total	<u>328,754</u>	<u>328,754</u>	<u>327,432</u>	<u>1,322</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2010
(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>		
Public Works:				
Office of Director of Public Works:				
General administration	748	773	732	41
Metro Financing/Petition Proc	25	25	20	5
Total	<u>773</u>	<u>798</u>	<u>752</u>	<u>46</u>
Bureau of Engineering and Construction:				
General administration	466	471	447	24
Structural design	2,009	2,019	2,005	14
Public buildings design	552	557	546	11
General surveying	383	396	391	5
Contracts and construction inspection	2,143	2,158	2,133	25
Total	<u>5,553</u>	<u>5,601</u>	<u>5,522</u>	<u>79</u>
Bureau of Highways:				
General administration	1,197	1,212	1,179	33
General operations and maintenance	13,941	14,391	14,167	224
Storm emergencies	6,027	21,027	20,869	158
Total	<u>21,165</u>	<u>36,630</u>	<u>36,215</u>	<u>415</u>
Bureau of Solid Waste Management:				
General administration	482	487	484	3
Refuse collection	27,952	27,987	27,933	54
Refuse disposal	21,701	20,996	19,755	1,241
Recycling	3,437	3,210	2,498	712
Total	<u>53,572</u>	<u>52,680</u>	<u>50,670</u>	<u>2,010</u>
Bureau of Traffic Engineering and Transportation Planning:				
Traffic planning	9,466	9,466	9,462	4
Traffic sign installation and maintenance	1,911	2,016	1,781	235
Traffic signal operation and maintenance	1,168	1,168	1,099	69
Total	<u>12,545</u>	<u>12,650</u>	<u>12,342</u>	<u>308</u>
Bureau of Utilities:				
Sewer and water maintenance	574	574	567	7
Bureau of Building and Equipment Services:				
Building maintenance	6,984	7,219	7,216	3
Building operation and management	18,024	17,693	16,818	875
Equipment maintenance	6,025	6,370	6,287	83
Total	<u>31,033</u>	<u>31,282</u>	<u>30,321</u>	<u>961</u>
Public Works Total	<u>125,215</u>	<u>140,215</u>	<u>136,389</u>	<u>3,826</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2010
(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	2,901	2,973	2,952	21
Nursing services	3,231	3,221	3,200	21
Acute communicable disease control	1,519	1,549	1,536	13
Medical environmental health	643	651	644	7
Medical social work service	615	590	580	10
Animal control	1,681	1,811	1,792	19
School health services	1,799	1,741	1,726	15
Developmental disabilities	603	568	563	5
Home health services	1,705	1,615	1,587	28
Long-term care services	1,744	1,769	1,741	28
Medical assistance and hospital support	990	920	903	17
Dental health services	616	644	633	11
Speech, language and hearing	351	346	342	4
Total	<u>18,398</u>	<u>18,398</u>	<u>18,199</u>	<u>199</u>
Department of Environmental Protection and Resource Management	<u>7,749</u>	<u>7,749</u>	<u>7,735</u>	<u>14</u>
Human Services:				
Department of Social Services:				
Adult foster care assistance	150	150	150	-
Welfare to work program	425	425	425	-
Foster care for children	16	16	6	10
Emergency funds/housing for the homeless	600	600	458	142
Battered spouse program	130	130	130	-
Day resource center	231	231	221	10
In-home care program	231	231	223	8
Volunteer program	77	77	73	4
Adult services	756	756	733	23
General administration	1,400	1,400	1,320	80
STEPS program	249	250	250	-
Children's services	386	386	378	8
Income maintenance	888	837	787	50
Family services	1,145	1,195	1,181	14
Total	<u>6,684</u>	<u>6,684</u>	<u>6,335</u>	<u>349</u>
Aging Programs & Services:				
Department of Aging:				
General administration	808	738	685	53
Adult medical day care	100	100	100	-
Senior centers network	2,004	1,990	1,986	4
Special geriatric services	286	322	319	3
Facilities	996	992	990	2
Transportation	1,187	1,267	1,259	8
Program and volunteer services	414	386	385	1
Total	<u>5,795</u>	<u>5,795</u>	<u>5,724</u>	<u>71</u>
Health and Human Services Total	<u>38,626</u>	<u>38,626</u>	<u>37,993</u>	<u>633</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2010
(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	1,416	1,416	1,400	16
Community & neighborhood recreation, organization, direction and development	4,702	4,771	4,752	19
Activity leadership	3,034	2,965	2,824	141
Operation and maintenance of facilities	6,308	6,308	6,247	61
Revenue producing facilities	745	745	679	66
Nature and environmental center	790	790	741	49
Organization Contributions:				
Organization contributions	4,391	4,391	4,300	91
General grant program	3,874	3,874	3,738	136
Culture and Leisure Services Total	25,260	25,260	24,681	579
Economic and Community Development:				
Economic Development Commission	2,177	2,177	2,104	73
Economic and Community Development Total	2,177	2,177	2,104	73
Pension Plan Contributions:				
Employees' retirement contributions	65,996	65,996	52,996	13,000
Non-system retirement	187	187	179	8
Pension Plan Contributions Total	66,183	66,183	53,175	13,008
Healthcare Contributions:				
Employee health & life insurance	107,967	92,910	67,607	25,303
Healthcare Contributions Total	107,967	92,910	67,607	25,303
Miscellaneous:				
Social Security	17,233	17,393	17,375	18
Reserve for Contingencies	1,000	988	-	988
Miscellaneous Total	18,233	18,381	17,375	1,006
Payments to Component Units:				
Community College	38,460	38,532	38,532	-
Board of Education	698,257	697,967	697,669	298
Library	34,285	34,285	34,285	-
Payments to Component Units Total	771,002	770,784	770,486	298

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2010
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt Service:				
Principal retirement:				
General obligation bonds:				
Community College	2,705	2,705	2,705	-
General public facilities	28,327	28,327	28,327	-
Pension funding bonds	7,255	7,255	7,255	-
Non-general obligation debt	7,743	7,743	7,743	-
Total	<u>46,030</u>	<u>46,030</u>	<u>46,030</u>	<u>-</u>
Interest:				
General obligation bonds:				
Community College	1,599	1,889	1,886	3
General public facilities	18,568	18,408	16,706	1,702
Pension funding bonds	1,915	1,915	1,915	-
Non-general obligation debt	3,707	3,707	3,706	1
Total	<u>25,789</u>	<u>25,919</u>	<u>24,213</u>	<u>1,706</u>
Fiscal charges:				
General obligation bonds:				
General public facilities	536	536	536	-
Non-general obligation debt	10	10	5	5
Total	<u>546</u>	<u>546</u>	<u>541</u>	<u>5</u>
Debt Service Total	<u>72,365</u>	<u>72,495</u>	<u>70,784</u>	<u>1,711</u>
Operating Transfers Out:				
Contribution to capital budget	27,584	27,584	27,584	-
Contribution to capital budget - schools	5,539	5,539	5,539	-
Gifts and Grants	7,415	7,427	7,427	-
Operating Transfers Out Total	<u>40,538</u>	<u>40,550</u>	<u>40,550</u>	<u>-</u>
General Fund Total	<u>\$ 1,673,875</u>	<u>\$ 1,673,947</u>	<u>\$ 1,623,602</u>	<u>\$ 50,345</u>

**Baltimore County, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(In Thousands)**

	Special Revenue Funds		
	Liquor License	Economic Development Revolving Financing	Total
ASSETS			
Cash and investments	\$ 484	\$ 6,376	\$ 6,860
Loans receivable	-	11,934	11,934
Total assets	\$ 484	\$ 18,310	\$ 18,794
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 24	\$ 15	\$ 39
Deferred revenue	-	11,934	11,934
Total liabilities	24	11,949	11,973
Fund balances			
Reserved for:			
Encumbrances	-	2,107	2,107
Loan guarantees	-	895	895
Unreserved:			
Designated for subsequent years' expenditures	154	-	154
Undesignated	306	3,359	3,665
Total fund balances	460	6,361	6,821
Total liabilities and fund balances	\$ 484	\$ 18,310	\$ 18,794

Baltimore County, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010
(In Thousands)

	Special Revenue Funds		
	Liquor License	Economic Development Revolving Financing	Total
REVENUES			
Licenses and permits	\$ 639	\$ -	\$ 639
Repayment of loans	-	1,908	1,908
Charges for services	65	278	343
Interest revenue	-	249	249
Total revenues	<u>704</u>	<u>2,435</u>	<u>3,139</u>
EXPENDITURES			
General government	650	-	650
Economic development	-	141	141
Loans	-	1,163	1,163
Total expenditures	<u>650</u>	<u>1,304</u>	<u>1,954</u>
Excess of revenues over expenditures	<u>54</u>	<u>1,131</u>	<u>1,185</u>
OTHER FINANCING SOURCES			
Transfers out	-	(18,072)	(18,072)
Total other financing sources	<u>-</u>	<u>(18,072)</u>	<u>(18,072)</u>
Net change in fund balances	54	(16,941)	(16,887)
Fund balances at beginning of the year	406	23,302	23,708
Fund balances at end of the year	<u>\$ 460</u>	<u>\$ 6,361</u>	<u>\$ 6,821</u>

Baltimore County, Maryland
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Liquor License Fund
For the Year Ended June 30, 2010
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 730	\$ 704	\$ (26)
Total revenues	<u>730</u>	<u>704</u>	<u>(26)</u>
Expenditures:			
General government:			
License sale and control	<u>751</u>	<u>650</u>	<u>101</u>
Total expenditures	<u>751</u>	<u>650</u>	<u>101</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (21)</u>	<u>54</u>	<u>\$ 75</u>
Fund balance at beginning of year		<u>406</u>	
Fund balance at end of year		<u>\$ 460</u>	

Baltimore County, Maryland
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 745	\$ 72,937	\$ 73,682
Receivables, net	2	-	3,638	3,640
Due from other funds	-	-	11,456	11,456
Inventories	536	-	-	536
Prepaid costs	-	-	9,058	9,058
Total current assets	538	745	97,089	98,372
Capital assets:				
Depreciable (net of accumulated depreciation)	19,064	203	-	19,267
Total assets	19,602	948	97,089	117,639
LIABILITIES				
Current liabilities:				
Accounts payable	552	83	5,257	5,892
Accrued payroll	126	23	-	149
Compensated absences	222	17	-	239
Due to other funds	11,456	-	-	11,456
Claims and judgments	-	-	36,140	36,140
Total current liabilities	12,356	123	41,397	53,876
Noncurrent liabilities:				
Claims and judgments	-	-	25,180	25,180
Total liabilities	12,356	123	66,577	79,056
NET ASSETS				
Invested in capital assets	19,064	203	-	19,267
Unrestricted (deficit)	(11,818)	622	30,512	19,316
Total net assets	\$ 7,246	\$ 825	\$ 30,512	\$ 38,583

Baltimore County, Maryland
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2010
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
OPERATING REVENUES				
Charges for services-internal	\$ 17,826	\$ 961	\$ 64,329	\$ 83,116
Charges for services-other	2,820	27	124,836	127,683
Miscellaneous	265	-	-	265
Total operating revenues	<u>20,911</u>	<u>988</u>	<u>189,165</u>	<u>211,064</u>
OPERATING EXPENSES				
Personal services	2,548	453	-	3,001
Contractual services	612	95	-	707
Rents and utilities	356	202	-	558
Supplies and maintenance	10,236	178	-	10,414
Insurance claims and expenses	-	-	215,996	215,996
Depreciation	4,318	25	-	4,343
Other expenses	749	34	-	783
Total operating expenses	<u>18,819</u>	<u>987</u>	<u>215,996</u>	<u>235,802</u>
Operating income (loss)	<u>2,092</u>	<u>1</u>	<u>(26,831)</u>	<u>(24,738)</u>
NONOPERATING REVENUES				
Interest on investments	-	-	478	478
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>478</u>	<u>478</u>
Income (loss) before transfers	2,092	1	(26,353)	(24,260)
Transfers in	346	-	-	346
Transfers out	-	-	(344)	(344)
Change in net assets	<u>2,438</u>	<u>1</u>	<u>(26,697)</u>	<u>(24,258)</u>
Net assets at beginning of the year	4,808	824	57,209	62,841
Net assets at end of the year	<u>\$ 7,246</u>	<u>\$ 825</u>	<u>\$ 30,512</u>	<u>\$ 38,583</u>

Baltimore County, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 20,658	\$ 988	\$ 188,605	\$210,251
Payments to suppliers	(11,109)	(410)	-	(11,519)
Payments to employees	(2,484)	(444)	-	(2,928)
Payment for interfund services used	(749)	(34)	-	(783)
Claims paid	-	-	(213,704)	(213,704)
Other receipts	217	-	-	217
Net cash provided (used) by operating activities	<u>6,533</u>	<u>100</u>	<u>(25,099)</u>	<u>(18,466)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	346	-	-	346
Transfers out	-	-	(344)	(344)
Repayment from other funds	-	-	1,941	1,941
Repayment to other funds	(1,941)	-	-	(1,941)
Net cash provided (used) by noncapital activities	<u>(1,595)</u>	<u>-</u>	<u>1,597</u>	<u>2</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(5,573)	(43)	-	(5,616)
Sales of capital assets	635	-	-	635
Net cash used by capital and related financing activities	<u>(4,938)</u>	<u>(43)</u>	<u>-</u>	<u>(4,981)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	-	478	478
Net cash provided by investing activities	-	-	478	478
Net increase (decrease) in cash and cash equivalents	-	57	(23,024)	(22,967)
Cash and cash equivalents at beginning of the year	-	688	95,961	96,649
Cash and cash equivalents at end of the year	<u>\$ -</u>	<u>\$ 745</u>	<u>\$ 72,937</u>	<u>\$ 73,682</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 2,092	\$ 1	\$ (26,831)	\$ (24,738)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	4,318	25	-	4,343
Effect of changes in operating assets and liabilities:				
Receivables, net	12	-	(560)	(548)
Prepaid costs	-	-	(1,610)	(1,610)
Inventories	(48)	-	-	(48)
Accounts and other payables	95	65	(658)	(498)
Accrued expenses	64	9	-	73
Claims and judgements	-	-	4,560	4,560
Net cash provided (used) by operating activities	<u>\$ 6,533</u>	<u>\$ 100</u>	<u>\$ (25,099)</u>	<u>\$ (18,466)</u>

Baltimore County, Maryland
Combining Statement of Fiduciary Net Assets
Benefits Trust Funds
June 30, 2010
(In Thousands)

	Employees' Retirement System	Police, Fire, and Widows' Pension Plan	OPEB Plan	Total
ASSETS				
Cash and cash equivalents	\$ 41,850	\$ 6,966	\$ 3,730	\$ 52,546
Collateral for loaned securities	89,734	-	11,217	100,951
Receivables:				
Accrued interest & dividend income	3,002	653	375	4,030
Receivable for investments sold	25,113	988	3,139	29,240
Receivables other	1,224	-	2,124	3,348
Total receivables	<u>29,339</u>	<u>1,641</u>	<u>5,638</u>	<u>36,618</u>
Investments, at fair value:				
U.S. Government and Agency securities	165,542	-	20,693	186,235
Municipal bonds	1,255	37,009	157	38,421
Foreign bonds	28,473	5,621	3,559	37,653
Corporate bonds	127,548	-	15,944	143,492
Stocks	361,304	-	45,164	406,468
Bond mutual funds	177,205	8,162	22,151	207,518
Stock mutual funds	342,894	11,430	42,862	397,186
Real estate equity funds	62,671	-	7,834	70,505
Hedge funds	94,550	-	11,819	106,369
Private equity funds	85,406	-	10,676	96,082
Real assets	32,688	-	4,086	36,774
Global Asset Allocation	285,175	-	35,648	320,823
Total investments	<u>1,764,711</u>	<u>62,222</u>	<u>220,593</u>	<u>2,047,526</u>
Total assets	<u>1,925,634</u>	<u>70,829</u>	<u>241,178</u>	<u>2,237,641</u>
LIABILITIES				
Securities lending payable	91,449	-	11,431	102,880
Investments purchased	45,464	23	5,683	51,170
Investment expenses payable	2,061	23	258	2,342
Refunds payable	251	-	-	251
Other	138	-	3,772	3,910
Total liabilities	<u>139,363</u>	<u>46</u>	<u>21,144</u>	<u>160,553</u>
NET ASSETS				
Net assets held in trust for benefits	<u>\$ 1,786,271</u>	<u>\$ 70,783</u>	<u>\$ 220,034</u>	<u>\$ 2,077,088</u>

Baltimore County, Maryland
Combining Statement of Changes in Fiduciary Net Assets
Benefits Trust Funds
For the Year Ended June 30, 2010
(In Thousands)

	<u>Employees' Retirement System</u>	<u>Police, Fire, and Widows' Pension Plan</u>	<u>OPEB Plan</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 57,976	\$ 13	\$ 110,861	\$ 168,850
Employees	33,236	-	24,253	57,489
Intergovernmental	-	-	9,553	9,553
Total contributions	<u>91,212</u>	<u>13</u>	<u>144,667</u>	<u>235,892</u>
Investment earnings:				
Net increase in the fair value of plan assets	232,230	3,385	31,418	267,033
Interest and dividends	35,258	2,823	4,799	42,880
Investment expenses	(11,380)	(150)	(1,532)	(13,062)
Net investment gain	<u>256,108</u>	<u>6,058</u>	<u>34,685</u>	<u>296,851</u>
Net income from securities lending:				
Securities lending income	485	-	65	550
Less:				
Net decrease in fair value of investments	(1,715)	-	(214)	(1,929)
Borrower rebates	87	-	11	98
Agent fees	(160)	-	(22)	(182)
Net (loss) from securities lending	<u>(1,303)</u>	<u>-</u>	<u>(160)</u>	<u>(1,463)</u>
Total net investment gain	<u>254,805</u>	<u>6,058</u>	<u>34,525</u>	<u>295,388</u>
Total additions	<u>346,017</u>	<u>6,071</u>	<u>179,192</u>	<u>531,280</u>
DEDUCTIONS				
Benefits	150,704	12,594	112,607	275,905
Refunds	2,235	-	-	2,235
Administrative expense	1,099	-	-	1,099
Total deductions	<u>154,038</u>	<u>12,594</u>	<u>112,607</u>	<u>279,239</u>
Change in net assets	191,979	(6,523)	66,585	252,041
Net assets at beginning of the year	1,594,292	77,306	153,449	1,825,047
Net assets at end of the year	<u>\$ 1,786,271</u>	<u>\$ 70,783</u>	<u>\$ 220,034</u>	<u>\$ 2,077,088</u>

