



Baltimore County Maryland

**Comprehensive Annual Financial Report
For The
Fiscal Year Ended June 30, 2017**

Baltimore County, Maryland



Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2017

Prepared By The Office Of Budget and Finance

INTRODUCTORY



SECTION

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BALTIMORE COUNTY, MARYLAND
FOR THE YEAR ENDED JUNE 30, 2017
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KEVIN KAMENETZ
County Executive

KEITH DORSEY, Director
Office of Budget and Finance

December 22, 2017

Honorable County Executive and Members of
The Baltimore County Council

The Comprehensive Annual Financial Report (CAFR) of Baltimore County, Maryland (the "County") for the fiscal year ended June 30, 2017 is submitted herewith in accordance with the requirements of Section 516 of the Baltimore County Charter. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data as presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds, and that all disclosures are included that are necessary to enable the reader to gain the maximum understanding of the County's financial affairs.

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles as applicable to governmental entities in the United States (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The County's financial statements have been audited by CliftonLarsonAllen LLP, Independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the County's financial statements for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that the County's financial statements as of and for the fiscal year ended June 30, 2017, are fairly presented in all material respects in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section.

The County is required to undergo a federally mandated annual audit called "The Single Audit" which is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Historic Courthouse | 400 Washington Avenue | Towson, Maryland 21204
www.baltimorecountymd.gov

PROFILE OF THE COUNTY

The Reporting Entity And Its Services

The County is a corporate polity which performs all local governmental functions within its jurisdiction, as there are no incorporated towns, villages, municipalities or other political subdivisions with separate taxing authority. Under home rule charter since 1957, the County is governed by an elected County Executive and a seven-member County Council with each serving separate executive and legislative functions, respectively.

The Community College of Baltimore County, the Board of Education of Baltimore County, and the Board of Library Trustees for Baltimore County are reported as discretely presented component units because they are deemed to be fiscally dependent on the County. The component units are reported separately within the County's financial statements to emphasize that they are legally separate from the County. The County and its component units provide the full range of municipal services contemplated by statute or charter. This includes education, police and fire protection, sanitation, health and social services, public improvements, planning and zoning, recreational and cultural activities, and general administrative services.

Adopted Budget

The annual budget serves as the foundation for the County's financial planning and control. Pursuant to County Charter, the County Executive presents the capital and operating budgets to the County Council during April of each year. The County Council may decrease or delete any items in the budget except those required by the public laws of the State of Maryland and except any provision for debt service on outstanding obligations or for estimated cash deficits. In its deliberations, the Council considers the recommendations of the Spending Affordability Committee (Committee) consisting of 3 members of the County Council and 2 other members from an area of specialty, such as finance, organized labor, etc. On or before February 15 in each year, the Committee submits to the County Council and County Executive a report with recommendations on fiscal goals or growth in the County budget to a level that does not exceed the rate of growth of the County's economy. The budget must be adopted by the affirmative vote of not less than four members of the County Council on or before June 1 each year. The adopted budget becomes effective July 1 and provides the spending authority at the program level for the County's operations.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management. A budget-to-actual comparison is provided for the General Fund on page 21 as part of the basic financial statements for the governmental funds. Additional information regarding the County's budget can be found in Note 1 of the notes to the basic financial statements and in schedules provided in the other supplementary information section.

As part of the annual operating budget process, the County develops a six-year Capital Improvement Program (CIP) consisting of the upcoming fiscal year's appropriations (the "Budget Year") and the succeeding five-year program. The CIP is divided into two areas: the Metropolitan District, for all water and sewer projects, and the Consolidated Public Improvements for all other capital projects. A major source of funding for the CIP is borrowed funds. CIP bond appropriations appearing in the Budget Year represent an authorization to borrow money. The cost to service this debt impacts the General Fund and the Metropolitan District Fund and increases with the amount of outstanding debt.

INFORMATION USEFUL IN ASSESSING THE GOVERNMENT'S ECONOMIC CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Economic Condition

The County is situated in the geographic center of Maryland, surrounding the City of Baltimore almost entirely. The County is the largest jurisdiction by population in a metropolitan area with more than 2.8 million people. The City of Baltimore and the County are entirely separate political units.

The County has the third largest land area of any political subdivision in the State of Maryland. Within its 612 square miles (plus an additional 28 square miles of water with over 200 miles of shoreline) are situated at least 29 identifiable, unincorporated communities which, as of 2010, ranged in population from approximately 4,300 to 63,000. The County's overall population grew 10% from 754,292 in 2000 to 831,026 in 2016. Today, the County has the third highest population in the State of Maryland.

Healthcare and education, the sectors that generally report job stability and growth despite economic downturns, are well represented in the County by five regional medical centers and five major colleges and universities. BD Diagnostic Systems shares a zip code with Pay Pal and a large concentration of nationally recognized professional service organizations. Headquarters for the Social Security Administration and Centers for Medicare and Medicaid Services and a corps of IT contractors form the Woodlawn Federal Center. Major operations of T. Rowe Price, Toyota Financial Services, Euler Hermes, Zurich America, Baltimore Life, Farmers Insurance Group, and Bank of America form a powerful finance-insurance community. Manufacturing holds its place with companies such as: General Motors, McCormick and Company, Inc., Stanley Black & Decker Global Tools and Storage, Lockheed Martin, AAI Textron, and Middle River Aircraft.

New Business and Real Estate Activity

The following section highlights a sampling of business and real estate activity in the County from July 2016 to June 2017:

Towson Square – Towson Square includes a 75,000 square foot, 3,400 seat, 15 screen multiplex cinema atop a three story, 850 space garage. Seven restaurants are open. The pedestrian friendly plaza includes a traffic circle with a European style fountain, bistro style outdoor dining areas and landscaping. The County invested \$6.2 million toward the parking garage and \$2 million for infrastructure improvements, which is leveraging \$85 million in private investment. The project has brought an estimated 1,530 jobs to the area, 660 construction jobs and another 870 jobs related to the completed project. Retail Properties of America is the project owner and is redeveloping the former Towson Circle building and the site across the street into Towson Circle East. The two projects will be integrated in design and street level amenities.

Towson Circle East – is a \$30 million mixed use development planned for the traffic circle at York and Joppa Roads. The project will include 371 mid and high-rise apartments and over 240,000 square feet of new and refurbished retail space. The project is currently in the design review and permitting stages and is expected to be completed in 2019. Some existing retail operations have closed or have been relocated to accommodate the project, which will include underground parking for the retail space.

Towson Residential – Since 2008, three major projects consisting of over 1,200 new luxury apartments have been completed. A \$60 million, 611 bed, 248 unit student housing project with first floor retail is planned at 101 York Road. The Flats at 703, a new 105 unit apartment project located at 703 Washington Avenue, will open this fall. Evergreene Homes is constructing Towson Mews, 34 luxury townhomes built on two acres bounded by East Pennsylvania, Jefferson and Virginia Avenues.

Towson Row – This 1.2 million square foot mixed use development situated at downtown Towson's southern gateway is bounded by York Road, Towsontown Boulevard, Chesapeake Avenue, and Susquehanna Avenue. When fully developed, this \$350 million project will offer roughly 145,000 square feet of Class A office space, 250 market rate apartments and condominiums, 220 limited service and extended stay hotel rooms, 985 beds for student housing, and roughly 140,000 square feet of commercial space, including shops, restaurants, and a Whole Foods Market grocery store.

Stanley Black & Decker Global Tools & Storage – has leased 48,000 square feet in the Towson Commons building to relocate employees while the company is enlarging the parking lots at the headquarters location in on Joppa Rd. in Towson. The parking lot project is necessary to accommodate projected employment growth as a result of two major purchases in the past year, Newell Brands' tool business and the Craftsman line of tools from Sears. These purchases help SB&D push deeper into consumer and industrial equipment and extend its reach into retail markets with a household name brand. Towson will continue to be the headquarters for Stanley Black & Decker's Global Tools and Storage business and the company's presence here is expected to grow between 300 and 400 positions over the next two to five years.

The Shops at Kenilworth – Greenberg Gibbons is completing work on a \$20 million renovation to The Shops at Kenilworth, a landmark shopping destination in Towson, which was originally built in 1979. Stebbins Anderson's new store is now located on the lower level and Trader Joe's opened on the upper level in March. New shops include Amaryllis, Kenilworth Wine & Spirits, Liza Byrd Boutique, Lou Lou Boutiques, Quiet Storm Surf Shop, TAC @ Kenilworth (Summer Gallery), Wilkes & Riley, and ZenLife Yoga Boutique & Juice Bar. Longtime local boutique Ruth Shaw will join these retailers in the fall.

Towson Commons Retail – Affiliates of MFI and Woodmont Properties II have taken control of, and are redeveloping 115,000 square feet of retail space along York Road and Pennsylvania Avenue. Four new retailers, Boho Nation, CVS Pharmacy, Chipotle and Hair Cuttery, have opened and renovations are underway for four others including Brown Rice, First National Bank, the CPA firm, Rosen, Sapperstein & Friedlander, and a shoe store.

Nacho Mamas – In December 2016, Nacho Mamas opened a 6,700 square foot restaurant in the former S&G Crab Ranch space on Pennsylvania Avenue in Towson.

Metro Centre at Owings Mills – is a \$550 million investment in a mixed use, transit oriented special taxing district. At completion the project will support more than 1.2 million square feet of commercial office space, 300,000 square feet of complementary retail space and 700 residential units and a full service 225 room hotel amenity.

Carefirst – has renewed their leases in six buildings in Owings Mills and they are keeping 2,200 employees in 655,000 square feet there. The company conducted an RFP for space in the region and was considering other options before electing to stay in Baltimore County.

Foundry Row – This \$140 million mixed use development in Owings Mills, anchored by a Wegman's grocery store, includes 356,000 square feet of retail space and 48,000 square feet of office space. Businesses including LifeBridge Health, LA Fitness, DSW, Ulta Beauty, Bagby Pizza, Panera Bread, Zoe's Kitchen, Smashburger, Nally Fresh, Bar Louie, Mission BBQ, Chipotle, La-Z-Boy Furniture, Old Navy and a Floyd's 99 Barbershop, Hair Cuttery, and Sleep Number have all joined Wegmans as tenants.

Hunt Valley Towne Centre – a \$70 million upscale apartment complex on the eastern end of Hunt Valley Towne Centre, began renting its units in August 2016. The 332 unit Class A apartment building offers a variety of amenities, including a dog park, a gym and a game room. The new apartment community will sit above 30,000 square feet of retail.

McCormick & Company – The international spice manufacturer, currently located in Sparks, will consolidate 900 office employees from several area locations into a 340,000 square foot headquarters at 99 Shawan Road. Completion of this consolidation is planned for 2018. A former telephone company building on the site will be completely redone, creating a state of the art corporate campus for McCormick. The building will house corporate functions, the company's US consumer and industrial divisions and a health and wellness center.

Johnson, Mirmiran and Thompson – This nationally ranked employee owned architectural and engineering firm has occupied its new headquarters building in Hunt Valley. In March 2017, 500 employees moved into the five story 130,000 square foot building on Wight Avenue.

MedStar Health Timonium – MedStar Health is consolidating several of its orthopedic offices into a 48,000 square foot building at 2118 Greenspring Drive in Timonium. The \$10 million renovation will also add 8,000 square feet to the second and third floors of the building and is expected to be completed by August 2017. The new Timonium offices will hold orthopedic surgeons, occupational therapy, physical therapy service and imaging services. The building will also be home to MedStar's sports medicine services that often works with Baltimore Ravens and Orioles players.

Floors Etc. – This Timonium based flooring company added 20,000 square feet of space to its 70,000 square foot lease at 9603 Deereco Rd. and opened an outlet store selling designer tile, stone, mosaics, carpet vinyl and hardwood. The business has grown 25 percent over the last three years.

Mouth Party Caramels – This manufacturer and wholesaler of handmade caramels has signed an 8,000 square foot lease at 1946 Greenspring Avenue, in Timonium.

Apex IT Services – This IT solutions provider to federal, state and commercial clients relocated from Columbia, Maryland to leased office space on Lord Baltimore Drive in Woodlawn. Plans include adding 53 jobs.

Lockheed Martin's – Lockheed Martin's contract with the U.S. Navy was renewed for \$235 million to manufacture missile firing systems used on warships at Lockheed's facility in Middle River. The deal extends through 2022 and could be worth as much as \$356 million if the Navy adds optional orders.

Aging Barns, LLC – Part of Sagamore Development, Aging Barns purchased the parcel at 4611 North Point Boulevard to transform it into five aging barns to store up to 80,000 barrels of Sagamore Spirit Rye Whiskey. The first building was made available March 2017.

Greenleigh at Crossroads – developed by St. John Properties and Somerset Construction Company, broke ground in May 2016 on a \$750 million mixed use community of offices, shops, apartments, single family homes and a hotel. The project will occupy 250 of the 1,000 acre Baltimore Crossroads and is expected to build out over 10 to 15 years. Greenleigh will include 1,000 detached homes and townhouses, three midrise office buildings totaling 300,000 square feet, another 128,000 square feet in single story office buildings, 116,000 square feet of retail and a 120 room Springhill Suites by Marriott hotel.

Medstar Franklin Square Hospital – The hospital opened a new \$7.8 million neonatal intensive care unit. The 16,000 square foot newly constructed facility has 23 beds. In May 2017, Franklin Square Medical Center opened the new High Risk Assessment and Cancer Prevention Clinic, dedicated to identifying and caring for individuals who have an increased risk of cancer due to family history, medical and genetic factors, and/or lifestyle influences. In July 2017, MedStar Franklin Square Medical Center

was approved by the Maryland Health Care Commission to move forward with a \$70 million project to replace old surgical facilities with a new two story 75,000 square foot building and 14 operating rooms to be constructed on the hospital's Rosedale campus. The work will begin in October 2017 with the demolition of an old building that currently sits on the site. About \$40 million for the project will come from tax exempt debt financing, \$10 million cash will come from hospital operations and the other \$20 million will come from several private and public investments. The project is intended to replace Franklin Square's current surgical facilities and will be constructed over the next two years.

Ruxton Chocolates – The maker of Mary Sue, Naron and Glauber's candies moved into their new 100,000 square foot, \$8 million headquarters and manufacturing plant facility at 1412 Tangier Drive in Middle River. Ruxton brought 43 new jobs to Baltimore County when the facility opened in May 2017.

Hollins Ferry Logistics Center – This 285,000 square foot Class A warehouse and logistics center completed construction and plans to attract major tenants in Baltimore County throughout 2017.

Security Square Mall – The Seoul Plaza section of the shopping mall will be undergoing a major redevelopment to attract national tenants to revitalize this shopping center.

ATI Performance – A producer of high quality state of art race products, purchased 6747 Whitestone Road for \$3 million to remain in Baltimore County and expand their business.

Amethyst Technologies – A provider of quality program development and comprehensive compliance services, expanded their Bwtech space to include a new 3,000 square foot lab and increase their line of services to include Advent Laboratories.

Social Security Administration (SSA) – Social Security headquarters in Woodlawn announced that they will receive a \$150 million Congressional Appropriation for major renovations of their main administrative building. SSA employs approximately 11,000 at this site.

Rolling Run Tech Park – Located at 2270 Rolling Run Road, this 58,000 square foot Class A office building is next to the Centers for Medicare and Medicaid Services headquarters. With construction completed at the end of 2016, this project is almost fully leased with tenants moving in fall of 2017.

Merritt Beltway Business Park – A major expansion and renovation is taking place at 1730 Twin Springs Drive, home of the Living Legacy Foundation.

Lifefridge Health – In February 2016, Northwest Hospital System opened a new facility at 8600 Liberty Rd. The 13,500 square foot building houses an ExpressCare Urgent Care Center and offices for primary care doctors and specialists. The building is part of a larger campus expansion at Northwest Hospital that is expected to cost between \$20 million and \$25 million. The Liberty Center project itself cost \$5M.

Industrial Redevelopment

Sparrows Point/Dundalk

The Sparrows Point peninsula was the location of a major integrated steel mill for more than 100 years. In May 2012, the final steel mill operator, RG Steel, declared bankruptcy and announced plans to close the facility and lay off all 2,000 workers. The County has been working aggressively with Sparrows Point Terminal (owner) and State Department of Commerce to define and pursue a new vision for this valuable 3,100 acres of land with deep water, freight rail and interstate access, and to help the dislocated steelworkers acquire the training and support services they need to enable them to move into new careers. Sparrows Point Terminal has estimated 10,000 new jobs over the next 10 years.

The Sparrows Point Partnership, an advisory group of private sector port, logistics and real estate professionals, was established by the County Executive in 2012 to recommend how best to position Sparrows Point and the surrounding area for long term job growth. In May 2013, the Partnership released its first year report, which highlighted the area's exceptional assets including a massive land product: 5.3 square miles, with more than 3,300 acres zoned for industrial use, deepwater access near the growing Port of Baltimore, interconnected transportation, including direct connection to two class one railroads and interstate highways, exceptional natural gas and electricity supplies, a large supply of treated water flowing directly to the site and a highly capable, motivated workforce

The report also outlined the County's vision for growth at Sparrows Point, driven by several key principles which include expanding maritime use on the peninsula in partnership with the Maryland Port Administration, retaining the current zoning for industrial use, encouraging private ownership to rebuild the aging infrastructure on the site, managing a long-term strategy that includes active participation and guidance from the County, the State of Maryland and the Port of Baltimore.

Tradeport Atlantic (TPA), formerly Sparrows Point LLC, recently acquired the 3,100 acre former steel production facility at Sparrows Point. The new owners agreed to \$48 million in assurances to pay for the environmental cleanup. The property will be redeveloped for industrial use. In May, 2017, Maryland's Public Service Commission (PSC) approved two development companies, U.S. Wind Inc. and Skipjack Offshore Wind LLC, to build offshore wind projects off the coast of Ocean City, Maryland. As part of its project approval order, the PSC set certain conditions for the developers including the use of port facilities in Greater Baltimore and Ocean City, and collectively invest at least \$39.6 million to support port upgrades at Tradeport Atlantic and \$76 million in a steel fabrication plant in Maryland. Tradeport Atlantic recent activity includes:

Host Terminals – In April 2017, Tradeport Atlantic announced a 10 year agreement with Host Terminals to oversee marine cargo operations at the Baltimore County site, which includes \$30 million in combined investment toward infrastructure improvements. It is expected to bring 9,500 jobs to the region. The International Union of Operating Engineers' Local 37 will provide union labor for the facility.

Fed Ex Ground – FedEx Ground secured a long term lease and in July 2017, is opening a new 300,000 square foot distribution center at Tradeport Atlantic that will employ up to 300 employees.

Atlantic Forest Products – In October 2016, Tradeport Atlantic signed a long term land lease with Atlantic Forest Products to bring its corporate headquarters and wholesale distribution of building products to Sparrows Point. Atlantic Forest Products will be leasing two storage buildings totaling 160,000 square feet on 16 acres for staging of building products. In addition, the lease includes 6,500 square feet of office space for Atlantic Forest Products to locate its corporate headquarters to Sparrows Point.

Under Armour – In August 2016, Under Armour signed a deal with Tradeport Atlantic to build a one million square foot distribution warehouse that will employ 1,000 people and be part of an overall \$175 million capital investment. The facility will serve as the company's national hub to fulfill consumers' online orders.

Harley-Davidson - relocated a training center that is projected to train 800 students per year on the site.

Pasha Automotive Services - a global logistics and transportation company, signed a lease to launch automobile processing operations at Tradeport Atlantic.

Essex/Middle River

The U.S. General Services Administration (GSA) auctioned the 1.9 million square foot former GSA Depot facility in Middle River in 2006 for a record \$37.5 million. This higher-than-expected sale price was evidence of the success of the County's waterfront revitalization efforts over the previous ten years. Now known as Martin's Landing, the complex is strategically located near the waterfront and just minutes

from I-95 along MD43, and across the street from Martin State Airport, a general aviation facility that handles a significant level of corporate air travel. The County is working with the owners, a New York based investment team, to encourage a quality redevelopment that will incorporate a mix of business, residential and commercial uses. In the County's 2012 comprehensive rezoning process, the 53 acre property was rezoned from heavy industrial to a classification that allows a mix of uses.

Technology Locations

bwtech@UMBC

The [bwtech@UMBC](#) Research & Technology Park (the "Park") is a 71-acre community engaged in research, entrepreneurship, and economic development. The Park contains eight buildings, including multi and single-tenant buildings and 3 incubators. Over 40 cyber security companies currently reside and do business in the Park. The Park is adjacent to the main UMBC campus with direct access to the innovative research and amenities of a major university.

The Park includes 118 tenants and 1,200 employees, including mature, emerging and incubator companies. [bwtech@UMBC](#) operates these distinct business incubators with specific industry orientation. The [bwtech@UMBC](#) companies have access to UMBC campus amenities and enjoy the strategic location only minutes away from BWI Thurgood Marshall Airport, downtown Baltimore, and the federal agencies located in the Washington, D.C. corridor. The location, coupled with the opportunity to collaborate with the talented students and faculty of UMBC's nationally recognized science and engineering programs, makes [bwtech@UMBC](#) an ideal location for technology, bioscience and research organizations at all stages of development.

UMBC intends to invest in a RISE Zone in the Catonsville-Arbutus area of southwestern Baltimore County by doubling or tripling the size of [bwtech@UMBC](#). The expansion would add hundreds of new jobs to the park as well as increase opportunities for local businesses.

UMBC has significant resources and expertise in the areas of economic development and community relations that it expects to apply to these goals. Senior officials in charge of [bwtech@UMBC](#), corporate relations, and community relations will lead planning for the zone. Virtually all the Park's 525,000 square feet are leased and the Park generated nearly \$500 million in income and business sales in 2014. These figures speak to UMBC's economic development ability.

The following list highlights new tenants at [bwtech@UMBC](#) Research & Technology Park in Fiscal Year 2017:

Up Therapeutics – is a startup biotech company focusing on a new type of drug development to treat cancers.

Unit Cell Diamond – Synthesizes diamonds from "tetrahedral" molecules, which approximate the tetrahedral diamond unit cell, the smallest assembly of carbon atoms that make up diamond.

LCG Technologies – LCG delivers technology based solutions that help companies strategically develop, integrate, and align technology to improve their business.

Surevine – Surevine's flagship product, is a next generation cyber security information sharing platform designed for secure cross organizational collaboration and intelligence analysis.

Swain Techs – As an Enterprise Systems Integrator, Swain Techs is CMMi ML3 Development & Services appraised and ISO 9001 certified providing strategic technology solutions in Engineering, Managed Services, and Cyber Security.

New Paradigm Consulting – is an IT company specializing in cybersecurity, data transformation, and business and management consulting providing services and solutions to the intelligence community and commercial vendors.

DynaMed Solutions – offers solutions in the field of Health Information Technology, offering services and software solutions to meet the needs of today’s healthcare challenges, while helping to shape the healthcare of tomorrow.

Silobreaker – helps security and intelligence professionals make sense of the overwhelming amount of open source data available on the web.

Enterprise Zones

An enterprise zone is a tool the State of Maryland offers to local jurisdictions for promoting economic development in certain qualifying areas. The County has three Enterprise Zones - the Chesapeake Zone (formerly known as the North Point Zone), located along the industrial North Point corridor in eastern Baltimore County; the Southwest Zone, located in the Washington Boulevard/Hollins Ferry Road industrial corridor; and the Federal Center at Woodlawn Zone. These three areas contain over 10,000 acres of industrial and office-zoned land, and over 700 businesses. Since the approval of the first zone in December 1995, more than 130 businesses in the North Point and Southwest enterprise zones have committed to investing over \$315 million in real property improvements and \$270 million in machinery and equipment. In addition, approximately 3,700 new jobs have been created. The Halethorpe-Arbutus area in the Southwest Enterprise Zone has seen dramatic growth, with almost 600 new jobs in a four year period. The Southwest Enterprise Zone was amended and redesignated in June 2013. The North Point Zone expired and was replaced in 2015 by the Chesapeake Zone, a larger area that now includes the entire Sparrows Point peninsula, now known as Tradepoint Atlantic. The program offers two primary benefits to businesses in the designated zone that make new investments or hire new employees:

1. *Property Tax Credits.* The local jurisdiction provides an annual property tax credit that is phased out over a ten year period. For the first five years, the credit is equal to 80% of the increase in property tax resulting from the new investment in real property. In the subsequent five years, the credit decreases 10% annually until it is phased out entirely in the eleventh year.
2. *Income Tax Credits.* For each new, fulltime job created in an enterprise zone, the State grants a \$1,000, onetime State income tax credit to the employer. If a worker who is certified as economically disadvantaged fills the new job, the credit can total as much as \$6,000 over three years.

The local property tax credit is applied only to the increased tax liability resulting from the new investment. Therefore, the County experiences no loss in property tax revenue as a result of the program; it simply foregoes a portion of the increase in property tax revenue that results from the new investment. Additionally, the State of Maryland reimburses the County for 50% of the property tax credits to businesses.

Economic Development Financing Assistance

In FY 2017 the County approved financial assistance to four businesses from the County’s Revolving Financing Fund totaling \$825,000. Additionally, during FY 2017 the County approved six loans totaling \$725,000 from the County’s Boost loan program. Boost loans are targeted to small, minority, women owned, and veteran owned businesses in the State of Maryland. The Boost Fund provides flexible financing to assist in the acquisition of business assets, working capital, equipment, owner-occupied commercial real estate, construction of new facilities, and lease hold improvements.

Relevant Financial Policies

The County’s debt and financial management policies as set forth by the County Executive were recognized by all major rating agencies with the continuation of the County’s triple-A credit rating. The

policies included target ratios to be met and ceiling or floor ratios. The County will take appropriate corrective action to ensure that ratios do not go above or drop below their respective desired ceiling or floor.

The County's long-term policy was to produce unassigned General Fund fund balance equal to 5% of General Fund revenues each year. The volatility in the national economy and potential changes in intergovernmental aid required the County to take the fiscally prudent step of raising its target level for unassigned General Fund balances during this period to 8% of General Fund revenues. Most of the 8%, an amount equal to 5% of the revenue budget will be placed in the County's Revenue Stabilization Account to protect the County from unforeseen emergencies and future economic downturns which result in major revenue shortfalls. Funds in the account may not be utilized for any other purpose without the specific recommendation of the County Executive and a majority plus one approval of the County Council.

Any unassigned fund balance in excess of the 8% of revenues target level will be retained to provide only short-term tax stabilization. Any excess well above the target level will be eliminated through tax rate reductions or dedicated to one-time items such as pay-as-you-go contributions in order to reduce the level of programmed borrowing for capital expenditures.

Major Initiatives

The following are some selected highlights and budget priorities for FY 2017 that are expected to affect future financial position:

Education – The FY 2017 is a budget increase of \$8.7 million or 1.2% over FY 2016 funding levels. As in prior years the budget exceeded Maintenance of Effort with the increasing enrollment accounting for \$8.4 million in higher funding levels.

Baltimore County is now more than halfway through the unprecedented Schools for Our Future program to modernize schools and address rising enrollment. Funding of nearly \$416 million county dollars has been committed over the next five years for school renovation and construction, supplemented with requested State funding of at least \$213 million. The FY 2017 capital budget included over \$121 million in forward funding of the anticipated State funding. The total investment in county schools for the decade from 2011 to 2021 will be an unprecedented \$1.3 billion dollars.

The Community College of Baltimore's FY 2017 budget is funded at Maintenance of Effort which includes an increase of \$2.9 million in County funding. The budget also reflects the community college's efforts to stabilize revenues through Enrollment and Economic Stabilization Initiatives since an improving economy has resulted in severe enrollment declines. The stabilization initiatives are about (1) assuring that CCBC is the right-size for its reduced student enrollment and (2) assuring that CCBC has taken the necessary fiscal steps to diversify revenues and take advantage of cost containment opportunities.

Public Safety – Baltimore County continues to explore strategies and technologies that enhance transparency. The County committed over \$1.5 million in FY 2017, and over \$10 million during the next five fiscal years to provide Body Worn cameras to police officers throughout the County, The Police Department has also increased its use of social and web-based media as a vehicle for accessibility and communication.

The FY 2017 budget reflects the first full year of the County's new emergency medical transport billing initiated with the cooperation of the Baltimore County Volunteer Firemen Association. With projected FY 2017 revenue of \$27.5 million a broader, deeper commitment has been made to Baltimore County's volunteer fire and EMS companies including a 9.2 percent increase in funding over the current operating budget.

Community Conservation and Preservation - The Department of Health and Human Services is the largest provider of social safety net activities for the County. Its mission is to promote the well-being of individuals and families through the provision of quality health and social services. The FY 2017 Adopted Budget includes more than \$100 million in its Health and Human Services Agencies' budgets. Although

this amount includes a significant amount of federal and state funding, it also includes more than \$38 million in County funds towards these worthy endeavors.

Health related services are wide ranging and address a myriad of issues including public health, care of pregnant women and children, care of disabled individuals, substance abuse, and mental health. Social Service functions are equally wide ranging and include services to vulnerable adults, care for abused and neglected children, provision of emergency resources to needy families and other services aiding families transitioning to self-sufficiency. More than \$24.4 million, of the previously mentioned \$38 million in County funds, has been budgeted in FY 2017 to address these issues.

AWARDS AND ACKNOWLEDGEMENTS

The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The County has received a Certificate of Achievement for the last 38 consecutive years (fiscal years ended June 30, 1979 – 2016). We believe that our current report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Financial Operations Division. I would like to express my appreciation to them for their dedication to ensuring the financial integrity of the County and in the preparation of this report.

Credit also must be given to the County Executive and the County Council for their support in maintaining the highest standards of professionalism in the management of the County's finances.

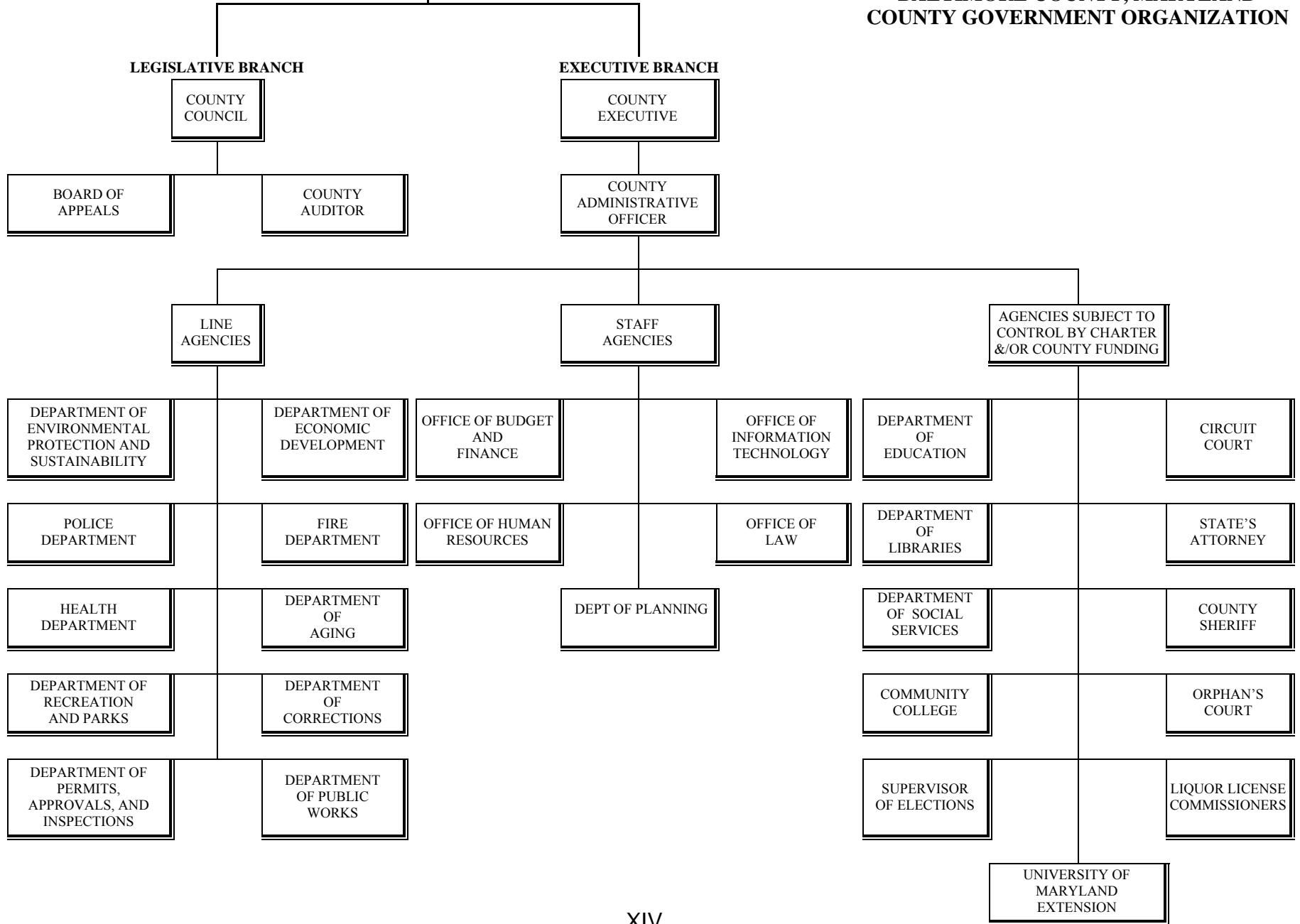
Respectfully submitted,

A handwritten signature in cursive script that reads "Keith Dorsey".

Keith Dorsey, Director
Office of Budget and Finance

VOTERS

**BALTIMORE COUNTY, MARYLAND
COUNTY GOVERNMENT ORGANIZATION**



LIST OF PRINCIPAL OFFICIALS
June 30, 2017

Elective

County Executive
County Council

Kevin Kamenetz
Tom Quirk
Vicki Almond
Wade Kach
Julian E. Jones, Jr.
David Marks
Cathy Bevins
Todd K. Crandell

Administrative

Administrative Officer
Director of Budget and Finance
County Attorney
County Auditor
Director of Public Works
Chief of Police
Fire Chief
Director of Aging
Director of Economic and
Workforce Development
Director of Environmental Protection
and Sustainability
Director of Information Technology
Director of Permits, Approvals
and Inspections
Director of Human Resources
Director of Planning
Director of Recreation and Parks
Superintendent of Schools
Director of Health and Human Services
Director of Libraries
President of Community College
Director of Corrections
Administrative Law Judges

Fred Homan
Keith A. Dorsey
Michael E. Field
Lauren Smelkinson
Steven A. Walsh
Terrence B. Sheridan
Kyrle W. Preis, III
JoAnne Williams

Will Anderson

Vincent J. Gardina
Robert R. Stradling

Arnold Jablon
George E. Gay
Andrea Van Arsdale
Barry F. Williams
Dr. Verletta White
Dr. Gregory Wm. Branch
Paula Miller
Sandra L. Kurtinitis, Ph.D
Deborah J. Richardson
Lawrence M. Stahl
John E. Beverungen



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Baltimore County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

FINANCIAL



SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Baltimore County, Maryland (the County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 13 and the schedule of the County's proportionate share of the net pension liability and schedule of county contributions for the Employees' Retirement System, the schedule of changes in the County's net pension liability and related ratios, schedule of County contributions, and schedule of investment returns for the Police, Fire and Widow's Pension Plan and schedule of funding progress, employers' contributions, schedule of changes in total liability and related ratios for the OPEB Trust on pages 82 - 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules-supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules - supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules - supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 22, 2017

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, 2017. Readers are to consider the data presented here in conjunction with the information presented in the transmittal letter at the front of this report and with all the County's financial statements and accompanying notes to those financial statements, which follow this section.

Financial Highlights

Government-wide:

- The County's assets and deferred outflows of resources were \$5.122 billion and its liabilities and deferred inflows were \$5.897 billion, resulting in negative net position of \$.775 billion.
- The County's total net position decreased by \$367.231 million.

Fund Level:

- The County's governmental funds have combined fund balances of \$258.649 million.
- The General Fund's fund balance is \$329.688 million of which \$205.391 million is unassigned fund balance inclusive of \$99.360 million in a Revenue Stabilization account.

Long-term Debt:

- The County's total bond and note debt increased by \$448.568 million during the current year. The key factors in this increase were the issuance of \$559.715 million in general obligation bonds, bond anticipation notes, and certificates of participation, in addition to a \$51.064 million draw on the Maryland Water Quality Revolving Loan Fund. These issuances and draws were offset by debt service payments of \$162.211 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 Position* and the *Statement of Activities* are two financial statements that report information about the County's activities that should serve as a useful indicator of whether the County, as a whole, is better or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* on page 16 presents all of the County's non-fiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position measure whether the County's financial position is improving or deteriorating.

The *Statement of Activities* on page 17 presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

- *Governmental Activities* – Most of the County's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The general government, public safety, public works, health and human services, culture and leisure services, economic and community development, and education functions fall within the governmental activities.
- *Business-type Activities* – The County charges fees to customers to help it cover all or most of the costs 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 18 and 20) between the governmental fund financial statements (modified accrual accounting) and the governmental activities (full accrual accounting) reflected on the government-wide financial statements. Note 2 of the notes to the basic financial statements also provides more detail as to the transactions that impact the conversion from the modified accrual basis of accounting to the full accrual basis of accounting.

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

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

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

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 29.

Other Information

Required supplementary information includes schedules concerning the County's pension plans and its post-employment healthcare benefits provided to its employees. These schedules can be found starting on page 82. Other supplementary information includes combining and individual fund financial statements and schedules for the General Fund, Liquor License Fund, Stormwater Management Fund, internal service funds and fiduciary funds. These statements and schedules can be found starting on page 88.

Financial Analysis of the County as a Whole

The County's combined net position decreased \$367.231 million in FY 2017. The net position of the governmental activities decreased \$276.581 million and business-type activities decreased \$90.650 million. The schedule below presents the net position of the County's governmental and business-type activities as of June 30, 2017.

The largest component of the County's net position reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related outstanding debt used to acquire the assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not liquid or available for future spending or liquidation of any liabilities. It is important to note that counties in the State of Maryland issue debt for the construction of schools, yet the school buildings are owned by each public school system. The County also funds projects for the Community College of Baltimore County. Therefore, the County's financial statements include this outstanding debt, without the addition of the corresponding assets, which is a major reason for the governmental activities negative unrestricted net position. The County has a similar situation where it issues debt to finance capital contributions for Baltimore City owned assets. This is what causes the negative unrestricted net position in the business-type activities. These situations are described in more detail in Note 8.

Net Position as of June 30 (in thousands)

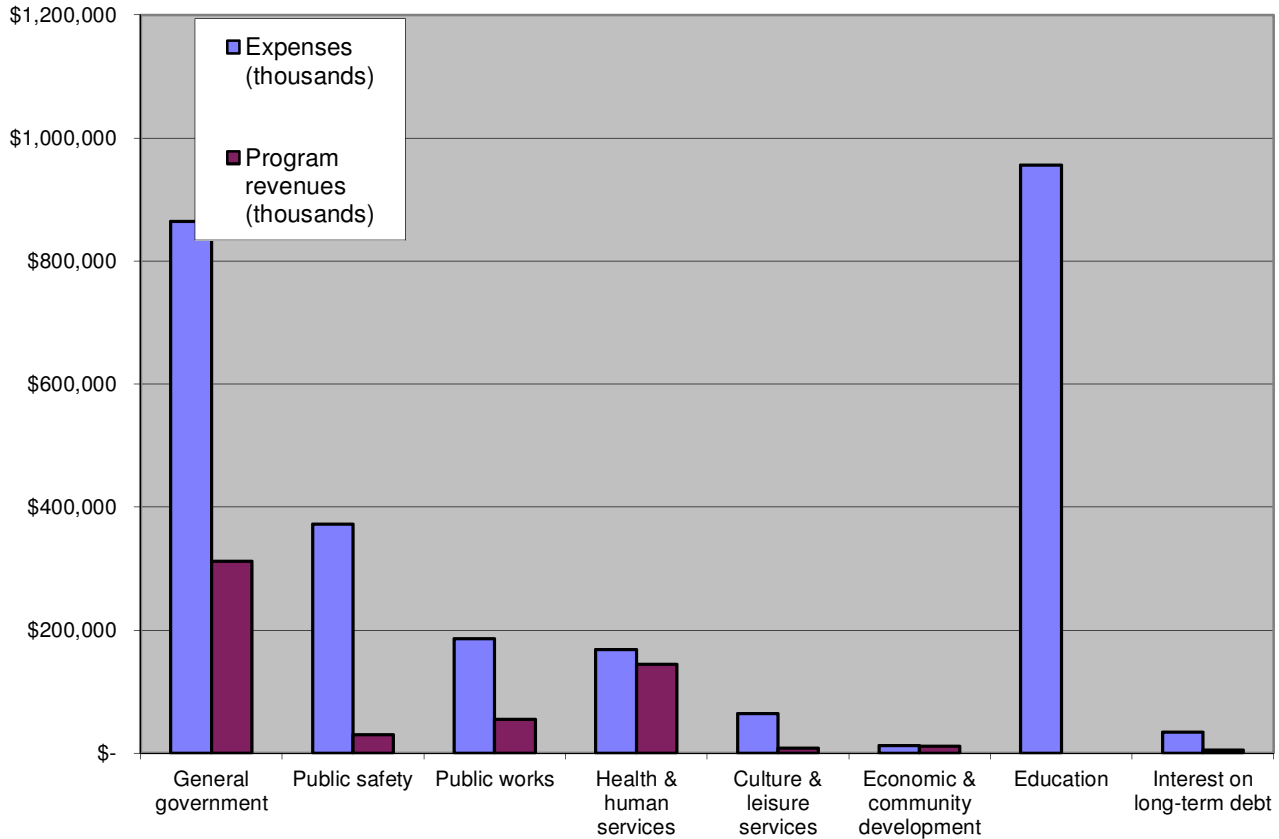
	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
Assets:	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other non-current assets	\$ 643,558	\$ 502,182	\$ 160,572	\$ 123,015	\$ 804,130	\$ 625,197
Capital assets	2,519,411	2,461,309	1,350,174	1,298,842	3,869,585	3,760,151
Total assets	<u>3,162,969</u>	<u>2,963,491</u>	<u>1,510,746</u>	<u>1,421,857</u>	<u>4,673,715</u>	<u>4,385,348</u>
Total deferred outflow of resources	<u>412,468</u>	<u>286,309</u>	<u>35,398</u>	<u>29,366</u>	<u>447,866</u>	<u>315,675</u>
Liabilities:						
Current liabilities	541,633	410,382	368,100	307,687	909,733	718,069
Long-term liabilities	3,748,659	3,220,803	1,178,354	1,051,989	4,927,013	4,272,792
Total liabilities	<u>4,290,292</u>	<u>3,631,185</u>	<u>1,546,454</u>	<u>1,359,676</u>	<u>5,836,746</u>	<u>4,990,861</u>
Total deferred inflow of resources	<u>57,613</u>	<u>114,502</u>	<u>2,272</u>	<u>3,479</u>	<u>59,885</u>	<u>117,981</u>
Net position:						
Net investment in capital assets	1,602,876	1,529,027	538,172	614,609	2,141,048	2,143,636
Restricted	49,922	42,647	-	-	49,922	42,647
Unrestricted (deficit)	(2,425,266)	(2,067,561)	(540,754)	(526,541)	(2,966,020)	(2,594,102)
Total net position	<u>\$ (772,468)</u>	<u>\$ (495,887)</u>	<u>\$ (2,582)</u>	<u>\$ 88,068</u>	<u>\$ (775,050)</u>	<u>\$ (407,819)</u>

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

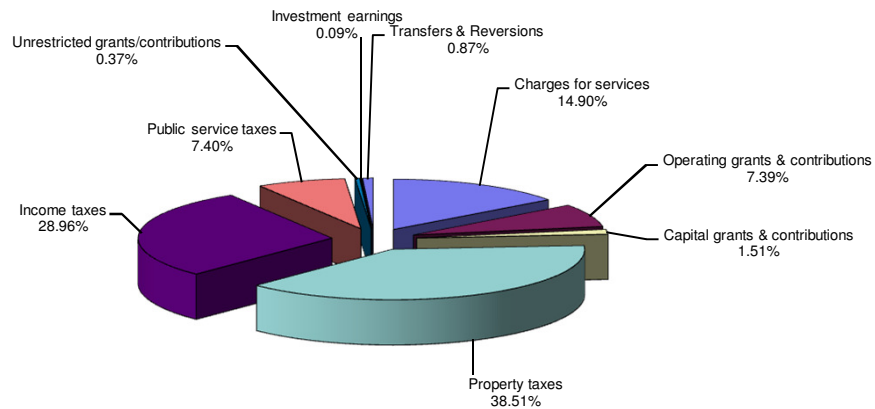
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 354,793	\$ 297,400	\$ 246,175	\$ 237,071	\$ 600,968	\$ 534,471
Operating grants	176,028	172,931	2,850	2,893	178,878	175,824
Capital grants	36,021	35,781	21,602	16,186	57,623	51,967
General revenues						
Property taxes	916,768	891,823	-	-	916,768	891,823
Income taxes	689,515	663,510	-	-	689,515	663,510
Public service taxes	176,124	174,239	-	-	176,124	174,239
Unrestricted grants and contributions	8,926	8,966	-	-	8,926	8,966
Investment earnings	2,068	1,392	34	56	2,102	1,448
Total revenues	<u>2,360,243</u>	<u>2,246,042</u>	<u>270,661</u>	<u>256,206</u>	<u>2,630,904</u>	<u>2,502,248</u>
Expenses						
General government	864,527	615,205	-	-	864,527	615,205
Public safety	372,623	368,337	-	-	372,623	368,337
Public works	185,743	178,728	-	-	185,743	178,728
Health and human services	167,861	164,430	-	-	167,861	164,430
Culture and leisure services	64,520	64,165	-	-	64,520	64,165
Economic and community development	12,598	12,449	-	-	12,598	12,449
Education	956,006	943,217	-	-	956,006	943,217
Interest on long-term debt	33,651	26,648	-	-	33,651	26,648
Water and sewer services	-	-	361,069	356,593	361,069	356,593
Total expenses	<u>2,657,529</u>	<u>2,373,179</u>	<u>361,069</u>	<u>356,593</u>	<u>3,018,598</u>	<u>2,729,772</u>
Increase(decrease) in net position before transfers	(297,286)	(127,137)	(90,408)	(100,387)	(387,694)	(227,524)
Reversion of fund balance from component units	20,463	-	-	-	20,463	-
Transfers	242	738	(242)	(738)	-	-
Increase (decrease) in net position	(276,581)	(126,399)	(90,650)	(101,125)	(367,231)	(227,524)
Net position - beginning	(495,887)	(369,488)	88,068	189,193	(407,819)	(180,295)
Net position - ending	<u>\$ (772,468)</u>	<u>\$ (495,887)</u>	<u>\$ (2,582)</u>	<u>\$ 88,068</u>	<u>\$ (775,050)</u>	<u>\$ (407,819)</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.

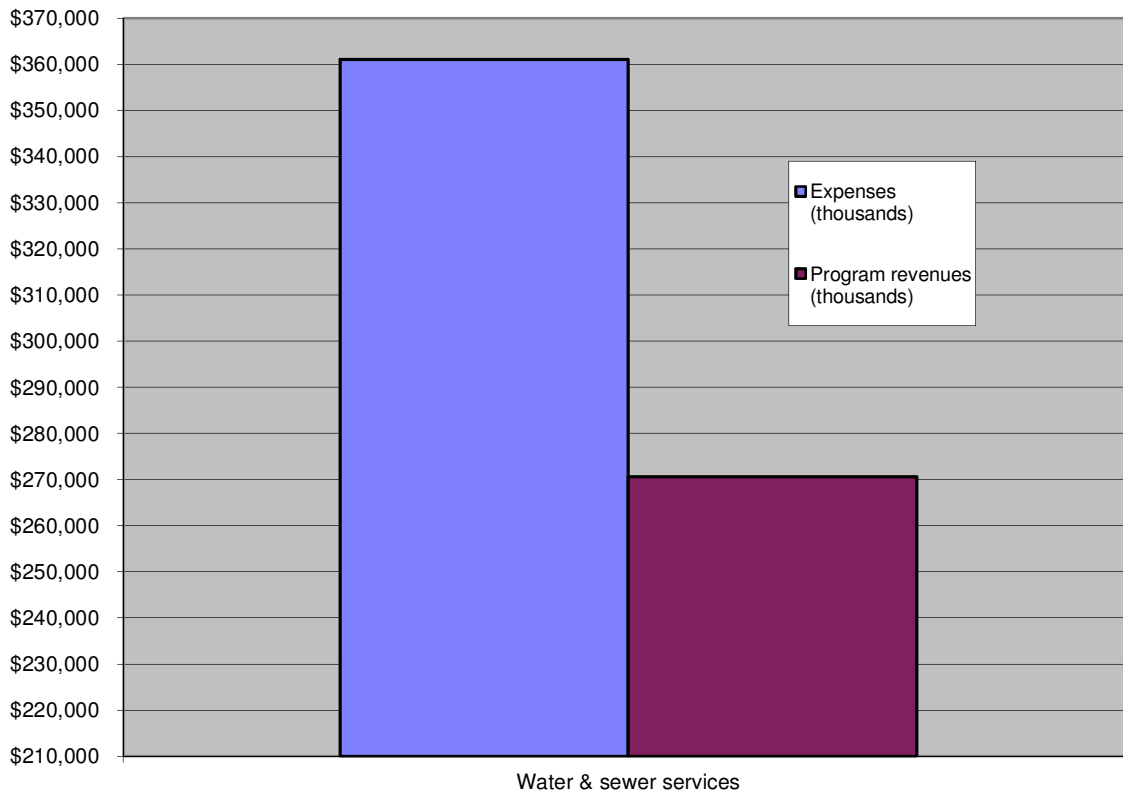
Expenses & Program Revenues-Governmental Activities



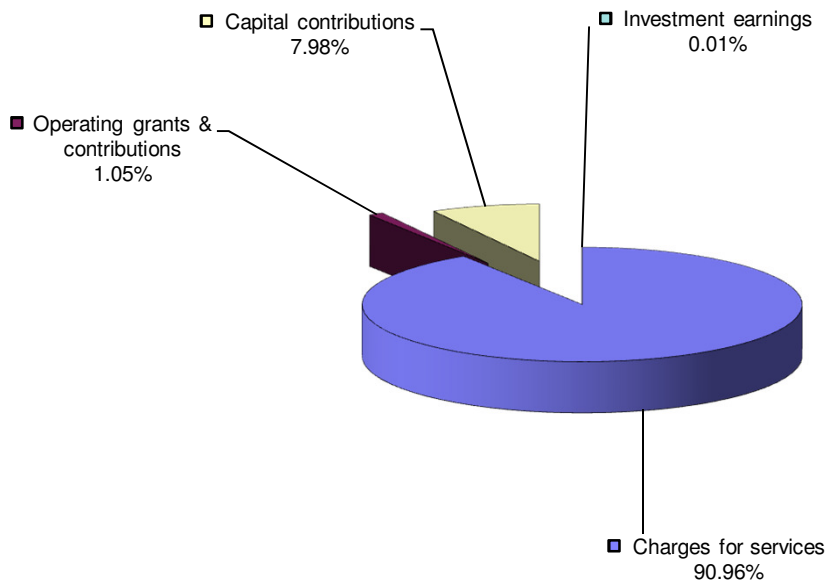
Revenues by Source-Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source-Business-type Activities



Governmental Activities

The net position of governmental activities decreased \$276.581 million during FY17. Key elements affecting the net position include:

- General revenues increased \$53.471 million over the prior fiscal year. Income tax revenue increased \$26.005 million after adjusting for the County's portion of income tax reserves held by the State that was recognized under full accrual accounting. Property taxes provided 38.5% of total revenue with an increase of \$24.945 million due from new construction county-wide and from higher reassessed values on real property in the Western third of the County.
- A reversion of fund balance from component units was reported to reflect a \$20 million payment from the Board of Education and a \$.463 million payment from the Board of Library Trustees.
- General Fund miscellaneous revenue increased by \$24.731 million because of an \$18.555 million settlement related to 2007 investments in residential mortgage backed securities.
- General government expenses increased \$250.715 million primarily because of increases in pension plan related expenses.
- Education expenses increased \$12.789 million from FY17 due to additional funding of operational costs for the Board of Education.
- The outstanding debt for the Board of Education and the Community College capital projects (see previous discussion) increased by \$38.70 million.

Business-type Activities

The net position of business-type activities decreased \$90.650 million during FY17. The key elements of the Metropolitan District operations that affect net position are as follows:

- The consent decree with the U.S. Environmental Protection Agency continues to drive expenditures. In FY17, the County's cost sharing contribution of \$130.736 million to Baltimore City for capital facilities was an increase of \$20.294 million from the previous year. The Enhanced Nutrient Removal at the Back River Wastewater Treatment Plant Project, Improvements to Guilford Reservoir and the Design and Procurement of the City's Automatic Meter Reading Project amounted to a combined \$54.527 million in cost sharing expenditures.
- Front foot assessments that are billed over 40 years to County homeowners to recover costs for County construction of water and sewer lines showed a continuing decline of \$5.839 million due to developers assuming the responsibility for construction of these lines.
- The County's charges for services increased \$9.104 million due to a 12% rate increase in FY17 for sewer service, water distribution and water consumption charges.

Financial Analysis of the County's Funds

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

Governmental Funds

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

The County's governmental funds reported combined ending fund balances of \$258.649 million as of June 30, 2017, an increase of \$30.429 million. Unassigned fund balance of the General Fund, as stated below, is available at the County's discretion. The remaining positive fund balance of \$188.217 million is not available for new spending because of varying constraints set on them.

The General Fund is the County's chief operating fund. At the end of FY17, unassigned fund balance of the General Fund was \$205.391 million, while total fund balance was \$329.688 million. Unassigned fund balance represents 10.92% of total budgetary expenditures, while total fund balance represents 17.53% of total budgetary expenditures. These ratios are typically useful as a measure of the General Fund's liquidity.

The County has \$99.360 million in a Revenue Stabilization account and has assigned \$3.304 million to finance, in part, the FY18 operating budget.

The General Fund fund balance decreased by \$5.684 million during the current fiscal year. Board of Education expenditures, including PAYGO contributions for school projects, increased \$67.930 million which reflects the County's continued funding commitment to address rising enrollment and to modernize schools. The General Fund also had a \$9.957 million increase in public safety expenditures as a result of the County's continued focus on safe communities. Employer contributions to OPEB decreased by \$21.241 million. A reversion of fund balance from component units in addition to a favorable law suit settlement regarding mortgage backed securities increased general fund revenues by a combined \$39.018 million.

The Gifts and Grants Fund fund balance of \$39.36 million consists primarily of \$16.740 million of earned revenue in excess of grant expenditures restricted for various grant activities administered by the County. Specifically, the Asset Forfeiture, Speed Camera, Housing Choice Voucher grants and Environmental Protection grants amounted to a combined \$14.3 million in excess revenue. In addition, \$11.780 million of earned revenue was restricted for the Affordable Housing Program.

The Consolidated Public Improvement Construction Fund fund balance increased \$36.866 million. Major fluctuations in fund balance are primarily the result of the timing of cash inflows from bond sale proceeds and capital expenditure outflows. The County issued \$121 million in new debt to fund capital projects in FY17. Capital expenditures for various County projects increased \$7.457 million to \$139.167 million.

Proprietary Funds

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

The Metropolitan District Fund net position decreased \$91.081 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 multiple supplemental appropriations during fiscal year 2017 including the following: a \$38.940 million Pay-go supplemental appropriation for school air conditioning as mentioned above; a \$.500 million supplemental to the Department of Corrections for additional correctional officers; a \$.850 million supplemental to the Emergency Communication Center for salary and callback; a \$2.7 million supplemental to the Fire Department for salary and callback, and a \$.155 million supplemental to the Department of Environmental Protection for salary.

Significant differences between the final budget and actual amounts are summarized as follows:

- Title transfer taxes were \$3.294 million more than budget due to an increase in high dollar commercial property transactions and increased sales and higher property values from the slowly recovering real estate market.
- The County had \$4.782 million in salary savings across the board from the continuation of position vacancy control.
- An unfavorable revenue variance of \$41.611 million in County income tax revenue resulted because of the lack in growth of personal income, mainly from capital gains. In addition, the County has assumed some additional loss in revenue due to the Wynne Case, which held that Maryland violated the Commerce Clause because it did not permit a taxpayer to take a credit against the County portion of the personal property income tax for taxes paid to other states.
- A \$21.668 million favorable revenue variance in miscellaneous revenue as a result of an \$18.555 million settlement stemming from mortgage backed securities.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities totaled \$3.870 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 290,961	\$ 290,144	\$ 1,317	\$ 1,317	\$ 292,278	\$ 291,461
Buildings and improvements	347,383	326,914	106,566	109,082	453,949	435,996
Vehicles and equipment	97,448	103,624	4,269	5,237	101,717	108,861
Infrastructure	1,173,396	1,192,095	1,001,891	952,330	2,175,287	2,144,425
Construction in progress	610,223	548,532	236,131	230,876	846,354	779,408
Total	\$ 2,519,411	\$ 2,461,309	\$ 1,350,174	\$ 1,298,842	\$ 3,869,585	\$ 3,760,151

The County added \$8.7 million for new or improved roads, \$13 million for storm drains, and \$43.5 million for water and sewer lines as a major part of its infrastructure assets for FY17.

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

- The County completed new and existing updates to County owned buildings at a cost of \$25.8 million
- The County completed repairs and renovations to the Bread & Cheese, Hawthorn, Marlyn Avenue and Valley Village pumping stations at a cost of \$11.1 million
- The County completed renovations and upgrades to County bridges totaling \$4.9 million

Additional capital asset information can be found in Note 7.

Long-term Debt

At the end of the current fiscal year, the County had general obligation debt outstanding of \$3.153 billion. This includes Consolidated Public Improvement bonds and notes of \$1.444 billion, Pension Funding bonds of \$.392 billion and Metropolitan District bonds and notes of \$1.317 billion. The bonds and notes are backed by the full faith and credit of the County.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 1,700,096	\$ 1,550,668	\$ 1,107,298	\$ 1,003,368	\$ 2,807,394	\$ 2,554,036
General obligation BANs	121,000	99,800	225,000	99,300	346,000	199,100
Total	\$ 1,821,096	\$ 1,650,468	\$ 1,332,298	\$ 1,102,668	\$ 3,153,394	\$ 2,753,136

The County's general obligation debt increased in 2017 by \$400.258 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 \$3.284 billion and \$2.334 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 Spending Affordability Committee's consultant, Sage Policy Group, Inc. predicts that the County and State personal income will grow 4.08% and 4.30% respectively, in FY18.
- Employment increased by 1.65% among Baltimore County residents, by 1.57% among Maryland residents, and by 1.75% nationally on an annual average basis from calendar year (CY)15 to CY16. County and State unemployment rates were 4.1% and 3.8% respectively, in December 2016 and averaged 4.6% and 4.4%, respectively, for all FY16. For CY17, Sage policy group, Inc. predicts that the County employment will grow 0.9%, compared to population growth of 0.2%, while State employment growth is expected to be 1.0% compared to population growth of 0.4%.

These and other economic indicators were considered when preparing the FY18 General Fund budget, which estimates revenues at \$1.99 billion. General Fund appropriations for FY18 of \$1.993 billion reflects a 1.78% decrease from the FY17 adjusted budget. The FY18 budget for Baltimore County Public Schools (BCPS) includes an increase of \$40.5 million or 2.8% over FY17 funding levels. The budget exceeds Maintenance of Effort by \$19.9 million. The FY18 budget reflects the second full year of the County's new emergency medical transport billing initiated with the cooperation of the Baltimore County Volunteer Firemen Association. With projected FY18 revenue of \$24.6 million, a broader, deeper commitment has been made to the Baltimore County's volunteer fire and EMS companies including a 12% increase in funding over last year. The County expects to fund \$31.5 million PAYGO to support the FY18 capital budget. The difference between estimated revenue and appropriations of \$3.3 million is covered by fund balance reserves. The projected unassigned fund balance at the end of FY18 is \$205.3 million or 10.3% of the estimated FY18 total revenues.

The income tax rate of 2.83% is unchanged. The respective real property and personal 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-principle residences.

Information Requests

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

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





Basic Financial Statements

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

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

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

Baltimore County, Maryland
Statement of Net Position
June 30, 2017
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments (Note 3)	\$ 314,711	\$ 36,058	\$ 350,769	\$ 120,212
Receivables, net (Note 5)	255,054	115,690	370,744	36,936
Due from primary government (Note 6)	-	-	-	82,283
Inventories	9,693	605	10,298	1,824
Prepaid costs	1,135	-	1,135	434
Restricted assets:				
Cash and investments (Note 3)	62,965	8,219	71,184	4,276
Capital assets (Note 7)				
Not being depreciated	901,184	237,448	1,138,632	288,859
Depreciable (net of accumulated depreciation)	1,618,227	1,112,726	2,730,953	1,629,923
Total assets	<u>3,162,969</u>	<u>1,510,746</u>	<u>4,673,715</u>	<u>2,164,747</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	17,843	19,437	37,280	-
Retirement plans	394,625	15,961	410,586	44,243
Total deferred outflows of resources	<u>412,468</u>	<u>35,398</u>	<u>447,866</u>	<u>44,243</u>
LIABILITIES				
Accounts payable	45,067	65,720	110,787	81,877
Accrued payroll	16,153	1,182	17,335	23,230
Accrued interest payable	30,025	17,620	47,645	-
Internal balances	2,923	(2,923)	-	-
Due to component units (Note 6)	60,707	-	60,707	-
Other liabilities	40,215	6,364	46,579	6,661
Unearned revenue (Note 5)	4,339	-	4,339	8,384
Liabilities payable from restricted assets	-	-	-	4,276
Noncurrent liabilities (Note 8)				
Due within one year	342,204	280,137	622,341	35,010
Due in more than one year	3,748,659	1,178,354	4,927,013	228,339
Total liabilities	<u>4,290,292</u>	<u>1,546,454</u>	<u>5,836,746</u>	<u>387,777</u>
DEFERRED INFLOWS OF RESOURCES				
Retirement plans	57,613	2,272	59,885	20,274
NET POSITION				
Net investment in capital assets	1,602,876	538,172	2,141,048	1,879,156
Restricted for:				
Public works	19,756	-	19,756	-
Economic development	11,780	-	11,780	-
Education	-	-	-	21,412
Grant projects	16,740	-	16,740	-
Debt service	1,646	-	1,646	-
Expendable endowments	-	-	-	6,963
Unrestricted (deficit)	(2,425,266)	(540,754)	(2,966,020)	(106,592)
Total net position (deficit)	<u>\$ (772,468)</u>	<u>\$ (2,582)</u>	<u>\$ (775,050)</u>	<u>\$ 1,800,939</u>

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

Baltimore County, Maryland
Statement of Activities
For the Year Ended June 30, 2017
(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Units
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ 864,527	\$ 309,123	\$ 2,996	\$ -	\$ (552,408)	\$ -	\$ (552,408)	\$ -
Public safety	372,623	11,802	18,163	-	(342,658)	-	(342,658)	-
Public works	185,743	13,920	4,826	36,021	(130,976)	-	(130,976)	-
Health and human services	167,861	15,231	129,450	-	(23,180)	-	(23,180)	-
Culture and leisure services	64,520	4,260	4,294	-	(55,966)	-	(55,966)	-
Economic and community development	12,598	457	11,220	-	(921)	-	(921)	-
Education	956,006	-	-	-	(956,006)	-	(956,006)	-
Interest on long-term debt	33,651	-	5,079	-	(28,572)	-	(28,572)	-
Total governmental activities	<u>2,657,529</u>	<u>354,793</u>	<u>176,028</u>	<u>36,021</u>	<u>(2,090,687)</u>	<u>-</u>	<u>(2,090,687)</u>	<u>-</u>
Business-type activities:								
Water and sewer services	361,069	246,175	2,850	21,602	-	(90,442)	(90,442)	-
Total business-type activities	<u>361,069</u>	<u>246,175</u>	<u>2,850</u>	<u>21,602</u>	<u>-</u>	<u>(90,442)</u>	<u>(90,442)</u>	<u>-</u>
Total primary government	<u>\$ 3,018,598</u>	<u>\$ 600,968</u>	<u>\$ 178,878</u>	<u>\$ 57,623</u>	<u>(2,090,687)</u>	<u>(90,442)</u>	<u>(2,181,129)</u>	<u>-</u>
COMPONENT UNITS								
Board of Education	\$ 1,717,211	\$ 13,372	\$ 193,939	\$ 191,652	-	-	-	(1,318,248)
Community College	214,212	72,147	90,534	6,223	-	-	-	(45,308)
Board of Library Trustees	44,139	3,095	6,990	-	-	-	-	(34,054)
Total component units	<u>\$ 1,975,562</u>	<u>\$ 88,614</u>	<u>\$ 291,463</u>	<u>\$ 197,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,397,610)</u>
General revenues:								
Taxes:								
Property taxes					916,768	-	916,768	-
Income taxes					689,515	-	689,515	-
Public service taxes					176,124	-	176,124	-
Grants and contributions not restricted to specific programs:								
Baltimore County					-	-	-	834,732
State of Maryland					8,926	-	8,926	639,959
Unrestricted investment earnings					2,068	34	2,102	1,128
Other					-	-	-	5,643
Reversion of fund balance from component units					20,463	-	20,463	(20,463)
Transfers					242	(242)	-	-
Total general revenues and transfers					<u>1,814,106</u>	<u>(208)</u>	<u>1,813,898</u>	<u>1,460,999</u>
Change in net position					(276,581)	(90,650)	(367,231)	63,389
Net position (deficit) at beginning of the year					(495,887)	88,068	(407,819)	1,737,550
Net position (deficit) at end of the year					<u>\$ (772,468)</u>	<u>\$ (2,582)</u>	<u>\$ (775,050)</u>	<u>\$ 1,800,939</u>

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

Baltimore County, Maryland
Balance Sheet
Governmental Funds
June 30, 2017
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 190,723	\$ 25,976	\$ -	\$ 4,755	\$ 221,454
Cash and investments - restricted	62,965	-	-	-	62,965
Receivables, net	185,856	61,039	4,745	158	251,798
Due from other funds	43,626	-	-	-	43,626
Inventories	9,251	-	-	-	9,251
Total assets	<u>\$ 492,421</u>	<u>\$ 87,015</u>	<u>\$ 4,745</u>	<u>\$ 4,913</u>	<u>\$ 589,094</u>
LIABILITIES					
Accounts payable	\$ 18,642	\$ 6,059	\$ 16,945	\$ 61	\$ 41,707
Accrued expenditures	14,533	1,449	-	48	16,030
Due to other funds	-	-	43,626	-	43,626
Due to component units	22,433	-	38,274	-	60,707
Other liabilities	21,321	484	18,410	-	40,215
Unearned revenue - other (Note 5)	691	3,648	-	-	4,339
Total liabilities	<u>77,620</u>	<u>11,640</u>	<u>117,255</u>	<u>109</u>	<u>206,624</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue (Note 5)	85,113	36,015	2,693	-	123,821
Total deferred inflows of resources	<u>85,113</u>	<u>36,015</u>	<u>2,693</u>	<u>-</u>	<u>123,821</u>
FUND BALANCES (DEFICITS) (NOTE 15)					
Nonspendable	9,251	-	-	-	9,251
Restricted	61,062	28,520	19,756	-	109,338
Assigned	53,984	10,840	-	4,804	69,628
Unassigned	205,391	-	(134,959)	-	70,432
Total fund balances (deficit)	<u>329,688</u>	<u>39,360</u>	<u>(115,203)</u>	<u>4,804</u>	<u>258,649</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 492,421</u>	<u>\$ 87,015</u>	<u>\$ 4,745</u>	<u>\$ 4,913</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,505,089
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.	123,821
Internal service funds are used by management to charge the costs of self insurance, fleet management and reproduction to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	39,927
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).	(4,036,966)
The net effect of the deferred outflows and deferred inflows of resources recorded in conjunction with the recognition of the County pension liability is shown in the governmental activities but not included in the governmental statements.	337,012
Net position of governmental activities	<u>\$ (772,468)</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, 2017
(In Thousands)

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,775,935	\$ -	\$ -	\$ 940	\$ 1,776,875
Licenses and permits	5,767	-	-	11,982	17,749
Intergovernmental	47,764	136,290	18,641	-	202,695
Repayment of loans	-	1,270	-	-	1,270
Charges for services	43,822	12,530	500	110	56,962
Assessments	-	-	2,177	-	2,177
Fines and forfeitures	7,056	-	-	-	7,056
Investment income	985	334	-	206	1,525
Miscellaneous	58,307	712	3,130	-	62,149
Total revenues	<u>1,939,636</u>	<u>151,136</u>	<u>24,448</u>	<u>13,238</u>	<u>2,128,458</u>
EXPENDITURES					
Current:					
General government	109,778	3,851	-	2,586	116,215
Public safety	355,322	12,273	-	-	367,595
Public works	117,566	104	-	-	117,670
Health and human services	39,909	127,059	-	-	166,968
Culture and leisure services	19,453	3,498	-	-	22,951
Economic and community development	1,317	15,088	-	-	16,405
Pension plan contributions	247,707	-	-	-	247,707
Healthcare contributions	102,742	-	-	-	102,742
Miscellaneous	18,458	141	-	-	18,599
Capital projects	-	-	139,167	-	139,167
Payments to component units	888,218	-	132,282	-	1,020,500
Debt service:					
Principal retirement	83,421	-	-	-	83,421
Interest	49,925	-	-	-	49,925
Fiscal charges	2,355	-	-	-	2,355
Total expenditures	<u>2,036,171</u>	<u>162,014</u>	<u>271,449</u>	<u>2,586</u>	<u>2,472,220</u>
Excess (deficiency) of revenues over expenditures	<u>(96,535)</u>	<u>(10,878)</u>	<u>(247,001)</u>	<u>10,652</u>	<u>(343,762)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	144,000	-	99,800	-	243,800
Bond anticipation notes	-	-	121,000	-	121,000
Bond anticipation notes - refunding	-	-	(99,800)	-	(99,800)
Certificates of participation issued	59,810	-	-	-	59,810
Premiums on debt	26,882	-	-	-	26,882
Reversion of fund balance from component units	20,000	-	463	-	20,463
Loans	-	-	1,091	-	1,091
Transfers in	2,362	11,080	166,315	-	179,757
Transfers out	(162,203)	(372)	(5,002)	(11,235)	(178,812)
Total other financing sources (uses)	<u>90,851</u>	<u>10,708</u>	<u>283,867</u>	<u>(11,235)</u>	<u>374,191</u>
Net change in fund balances	<u>(5,684)</u>	<u>(170)</u>	<u>36,866</u>	<u>(583)</u>	<u>30,429</u>
Fund balances (deficit) at beginning of the year	335,372	39,530	(152,069)	5,387	228,220
Fund balances (deficit) at end of the year	<u>\$ 329,688</u>	<u>\$ 39,360</u>	<u>\$ (115,203)</u>	<u>\$ 4,804</u>	<u>\$ 258,649</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, 2017
(In Thousands)

Net change in fund balances-total governmental funds	\$ 30,429
<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>	45,308
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position (Note 2).</p>	11,173
<p>Some revenues will not be collected for several months after the fiscal year ends. As such these revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred inflows decreased this year.</p>	(4,507)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note 2).</p>	(237,718)
<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>	(32,890)
<p>The net effect of the expenses for recording the County's pension liability from employee retirement plans.</p>	(101,724)
<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 income of these internal service funds is reported with governmental activities.</p>	15,224
<p>The recognition of a long-term liability for disputed taxes that was not reported in the governmental funds decreases net position.</p>	(1,876)
<p>Change in net position of governmental activities</p>	<u><u>\$ (276,581)</u></u>

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

Baltimore County, Maryland
Budgetary Comparison Statement - General Fund
For the Year Ended June 30, 2017
(In Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,811,187	\$ 1,811,187	\$ 1,775,935	\$ (35,252)
Licenses and permits	5,263	5,263	5,767	504
Intergovernmental	47,256	47,256	47,764	508
Charges for services	47,790	47,790	43,822	(3,968)
Fines and forfeitures	6,080	6,080	7,056	976
Reimbursement from other funds	11,335	11,335	12,850	1,515
Interest on investments	3,319	3,319	1,652	(1,667)
Miscellaneous	34,715	54,715	77,084	22,369
Total revenues	<u>1,966,945</u>	<u>1,986,945</u>	<u>1,971,930</u>	<u>(15,015)</u>
EXPENDITURES				
Current:				
General government	120,675	121,115	119,786	1,329
Public safety	349,138	353,363	352,432	931
Public works	113,368	114,218	113,328	890
Health and human services	40,383	40,996	40,076	920
Culture and leisure services	19,809	19,636	19,514	122
Economic and community development	1,285	1,285	1,285	-
Pension plan contributions	104,554	104,594	104,589	5
Healthcare contributions	104,082	104,082	102,764	1,318
Miscellaneous	19,698	18,658	18,458	200
Payments to component units	882,870	882,630	882,629	1
Debt service:				
Principal retirement	83,521	83,471	83,421	50
Interest	42,203	41,993	41,835	158
Fiscal charges	684	434	312	122
Total expenditures	<u>1,882,270</u>	<u>1,886,475</u>	<u>1,880,429</u>	<u>6,046</u>
Excess (deficiency) of revenues over expenditures (budgetary basis)	<u>84,675</u>	<u>100,470</u>	<u>91,501</u>	<u>(8,969)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	252	252	252	-
Transfers out	(104,050)	(142,990)	(142,990)	-
Total other financing sources (uses)	<u>(103,798)</u>	<u>(142,738)</u>	<u>(142,738)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	<u>\$ (19,123)</u>	<u>\$ (42,268)</u>	<u>\$ (51,237)</u>	<u>\$ (8,969)</u>
Adjustments required under generally accepted accounting principles:				
Net change during year in reserve for encumbrances			2,229	
Unbudgeted equipment financing activity			55,425	
Unbudgeted bond escrow payment			443	
Net change in reserve for inventories, imprest funds and other programs			(13,822)	
Prior year encumbrances liquidations			1,278	
Net change in fund balance-GAAP			(5,684)	
Fund balance at beginning of the year			<u>335,372</u>	
Fund balance at end of the year			<u>\$ 329,688</u>	

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

Baltimore County, Maryland
Statement of Net Position
Proprietary Funds
June 30, 2017
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 36,058	\$ 93,257
Cash and investments - restricted	8,219	-
Receivables, net (Note 5)	21,327	3,256
Inventories	605	442
Prepaid costs	-	1,135
Total current assets	<u>66,209</u>	<u>98,090</u>
Noncurrent assets:		
Assessments receivable (Note 5)	94,363	-
Capital assets: (Note 7)		
Non-depreciable	237,448	705
Depreciable (net of accumulated depreciation)	1,112,726	13,617
Total noncurrent assets	<u>1,444,537</u>	<u>14,322</u>
Total assets	<u>1,510,746</u>	<u>112,412</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	19,437	-
Retirement plans	15,961	-
Total deferred outflows of resources	<u>35,398</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	65,720	3,360
Accrued payroll	1,182	123
Accrued interest payable	17,620	-
Compensated absences (Note 8)	1,749	225
Claims and judgments (Note 8)	-	36,506
General obligation debt (Note 8)	277,383	-
Pension funding bonds (Note 8)	336	-
Certificates of participation (Note 8)	669	-
Other liabilities	6,364	-
Total current liabilities	<u>371,023</u>	<u>40,214</u>
Noncurrent liabilities (Note 8):		
Compensated absences	77	-
Claims and judgments	-	29,348
General obligation debt	1,106,806	-
Pension funding bonds	15,363	-
Net pension liability	49,034	-
Certificates of participation	7,074	-
Total noncurrent liabilities	<u>1,178,354</u>	<u>29,348</u>
Total liabilities	<u>1,549,377</u>	<u>69,562</u>
DEFERRED INFLOWS OF RESOURCES		
Retirement plans	2,272	-
Total deferred inflows of resources	<u>2,272</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	541,353	14,322
Unrestricted (deficit)	(546,858)	28,528
Total net position	<u>(5,505)</u>	<u>\$ 42,850</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	2,923	
Net position of business-type activities	<u>\$ (2,582)</u>	

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

Baltimore County, Maryland
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017
(In Thousands)

	Metropolitan District Enterprise Fund	Total	Internal Service Funds
OPERATING REVENUES			
Licenses and permits	\$ 1,022	\$ 1,022	\$ -
Charges for services	238,984	238,984	332,050
Assessments	6,125	6,125	-
Intergovernmental	2,850	2,850	-
Miscellaneous	44	44	47
Total operating revenues	<u>249,025</u>	<u>249,025</u>	<u>332,097</u>
OPERATING EXPENSES			
Personal services	23,308	23,308	2,876
Business and travel	104	104	-
Contractual services	67,269	67,269	741
Rents and utilities	4,131	4,131	246
Supplies and maintenance	54,313	54,313	9,784
Insurance claims and expenses	-	-	299,543
Equipment	361	361	-
Fringe benefits and overhead	21,581	21,581	-
Depreciation expense	31,066	31,066	2,743
Other	49	49	683
Total operating expenses	<u>202,182</u>	<u>202,182</u>	<u>316,616</u>
Operating income	<u>46,843</u>	<u>46,843</u>	<u>15,481</u>
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	34	34	877
Interest expense	(22,582)	(22,582)	-
Capital contributions to other subdivisions	(130,736)	(130,736)	-
Total nonoperating revenues (expenses)	<u>(153,284)</u>	<u>(153,284)</u>	<u>877</u>
Income/(loss) before transfers and capital contributions	<u>(106,441)</u>	<u>(106,441)</u>	<u>16,358</u>
Capital contributions from external parties	21,602	21,602	-
Transfers out	(242)	(242)	(703)
Employer contribution to pension system	(6,000)	(6,000)	-
Change in net position	<u>(91,081)</u>	<u>(91,081)</u>	<u>15,655</u>
Net position at beginning of the year	85,576		27,195
Net position at end of the year	<u>\$ (5,505)</u>		<u>\$ 42,850</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		431	
Change in net position of business-type activities		<u>\$ (90,650)</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, 2017
(In Thousands)

	Metropolitan District Enterprise Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from external customers	\$ 256,525	\$ 229,958
Receipts for interfund services	-	102,109
Payments to suppliers	(123,520)	(11,168)
Payments to employees	(40,613)	(2,901)
Payment for interfund services used	-	(683)
Claims paid	-	(291,750)
Other receipts	-	47
Net cash provided by operating activities	92,392	25,612
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Pension Funding Bonds	6,000	-
Employer contribution to the Pension System	(6,000)	-
Transfers out	(242)	(703)
Capital contributions paid to other subdivisions	(151,089)	-
Repayment of advance	(52,642)	-
Net cash (used for) noncapital financing activities	(203,973)	(703)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	394,994	-
Retirement of bond anticipation notes	(99,300)	-
Capital contributions from external parties	9,921	-
Acquisition and construction of capital assets	(60,194)	(4,553)
Principal paid on capital debt	(53,059)	-
Interest paid on capital debt	(40,557)	-
Sales of capital assets	-	189
Net cash provided by (used for) capital and related financing activities	151,805	(4,364)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	34	877
Net cash provided by investing activities	34	877
Net increase in cash and cash equivalents	40,258	21,422
Cash and cash equivalents at beginning of the year	4,019	71,835
Cash and cash equivalents at end of the year	\$ 44,277	\$ 93,257
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 46,843	\$ 15,481
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	31,066	2,743
Effect of changes in operating accounts:		
Receivables, net	5,697	17
Inventories	18	103
Deferred outflows	(10,115)	-
Accounts and other payables	4,388	(264)
Accrued expenses	14,495	(25)
Claims and judgements	-	7,557
Net cash provided by operating activities	\$ 92,392	\$ 25,612
NONCASH CAPITAL AND NONCAPITAL FINANCING ACTIVITIES		
Capital assets acquired through contributions from developers.	\$ 8,668	\$ -

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

Baltimore County, Maryland
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017
(In Thousands)

	Benefits Trust Funds
ASSETS	
Cash and cash equivalents (Note 3)	\$ 41,301
Collateral for loaned securities (Note 3)	25,269
Receivables:	
Accrued interest & dividend income	4,132
Receivable for investments sold	16,277
Receivables other	2,857
Total receivables	23,266
Investments, at fair value (Note 3):	
U.S. Government and Agency securities	153,066
Municipal bonds	7,622
Foreign bonds	14,219
Corporate bonds	138,279
Stocks	630,108
Bond mutual funds	448,642
Stock mutual funds	966,284
Real estate equity funds	161,398
Hedge funds	831
Private equity funds	137,866
Global asset allocation	462,951
Total investments	3,121,266
Total assets	3,211,102
LIABILITIES	
Securities lending payable	25,269
Investments purchased	29,249
Investment expenses payable	4,087
Refunds payable	1,940
Other	13,169
Total liabilities	73,714
NET POSITION	
Net position restricted for benefits	\$ 3,137,388

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

Baltimore County, Maryland
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017
(In Thousands)

	Benefits Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 333,884
Employees	79,653
Other	15,121
Total contributions	428,658
Investment earnings:	
Net increase in the fair value of plan assets	355,602
Interest and dividends	51,988
Investment expenses	(20,332)
Net investment gain	387,258
Net income from securities lending:	
Securities lending income	259
Borrower rebates	66
Agent fees	(89)
Net income from securities lending	236
Total net investment gain	387,494
Total additions	816,152
DEDUCTIONS	
Benefits	424,508
Refunds	5,128
Administrative expense	2,393
Total deductions	432,029
Change in net position	384,123
Net position at beginning of the year	2,753,265
Net position at end of the year	\$ 3,137,388

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

Baltimore County, Maryland
Statement of Net Position
Component Units
June 30, 2017
(In Thousands)

	Board of Education	Community College	Board of Library Trustees	Total
ASSETS				
Cash and investments (Note 3)	\$ 80,205	\$ 31,962	\$ 8,045	\$ 120,212
Receivables	30,420	6,156	360	36,936
Due from primary government	80,201	2,082	-	82,283
Inventories	1,736	-	88	1,824
Prepaid costs and other assets	301	126	7	434
Cash restricted for lease purchase	4,276	-	-	4,276
Capital assets (Note 7)				
Non-depreciable	276,625	12,234	-	288,859
Depreciable (net of accumulated depreciation)	1,456,162	164,936	8,825	1,629,923
Total assets	<u>1,929,926</u>	<u>217,496</u>	<u>17,325</u>	<u>2,164,747</u>
DEFERRED OUTFLOWS OF RESOURCES				
Retirement plans	<u>41,694</u>	<u>1,812</u>	<u>737</u>	<u>44,243</u>
LIABILITIES				
Accounts payable	73,238	7,314	1,325	81,877
Accrued payroll	18,958	2,785	1,487	23,230
Other liabilities	3,722	1,631	1,308	6,661
Unearned revenue	3,106	5,251	27	8,384
Liabilities payable from restricted assets	4,276	-	-	4,276
Noncurrent liabilities (Note 8)				
Due within one year	29,414	4,500	1,096	35,010
Due in more than one year	211,673	12,244	4,422	228,339
Total liabilities	<u>344,387</u>	<u>33,725</u>	<u>9,665</u>	<u>387,777</u>
DEFERRED INFLOWS OF RESOURCES				
Retirement plans	<u>18,126</u>	<u>1,570</u>	<u>578</u>	<u>20,274</u>
NET POSITION				
Net investment in capital assets	1,694,111	176,220	8,825	1,879,156
Restricted for:				
Education	13,813	7,599	-	21,412
Expendable endowments	-	6,413	550	6,963
Unrestricted	(98,817)	(6,219)	(1,556)	(106,592)
Total net position	<u>\$ 1,609,107</u>	<u>\$ 184,013</u>	<u>\$ 7,819</u>	<u>\$ 1,800,939</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, 2017
(In Thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	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	\$ 1,502,421	\$ 300	\$ 157,118	\$ 191,652	\$ (1,153,351)	\$ -	\$ -	\$ (1,153,351)
Facilities operations	166,515	-	1,159	-	(165,356)	-	-	(165,356)
Food service	48,275	13,072	35,662	-	459	-	-	459
Total Board of Education	<u>1,717,211</u>	<u>13,372</u>	<u>193,939</u>	<u>191,652</u>	<u>(1,318,248)</u>	<u>-</u>	<u>-</u>	<u>(1,318,248)</u>
COMMUNITY COLLEGE								
Educational and general expenses	178,451	66,146	90,534	-	-	(21,771)	-	(21,771)
Facilities operations	27,999	-	-	6,223	-	(21,776)	-	(21,776)
Auxiliary enterprises	7,762	6,001	-	-	-	(1,761)	-	(1,761)
Total Community College	<u>214,212</u>	<u>72,147</u>	<u>90,534</u>	<u>6,223</u>	<u>-</u>	<u>(45,308)</u>	<u>-</u>	<u>(45,308)</u>
BOARD OF LIBRARY TRUSTEES								
Culture and leisure services	44,139	3,095	6,990	-	-	-	(34,054)	(34,054)
Total component units	<u>\$ 1,975,562</u>	<u>\$ 88,614</u>	<u>\$ 291,463</u>	<u>\$ 197,875</u>	<u>(1,318,248)</u>	<u>(45,308)</u>	<u>(34,054)</u>	<u>(1,397,610)</u>
General Revenues:								
Baltimore County					757,552	44,329	32,851	834,732
State of Maryland					639,959	-	-	639,959
Unrestricted investment earnings					-	1,128	-	1,128
Other					5,643	-	-	5,643
Reversion of fund balance to Baltimore County					(20,000)	-	(463)	(20,463)
Total general revenues					<u>1,383,154</u>	<u>45,457</u>	<u>32,388</u>	<u>1,460,999</u>
Change in net position					64,906	149	(1,666)	63,389
Net position at beginning of the year					1,544,201	183,864	9,485	1,737,550
Net position at end of the year					<u>\$ 1,609,107</u>	<u>\$ 184,013</u>	<u>\$ 7,819</u>	<u>\$ 1,800,939</u>

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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Financial Reporting Entity

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

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

Discretely Presented Component Units

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

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

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

Baltimore County Public Schools
Department of Fiscal Services
6901 N. Charles St.
Towson, Maryland 21204

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

Board of Library Trustees
320 York Road
Towson, Maryland 21204

Related Organizations

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

Adult Public Guardianship Review Board
Advisory Arbitration Panel
Animal Hearing Board
Board of Architectural Review
Board of Liquor License Commissioners

Advisory Commission on Environmental Quality
Agricultural Land Preservation Advisory Board
Board of Appeals
Board of Health
Board of Recreation and Parks

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Board of Social Services	Child Protection Panel
Commission for Women	Commission on Aging
Commission on Arts and Sciences	Commission on Disabilities
Commission on Veterans' Affairs	Conference and Tourism Advisory Council
Criminal Justice Coordinating Council	Design Review Panel
Drug and Alcohol Abuse Advisory Council	Electrical Administrative Board
Ethics Commission	Ethnic Diversity Advisory Council
Human Relations Commission	Landmarks Preservation Commission
Library Board of Trustees	Local Management Board
Mental Health Advisory Council	Minority and Women Business
Pedestrian and Bicycle Advisory Committee	Enterprise Commission
Personnel and Salary Advisory Board	Planning Board
Plumbing Board	Professional Services Selection Committee
Revenue Authority	Soil Conservation District Board
Workforce Development Council	

The amounts that the County appropriated to these organizations during the fiscal year ended June 30, 2017 were immaterial to the basic financial statements taken as a whole.

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

The **Statement of Net Position** presents the reporting entity's non-fiduciary assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position often is assigned to indicate that management does not consider it to be available for general operations. Unrestricted net position often has 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.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 individual governmental funds, major individual proprietary funds and three combined nonmajor governmental (Liquor License, Owings Mills Tax District and Stormwater Management) funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

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

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

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

The County reports the following major enterprise fund:

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

The County also reports the following fund types:

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

Benefits Trust Funds, which include the following:

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

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

Measurement Focus and 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

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 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

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, governmental funds and proprietary fund financial statements when cash is received prior to being earned. Deferred inflows are recognized in the governmental fund statements when revenue is 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 \$43.145 million in supplementary and emergency appropriations adopted for the General Fund operating budget during fiscal year 2017.

Annual budgets are adopted for the General Fund and the nonmajor Special Revenue Funds - Liquor License Fund and the Stormwater Management Fund. The nonmajor Special Revenue Fund – Owings Mills Tax District Fund has no adopted budget. 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.

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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 \$71.298 million in new proceeds, \$0.219 million of interest income, \$0.242 million in transfers from the Metropolitan District Fund and decreased by \$16.334 million of equipment purchases. The unspent equipment financing proceeds of \$59.416 million are reported as a restriction of fund balance at fiscal year-end.

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

Pooled Cash, Cash Equivalents and Investment Income

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

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 \$78.0 million of receivables for future billings of assessments for water and sewer lateral pipe abutting properties within the District. These assessments, which are levied on individual properties for a period of forty years from the date of installation, represent a significant cash stream that is designated to retire the Metropolitan District long-term debt.

Investments

Money market investments and participating interest-earning investment contracts are carried at amortized cost, which approximates fair value. Other investment securities are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the prevailing exchange rates as of June 30, 2017. The fair value of mutual funds is based on the fair values of the underlying securities. The fair value of real estate equity funds is based on independent appraisals. Private equity funds and hedge funds are valued based on information provided by the respective fund managers.

Inventories

Inventories are valued at cost. They are accounted for using the purchases method in the General Fund. Under the purchases method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets. Non-spendable fund balance for the amount of General Fund inventories has been reported in the governmental fund statements to reflect the non-availability of those amounts for appropriation or expenditure.

Capital Assets

Capital assets of governmental funds are recorded in the statement of net position at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the acquisition value at the date of donation. The County's capitalization levels are \$5,000 for individual vehicles, machinery and equipment, and \$25,000 for buildings and infrastructure. The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's life are not capitalized. An allowance for depreciation has

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been provided using the straight-line method over the estimated useful life. The estimated useful lives range from two to fifteen years for vehicles, machinery and equipment, twenty to fifty years for buildings, and twenty to seventy-five years for infrastructure. Major outlays for the construction of buildings and infrastructure are capitalized as constructed. Interest is capitalized during the construction of business-type activities capital assets as it is incurred.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until the future period. At June 30, 2017, the County had deferred outflows of resources for deferred charges on bond refundings and for changes in activity, experience, assumptions and contributions related to the County Employees Retirement System and Police, Fire and Widow Pension Plan.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2017, the County had deferred inflows of resources related to the difference between actual and expected experience and the difference between projected and actual earnings on investments of the County pension plans.

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, 2017.

Compensated Absences

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

Restricted Net Position

The government-wide statement of net position reports \$49.922 million of restricted net position, of which \$19.756 million is restricted by enabling legislation.

Governmental Funds' Fund Balance

Fund balance classifications comprise a hierarchy based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance amounts are properly reported within one of the fund balance categories listed below:

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

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

Committed – Includes fund balance amounts that can be used only for the specific purposes determined by formal action of the County's highest level of decision-making authority. The County Council is the

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highest level of decision-making authority for the County that can commit fund balance by adoption of a Council bill prior to fiscal year end. Similar action of the County Council is required to modify or rescind such commitments.

Assigned – Includes fund balance amounts that are intended to be used by the County for specific purposes as determined by the County Executive or County Administrative Officer in accordance with County Charter. Additionally, in accordance with Section 715 of the County Charter on certification of funds availability, the Director of Budget & Finance may assign fund balance for contractual commitments encumbered prior to year-end. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as either restricted or committed.

Unassigned – Represents the residual classification for the County's funds and includes all spendable amounts not contained in the four classifications described above. Unassigned fund balance can only be used in the General fund or, if negative, in other governmental funds.

Order of Fund Balance Spending Policy

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

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

Revenue Stabilization Account

Section 10-8-101 of the County Code gives the County the authority to establish and maintain a Revenue Stabilization Account (the Account) to provide financial resources for unanticipated decreases in revenues, primarily intergovernmental revenues. The General Fund Unassigned Fund Balance includes \$99.360 million that the County has set aside in the Account. Revenues in excess of estimates and any unexpended appropriations at the close of the fiscal year shall be transferred to the Account if the Account balance does not exceed five percent of the current fiscal year General Fund budgeted revenue after interest is credited to the Account. The Director of Budget and Finance shall notify the County Executive and County Council that a funds availability deficit exists in the General Fund at the end of any fiscal year and request that sufficient monies to the extent available be transferred from the Account to eliminate the deficit. Funds in the Account are not to be used for any other purpose except upon the recommendation of the County Executive and approval of a majority plus one of the County Council.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the County's pension plans (Employees' Retirement System Plan and Police, Fire and Widows' Pension Plan) and additions to/deductions from their respective fiduciary net position have been determined on the same basis as they are reported by each pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of the reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$4,036,966 difference are as follows:

General obligation debt	\$ 1,821,096
Certificates of participation and loan payable	132,911
Add: Issuance premium (to be amortized as a reduction to interest expense)	122,600
Less: Issuance discount (to be amortized as interest expense)	(1,313)
Less: Deferred charge on refunding (to be amortized as interest expense)	(17,843)
Accrued interest payable	30,025
Compensated absences	68,031
Other post employment benefits liability	228,018
Net pension liability	1,585,895
Disputed taxes	49,969
Estimated landfill closing costs	<u>17,577</u>
Net adjustment to reduce fund balance - total funds to arrive at net position of governmental activities	<u><u>\$ 4,036,966</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$45,308 difference are as follows:

Capital outlay	\$ 125,292
Depreciation expense	<u>(79,984)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 45,308</u></u>

Another element of the reconciliation states that “The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$11,173 difference are as follows:

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In the statement of activities, only the gain/(loss) on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.

\$ (425)

Donations and transfers in of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

11,598

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.

\$ 11,173

Another element of the reconciliation states that "The issuance of long-term debt (e.g., bonds, certificates of participation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(237,718) difference are as follows:

Debt issued or incurred:	
General obligation debt	\$ (364,800)
Certificates of participation and loans	(60,901)
Add: premium	(26,882)
Principal repayments:	
General obligation debt	194,172
Certificates of participation and loans	<u>20,693</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (237,718)</u>

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 \$(32,890) difference are as follows:

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Increase in compensated absences	\$ (2,579)
Increase in accrued interest	(5,553)
Increase in other post employment benefits liability	(45,801)
Increase in landfill closure and post-closure costs	(784)
Amortization of deferred charge on refunding	(2,044)
Amortization of premiums	23,984
Amortization of discounts	<u>(113)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (32,890)</u>

3. CASH, INVESTMENTS AND SECURITIES LENDING:

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

Deposits

The County maintains cash balances, which are covered by FDIC insurance and collateral held at the Federal Reserve in the County's name. The component units' cash in banks are covered either by FDIC insurance or the County's blanket collateral coverage. At June 30, 2017, the carrying amounts of cash for the primary government and its component units were \$(0.950) million and 18.662 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.

The MLGIP was established under the Annotated Code of Maryland and is rated AAAM by Standard and Poors, their highest rating for money market funds. MLGIP is a 2a7 like pool, which is not registered with the Securities and Exchange Commission (SEC), but generally operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). Unit value is computed using the amortized cost method and maintains a \$1 per share value.

Pension Trust Funds and Other Post Employment Benefits ("OPEB Plan") – 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 the OPEB Plan's assets jointly and to take appropriate action regarding the investment, management and custodianship of the System's and the OPEB Plan's assets. The System's and the OPEB Plan's investment policy targets 27% in U.S. equities, 22% in international equities, 24% in core-plus fixed income investments, 5% in real estate equity, 7% in private equities and 15% in Global Asset Allocation Funds. Certain System and the OPEB Plan's 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 the OPEB Plan's fixed income managers primarily acquire these types of instruments to increase

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investment yield and/or decrease investment risk. The Police, Fire and Widows' Pension Plan (the "Pension Plan") invests 70% in fixed income securities and 30% in equities.

Investments for the primary government as of June 30, 2017 are as follows (in thousands):

Primary Government Investments	<u>The System</u>				Pension Plan	Total Primary Government
	<u>The Pool</u>	<u>Plan A</u>	<u>Plan B</u>	<u>OPEB Plan</u>		
U.S. securities and agencies						
Not on securities loan	\$ 71,548	\$ 124,678	\$ 3,802	\$ 19,935	\$ -	\$ 219,963
On securities loan for						
securities or cash collateral	-	3,907	119	625	-	4,651
MLGIP	275,888	-	-	-	-	275,888
Municipal bonds	-	2,021	62	323	5,216	7,622
Foreign bonds	-	6,095	186	974	6,964	14,219
Corporate bonds						
Not on securities loan	-	115,795	3,532	18,515	-	137,842
On securities loan for						
securities or cash collateral	-	367	11	59	-	437
Bond mutual funds	-	372,232	11,352	59,517	5,541	448,642
Money market funds	69,580	32,760	999	5,238	6	108,583
Real estate equity funds	-	135,584	4,135	21,679	-	161,398
Stocks						
Not on securities loan	-	472,208	14,402	75,502	-	562,112
On securities loan for						
securities or cash collateral	-	57,121	1,742	9,133	-	67,996
Stock mutual funds - domestic	-	417,788	12,742	66,801	6,832	504,163
Stock mutual funds - international	-	385,450	11,755	61,630	3,286	462,121
Hedge funds	-	698	21	112	-	831
Private equity funds	-	115,816	3,532	18,518	-	137,866
Global Asset Allocation fund	-	388,907	11,861	62,183	-	462,951
Securities lending short-term						
collateral investment pool	-	21,227	648	3,394	-	25,269
Total	<u>\$ 417,016</u>	<u>\$ 2,652,654</u>	<u>\$ 80,901</u>	<u>\$ 424,138</u>	<u>\$ 27,845</u>	<u>\$ 3,602,554</u>

Component units' investments of \$105.826 million include \$90.534 million of MLGIP and \$15.292 million of money market funds.

Securities Lending Transactions - The System's, the OPEB Plan's and the Pension Plan's policies authorize the lending of their securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System's, the OPEB Plan's and the Pension Plan's custodian may lend U.S. government and agency securities, corporate bonds and stocks for collateral in the form of cash, other securities and irrevocable bank letters of credit. Collateral securities, letters of credit and cash are initially pledged at 102% of the fair 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 fair 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 4 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, 2017 totaled \$74.713 million and \$73.085 million, respectively.

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

Investment Type	Fair Value	Investment Maturities (in years)					
		Less than 1	1 - 4.9	5 - 9.9	10 - 19.9	20 - 30	More than 30
The Pool							
U.S. Government Obligations	\$ 347,436	\$ 345,789	\$ -	\$ 1,621	\$ 26	\$ -	\$ -
The System - Plan A							
U.S. Government Obligations	\$ 52,289	\$ 2,788	\$ 10,896	\$ 12,286	\$ 2,367	\$ 20,514	\$ 3,438
U.S. Agency Securities	76,296	8,868	12,508	21,648	14,290	10,948	8,034
Municipal Bonds	2,021	-	-	-	319	1,702	-
Corporate Debt	116,162	25,922	53,916	15,582	4,598	7,728	8,416
Bond Mutual Funds	372,232	-	80,789	291,443	-	-	-
Foreign Debt	6,095	3,964	541	551	216	772	51
Total	<u>625,095</u>	<u>41,542</u>	<u>158,650</u>	<u>341,510</u>	<u>21,790</u>	<u>41,664</u>	<u>19,939</u>
The System - Plan B							
U.S. Government Obligations	1,595	85	332	375	72	626	105
U.S. Agency Securities	2,326	270	381	660	436	334	245
Municipal Bonds	62	-	-	-	10	52	-
Corporate Debt	3,543	791	1,644	475	140	236	257
Bond Mutual Funds	11,352	-	2,464	8,888	-	-	-
Foreign Debt	186	121	15	17	7	24	2
Total	<u>19,064</u>	<u>1,267</u>	<u>4,836</u>	<u>10,415</u>	<u>665</u>	<u>1,272</u>	<u>609</u>
OPEB Plan							
U.S. Government Obligations	8,360	446	1,742	1,964	378	3,280	550
U.S. Agency Securities	12,200	1,418	2,000	3,461	2,285	1,751	1,285
Municipal Bonds	323	-	-	-	51	272	-
Corporate Debt	18,574	4,145	8,621	2,491	735	1,236	1,346
Bond Mutual Funds	59,517	-	12,918	46,599	-	-	-
Foreign Debt	974	634	86	88	35	123	8
Total	<u>99,948</u>	<u>6,643</u>	<u>25,367</u>	<u>54,603</u>	<u>3,484</u>	<u>6,662</u>	<u>3,189</u>
Pension Plan							
Loan	5,216	5,216	-	-	-	-	-
Bond Mutual Funds	5,541	-	-	5,541	-	-	-
Foreign Debt	6,964	-	2,478	-	-	-	4,486
Total	<u>17,721</u>	<u>5,216</u>	<u>2,478</u>	<u>5,541</u>	<u>-</u>	<u>-</u>	<u>4,486</u>
Total Primary Government	<u>\$ 1,109,264</u>	<u>\$ 400,457</u>	<u>\$ 191,331</u>	<u>\$ 413,690</u>	<u>\$ 25,965</u>	<u>\$ 49,598</u>	<u>\$ 28,223</u>

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

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

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intelligence, to seek reasonable income, preserve capital and in general, avoid speculative investments. As of June 30, 2017, the Pension Trust Funds' and the OPEB Plan's fixed income investments had the following risk characteristics:

Moody's Rating or Comparable	The System - Plan A		The System - Plan B		OPEB Plan		Pension Plan	
	Percent of Total Investments	Fair Value (in thousands)	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	22.7%	\$ 142,143	22.7%	\$ 4,335	22.7%	\$ 22,728	0.0%	\$ -
AA	1.4%	9,003	1.4%	275	1.4%	1,439	0.0%	-
A	6.7%	42,074	6.7%	1,283	6.7%	6,727	0.0%	-
BBB	6.2%	38,861	6.2%	1,185	6.2%	6,214	0.0%	-
BB	0.7%	4,431	0.7%	135	0.7%	709	0.0%	-
B	0.2%	1,177	0.2%	36	0.2%	188	0.0%	-
CCC	0.2%	964	0.2%	29	0.2%	154	0.0%	-
CC	0.2%	1,368	0.2%	42	0.2%	219	0.0%	-
Not Rated	61.7%	385,074	61.7%	11,744	61.7%	61,570	100.0%	17,721
Total	100.0%	\$ 625,095	100.0%	\$ 19,064	100.0%	\$ 99,948	100.0%	\$ 17,721

The Pool's fixed income investments of \$347,436 were invested 100% in AAA rated investments.

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. Managers are allowed to use derivatives to hedge out foreign currency, however, there is no formal policy regarding foreign currency risk. The System's and the OPEB Plan's exposure to foreign currency risk is as follows:

Currency	Fair Value (in thousands)			
	The System		OPEB Plan	Total
	Plan A	Plan B		
Australian Dollar	\$ 7,225	\$ 220	\$ 1,155	\$ 8,600
Brazil Real	686	21	110	817
Canadian Dollar	1,936	59	310	2,305
Danish Krone	4,167	127	666	4,960
Euro Currency Unit	74,371	2,268	11,891	88,530
Hong Kong Dollar	12,808	391	2,048	15,247
Israeli Shekel	792	25	126	943
Japanese Yen	49,800	1,519	7,963	59,282
New Taiwan Dollar	1,530	47	245	1,822
New Zealand Dollar	336	10	54	400
Norwegian Krone	1,366	42	218	1,626
Pound Sterling	21,680	661	3,466	25,807
Singapore Dollar	3,507	107	561	4,175
South African Rand	240	7	38	285
South Korean Won	7,280	222	1,164	8,666
Swedish Krona	4,602	140	736	5,478
Swiss Franc	13,947	425	2,230	16,602
Thailand Baht	267	8	43	318
Turkish Lira	623	19	100	742
	<u>\$ 207,163</u>	<u>\$ 6,318</u>	<u>\$ 33,124</u>	<u>\$ 246,605</u>

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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. The System and the OPEB Plan entered into certain futures contracts of which the notional value at June 30, 2017 was \$16.009 million.

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, 2017, classified by type and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value (expressed in thousands)		Fair Value as of June 30, 2017 (expressed in thousands)	
	Classification	Amount	Amount	Notional Value
Investment Derivatives				
The System - Plan A				
Futures	Investment revenue	\$ -	\$ (8)	\$ 13,448
Options	Investment revenue	61	60	(6,208)
Swaps	Investment revenue	169	196	(6,164)
Mortgage Derivatives	Investment revenue	(177)	776	776
TBA Transactions	Investment revenue	(44)	9,827	9,827
The System - Plan B				
Futures	Investment revenue	\$ -	\$ -	\$ 410
Options	Investment revenue	2	2	(189)
Swaps	Investment revenue	6	6	(188)
Mortgage Derivatives	Investment revenue	(5)	24	24
TBA Transactions	Investment revenue	(1)	300	300
OPEB Plan				
Futures	Investment revenue	\$ -	\$ (1)	\$ 2,151
Options	Investment revenue	10	10	(993)
Swaps	Investment revenue	26	31	(985)
Mortgage Derivatives	Investment revenue	(28)	124	124
TBA Transactions	Investment revenue	(7)	1,571	1,571

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

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

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

Long and short call and put options on notes and bond futures are used to adjust portfolio convexity in exchange for higher yields. Credit default indices and credit default swaps on individual names are used as an efficient, low cost way of adjusting credit exposure on the margin.

Interest rate swaps are used to adjust interest rate exposure and/or as a substitute for the physical security.

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Foreign currency futures, forwards or options are purchased or sold to gain or increase exposure to various currency markets and/or to hedge against foreign currency fluctuations.

Fair Value Measurement - Investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets for identical assets or liabilities.

Level 2 – Investments reflect prices that are observable for the asset or liability, whether directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources, where there is little, if any market activity.

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The following table presents the primary government's recurring fair value measurements as of June 30, 2017

<u>INVESTMENT VALUATION (in Thousands)</u>	<u>Fair Value Measurement Using</u>			
	6/30/2017 Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by Fair Value Level				
Fixed Income:				
U.S. Government Obligations	\$ 131,371	\$ 119,960	\$ 11,411	\$ -
U.S. Securities and Agencies	80,778	889	79,889	-
Municipal bonds	7,622	-	7,622	-
Corporate bonds	138,131	-	130,474	7,657
Foreign bonds	13,914	-	9,198	4,716
Total Debt Securities	<u>371,816</u>	<u>120,849</u>	<u>238,594</u>	<u>12,373</u>
Equity Securities:				
Domestic	382,399	382,399	-	-
International	247,709	247,709	-	-
Total Equity Securities:	<u>630,108</u>	<u>630,108</u>	<u>-</u>	<u>-</u>
Securities Lending Cash Collateral	25,269	-	25,269	-
Total Investments by Fair Value Level	<u>1,027,193</u>	<u>750,957</u>	<u>263,863</u>	<u>12,373</u>
Investments Measured at the Net Asset Value (NAV):				
Commingled Fixed Income Funds	448,642			
Commingled Domestic Equity	504,163			
Commingled International Equity	462,121			
Real Estate Funds	161,398			
Hedge Fund of Funds	831			
Private Equity Funds	137,866			
Global Asset Allocation	462,951			
Total Investments Measured at the NAV	<u>2,177,972</u>			
Investments Derivative Instruments:				
Futures	(9)	(9)	-	-
Options	72	72	-	-
Swaps	233	-	233	-
Mortgage Derivatives	924	-	924	-
TBAs	11,698	-	11,698	-
Total Investments Derivative Instruments	<u>\$ 12,918</u>	<u>\$ 63</u>	<u>\$ 12,855</u>	<u>\$ -</u>
Total Investments by Fair Value Level	<u><u>\$ 3,218,083</u></u>			

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued based on prices quoted in active markets for those securities, such as the New York Stock Exchange or the Nasdaq stock market. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique, which is based on the securities' relationship to benchmark quoted prices. Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates. Securities classified in Level 3 of the fair value hierarchy are valued using unobservable inputs for the asset or liability.

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Investments in Entities That Calculate Net Asset Value Per Share - The fair values of investments in certain equity, fixed income, and marketable alternatives funds are based on the investments' net asset value (NAV) per share (or its equivalent) of the Pool's, the System's and the OPEB Plan's ownership interest in the partners' capital provided by the investee. The fair values of investments in certain private equity funds have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

The following table presents the primary government's unfunded commitments, redemption terms and investments measured at the NAV as of June 30, 2017.

Investments Measured at the NAV (expressed in thousands)	Fair Value	Strategy Type	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Loomis Sayes Strategic Alpha	\$ 96,171	Absolute Return	-	Semi-monthly	15 days
Loomis Sayes Credit Asset	34,501	High Yield Debt	-	Semi-monthly	15 days
Pimco Diversified Income	188,073	Global, High Yield, Emg. Mkt.	-	Daily	1 day
Pimco Total Return Fund	5,541	Core Plus	-	Daily	1 day
Stone Harbor Local Market	124,356	Emerging Market Debt	-	Daily	1 day
(a) Commingled Fixed Income Funds	<u>448,642</u>				
Benchmark	41,336	Portable Alpha	-	Annually	90 days
Blackrock US Equity	462,827	Wilshire 5000 Index	-	Daily	3 days
(b) Commingled Domestic Equity	<u>504,163</u>				
Blackrock ACWI Ex-US	142,087	All Country World Ex US Index	-	Daily	5 days
Mondrian Emerging Markets	284,994	Emerging Market Equity	-	Monthly	15 days
Strategic Global Advisors	35,040	MSCI World ex USA Small Cap	-	Daily	5 days
(c) Commingled International Equity	<u>462,121</u>				
Aslan Realty Partners	156	Opportunistic Real Estate	-	N/A	N/A
JP Morgan	47,569	Value Added Real Estate	-	Monthly	15 days
Clarion Lion	56,917	Core Real Estate	-	Quarterly	90 days
UBS Real Estate	56,756	Core Real Estate	-	Quarterly	60 days
(d) Real Estate Funds	<u>161,398</u>				
EIM Management Alternative	641	Hedge Fund-of-Funds	-	N/A	N/A
Federal Street Offshore	190	Hedge Fund-of-Funds	-	N/A	N/A
(e) Hedge Fund of Funds	<u>831</u>				
(f) Private Equity	<u>137,866</u>	Private Equity	72,238	N/A	N/A
Bridgewater All Weather	155,890	Risk Parity	-	Monthly	5 days
Mellon EB DV Global Alpha 1	138,473	Global Asset Allocation	-	Daily	3 days
Wellington WTC-CIF Opportunistic	168,588	Global Asset Allocation	-	Monthly	30 days
(g) Global Asset Allocation	<u>462,951</u>				
Total Investments Measured at NAV	<u>\$ 2,177,972</u>				

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Investments measured at the NAV above comprise of the following:

- (a) Commingled Fixed Income Funds – This type includes investments in five funds, utilizing a variety of strategies which include Absolute Return, High Yield Debt and Emerging Market Debt. Three of the funds may be redeemed daily and the other two funds may be redeemed semi-monthly. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investments.
- (b) Commingled Domestic Equity Funds – This type includes two funds with investments in U.S. common stocks. The strategy type employed are Portable Alpha and the Wilshire 5000 index. The fund utilizing the Portable Alpha strategy may only be redeemed annually with a redemption notice period of ninety days. The fund utilizing the Wilshire 5000 index strategy may be redeemed daily with a redemption notice period of three days. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investments.
- (c) Commingled International Equity Funds – This type includes two funds. One of the funds utilizes the All Country World Ex-US Index, with a daily redemption frequency and a redemption notice period of five days. The second fund utilizes an Emerging Market Equity strategy with a monthly redemption frequency and a redemption notice period of fifteen days. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investments.
- (d) Real Estate Funds – This type includes four funds that invest primarily in U.S. commercial real estate. The fund utilizing the Opportunistic Real Estate strategy is a closed fund. It is expected the assets will be liquidated over five to ten years. The strategy type for two of these funds is Core Real Estate and the fourth fund employs a Value Added Real Estate strategy. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investments.
- (e) Hedge Fund of Funds – This type includes two funds. These funds are in liquidation. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investments.
- (f) Private Equity Funds – This type includes thirty two funds whose investments are not publicly traded on a stock exchange. These investments cannot be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be generally liquidated over ten years. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital.
- (g) Global Asset Allocation – This type includes three funds. One fund utilizes the Risk Parity strategy and the other two funds employ Global Tactical Asset Allocation (GTAA). GTAA is designed to balance risk by investing in a variety of asset classes through active management. Funds may be invested in global equities, bonds and commodities. One fund allows daily redemptions with a redemption notice period of three days. The other two funds allow only monthly redemptions. The redemption period is five and thirty days, respectively. The fair value of the investments in this type has been determined using the NAV per share (or its equivalent) of the investments.

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 2017 was \$82.1 billion.

The property tax rate for the year ended June 30, 2017 was \$1.10 for real property and \$2.75 for personal property

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per \$100 of assessed valuation. The current tax collections for the year were 99.6% of the tax levied. Property taxes are recorded as receivables in the General Fund at the levy date with appropriate allowances for estimated uncollectible amounts as described in Note 5.

The full year property tax calendar is as follows:

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

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

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

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

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

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

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

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

5. RECEIVABLES (in thousands):

Receivables as of June 30, 2017 for the County's major funds and Internal Service Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities					Total Receivables
	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor and Internal Service	Metropolitan District	
Property taxes	\$ 9,879	\$ -	\$ -	\$ -	\$ -	\$ 9,879
Accounts	43,412	-	-	3,256	1,176	47,844
Intergovernmental	134,446	25,021	2,038	-	6,281	167,786
Assessments	164	-	2,707	158	108,233	111,262
Loans	599	67,738	-	-	-	68,337
Interest	77	-	-	-	-	77
Total receivables	<u>188,577</u>	<u>92,759</u>	<u>4,745</u>	<u>3,414</u>	<u>115,690</u>	<u>405,185</u>
Allowance for uncollectible accounts	<u>(2,721)</u>	<u>(31,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,441)</u>
Net total receivables	<u>\$ 185,856</u>	<u>\$ 61,039</u>	<u>\$ 4,745</u>	<u>\$ 3,414</u>	<u>\$ 115,690</u>	<u>\$ 370,744</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 73</u>	<u>\$ 34,864</u>	<u>\$ 1,990</u>	<u>\$ -</u>	<u>\$ 94,363</u>	<u>\$ 131,290</u>

At June 30, 2017, the County has recorded \$67.738 million of outstanding loans receivable in the Gifts and Grants Fund. Of these receivables, \$56.815 million are for loans made to residents and developers to acquire, rehab, or repair low-income housing units or to provide funds for settlement costs to qualified first-time home buyers under various federally funded financial assistance programs. Approximately \$31.720 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 inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. The various components of deferred inflows and unearned revenue reported in the governmental funds as of June 30, 2017 were as follows:

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	Unavailable	Unearned	Total
Property taxes	\$ 7,573	\$ 691	\$ 8,264
Income taxes	75,937	-	75,937
Interest subsidy	840	-	840
Economic and community development loans	36,614	-	36,614
Special assessments not yet due	2,857	-	2,857
Grant funds received prior to meeting all eligibility requirements	-	3,648	3,648
Total	<u>\$ 123,821</u>	<u>\$ 4,339</u>	<u>\$ 128,160</u>

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

The composition of interfund balances as of June 30, 2017 is as follows:

Receivable fund	Payable fund	Purpose	Amount
General	Consolidated Public Improvement Construction	Deficit cash balance	\$ 43,626
		Total	<u>\$ 43,626</u>

Interfund transfers for the fiscal year ended June 30, 2017 were as follows:

Transferred from	Transferred to			Total
	General	Gifts and Grants	Consolidated Public Improvement Construction	
General	\$ -	\$ 6,673	\$ 155,530	\$ 162,203
Gifts and Grants	372	-	-	372
Consolidated Public Improvement Construction	1,045	3,957	-	5,002
Nonmajor Governmental Funds	-	450	10,785	11,235
Metropolitan District	242	-	-	242
Internal Service Funds	703	-	-	703
Total transfers	<u>\$ 2,362</u>	<u>\$ 11,080</u>	<u>\$ 166,315</u>	<u>\$ 179,757</u>

The transfers from the General Fund to the Consolidated Public Improvement Construction Fund (CPI) are pay-as-you-go funding for capital projects. Net transfers of \$6.301 million between the General Fund and the Gifts and Grants Fund are County matching funds for grant funded programs. A transfer of \$10.785 million from the Stormwater Management Fund to CPI is allocated for capital improvements to reduce stormwater runoff into the Chesapeake Bay. Transfers totaling \$3.957 million from CPI to the Gifts and Grants Fund are contributions for loans and grants. The remaining transfers are various funding contributions for designated grant programs.

As of June 30, 2017, receivable and payable balances remained between the primary government and its discretely presented component units. These balances and transactions are a result of the primary government's ongoing funding of the component units' capital and operating costs. Receivables and payables between the primary government and the component units do not equal due to timing differences.

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7. CAPITAL ASSETS (in thousands):

A summary of the primary government's changes in capital assets for the year ended June 30, 2017 is reported below:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 290,144	\$ 1,109	\$ (292)	\$ 290,961
Construction in progress	548,532	125,530	(63,839)	610,223
Total capital assets not being depreciated	<u>838,676</u>	<u>126,639</u>	<u>(64,131)</u>	<u>901,184</u>
Capital assets being depreciated:				
Buildings and improvements	527,036	34,250	-	561,286
Machinery and equipment	121,279	3,450	(5,232)	119,497
Vehicles	128,225	8,345	(5,277)	131,293
Infrastructure	2,531,117	32,598	(44)	2,563,671
Total capital assets being depreciated	<u>3,307,657</u>	<u>78,643</u>	<u>(10,553)</u>	<u>3,375,747</u>
Less accumulated depreciation for:				
Buildings and improvements	(200,122)	(13,781)	-	(213,903)
Machinery and equipment	(64,693)	(8,571)	5,124	(68,140)
Vehicles	(81,187)	(9,121)	5,106	(85,202)
Infrastructure	(1,339,022)	(51,254)	1	(1,390,275)
Total accumulated depreciation	<u>(1,685,024)</u>	<u>(82,727)</u>	<u>10,231</u>	<u>(1,757,520)</u>
Total capital assets being depreciated, net	<u>1,622,633</u>	<u>(4,084)</u>	<u>(322)</u>	<u>1,618,227</u>
Governmental activities capital assets, net	<u>\$ 2,461,309</u>	<u>\$ 122,555</u>	<u>\$ (64,453)</u>	<u>\$ 2,519,411</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,317	\$ -	\$ -	\$ 1,317
Construction in progress	230,876	64,321	(59,066)	236,131
Total capital assets not being depreciated	<u>232,193</u>	<u>64,321</u>	<u>(59,066)</u>	<u>237,448</u>
Capital assets being depreciated:				
Buildings and improvements	197,436	3,320	-	200,756
Machinery and equipment	1,309	-	-	1,309
Vehicles	11,009	-	(367)	10,642
Infrastructure	1,333,756	73,823	-	1,407,579
Total capital assets being depreciated	<u>1,543,510</u>	<u>77,143</u>	<u>(367)</u>	<u>1,620,286</u>
Less accumulated depreciation for:				
Buildings and improvements	(88,354)	(5,836)	-	(94,190)
Machinery and equipment	(650)	(69)	-	(719)
Vehicles	(6,431)	(899)	367	(6,963)
Infrastructure	(381,426)	(24,262)	-	(405,688)
Total accumulated depreciation	<u>(476,861)</u>	<u>(31,066)</u>	<u>367</u>	<u>(507,560)</u>
Total capital assets being depreciated, net	<u>1,066,649</u>	<u>46,077</u>	<u>-</u>	<u>1,112,726</u>
Business-type activities capital assets, net	<u>\$ 1,298,842</u>	<u>\$ 110,398</u>	<u>\$ (59,066)</u>	<u>\$ 1,350,174</u>

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Depreciation expense was charged to primary government functions as follows:

Governmental activities:	
General government	\$ 12,713
Public safety	6,077
Public works, which includes the depreciation of infrastructure assets	50,952
Health and human services	1,246
Culture and leisure services	8,979
Economic and community development	17
Capital assets held by the County's internal service funds is charged to the various activities based on their usage of the assets.	<u>2,743</u>
Total depreciation expense - governmental activities	<u><u>\$ 82,727</u></u>

Business-type activities:	
Water and sewer services, which include the depreciation of infrastructure assets	<u>\$ 31,066</u>
Total depreciation expense - business-type activities	<u><u>\$ 31,066</u></u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Board of Education of Baltimore County				
Capital assets not being depreciated:				
Land	\$ 30,526	\$ -	\$ -	\$ 30,526
Construction in progress	355,944	185,326	(295,171)	246,099
Total capital assets not being depreciated	<u>386,470</u>	<u>185,326</u>	<u>(295,171)</u>	<u>276,625</u>
Capital assets being depreciated:				
Buildings	1,752,489	288,969	-	2,041,458
Improvements other than buildings	98,512	3,202	-	101,714
Equipment and vehicles	154,597	13,368	(3,874)	164,091
Total capital assets being depreciated	<u>2,005,598</u>	<u>305,539</u>	<u>(3,874)</u>	<u>2,307,263</u>
Less accumulated depreciation	<u>(781,692)</u>	<u>(73,112)</u>	<u>3,703</u>	<u>(851,101)</u>
Total capital assets being depreciated, net	<u>1,223,906</u>	<u>232,427</u>	<u>(171)</u>	<u>1,456,162</u>
Board of Education capital assets, net	<u><u>\$ 1,610,376</u></u>	<u><u>\$ 417,753</u></u>	<u><u>\$(295,342)</u></u>	<u><u>\$ 1,732,787</u></u>

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	Beginning Balance	Increases	Decreases	Ending Balance
The Community College of Baltimore County				
Capital assets not being depreciated:				
Land	\$ 4,798	\$ -	\$ -	\$ 4,798
Construction in progress	3,286	7,544	(3,394)	7,436
Total capital assets not being depreciated	<u>8,084</u>	<u>7,544</u>	<u>(3,394)</u>	<u>12,234</u>
Capital assets being depreciated:				
Buildings and improvements	246,298	3,029	-	249,327
Infrastructure	27,814	366	-	28,180
Equipment and vehicles	25,595	2,167	(11)	27,751
Library materials	5,996	86	(2,961)	3,121
Total capital assets being depreciated	<u>305,703</u>	<u>5,648</u>	<u>(2,972)</u>	<u>308,379</u>
Less accumulated depreciation	<u>(133,243)</u>	<u>(13,172)</u>	<u>2,972</u>	<u>(143,443)</u>
Total capital assets being depreciated, net	<u>172,460</u>	<u>(7,524)</u>	<u>-</u>	<u>164,936</u>
The Community College of Baltimore County capital assets, net	<u>\$ 180,544</u>	<u>\$ 20</u>	<u>\$ (3,394)</u>	<u>\$ 177,170</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Board of Library Trustees for Baltimore County				
Capital assets being depreciated:				
Equipment and vehicles	\$ 8,633	\$ 57	\$ -	\$ 8,690
Circulation materials	16,477	5,089	(5,620)	15,946
Total capital assets being depreciated	<u>25,110</u>	<u>5,146</u>	<u>(5,620)</u>	<u>24,636</u>
Less accumulated depreciation	<u>(15,488)</u>	<u>(5,943)</u>	<u>5,620</u>	<u>(15,811)</u>
Board of Library Trustees for Baltimore County capital assets, net	<u>\$ 9,622</u>	<u>\$ (797)</u>	<u>\$ -</u>	<u>\$ 8,825</u>

8. LONG-TERM OBLIGATIONS:

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

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

The County Charter authorizes the County Council by appropriate resolution to issue bonds, other than

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Metropolitan District bonds, up to a debt limit of 4% of the County's assessable property base, and Metropolitan District bonds up to a debt limit of 3.2% of the District's assessable property base. Information related to these limitations are as follows:

	(in thousands)	
	General Bonds	Metropolitan District
Legal limitation for the borrowing of funds and issuance of bonds	\$ 3,284,073	\$ 2,333,883
General obligation debt outstanding applicable to debt limit	1,821,096	1,332,298

General obligation debt issuances require approval by voter referendum. Approved and unissued general obligation bonded debt totaled \$798,088,347 as of June 30, 2017, comprised of \$418,745,881 for public schools, \$350,402,896 for public facilities and 28,939,570 for the Community College. Appropriated and unissued Metropolitan District bonded debt totaled \$817,729,190 as of June 30, 2017.

General Obligation Bonds

On August 3, 2016, the County settled the issuance of \$150 million Taxable General Obligation Pension Funding Bonds – 2016 Series. The Bonds are being issued to fund the present value of the increased liabilities of the portion of the Employees' Retirement System of Baltimore County (the "System") closed to new membership effective as of July 1, 2007 (Plan A) resulting from the reduction of the valuation rate by the Board of Trustees of the System from 6.75% to 6.375%. The proceeds of the Bonds were used to purchase investments for the benefit of the Plan A and to pay the underwriter's discount and the cost of issuance of the Bonds. The Bonds are due July 1, in each of the years 2017 to 2036, inclusive, and 2046. The interest rates range from 0.600% to 3.303%. The Bonds are subject to redemption as a whole or in part, at any time, in any order of maturities, at the option of the County. The Bonds maturing July 1, 2046 are subject to mandatory sinking fund redemption in each of the years 2037 through 2046 inclusive.

On March 15, 2017, the County sold \$199,100,000 General Obligation Bonds, consisting of \$99,300,000 Metropolitan District Bonds – 78th Issue, for the payment of Baltimore County Metropolitan District Bond Anticipation Notes and \$99,800,000 Consolidated Public Improvement Bonds 2017 Series, for the payment of Baltimore County Consolidated Public Improvement Bond Anticipation Notes. The Metropolitan District Bonds are due March 1, in each of the years 2019 to 2047, inclusive, and bear a true interest cost of 3.40%. The Consolidated Public Improvement Bonds are due March 1, in each of the years 2019 to 2037, inclusive, and bear a true interest cost of 2.96%.

General Obligation Bond Anticipation Notes (BANs)

On March 15, 2017, the County issued \$346 million Fixed Rate (FR) BANs for the purpose of providing funds for capital improvement projects. Of the \$346 million FR BANs, \$121 million were issued as Consolidated Public Improvement (CPI) FR BANs, and \$225 million were issued as Metropolitan District (MD) FR BANs, maturing on March 16, 2018. The true interest cost for the CPI FR BANs and the MD FR BANs was 0.90% and 0.85%, respectively.

Maryland Water Quality Financing Agreement

During fiscal year 2017, the County issued \$51,063,684 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, 2017, the balance outstanding was \$154,703,541.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

General Obligation Bonds Defeasance

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2017, \$206,000,000 of bonds were refunded and are considered defeased.

Single Stream Recycling Loan

The County has a conditional purchase agreement with the Baltimore County Police, Fire and Widows Pension Plan that was used to finance a waste transfer station upgrade and to procure and install a single stream recyclables processing system at the County's Resource Recovery Facility in Cockeysville, Maryland. The principal component of the loan is to be repaid monthly commencing July 1, 2014 through June 30, 2018. The interest component of the loan has been paid monthly at an annual rate of 7.875%. As of June 30, 2017, the balance of outstanding principal was \$5,215,834.

Certificates of Participation

The County entered into a ten-year conditional equipment purchase agreement on September 27, 2016. The equipment consists of the acquisition of (i) heavy equipment and vehicles for use primarily in the County's Public Works department, (ii) fire trucks, medic units, and public safety equipment, and (iii) information technology hardware for various departments including 911 equipment. The conditional purchase agreement was financed through the sale of certificates of participation in the aggregate principal of \$63,715,000. The certificates of participation are due October 1, in each of the years 2017 to 2026, inclusive, and bear a true interest cost of 1.58%.

Other

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

- The Board of Education and the Community College have no authority to issue bonded debt. That authority rests with the County subject to voter approval. The County had \$676.62 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, 2017.
- 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's contributions towards these City owned facilities are funded primarily with bond proceeds. The County estimates 40.7% of its net Metropolitan District general obligation bonds outstanding or \$555.454 million is related to these facilities as of June 30, 2017.

At June 30, 2017, the County has accrued \$17.58 million of estimated closure and postclosure care costs for its one active landfill. State and federal laws require the County to place a final cover on its open landfill when it stops accepting waste in approximately 2052 and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs generally will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these costs as a liability in the Governmental Activities of the Statement of Net Position based on the landfill capacity used as of the end of the fiscal year. The amount included in the landfill closure and postclosure care costs liability at June 30, 2017 represents the

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

cumulative unspent amount reported to date based on the use of 58.0% of the estimated landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$12.72 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, 2016 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, 2017 for bonds issued prior to July 1, 1996 could not be determined, however, the original issue amounts approximate \$418.87 million. The aggregate principal amount payable for bonds issued after July 1, 1996 was 203.28 million at June 30, 2017.

The State of Maryland allows Maryland residents who earn personal income in jurisdictions outside Maryland to take a credit against their Maryland State income taxes for the income taxes paid to other jurisdictions. Maryland has not allowed this credit against Maryland County or Municipal income taxes. A suit was brought against the State, the Wynne Case, asserting that this unequal treatment violated the Federal Commerce Clause. The State lost the case before the Maryland Court of Appeals and the U.S. Supreme Court has upheld that ruling. As a result, the State must allow credits against county income taxes. The impact to the County will be a loss of current revenues, as well as refunds of overpayments for the prior tax years which the state will recoup from income tax revenue distributions to the County over 20 quarters starting in May 2019. The County has recognized an estimated \$49.969 million liability in its government-wide statements and has assigned \$25.427 million of its General Fund fund balance for these refunds.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Long-term liability activity for the year ended June 30, 2017 is as follows (in thousands):

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Primary Government:					
Governmental activities:					
General obligation debt					
Consolidated public improvement bonds	\$ 1,311,740	\$ 99,800	\$ (88,185)	\$ 1,323,355	\$ 94,040
Pension funding bonds	238,928	144,000	(6,187)	376,741	8,059
Bond anticipation notes	99,800	121,000	(99,800)	121,000	121,000
	<u>1,650,468</u>	<u>364,800</u>	<u>(194,172)</u>	<u>1,821,096</u>	<u>223,099</u>
Add remaining original issue premium	113,801	14,932	(20,643)	108,090	-
Less remaining original issue discount	(1,426)	-	113	(1,313)	-
Total general obligation debt	<u>1,762,843</u>	<u>379,732</u>	<u>(214,702)</u>	<u>1,927,873</u>	<u>223,099</u>
Certificates of participation	82,665	59,810	(14,780)	127,695	15,481
Add remaining original issue premium	5,901	11,950	(3,341)	14,510	-
Total certificates of participation	<u>88,566</u>	<u>71,760</u>	<u>(18,121)</u>	<u>142,205</u>	<u>15,481</u>
Other long-term liabilities					
Loan payable	10,038	1,091	(5,913)	5,216	841
Compensated absences	65,734	59,130	(56,608)	68,256	66,277
Claims payable	58,297	284,381	(276,824)	65,854	36,506
Other post employment benefits	182,217	61,801	(16,000)	228,018	-
Net pension liability	1,299,079	286,816 *	-	1,585,895	-
Disputed taxes	48,093	1,876	-	49,969	-
Estimated landfill closing costs	16,793	784	-	17,577	-
Total other long-term liabilities	<u>1,680,251</u>	<u>695,879</u>	<u>(355,345)</u>	<u>2,020,785</u>	<u>103,624</u>
Total governmental activities long-term liabilities	<u>\$ 3,531,660</u>	<u>\$ 1,147,371</u>	<u>\$ (588,168)</u>	<u>\$ 4,090,863</u>	<u>\$ 342,204</u>
Business-type activities:					
General obligation debt					
Metropolitan District bonds	\$ 993,411	\$ 150,364	\$ (52,176)	\$ 1,091,599	\$ 52,383
Pension funding bonds	9,957	6,000	(258)	15,699	336
Bond anticipation notes	99,300	225,000	(99,300)	225,000	225,000
	<u>1,102,668</u>	<u>381,364</u>	<u>(151,734)</u>	<u>1,332,298</u>	<u>277,719</u>
Add remaining original issue premium	61,482	14,945	(8,837)	67,590	-
Total general obligation debt	<u>1,164,150</u>	<u>396,309</u>	<u>(160,571)</u>	<u>1,399,888</u>	<u>277,719</u>
Certificates of participation	3,575	3,905	(625)	6,855	669
Add remaining original issue premium	300	780	(192)	888	-
Total certificates of participation	<u>3,875</u>	<u>4,685</u>	<u>(817)</u>	<u>7,743</u>	<u>669</u>
Compensated absences	1,746	1,128	(1,048)	1,826	1,749
Net pension liability	36,236	12,798 *	-	49,034	-
Total business-type activities long-term liabilities	<u>\$ 1,206,007</u>	<u>\$ 414,920</u>	<u>\$ (162,436)</u>	<u>\$ 1,458,491</u>	<u>\$ 280,137</u>

* Net increase is shown

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Component Units:					
Board of Education:					
Compensated absences	\$ 24,184	\$ 14,746	\$ (15,091)	\$ 23,839	\$ 14,745
Capital leases	42,650	5,052	(9,026)	38,676	8,269
Claims payable	12,797	8,137	(7,407)	13,527	6,400
Net OPEB obligation	20,074	64,699	(44,068)	40,705	-
Net pension liability	126,832	-	(2,492)	124,340	-
Total Board of Education	<u>226,537</u>	<u>92,634</u>	<u>(78,084)</u>	<u>241,087</u>	<u>29,414</u>
Community College:					
Compensated absences	6,753	16	-	6,769	4,189
Capital leases	-	1,256	(306)	950	311
Net OPEB obligation	2,628	829	-	3,457	-
Net pension liability	6,803	-	(1,235)	5,568	-
Total Community College	<u>16,184</u>	<u>2,101</u>	<u>(1,541)</u>	<u>16,744</u>	<u>4,500</u>
Board of Library Trustees:					
Compensated absences	1,062	34	-	1,096	1,096
Net OPEB obligation	2,003	246	-	2,249	-
Net pension liability	2,478	-	(305)	2,173	-
Total Board of Library Trustees	<u>5,543</u>	<u>280</u>	<u>(305)</u>	<u>5,518</u>	<u>1,096</u>
Total component unit long-term liabilities	<u>\$ 248,264</u>	<u>\$ 95,015</u>	<u>\$ (79,930)</u>	<u>\$ 263,349</u>	<u>\$ 35,010</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

General long-term debt currently outstanding as of June 30, 2017 is as follows:

Governmental Activities:
(in thousands)

General Obligation Debt:

Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2017	Unamortized Premium/ (Discount)	Carrying Value 6/30/2017
01/03/08	2009-2028	4.000 - 5.000	140,000	7,000	50	7,050
02/24/09	2009-2018	2.000 - 5.000	26,880 *	10,355	196	10,551
11/05/09	2010-2025	6.150 - 6.150	19,400	19,400	(1,313)	18,087
11/10/09	2010-2029	0.650 - 5.650	155,570	104,600	215	104,815
08/10/10	2011-2022	2.500 - 4.000	13,565 *	13,535	602	14,137
11/09/10	2012-2017	5.000 - 5.000	70,050	14,000	151	14,151
11/09/10	2012-2029	3.110 - 4.900	19,950	19,950	-	19,950
11/09/10	2018-2030	4.970 - 4.970	177,000	177,000	-	177,000
11/30/11	2013-2032	3.000 - 5.000	170,000	135,000	10,923	145,923
12/12/12	2013-2024	2.000 - 5.000	94,080 *	61,160	4,711	65,871
12/12/12	2013-2032	3.000 - 5.000	193,000	169,000	16,485	185,485
12/13/12	2013-2042	0.416 - 3.739	246,077 **	232,741	-	232,741
02/20/14	2016-2034	3.000 - 5.000	140,000	131,000	7,617	138,617
06/26/14	2015-2020	4.000 - 5.000	39,530 *	23,455	1,194	24,649
07/15/14	2015-2025	3.000 - 4.500	48,235 *	48,225	3,808	52,033
12/23/14	2015-2038	2.000 - 5.000	116,000	108,750	16,407	125,157
06/30/15	2016-2027	2.000 - 5.000	69,130 *	69,125	9,859	78,984
03/08/16	2018-2036	5.000 - 5.000	112,000	112,000	21,426	133,426
08/03/16	2017-2036	0.600 - 3.303	144,000 **	144,000	-	144,000
03/15/17	2019-2037	4.000 - 4.000	99,800	99,800	11,854	111,654
			<u>2,094,267</u>	<u>1,700,096</u>	<u>104,185</u>	<u>1,804,281</u>

Bond Anticipation Notes

03/15/17	2017-2018	3.000 - 3.000	121,000	121,000	2,592	123,592
			<u>121,000</u>	<u>121,000</u>	<u>2,592</u>	<u>123,592</u>

Total General Obligation Debt

\$ 2,215,267 \$ 1,821,096 \$ 106,777 \$ 1,927,873

Certificates of Participation

08/12/08	2009-2018	3.250 - 5.000	\$ 34,700	\$ 9,000	\$ 54	\$ 9,054
06/19/12	2013-2022	3.000 - 5.000	78,430	52,000	3,822	55,822
02/06/13	2013-2021	1.500 - 3.000	11,830 *	6,885	237	7,122
09/27/16	2017-2026	5.000 - 5.000	59,810	59,810	10,397	70,207
	Total Certificates of Participation		<u>\$ 184,770</u>	<u>\$ 127,695</u>	<u>\$ 14,510</u>	<u>\$ 142,205</u>

Loan Payable

08/15/13	2014-2021	7.875 - 7.875	\$ 18,617	\$ 5,216	\$ -	\$ 5,216
	Total Loan Payable		<u>\$ 18,617</u>	<u>\$ 5,216</u>	<u>\$ -</u>	<u>\$ 5,216</u>

* Refunding issue

** Taxable Issue

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Business-type Activities:
(in thousands)

General Obligation Debt:
Bonds

Dated	Original Maturity Range	Interest Rate Range	Issue Amount	Balance 6/30/2017	Unamortized Premium	Carrying Value 6/30/2017
03/22/00	2001-2020	2.600 - 2.600	14,417	2,767	-	2,767
06/22/01	2003-2022	2.300 - 2.300	14,105	4,321	-	4,321
06/26/02	2004-2023	2.000 - 2.000	7,006	2,074	-	2,074
03/11/03	2004-2023	1.100 - 1.100	8,638	2,732	-	2,732
07/16/04	2005-2025	1.200 - 1.200	8,501	1,738	-	1,738
09/12/05	2006-2024	1.000 - 1.000	21,146	7,999	-	7,999
07/31/07	2008-2027	1.000 - 1.000	16,794	9,126	-	9,126
01/03/08	2009-2038	4.250 - 5.000	200,000	7,000	50	7,050
02/24/09	2009-2018	3.000 - 5.000	24,515 *	3,335	49	3,384
11/10/09	2010-2039	0.650 - 5.600	106,600	81,400	157	81,557
12/18/09	2011-2032	1.000 - 1.000	15,625	12,258	-	12,258
08/10/10	2011-2030	2.000 - 4.500	61,720 *	60,720	2,297	63,017
11/09/10	2012-2018	2.000 - 5.000	30,100	8,600	142	8,742
11/09/10	2019-2040	2.000 - 5.050	93,900	93,900	-	93,900
11/30/11	2013-2042	3.000 - 5.000	85,000	70,500	3,448	73,948
05/31/12	2014-2032	1.800 - 1.800	43,161	36,377	-	36,377
12/12/12	2013-2032	2.250 - 5.000	18,005 *	8,245	53	8,298
12/12/12	2013-2042	2.000 - 5.000	60,000	52,000	1,539	53,539
12/13/12	2015-2042	0.416 - 3.739	10,213 **	9,699	-	9,699
09/10/13	2013-2034	2.200 - 2.200	9,052	7,604	-	7,604
02/20/14	2016-2034	3.000 - 5.000	60,000	55,800	1,988	57,788
02/20/14	2015-2020	4.000 - 5.000	30,325 *	27,135	1,264	28,399
06/26/14	2015-2020	4.000 - 5.000	20,790 *	11,885	487	12,372
07/15/14	2015-2025	3.000 - 4.500	26,370 *	26,360	1,735	28,095
12/23/14	2015-2038	2.000 - 5.000	84,000	78,400	12,568	90,968
06/30/15	2016-2017	2.000 - 5.000	101,765 *	101,760	10,084	111,844
09/25/15	2016-2035	1.600 - 1.600	64,113	60,212	-	60,212
03/08/16	2017-2038	2.000 - 4.000	65,705 *	65,555	1,330	66,885
03/08/16	2017-2046	5.000 - 5.000	88,000	85,000	15,798	100,798
07/29/16	2017-2046	1.300 - 1.300	8,495	7,496	-	7,496
08/03/16	2017-2036	0.600 - 3.303	6,000 **	6,000	-	6,000
03/15/17	2019-2047	4.000 - 5.000	99,300	99,300	9,691	108,991
			<u>1,503,361</u>	<u>1,107,298</u>	<u>62,680</u>	<u>1,169,978</u>
Bond Anticipation Notes						
03/15/17	2017-2018	0.020 - 0.480	225,000	225,000	4,910	229,910
			<u>225,000</u>	<u>225,000</u>	<u>4,910</u>	<u>229,910</u>
Total General Obligation Debt			<u>\$ 1,728,361</u>	<u>\$ 1,332,298</u>	<u>\$ 67,590</u>	<u>\$ 1,399,888</u>

Certificates of Participation

08/12/08	2009-2018	3.250 - 5.000	\$ 2,000	\$ 400	\$ 2	\$ 402
06/19/12	2013-2022	3.000 - 5.000	4,250	2,550	207	2,757
09/27/16	2017-2026	5.000 - 5.000	3,905	3,905	679	4,584
Total Certificates of Participation			<u>\$ 10,155</u>	<u>\$ 6,855</u>	<u>\$ 888</u>	<u>\$ 7,743</u>

* Refunding issue

** Taxable issue

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

The following is a schedule of the primary government's debt service payments for certain long-term debt as of June 30, 2017:

Fiscal Year Ended June 30	Governmental Activities					
	General Obligation Debt		COPs & Other Long-term Debt		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 223,099	\$ 61,862	\$ 16,322	\$ 729	\$ 239,421	\$ 62,591
2019	108,537	60,219	21,411	2,178	129,948	62,397
2020	105,761	58,199	16,941	2,761	122,702	60,960
2021	104,086	55,450	21,356	3,225	125,442	58,675
2022	103,923	50,888	16,026	2,429	119,949	53,317
2023-2027	493,952	189,692	40,855	4,307	534,807	193,999
2028-2032	375,778	97,478	-	-	375,778	97,478
2033-2037	169,477	30,844	-	-	169,477	30,844
2038-2042	88,996	16,370	-	-	88,996	16,370
2043-2047	47,487	1,271	-	-	47,487	1,271
Total	<u>\$ 1,821,096</u>	<u>\$ 622,273</u>	<u>\$ 132,911</u>	<u>\$ 15,629</u>	<u>\$ 1,954,007</u>	<u>\$ 637,902</u>

Fiscal Year Ended June 30	Business-type Activities					
	General Obligation Debt		COPs		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 277,719	\$ 31,827	\$ 669	\$ 15	\$ 278,388	\$ 31,842
2019	56,602	34,941	1,054	101	57,656	35,042
2020	54,834	39,570	854	151	55,688	39,721
2021	54,305	37,836	854	192	55,159	38,028
2022	54,273	35,783	854	150	55,127	35,933
2023-2027	257,750	148,334	2,570	279	260,320	148,613
2028-2032	240,129	99,877	-	-	240,129	99,877
2033-2037	175,459	56,758	-	-	175,459	56,758
2038-2042	116,249	23,089	-	-	116,249	23,089
2043-2047	44,978	4,605	-	-	44,978	4,605
Total	<u>\$ 1,332,298</u>	<u>\$ 512,620</u>	<u>\$ 6,855</u>	<u>\$ 888</u>	<u>\$ 1,339,153</u>	<u>\$ 513,508</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 (in thousands):

Year ending June 30	Primary Government	Component Units
2018	\$ 579	\$ 38,924
2019	487	31,401
2020	393	18,343
2021	229	2,741
2022	85	1,741
2023-2027	345	8,781
2028-2032	266	284
2033-2037	266	-
2038-2042	216	-
	<u>\$ 2,866</u>	<u>\$ 102,215</u>

The total rental expenditures for the year ended June 30, 2017, for all leases except those with terms of a month or less that were not renewed were approximately \$6.3 million for the primary government and \$42.6 million for the component units.

Contracts and Commitments

Contract commitments in the Consolidated Public Improvement Construction Fund, the Metropolitan District Enterprise Fund, and the Gifts and Grants Fund amounted to approximately \$65.8 million, \$201.2 million, and \$15.5 million, respectively, at June 30, 2017. Such amounts will be funded by future bond proceeds, approved federal and state grants, and future assessments.

10. LITIGATION:

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

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

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11. CONTINGENCIES:

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

The County is contingently liable for loans guaranteed in the Gifts & Grants Fund that aggregate approximately \$0.849 million as of June 30, 2017. A restriction of fund balance has been made for this amount.

12. RISK MANAGEMENT:

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

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

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

Changes in the balances of claim liabilities during fiscal years 2016 and 2017 were as follows (in thousands):

Fiscal Year	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2016	54,927	290,845	(287,475)	58,297
2017	58,297	284,381	(276,824)	65,854

13. BENEFIT PLANS (in thousands):

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

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Revenue Authority. The System is not an employer. The System provides retirement and disability benefits, cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and maintain the System is specified in Section 5-1-101 of the Baltimore County Code (the "Code").

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

The System issues a separately prepared Comprehensive Annual Financial Report that includes financial statements, note disclosures and required supplementary information. The report may be obtained by writing to the Office of Budget and Finance, Mezzanine, Historic Court House, 400 Washington Avenue, Towson, Maryland 21204, or online at <http://www.baltimorecountymd.gov>.

Funding Policy: Per Section 5-1-203 of the County Code, contribution requirements of the plan members and the participating employers are established and may be amended by the Board. System members contribute a percentage of their salary to the System. The contribution rates for members are based on employee classification.

Participating employers are required to make contributions on an actuarially determined basis. Level percentages of payroll employer contribution rates are determined using the projected unit credit actuarial funding method. The employer contributions to the System for the fiscal years ended June 30, 2017, 2016 and 2015, were \$118,156, \$105,742, \$108,191, respectively, which were equal to or greater than the required contributions for each year. The primary government's contributions for the three aforementioned fiscal years were \$108,549, \$96,042, and \$98,315, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability: At June 30, 2017 the County reported a liability of \$1,610,549 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all the participating agencies, actuarially determined. At June 30, 2016 the County's proportion was 92.23 percent, which is an increase of 1.78 percent from its proportion as of June 30, 2015.

There have been no changes in the benefit terms that would affect the measurement of the total pension liability since the last measurement date.

Pension Expense: For the year ended June 30, 2017 the County recognized pension expense of \$210,929. At June 30, 2017 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ 37,170	\$ 46,348
Changes in assumptions	84,501	-
Net difference between projected and actual earnings on pension plan investments	161,254	-
Changes in proportion and differences between County contributions and proportionate share of contributions	19,112	12,405
County contributions subsequent to the measurement date	108,549	-
Total	\$ 410,586	\$ 58,753

Deferred outflows of \$108,549 are reported as resources related to pensions resulting from County contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 68,254
2019	68,255
2020	78,858
2021	33,970
2022	(937)
Thereafter	(5,116)

Actuarial Assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	Rates vary by participant service
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation
Actuarial cost method	Entry Age Normal
Asset valuation method	Ten-year moving market

Mortality rates were based on RP-200 Combined Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2006 through June 30, 2011. As a result of this experience study the following actuarial assumptions and method changes were made:

- Salary increase assumptions were updated to reflect recent experience and long-term anticipated inflation.

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- The mortality tables for health and disabled pensioners were updated to reflect future expected increases in life expectancy.
- The rates of withdrawal from active service due to termination of employment, death and accidental death, ordinary disability, and accidental disability were updated to reflect recent plan experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the table below:

Schedule of Long-term expected rate of return.

Asset Class	Long-Term Expected Rate of Return	Target asset Allocation
Cash	(0.25)%	0.00%
Large Cap Equities	4.25%	19.00%
Small/Mid Cap Equities	4.50%	8.00%
International Equities (Unhedged)	4.75%	13.00%
Emerging International Equities	6.25%	9.00%
Core Bonds	0.64%	9.00%
High-Yield Bonds	2.50%	1.00%
EMD (Local Currency)	3.25%	4.00%
Diversified Fixed Income	2.09%	10.00%
Private Equity	6.25%	7.00%
Real Estate (Core)	3.25%	5.00%
Hedge Funds	3.25%	0.00%
Global Asset Allocation	3.88%	10.00%
Risk Parity	3.60%	5.00%
Commodities	2.25%	0.00%

Discount Rate: The discount rate used to measure the total pension liability was the funding valuation interest rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate: The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

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	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
County's proportionate share of the net pension liability	\$ 2,074,279	\$ 1,610,549	\$ 1,237,123

Pension Plan Fiduciary Net Position: Detail information about the System's fiduciary net position is available in its separately issued financial report.

Police, Fire and Widows' Pension Plan

Plan Description: The County administers the Police, Fire, and Widow's Pension Plan (Pension Plan) which is a single-employer defined benefit pension plan that provides pensions for policemen and firemen hired prior to October 1, 1959 and for their widows. The Pension Plan has been closed and frozen. The Pension Plan valuation was based on the plan provisions as described in the Baltimore County Code for Pensions and Retirements, Article III for Fire and Police Departments, Section 23-141 through Section 23-204. The pension allowance for retired firefighters and police officers is one-half of the salary of a current employee with the same rank the pensioner held at the time of his retirement. The pension allowance to a widow of a deceased pensioner is one-fourth of the base salary of an active member of the County Police and Fire departments.

Funding Policy: The County intends to fund the Pension Plan on a pay-as-you-go basis if Pension Plan assets are depleted. Management of the Pension Plan is vested in an eight-member Board of Trustees, comprised of ex-officio and elected representatives. The general administration of the Pension Plan is vested in the Director of Budget and Finance.

At June 30, 2016, pension plan membership consisted of 211 inactive plan members or beneficiaries currently receiving benefits with no other inactive members or beneficiaries entitled to receive benefits.

Investments: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability: At June 30, 2017, the County reported a liability of \$24,380 for the Pension Plan. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the net pension liability of the County at June 30, 2017, were as follows:

Total pension liability	\$ 56,229
Plan fiduciary net position	(31,849)
County's net pension liability	\$ 24,380

Plan fiduciary net position as a percentage of the total pension liability	56.64%
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BALTIMORE COUNTY, MARYLAND
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Actuarial Assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Not applicable
Investment rate of return	3.3% blended rate
Health Mortality	RP-2000 projected by Scale AA.
Cost of living adjustments	3.0%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the table below.

Schedule of Long-term expected rate of return

Asset Class	Long-Term Expected Rate of Return	Target Asset Allocation
Domestic equity	4.25%	19%
International equity	4.75%	10%
Fixed Income	0.64%	9%
Cash	(0.25%)	0%

Discount Rate: The discount rate used to measure the total pension liability was 3.30%. The projection of cash flows used to determine the discount rate assumed that County contributions will continue to follow the current funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the year 2021. A municipal bond rate of 2.85% was used in the development of the blended GASB discount rate after that point. The 2.85% rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2016. Based on the long-term rate of return of 5.00% and the municipal bond rate of 2.85%, the blended GASB discount rate would be 3.30%. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/16	\$ 59,208	\$ 39,028	\$ 20,180
Changes for the year:			
Interest	2,255	-	2,255
Differences between expected and actual experience	620	-	620
Changes of assumptions	2,356	-	2,356
Net investment income	-	1,017	(1,017)
Benefit payments, including refunds of member contributions	(8,210)	(8,210)	-
Other	-	14	(14)
Net Changes	<u>(2,979)</u>	<u>(7,179)</u>	<u>4,200</u>
Balances at 6/30/17	<u>\$ 56,229</u>	<u>\$ 31,849</u>	<u>\$ 24,380</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 3.30%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.30%) or 1-percentage-point higher (4.30%) than the current rate:

	1.00% Decrease (2.30%)	Current Discount Rate (3.30%)	1.00% Increase (4.30%)
County's net pension liability	\$ 27,645	\$ 24,380	\$ 21,436

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense: For the year ended June 30, 2017, the County recognized pension expense of \$3,222. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,132
Total	<u>\$ -</u>	<u>\$ 1,132</u>

Deferred outflows and deferred inflows of resources resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense as follows:

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Year ended June 30:		
2018	\$	(565)
2019		(565)
2020		(85)
2021		83

The condensed financial statements as of and for the year ended June 30, 2017 are as follows:

Statement of Fiduciary Net Position
Police, Fire, and Widows' Pension Plan
As of June 30, 2017

Assets		
Cash and cash equivalents	\$	5
Investment securities		27,839
Interest and dividends receivable		9
Total assets		<u>27,853</u>
Liabilities		
Accounts payable		4
Total liabilities		<u>4</u>
Net position restricted for pensions	\$	<u>27,849</u>

Statement of Changes in Fiduciary Net Position
Police, Fire and Widows' Pension Plan
For the year ended June 30, 2017

Additions		
Contributions:		
Other	\$	13
Total contributions		<u>13</u>
Investment earnings:		
Net decrease in the fair value of plan assets		(2,365)
Interest and dividends		5,736
Investment expenses		(31)
Net investment gain		<u>3,340</u>
Total additions		<u>3,353</u>
Deductions		
Benefits		7,353
Total deductions		<u>7,353</u>
Net decrease in net position		(4,000)
Net position restricted for pensions		
Beginning of the year		31,849
End of the year	\$	<u>27,849</u>

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 and related net pension liability of these plans are not significant.

Substantially all employees of the component units who do not participate in the System participate in the State of Maryland Teachers' Retirement and Pension Systems. Employer contributions to these systems for the years ended June 30, 2017, 2016, 2015, of approximately \$98,351, \$93,240 and \$95,460, respectively, were made directly by the State of Maryland on behalf of the component units according to State statute. The contributions have been recognized as a revenue and an expense in the component unit statement of activities. Additionally, some professional employees of the Community College participate in an optional private retirement system.

14. OTHER POST EMPLOYMENT BENEFIT PLAN:

Plan Description and Contribution Information

Plan Description: The County's Other Post Employment Benefit Plan (OPEB Plan) is an agent multiple-employer defined benefit postemployment healthcare plan that covers retired employees of the primary government, the Baltimore County Board of Education, the Community College of Baltimore County, the Board of Library Trustees for Baltimore County and the Baltimore County Revenue Authority. The OPEB Plan was established and is maintained by the County as a trust fund as specified in Article 10, Title 14 of the County Code. The trust fund is included in these financial statements as an Other Post-Employment Benefits Trust Fund. Separate financial statements are not issued for the OPEB Plan. The OPEB Plan provides healthcare and life insurance benefits to eligible retirees and their beneficiaries who receive retirement benefits either from the Employees' Retirement System of Baltimore County under Article 5, Title 1 of the County Code or the State Retirement and Pension System of Maryland. Retiree benefits are in accordance with bargaining unit agreements negotiated between each employer's governing body/board and each employee's representative labor organization. At June 30, 2017, the date of the latest available valuation, the OPEB Plan covered a projected 32,999 members; 19,440 active plan members and 13,559 retirees receiving benefits. County employees covered at June 30, 2017 included a projected 11,285 members; 6,180 active plan members, 4,186 inactive plan members receiving benefits and 919 inactive plan members entitled to but not receiving benefits. The OPEB Plan does not have any required contributions from active employees.

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 Prescription Drug Plan reimbursements on Medicare eligible retirees. Each employer is required to contribute its annual OPEB cost (AOC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Article 10, Title 14 of the County Code gives the Director of Budget and Finance the authority to determine the annual contribution to the trust fund based on the results of the actuarial valuation of the AOC. The AOC was calculated based on the ARC and the net OPEB liability. The following table shows the components of the AOC for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation (in thousands):

BALTIMORE COUNTY, MARYLAND
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	All Employers	The County
Annual required contribution (ARC)	\$ 134,061	\$ 61,938
Interest on net OPEB liability	13,149	11,616
Adjustment to ARC	(13,303)	(11,753)
Annual OPEB cost (expense)	133,907	61,801
Contributions made	(65,729)	(16,000)
Increase (decrease) in net OPEB liability	68,178	45,801
Net OPEB obligation beginning of year	206,251	182,217
Net OPEB obligation end of year	<u>\$ 274,429</u>	<u>\$ 228,018</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year 2016 and the two preceding fiscal years were as follows (dollars in thousands):

Fiscal Year Ended June 30	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	105,067	110.78	185,854
2016	107,367	81.00	206,251
2017	133,907	49.09	274,429

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)
2017	\$ 395,955	\$ 1,832,728	\$ 1,436,773	21.60	\$1,332,066	107.86

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

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

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The June 30, 2017 actuarial valuation used the projected unit credit method under which the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to all valuation years. The method used to determine the actuarial value of assets was fair value. The actuarial assumptions applied were future salary increases of 3% per year and the interest was assumed to have a discount rate of 6.375%. 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, 2017 was twenty one years. The initial medical trend assumption is 5.3% decreasing gradually to an ultimate rate of 3.9% after 2080. The medical trend assumption was developed using the Society of Actuaries Long-Run Medical Cost Trend Model baseline assumptions. The following assumptions were used as input variables into this model:

Rate of inflation	2.2%
Rate of growth in real income/GDP per Capita	1.6%
Extra trend due to technology and other factors	1.4%
Health share of GDP resistance point	25.0%
Year for limiting cost growth to GDP growth	2075

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

The condensed financial statements as of and for the year ended June 30, 2017 are as follows (in thousands):

Statement of Fiduciary Net Position
OPEB Plan
As of June 30, 2017

Assets	
Cash and cash equivalents	\$ 6,947
Investments, at fair value	415,506
Collateral for loaned securities (net of unrealized loss)	3,394
Receivables:	
Accrued interest & dividend income	554
Receivable for investments sold	2,186
Receivables other	1,680
Total assets	430,267
Liabilities	
Payable for collateral for loaned securities	3,394
Investments purchased	3,929
Other	887
Total liabilities	8,210
Net position	
Net position restricted for benefits	\$ 422,057

Statement of Changes in Fiduciary Net Position
OPEB Plan
For the year ended June 30, 2017

Additions	
Contributions:	
Employer	\$ 65,729
Employee	36,409
On-behalf	15,108
Total contributions	117,246
Investment earnings:	
Net decrease in the fair value of plan assets	48,065
Interest and dividends	8,010
Securities lending net income	33
Investment expenses	(2,700)
Net investment gain	53,408
Total additions	170,654
Deductions	
Benefits	144,496
Administrative expenses	-
Total deductions	144,496
Change in net position	26,158
Net position at beginning of the year	395,899
Net position at end of the year	\$ 422,057

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Investments: Per Section 10-14-106 of the County Code, Other Post-Employment Benefits Trust Fund money

Pursuant to Section 5-1-247 of the Baltimore County Code, the Board of Trustees utilizes the “prudent person” standard for managing the assets of the System. The Board has established the following policies:

- 1) Assure that the System’s investment policy has been designed to provide broad diversification among asset classes in order to maximize return at an appropriate level of risk and minimize the risk of large losses to the System.
- 2) Employ a diversity of investment managers with different investment styles on how to obtain their investment objective.
- 3) Closely monitor the performance of all investment managers not only in relation to specific objectives, but also in relation to other fund managers following the same investment objectives.

The System is currently invested in stocks (domestic and foreign), fixed income securities, private equity funds, real estate funds, and global asset allocation funds. During FY 2016, the Board phased out the allocations to hedge fund-of-funds and eliminated the allocation of real assets. The Code provides for full power to hold, purchase, sell, assign, transfer and dispose of any of the securities and investments in any of the System’s funds. For the year ended June 30, 2017, the System has operated in all material respects in accordance with the System’s investment policy.

The System’s investment policy as of June 30, 2017, is shown below for the broad investment categories:

<i>Asset Class</i>	<i>Allocation Target</i>	<i>Allocation Range</i>
U. S. Equities	27%	22 - 32%
International Equities	22%	17 - 27%
Private Equities	7%	0 - 9%
Fixed Income	24%	19 - 29%
Real Estate	5%	0 - 7%
Global Asset Allocation	15%	10 - 20%
Cash and Cash equivalents	<u>0%</u>	0 - 5%
Total	<u>100%</u>	

For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB investment expense, was 13.6%.The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability (including component units): At June 30, 2017, the County has a net OPEB liability of \$1,637,692. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

The components of the net OPEB liability at June 30, 2017, were as follows:

Total OPEB liability	\$ 2,059,749
Fiduciary net position	(422,057)
County's net OPEB liability	<u>\$ 1,637,692</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 20.49%

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Not applicable
Investment rate of return	3.3% blended rate
Health Mortality	RP-2000 projected by Scale AA.
Cost of living adjustments	3.0%

The long-term expected rate of return on OPEB investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the table below.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Asset Class	FY 2017	
	Long-Term Expected Rate of Return	Target Asset Allocation
Cash	0.25%	0.00%
Large Cap Equities	4.75	19.00
Small/Mid Cap Equities	5.00	8.00
International Equities (Unhedged)	5.00	13.00
Emerging International Equities	6.75	9.00
Core Bonds	1.25	8.00
Bank Loans	3.25	3.00
High-Yield Bonds	-	-
EMD (Local Currency)	3.75	4.00
Diversified Fixed Income	2.65	9.00
Private Equity	6.75	7.00
Real Estate (Core)	3.75	5.00
Hedge Funds	-	-
Global Asset Allocation	4.35	10.00
Risk Parity	3.43	5.00
Commodities	-	-

Discount Rate: The discount rate used to measure the total OPEB liability was the funding valuation interest rate of 6.375% as of June 30, 2017. The projection of cash flow used to determine the discount rate assumed that employer contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability, in accordance with the method prescribed by GASB Statement No. 74. In the event of benefit payments not covered by the System's fiduciary net position, a municipal bond rate of 3.13% for FY17, would be used to discount the benefit payments not covered by the System's fiduciary net position. The 3.13% rate equals the S&P Municipal Bond 20-Year High Grade Rate index at June 30, 2017 and 2016, respectively.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability, calculated using the discount rate of 6.375%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.375%) or 1-percentage-point higher (7.375%) than the current rate:

	1.00% Decrease (5.375%)	Current Discount Rate (6.375%)	1.00% Increase (7.375%)
Net OPEB Liability	\$ 1,924,634	\$ 1,637,692	\$ 1,400,492

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability, calculated using the healthcare trend rate of 5.30% and a trend rate that is 1-percentage-point lower (4.30%) and 1-percentage-point higher (6.30%) than the current rate:

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

	1.00% Decrease (4.30%)	Healthcare Cost Trend Rate (5.30%)	1.00% Increase (6.30%)
Net OPEB Liability	\$ 1,402,322	\$ 1,637,692	\$ 1,929,429

15. INDIVIDUAL FUND DISCLOSURES:

Details of Fund Balances

The details of the Governmental Funds balances at June 30, 2017 are shown as follows (in thousands):

	General	Gifts and Grants	Consolidated Public Improvement Construction	Nonmajor Governmental Fund	Total Governmental Funds
Fund balances					
Nonspendable:					
Inventories	\$ 9,251	\$ -	\$ -	\$ -	\$ 9,251
Total Nonspendable	9,251	-	-	-	9,251
Restricted for:					
Equipment financing	59,416	-	-	-	59,416
Bond escrow	1,646	-	-	-	1,646
Loans, guarantees and grants	-	28,520	-	-	28,520
In lieu of fee arrangements	-	-	19,756	-	19,756
Total Restricted	61,062	28,520	19,756	-	109,338
Assigned to:					
Encumbrances for:					
Contractual services	3,793	-	-	-	3,793
Supplies & materials	650	-	-	-	650
Equipment & other	1,780	-	-	-	1,780
Imprest funds	75	-	-	-	75
Loans & grants	-	10,840	-	-	10,840
Subsequent year's expenditures	3,304	-	-	-	3,304
Retirement of long-term debt	18,955	-	-	-	18,955
Disputed taxes	25,427	-	-	-	25,427
Stormwater remediation	-	-	-	4,651	4,651
Liquor license regulation	-	-	-	153	153
Total Assigned	53,984	10,840	-	4,804	69,628
Unassigned:					
Revenue stabilization	99,360	-	-	-	99,360
Other	106,031	-	(134,959)	-	(28,928)
Total Unassigned	205,391	-	(134,959)	-	70,432
Total fund balances(deficit)	\$ 329,688	\$ 39,360	\$ (115,203)	\$ 4,804	\$ 258,649

Deficit Fund Balance

At June 30, 2017, the Consolidated Public Improvement Construction Fund had an unassigned fund deficit of \$134.959 million. This deficit will be eliminated by pay-as-you-go contributions from the General Fund and from bond proceeds.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

16. TAX ABATEMENTS:

As of June 30, 2017, the County provides tax abatements through four programs – Payment in Lieu of Taxes (PILOT), Historical Property County Tax Credit, Enterprise Zone Tax Credit, and Conservation Land Tax Credit. The Payment in Lieu of Taxes Program provides property tax abatements to encourage an increase in the number of senior and low income housing and is authorized under Maryland State Law, Tax – Property Article Section 7-502. Abatements are obtained through contract between property owner and the County; under the agreement, the owner pays the County a negotiated amount in lieu of property tax. The amount of abatement is deducted from the recipient's tax bill.

Historical Property Tax Credit provides property tax abatements to encourage the renovation or rehabilitation of properties listed in a historical register or in a historic district and is authorized under County Code Section 11-2-201. Abatements are obtained through application by the property owner, including proof that the improvements have been made. Commercial property tax abatements are based on the increase of the assessed value as a result of the improvements made. Residential property tax abatements are 20% of actual approved renovation or rehabilitation expenses. Both commercial and residential properties must not be altered so that it no longer complies with the rehabilitation standards by which the property obtained eligibility. The amount of abatement is deducted from the recipient's tax bill.

Enterprise Zone Tax Credit provides property tax abatements to encourage economic growth in distressed areas of the County and is authorized under Maryland State Law, Tax – Property Article Section 9-103. Abatements are obtained through an application process. Taxpayer submits application to the Baltimore County Department of Economic and Workforce Development which is forwarded to the Maryland State Department of Commerce for review and approval. Approved applications are returned to the County; award letters are sent to the taxpayer and the State Department of Assessments and Taxation (SDAT). SDAT then certifies the credit base to Baltimore County Office of Budget and Finance. Eligible companies that make improvements to real property in one of the Enterprise Zones can benefit from property tax credits over a 10 year period. For the first 5 years, the tax credit is equal to 80% of the increase in property tax owed resulting from the new investment. The tax credit declines in the remaining five years by 10% annually. The amount of abatement is deducted from the recipient's tax bill. (See page XI for more information.)

Conservation Land Tax Credit provides property tax abatements to encourage preservation of natural areas and agricultural land under County Code Section 11-2-110. Abatements are obtained through application by the property owner, accompanied by proof that the property meets the definition of "conservation land". Conservation land is defined as real property that is subject to a perpetual conservation easement that was donated to a land trust on or after July 1, 1991. Conservation land also includes real property that is owned in fee by a qualified land trust and was acquired by the trust on or after July 1, 1991. The credit is for 100% of the property tax obligation and has a duration of five years. If the property is transferred to an entity other than a government agency or another qualified trust, the credit will lapse and the property owner will become liable for all the property taxes had the credit not been granted, as well as interest on those taxes. The amount of abatement is deducted from the recipient's tax bill.

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Property Taxes Abated
Fiscal Year 2017
(in thousands)

Payment in Lieu of Taxes	2,879
Historical Property Tax Credit	265
Enterprise Zone Tax Credit	1,228
Conservation Land Tax Credit	12
Total	4,384

17. NEW ACCOUNTING PRONOUNCEMENTS:

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. The adoption of Statement No. 74 had no impact on the County's governmental fund financial statements. The adoption also resulted in no changes to the presentation of the financial statements of the County's Pension and Other Employee Benefit Trust Funds. Certain changes in Note disclosures and Required Supplementary Information (RSI) were incorporated to comply with Statement No. 74.

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 77 *Tax Abatement Disclosures*. Statement No. 77 has no material effect on the financial statements. Additional Note disclosures were provided in order to comply with this statement.

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68. There is no material impact to the County as a result of the implementation of this standard.

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 82 *Pensions Issues – an amendment of GASB Statement No. 67, No. 68 and no. 73*. This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. There is no material impact to the County as a result of the implementation of this standard.

18. SUBSEQUENT EVENTS:

On September 15, 2017, the County and the Baltimore County Police, Fire and Widows' Pension Plan amended the Single Stream Recycling Loan Agreement so that the remaining principal of the loan will be repaid on June 30, 2021 in the amount of \$4,374,709. The interest component of the loan will continue to be repaid monthly through June 30, 2021 at an annual rate of 7.875%.

On November 16, 2017, the County sold \$31,035,000 General Obligation Metropolitan District Refunding Bonds 2017 Refunding Series (2019 Crossover) and \$60,130,000 Consolidated Public Improvement Bonds 2017 Refunding Series (2019 Crossover). The Metropolitan District Bonds were issued for the refunding of \$35,600,000

BALTIMORE COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

principal amount of Baltimore County Metropolitan District Bonds (72nd Issue – Series B) (Federally Taxable – Issuer Subsidy – Build America Bonds). The Consolidated Public Improvement Bonds were issued for the refunding of \$63,000,000 principal amount of Baltimore County Consolidated Public Improvement Bonds (2009 – Series B) (Federally Taxable – Issuer Subsidy – Build America Bonds).

The net proceeds of the refunding were invested in State and Local Government Securities (SLGS) and deposited in an irrevocable trust with an escrow agent to provide for future debt service payments. As a result of the refunding, the aggregate difference between the refunding debt and the refunded debt was \$6,881,946 or an economic gain of \$5,943,924. The refunded bonds will be considered defeased and the liability for those bonds will be removed from the government-wide statement of net position on the Crossover Date of November 1, 2019.





Required Supplementary Information

BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Employees' Retirement System (dollars in thousands):

**Schedule of the County's Proportionate Share of the
Net Pension Liability and Related Ratios**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportionate share of the net pension liability	92.23%	90.45%	91.96%
County's proportionate share of the net pension liability	\$ 1,610,549	\$ 1,315,135	\$ 1,088,771
County's covered employee payroll	\$ 435,266	\$ 418,026	\$ 411,453
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	370.02%	314.61%	264.62%
Plan fiduciary net position as a percentage of the total pension liability	57.1%	62.8%	68.2%

Notes to the Schedule:

The amounts presented for fiscal year 2017 were determined as of July 1 of two years prior, using membership data as of that day, projected to June 30 of the previous year. The County implemented GASB 68 in fiscal year 2015. Additional years will be presented as the information becomes available.

Schedule of County Contributions

The last 4 fiscal years are presented only

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 108,549	\$ 101,927	\$ 93,495	\$ 73,586
Contributions in relation to the actuarially determined contribution	108,549	97,108	93,495	73,586
Prefunding of the FY2016 contribution in FY2015	-	-	4,819	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 4,819</u>	<u>\$ (4,819)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 454,797	\$ 435,266	\$ 418,026	\$ 411,453
Contributions as a percentage of covered employee payroll	23.87%	22.31%	23.52%	17.88%

**BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

Notes to the Schedule:

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Payroll
Amortization period	30 year layered amortization
Asset valuation method	10-year smoothed market
Inflation	3.0%
Salary increases	Rates vary by participant age and service
Investment rate of return	7.0%, net of investment expense and gain sharing, and including inflation
Retirement age	Rates vary by participant age and service
Mortality	For healthy participants and beneficiaries: For males 108% of the RP-2000 Combined Healthy male table projected to 2027 by Scale AA and for females 100% of the RP-2000 Combined Healthy female table projected to 2027 by Scale AA. For disabled members, RP-2000 Disabled Annuitant Tables projected to 2027 with Scale AA.

BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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

The following schedules are presented for three years. Additional years will be presented as the information becomes available.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Interest	\$ 2,255	\$ 2,597	\$ 3,341
Differences between expected and actual experience	620	(3,272)	-
Changes of assumptions	2,356	(186)	3,425
Benefit payments	(8,210)	(8,657)	(9,622)
Net change in total pension liability	(2,979)	(9,518)	(2,856)
Beginning total pension liability	59,208	68,726	71,582
Ending total pension liability: (a)	<u>\$ 56,229</u>	<u>\$ 59,208</u>	<u>\$ 68,726</u>
Plan fiduciary net position			
Net investment income	1,017	2,486	4,671
Benefit payments	(8,210)	(8,657)	(9,622)
Other income	14	15	14
Net change in plan fiduciary net position	(7,179)	(6,156)	(4,937)
Beginning Plan fiduciary net position	39,028	45,184	50,121
Ending Plan fiduciary net position: (b)	<u>\$ 31,849</u>	<u>\$ 39,028</u>	<u>\$ 45,184</u>
Ending County's net pension liability: (a) - (b)	<u>\$ 24,380</u>	<u>\$ 20,180</u>	<u>\$ 23,542</u>
Plan fiduciary net position as a percentage of the total pension liability	56.64%	65.92%	65.74%
Covered-employee payroll	Not applicable	Not applicable	Not applicable
Net pension liability as a percentage of covered-employee payroll	Not applicable	Not applicable	Not applicable

Schedule of County Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	Not calculated	Not calculated	Not calculated
Contributions related to the actuarially determined contribution	\$ -	\$ -	\$ -
Contribution deficiency (excess)	Not applicable	Not applicable	Not applicable

Note to Schedule:

County contributions were not calculated because the Pension Plan has been closed since October 1, 1959 and

BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

the County intends to fund the Pension Plan on a pay-as-you-go basis if the Pension Plan assets are depleted. Also, the number of pension recipients was considered insignificant and the recipients' ages are at the higher end of the mortality tables.

Schedule of Investment Returns

	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	3.36%	5.70%	10.31%

Schedule of Funding Progress OPEB Trust (dollars in thousands):

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

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)
2015	378,135	1,522,538	1,144,403	24.83	1,247,241	91.75
2016	434,839	1,571,367	1,136,528	27.67	1,277,980	88.93
2017	395,955	1,832,728	1,436,773	21.60	1,332,066	107.86

Schedule of Employers' Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	103,893	112.03
2016	106,599	81.59
2017	134,061	49.03

**BALTIMORE COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

Schedule of Changes in Total Liability and Related Ratios

Total OPEB Liability

	2017
Service Cost	\$ 34,938
Interest Cost	124,086
Difference of Expected and Actual Experience	766
Benefit Payments	(92,979)
Net Change in Total OPEB Liability	66,811
Total OPEB Liability - Beginning of Year	1,992,938
Total OPEB Liability - End of Year	\$ 2,059,749

Plan Fiduciary Net Position

	2017
Contributions Employer	\$ 65,729
Net Investment Income	53,408
Benefit Payments	(92,979)
Net Change in Fiduciary net Position	26,158
Fiduciary Net Position - Beginning of Year	395,899
Fiduciary Net Position - End of Year	\$ 422,057

Net OPEB Liability	1,637,692
Fiduciary Net Position as a percentage of Total OPEB Liability	20.49%

Covered-Employee Payroll	Not Applicable
Net OPEB Liability as a percentage of Payroll (OPEB benefits do not depend on salary; therefore, salary information is not applicable)	Not Applicable

Expected Average Remaining Service Years of All Participants	7
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Money-Weighted Rate of Return	13.60%
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Notes to Schedule

Amounts in the schedule represent totals for the County, BCPS, CCBC and BCPL. Individual amounts are not available and therefore not reported. The County implemented GASB 74 during Fiscal Year 2017. Therefore, only one year information is available. There were no benefit changes or changes in assumptions.



Supplementary Information Schedules & Combining Financial Statements

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

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2017
(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	\$ 2,363	\$ 2,363	\$ 2,146	\$ 217
Judicial:				
Circuit Court:				
Criminal and civil adjudication	4,786	4,786	4,780	6
Orphans Court:				
Adjudication of estates	233	233	233	-
States Attorney:				
Criminal prosecution	8,907	8,907	8,814	93
County Sheriff:				
Conveying prisoners and serving summonses	5,037	5,227	5,227	-
Total	<u>18,963</u>	<u>19,153</u>	<u>19,054</u>	<u>99</u>
Executive:				
Office of the County Executive	1,108	1,108	1,104	4
County Administrative Officer:				
General administration	1,503	1,503	1,495	8
Baltimore metropolitan council	146	146	145	1
Total	<u>2,757</u>	<u>2,757</u>	<u>2,744</u>	<u>13</u>
Elections:				
Board of Supervisors of Elections	5,183	5,183	4,732	451
Financial Administration:				
Office of Budget and Finance:				
Budget formulation and administration	1,318	1,358	1,348	10
Financial operations	4,235	4,553	4,500	53
Pay systems	219	214	210	4
Investment and debt management	366	358	354	4
Insurance administration	1,061	1,061	1,059	2
Purchasing and disbursements	1,394	1,260	1,255	5
Total	<u>8,593</u>	<u>8,804</u>	<u>8,726</u>	<u>78</u>
County Auditor	1,643	1,643	1,540	103
Office of Law:				
General legal services	2,338	2,344	2,343	1
Legislative relations	328	356	355	1
Total	<u>2,666</u>	<u>2,700</u>	<u>2,698</u>	<u>2</u>
Other:				
Vehicle Operations and Maintenance	386	424	424	-
Office of Planning and Community Conservation				
General administration	2,132	2,132	2,045	87
Zoning commissioner	433	433	431	2
People's counsel	194	194	191	3
Community conservation	544	544	513	31
Office of Human Resources:				
Personnel administration	3,778	3,778	3,778	-

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2017
(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	1,611	1,709	1,708	1
Electrical licensing and regulation	18	18	18	-
Plumbing licensing and regulation	29	29	29	-
Real estate compliance	930	939	939	-
Development processing	980	953	952	1
Code inspections and enforcement	4,823	4,782	4,775	7
Permits and licenses	777	788	787	1
Board of Appeals	234	259	223	36
Cooperative Extension Service	259	234	231	3
Office of Information Technology:				
General administration	2,649	2,779	2,777	2
Applications development	8,549	8,364	8,360	4
Computer and technical services	13,027	13,292	13,291	1
Telecommunications Services	3,325	3,415	3,413	2
Property Management				
Administration	1,361	1,361	1,353	8
Building maintenance	8,138	8,138	8,136	2
Building operation and management	16,639	16,506	16,334	172
Maintenance of grounds and recreation sites	7,691	7,441	7,438	3
Total	<u>78,507</u>	<u>78,512</u>	<u>78,146</u>	<u>366</u>
General Government Total	<u>120,675</u>	<u>121,115</u>	<u>119,786</u>	<u>1,329</u>
Public Safety:				
Police Department:				
General administration	3,700	3,960	3,958	2
Administrative & technical services	23,640	23,430	23,189	241
Criminal/forensic investigations	28,332	28,332	28,157	175
Vice/intelligence/narcotics	9,122	8,872	8,822	50
Patrol/precincts	123,137	123,737	123,664	73
Support operations	14,487	14,087	13,924	163
School safety	1,349	1,349	1,336	13
Total	<u>203,767</u>	<u>203,767</u>	<u>203,050</u>	<u>717</u>
Bureau of Corrections:				
Custodial care of prisoners	36,572	37,247	37,237	10
Fire Department:				
General administration	1,007	1,043	1,043	-
Investigative services	1,854	1,780	1,778	2
Alarm and communication system	951	856	845	11
Field operations	80,606	83,276	83,265	11
Office of emergency preparedness	119	107	107	-
Field operation administration	1,769	1,843	1,841	2
Fire/rescue academy	1,259	1,310	1,309	1
Contributions - volunteer fire companies	8,153	8,203	8,045	158
Total	<u>95,718</u>	<u>98,418</u>	<u>98,233</u>	<u>185</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2017
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Communications:				
Central communications center	13,081	13,931	13,912	19
Public Safety Total	<u>349,138</u>	<u>353,363</u>	<u>352,432</u>	<u>931</u>
Public Works:				
Office of Director of Public Works:				
General administration	614	639	633	6
Metro Financing/Petition Proc	40	45	38	7
Total	<u>654</u>	<u>684</u>	<u>671</u>	<u>13</u>
Bureau of Engineering and Construction:				
General administration	392	353	326	27
Structural design	1,734	1,614	1,589	25
General surveying	366	366	361	5
Contracts and construction inspection	1,812	1,722	1,679	43
Total	<u>4,304</u>	<u>4,055</u>	<u>3,955</u>	<u>100</u>
Bureau of Highways & Equipment Management:				
General administration	792	792	777	15
General operations and maintenance	13,293	12,343	12,097	246
Storm emergencies	5,986	5,836	5,814	22
Total	<u>20,071</u>	<u>18,971</u>	<u>18,688</u>	<u>283</u>
Bureau of Solid Waste Management:				
General administration	482	492	491	1
Refuse collection	29,823	29,998	29,977	21
Refuse disposal	36,542	37,726	37,555	171
Recycling	1,752	1,802	1,739	63
Total	<u>68,599</u>	<u>70,018</u>	<u>69,762</u>	<u>256</u>
Bureau of Traffic Engineering and Transportation Planning:				
Traffic planning	10,080	9,475	9,445	30
Traffic sign installation and maintenance	1,493	1,853	1,847	6
Traffic signal operation and maintenance	968	903	891	12
Total	<u>12,541</u>	<u>12,231</u>	<u>12,183</u>	<u>48</u>
Bureau of Utilities:				
Sewer and water maintenance	574	574	574	-
Bureau of Building and Equipment Services:				
Equipment maintenance	6,625	7,685	7,495	190
Public Works Total	<u>113,368</u>	<u>114,218</u>	<u>113,328</u>	<u>890</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2017
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Health and Human Services:				
Health:				
Department of Health:				
General administration	3,069	3,069	3,067	2
Nursing services	2,881	2,731	2,624	107
Acute communicable disease control	1,332	1,282	1,228	54
Medical environmental health	2,881	2,781	2,684	97
Medical social work service	1,108	1,179	1,161	18
Animal services	4,072	4,372	4,342	30
Developmental disabilities	1,083	1,083	1,045	38
Home health services	1,670	2,047	1,734	313
Long-term care services	991	991	978	13
Medical assistance and hospital support	1,988	1,988	1,950	38
Dental health services	1,101	1,091	1,054	37
Speech, language and hearing	892	912	908	4
Total	<u>23,068</u>	<u>23,526</u>	<u>22,775</u>	<u>751</u>
Department of Environmental Protection and Resource Management	<u>4,839</u>	<u>4,994</u>	<u>4,969</u>	<u>25</u>
Human Services:				
Department of Social Services:				
Adult foster care assistance	145	145	142	3
Welfare to work program	400	400	400	-
Human relations	147	147	145	2
Emergency funds/housing for the homeless	850	788	787	1
Battered spouse program	127	127	127	-
Day Resource Center	204	220	219	1
In-home care program	254	260	250	10
Adult services	1,348	1,348	1,333	15
General administration	1,509	1,549	1,546	3
Children's services	509	509	502	7
Income maintenance	1,108	1,129	1,125	4
Family services	1,517	1,496	1,405	91
Total	<u>8,118</u>	<u>8,118</u>	<u>7,981</u>	<u>137</u>
Aging Programs & Services:				
Department of Aging:				
General administration	755	769	767	2
Adult medical day care	50	50	50	-
Senior centers network	2,013	2,013	2,013	-
Special geriatric services	195	189	188	1
Facilities	246	239	238	1
Transportation	879	893	891	2
Program and volunteer services	220	205	204	1
Total	<u>4,358</u>	<u>4,358</u>	<u>4,351</u>	<u>7</u>
Health and Human Services Total	<u>40,383</u>	<u>40,996</u>	<u>40,076</u>	<u>920</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budgetary Basis
For the Year Ended June 30, 2017
(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	958	958	951	7
Community & neighborhood recreation, organization, direction and development	10,049	9,876	9,816	60
Organization Contributions:				
Organization contributions	2,951	2,951	2,941	10
General grant program	5,851	5,851	5,806	45
Culture and Leisure Services Total	<u>19,809</u>	<u>19,636</u>	<u>19,514</u>	<u>122</u>
Economic and Community Development:				
Economic Development Commission	1,285	1,285	1,285	-
Economic and Community Development Total	<u>1,285</u>	<u>1,285</u>	<u>1,285</u>	<u>-</u>
Pension Plan Contributions:				
Employees' retirement contributions	104,268	104,268	104,268	-
Non-system retirement	286	326	321	5
Pension Total	<u>104,554</u>	<u>104,594</u>	<u>104,589</u>	<u>5</u>
Insurance Contributions				
Employee health & life insurance	104,082	104,082	102,764	1,318
Insurance Total	<u>104,082</u>	<u>104,082</u>	<u>102,764</u>	<u>1,318</u>
Miscellaneous:				
Social Security	18,623	18,583	18,383	200
Reserve for Contingencies	1,000	-	-	-
Local share - State & Federal	75	75	75	-
Miscellaneous Total	<u>19,698</u>	<u>18,658</u>	<u>18,458</u>	<u>200</u>
Payments to Component Units:				
Community College	44,329	44,329	44,329	-
Board of Education	805,691	805,451	805,450	1
Library	32,850	32,850	32,850	-
Payments to Component Units Total	<u>882,870</u>	<u>882,630</u>	<u>882,629</u>	<u>1</u>

(continued)

Baltimore County
Schedule of Appropriations and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2017
(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	5,247	5,247	5,247	-
General public facilities	51,394	51,344	51,294	50
Pension funding bonds	6,187	6,187	6,187	-
Non-general obligation debt	20,693	20,693	20,693	-
Total	<u>83,521</u>	<u>83,471</u>	<u>83,421</u>	<u>50</u>
Interest:				
General obligation bonds:				
Community College	3,486	3,486	3,426	60
General public facilities	28,128	28,068	28,029	39
Pension funding bonds	7,481	7,481	7,481	-
Non-general obligation debt	3,108	2,958	2,899	59
Total	<u>42,203</u>	<u>41,993</u>	<u>41,835</u>	<u>158</u>
Fiscal charges:				
General obligation bonds:				
General public facilities	674	424	310	114
Non-general obligation debt	10	10	2	8
Total	<u>684</u>	<u>434</u>	<u>312</u>	<u>122</u>
Debt Service Total	<u>126,408</u>	<u>125,898</u>	<u>125,568</u>	<u>330</u>
Operating Transfers Out:				
Contribution to capital budget	50,169	50,169	50,169	-
Contribution to capital budget - schools	47,209	86,149	86,149	-
Gifts and Grants	6,672	6,672	6,672	-
Operating Transfers Out Total	<u>104,050</u>	<u>142,990</u>	<u>142,990</u>	<u>-</u>
General Fund Total	<u>\$ 1,986,320</u>	<u>\$ 2,029,465</u>	<u>\$ 2,023,419</u>	<u>\$ 6,046</u>

Baltimore County, Maryland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(In Thousands)

Special Revenue Funds

	Liquor License	Owings Mills Tax District	Stormwater Management	Total
ASSETS				
Cash and investments	\$ 180	\$ -	\$ 4,575	\$ 4,755
Receivables, net	-	-	158	158
Total assets	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 4,733</u>	<u>\$ 4,913</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3	\$ -	\$ 58	\$ 61
Accrued expenditures	24	-	24	48
Total liabilities	<u>27</u>	<u>-</u>	<u>82</u>	<u>109</u>
Fund Balance				
Assigned	153	-	4,651	4,804
Total fund balances	<u>153</u>	<u>-</u>	<u>4,651</u>	<u>4,804</u>
Total liabilities and fund balances	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 4,733</u>	<u>\$ 4,913</u>

Baltimore County, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017
(In Thousands)

	Special Revenue Funds			
	Liquor License	Owings Mills Tax District	Stormwater Management	Total
REVENUES				
Taxes	\$ -	\$ 940	\$ -	\$ 940
Licenses and fees	1,087	-	10,895	11,982
Charges for services	110	-	-	110
Interest revenue	-	-	206	206
Total revenues	1,197	940	11,101	13,238
EXPENDITURES				
General government	686	940	960	2,586
Total expenditures	686	940	960	2,586
Excess of revenues over expenditures	511	-	10,141	10,652
OTHER FINANCING USES				
Transfers out	(450)	-	(10,785)	(11,235)
Total other financing uses	(450)	-	(10,785)	(11,235)
Net change in fund balances	61	-	(644)	(583)
Fund balances at beginning of the year	92	-	5,295	5,387
Fund balances at end of the year	\$ 153	\$ -	\$ 4,651	\$ 4,804

Baltimore County, Maryland
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Liquor License Fund
For the Year Ended June 30, 2017
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 1,200	\$ 1,197	\$ (3)
Total revenues	<u>1,200</u>	<u>1,197</u>	<u>(3)</u>
Expenditures:			
General government:			
License sale and control	731	686	45
Total expenditures	<u>731</u>	<u>686</u>	<u>45</u>
Excess of revenues over expenditures	<u>469</u>	<u>511</u>	<u>42</u>
Other financing uses:			
Operating transfers out	(450)	(450)	-
Excess of revenues over expenditures, and other uses	<u>\$ 19</u>	61	<u>\$ 42</u>
Fund balance at beginning of year		<u>92</u>	
Fund balance at end of year		<u>\$ 153</u>	

Baltimore County, Maryland
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
Stormwater Management Fund
For the Year Ended June 30, 2017
(In Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Fees	\$ 10,786	\$ 10,895	\$ 109
Interest revenue	-	206	206
Total revenues	<u>10,786</u>	<u>11,101</u>	<u>315</u>
Expenditures:			
General government:			
General administration	735	718	17
Total expenditures	<u>735</u>	<u>718</u>	<u>17</u>
Excess of revenues over expenditures	<u>10,051</u>	<u>10,383</u>	<u>332</u>
Other financing uses:			
Operating transfers out	(10,785)	(10,785)	-
Excess (deficiency) of revenues over expenditures, and other uses	<u>\$ (734)</u>	<u>(402)</u>	<u>\$ 332</u>
Net change during year in reserve for encumbrances		<u>(242)</u>	
Net change in fund balance-GAAP		(644)	
Fund balance at beginning of year		<u>5,295</u>	
Fund balance at end of year		<u>\$ 4,651</u>	

Baltimore County, Maryland
Combining Statement of Net Position
Internal Service Funds
June 30, 2017
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
ASSETS				
Current assets:				
Cash and investments	\$ 1,713	\$ 263	\$ 91,281	\$ 93,257
Receivables, net	27	-	3,229	3,256
Inventories	442	-	-	442
Prepaid costs	-	-	1,135	1,135
Total current assets	<u>2,182</u>	<u>263</u>	<u>95,645</u>	<u>98,090</u>
Capital assets:				
Non-depreciable	705	-	-	705
Depreciable (net of accumulated depreciation)	13,607	10	-	13,617
Total assets	<u>16,494</u>	<u>273</u>	<u>95,645</u>	<u>112,412</u>
LIABILITIES				
Current liabilities:				
Accounts payable	534	40	2,786	3,360
Accrued payroll	116	7	-	123
Compensated absences	215	10	-	225
Claims and judgments	-	-	36,506	36,506
Total current liabilities	<u>865</u>	<u>57</u>	<u>39,292</u>	<u>40,214</u>
Noncurrent liabilities:				
Claims and judgments	-	-	29,348	29,348
Total liabilities	<u>865</u>	<u>57</u>	<u>68,640</u>	<u>69,562</u>
NET POSITION				
Net investment in capital assets	14,312	10	-	14,322
Unrestricted	1,317	206	27,005	28,528
Total net position	<u>\$ 15,629</u>	<u>\$ 216</u>	<u>\$ 27,005</u>	<u>\$ 42,850</u>

Baltimore County, Maryland
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2017
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
OPERATING REVENUES				
Charges for services-internal	\$ 16,350	\$ 739	\$ 85,020	\$ 102,109
Charges for services-other	2,409	2	227,530	229,941
Miscellaneous	47	-	-	47
Total operating revenues	<u>18,806</u>	<u>741</u>	<u>312,550</u>	<u>332,097</u>
OPERATING EXPENSES				
Personal services	2,673	203	-	2,876
Contractual services	630	111	-	741
Rents and utilities	75	171	-	246
Supplies and maintenance	9,589	195	-	9,784
Insurance claims and expenses	-	-	299,543	299,543
Depreciation	2,680	63	-	2,743
Other expenses	660	23	-	683
Total operating expenses	<u>16,307</u>	<u>766</u>	<u>299,543</u>	<u>316,616</u>
Operating income (loss)	<u>2,499</u>	<u>(25)</u>	<u>13,007</u>	<u>15,481</u>
NONOPERATING REVENUES				
Interest on investments	-	-	877	877
Total nonoperating revenues	-	-	877	877
Income (loss) before transfers	2,499	(25)	13,884	16,358
Transfers out	-	-	(703)	(703)
Changes in net position	2,499	(25)	13,181	15,655
Net position at beginning of the year	13,130	241	13,824	27,195
Net position at end of the year	<u>\$ 15,629</u>	<u>\$ 216</u>	<u>\$ 27,005</u>	<u>\$ 42,850</u>

Baltimore County, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017
(In Thousands)

	Vehicle Operations and Maintenance	Central Printing Service	Self-Insurance Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from external customers	\$ 2,410	\$ 2	\$ 227,546	\$229,958
Receipts for interfund services	16,350	739	85,020	102,109
Payments to suppliers	(10,696)	(472)	-	(11,168)
Payments to employees	(2,705)	(196)	-	(2,901)
Payment for interfund services used	(660)	(23)	-	(683)
Claims paid	-	-	(291,750)	(291,750)
Other receipts	47	-	-	47
Net cash provided by operating activities	<u>4,746</u>	<u>50</u>	<u>20,816</u>	<u>25,612</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer out	-	-	(703)	(703)
Net cash provided by (used for) noncapital activities	<u>-</u>	<u>-</u>	<u>(703)</u>	<u>(703)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(4,553)	-	-	(4,553)
Sales of capital assets	189	-	-	189
Net cash used for capital and related financing activities	<u>(4,364)</u>	<u>-</u>	<u>-</u>	<u>(4,364)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	-	-	877	877
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>877</u>	<u>877</u>
Net increase in cash and cash equivalents	382	50	20,990	21,422
Cash and cash equivalents at beginning of the year	1,331	213	70,291	71,835
Cash and cash equivalents at end of the year	<u>\$ 1,713</u>	<u>\$ 263</u>	<u>\$ 91,281</u>	<u>\$ 93,257</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ 2,499	\$ (25)	\$ 13,007	\$ 15,481
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	2,680	63	-	2,743
Effect of changes in operating assets and liabilities:				
Receivables, net	1	-	16	17
Inventories	103	-	-	103
Accounts and other payables	(505)	5	236	(264)
Accrued expenses	(32)	7	-	(25)
Claims and judgements	-	-	7,557	7,557
Net cash provided by operating activities	<u>\$ 4,746</u>	<u>\$ 50</u>	<u>\$ 20,816</u>	<u>\$ 25,612</u>

Baltimore County, Maryland
Combining Statement of Fiduciary Net Position
Benefits Trust Funds
June 30, 2017
(In Thousands)

	Employees' Retirement System Plan A	Employees' Retirement System Plan B	Police, Fire, and Widows' Pension Plan	OPEB Plan	Total
ASSETS					
Cash and cash equivalents	\$ 32,760	\$ 1,589	\$ 5	\$ 6,947	\$ 41,301
Collateral for loaned securities	21,227	648	-	3,394	25,269
Receivables:					
Accrued interest & dividend income	3,464	105	9	554	4,132
Receivable for investments sold	13,674	417	-	2,186	16,277
Receivables other	730	447	-	1,680	2,857
Total receivables	<u>17,868</u>	<u>969</u>	<u>9</u>	<u>4,420</u>	<u>23,266</u>
Investments, at fair value:					
U.S. Government and Agency securities	128,585	3,921	-	20,560	153,066
Municipal bonds	2,021	62	5,216	323	7,622
Foreign bonds	6,095	186	6,964	974	14,219
Corporate bonds	116,162	3,543	-	18,574	138,279
Stocks	529,329	16,144	-	84,635	630,108
Bond mutual funds	372,232	11,352	5,541	59,517	448,642
Stock mutual funds	803,238	24,497	10,118	128,431	966,284
Real estate equity funds	135,584	4,135	-	21,679	161,398
Hedge funds	698	21	-	112	831
Private equity funds	115,816	3,532	-	18,518	137,866
Global asset allocation	388,907	11,861	-	62,183	462,951
Total investments	<u>2,598,667</u>	<u>79,254</u>	<u>27,839</u>	<u>415,506</u>	<u>3,121,266</u>
Total assets	<u>2,670,522</u>	<u>82,460</u>	<u>27,853</u>	<u>430,267</u>	<u>3,211,102</u>
LIABILITIES					
Securities lending payable	21,227	648	-	3,394	25,269
Investments purchased	24,571	749	-	3,929	29,249
Investment expenses payable	3,429	104	4	550	4,087
Refunds payable	56	1,884	-	-	1,940
Other	12,832	-	-	337	13,169
Total liabilities	<u>62,115</u>	<u>3,385</u>	<u>4</u>	<u>8,210</u>	<u>73,714</u>
NET POSITION					
Net position restricted for benefits	<u>\$ 2,608,407</u>	<u>\$ 79,075</u>	<u>\$ 27,849</u>	<u>\$ 422,057</u>	<u>\$ 3,137,388</u>

Baltimore County, Maryland
Combining Statement of Changes in Fiduciary Net Position
Benefits Trust Funds
For the Year Ended June 30, 2017
(In Thousands)

	Employees' Retirement System Plan A	Employees' Retirement System Plan B	Police, Fire, and Widows' Pension Plan	OPEB Plan	Total
ADDITIONS					
Contributions:					
Employer	\$ 265,276	\$ 2,879	\$ -	\$ 65,729	\$ 333,884
Employees	28,445	14,799	-	36,409	79,653
Other	-	-	13	15,108	15,121
Total contributions	<u>293,721</u>	<u>17,678</u>	<u>13</u>	<u>117,246</u>	<u>428,658</u>
Investment earnings:					
Net increase (decrease) in the fair value of plan assets	299,811	8,398	(2,365)	49,758	355,602
Interest and dividends	38,870	1,065	5,736	6,317	51,988
Investment expenses	(17,105)	(496)	(31)	(2,700)	(20,332)
Net investment gain	<u>321,576</u>	<u>8,967</u>	<u>3,340</u>	<u>53,375</u>	<u>387,258</u>
Net income from securities lending:					
Securities lending income	218	5	-	36	259
Borrower rebates	55	2	-	9	66
Agent fees	(75)	(2)	-	(12)	(89)
Net income from securities lending	<u>198</u>	<u>5</u>	<u>-</u>	<u>33</u>	<u>236</u>
Total net investment gain	<u>321,774</u>	<u>8,972</u>	<u>3,340</u>	<u>53,408</u>	<u>387,494</u>
Total additions	<u>615,495</u>	<u>26,650</u>	<u>3,353</u>	<u>170,654</u>	<u>816,152</u>
DEDUCTIONS					
Benefits	272,576	83	7,353	144,496	424,508
Refunds	2,402	2,726	-	-	5,128
Administrative expense	2,350	43	-	-	2,393
Total deductions	<u>277,328</u>	<u>2,852</u>	<u>7,353</u>	<u>144,496</u>	<u>432,029</u>
Change in net position	338,167	23,798	(4,000)	26,158	384,123
Net position at beginning of the year	2,270,240	55,277	31,849	395,899	2,753,265
Net position at end of the year	<u>\$ 2,608,407</u>	<u>\$ 79,075</u>	<u>\$ 27,849</u>	<u>\$ 422,057</u>	<u>\$ 3,137,388</u>

STATISTICAL



SECTION

The Statistical Section presents data to assist users of this report to assess the economic condition of the County. They are intended to provide a broader and more complete understanding of the County and its financial affairs than is possible from the basic financial statements and supporting schedules included in the “Financial Section.” Many of these schedules cover more than two fiscal years and present data from sources other than the accounting records. Therefore, the data contained in the Statistical Section has not been subjected to independent audit. The five categories of information are as follows:

Financial Trends

These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the County’s most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and the County’s ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County’s financial report relates to the services the County provides and the activities it performs.

**Baltimore County, Maryland
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(dollars expressed in thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012**</u>	<u>2013</u>	<u>2014</u>	<u>2015***</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 1,523,265	\$ 1,595,901	\$ 1,593,450	\$ 1,550,280	\$ 1,386,096	\$ 1,313,131	\$ 1,277,986	\$ 1,346,549	\$ 1,529,027	\$ 1,602,876
Restricted	122,079	73,357	57,713	26,653	27,251	26,972	29,053	31,871	42,647	49,922
Unrestricted (deficit)	20,351	(67,683)	(309,380)	(335,775)	(349,899)	(352,908)	(363,126)	(1,747,908)	(2,067,561)	(2,425,266)
Total governmental activities net position	<u>\$ 1,665,695</u>	<u>\$ 1,601,575</u>	<u>\$ 1,341,783</u>	<u>\$ 1,241,158</u>	<u>\$ 1,063,448</u>	<u>\$ 987,195</u>	<u>\$ 943,913</u>	<u>\$ (369,488)</u>	<u>\$ (495,887)</u>	<u>\$ (772,468)</u>
Business-type activities										
Net investment in capital assets	\$ 489,563	\$ 568,225	\$ 568,687	\$ 588,201	\$ 566,002	\$ 553,132	\$ 526,907	\$ 540,690	\$ 614,609	\$ 538,172
Unrestricted (deficit)	(63,032)	(137,808)	(159,788)	(155,226)	(178,355)	(200,295)	(214,318)	(351,497)	(526,541)	(540,754)
Total business-type activities net position	<u>\$ 426,531</u>	<u>\$ 430,417</u>	<u>\$ 408,899</u>	<u>\$ 432,975</u>	<u>\$ 387,647</u>	<u>\$ 352,837</u>	<u>\$ 312,589</u>	<u>\$ 189,193</u>	<u>\$ 88,068</u>	<u>\$ (2,582)</u>
Primary government										
Net investment in capital assets	\$ 2,012,828	\$ 2,164,126	\$ 2,162,137	\$ 2,138,481	\$ 1,952,098	\$ 1,866,263	\$ 1,804,893	\$ 1,887,239	\$ 2,143,636	\$ 2,141,048
Restricted	122,079	73,357	57,713	26,653	27,251	26,972	29,053	31,871	42,647	49,922
Unrestricted (deficit)	\$ (42,681)	\$ (205,491)	\$ (469,168)	\$ (491,001)	\$ (528,254)	\$ (553,203)	\$ (577,444)	\$ (2,099,405)	\$ (2,594,102)	\$ (2,966,020)
Total primary government net position	<u>\$ 2,092,226</u>	<u>\$ 2,031,992</u>	<u>\$ 1,750,682</u>	<u>\$ 1,674,133</u>	<u>\$ 1,451,095</u>	<u>\$ 1,340,032</u>	<u>\$ 1,256,502</u>	<u>\$ (180,295)</u>	<u>\$ (407,819)</u>	<u>\$ (775,050)</u>

* The amounts for FY 2011 net position components have been restated to affect the change in amortization of bond/COPs premium and discount from the straight-line method to the effective interest method.

** The amounts for FY 2012 net position components have been restated to affect the change in no longer amortizing the issuance costs related to debt

*** The amounts for FY15 unrestricted (deficit) net position have been restated to affect the change in the County reporting its net pension liability required by GASB No. 68.

Baltimore County, Maryland
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(dollars expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 427,611	\$ 457,696	\$ 390,428	\$ 449,008	\$ 510,219	\$ 499,598	\$ 507,968	\$ 511,254	\$ 615,205	\$ 864,527
Public safety	321,024	336,325	339,301	346,253	340,263	336,402	345,801	346,834	368,337	372,623
Public works	166,234	163,493	198,075	150,606	187,816	153,997	192,092	177,495	178,728	185,743
Health and human services	134,693	141,023	144,614	144,972	152,490	149,078	147,998	158,431	164,430	167,861
Culture and leisure services	62,080	66,856	68,818	69,368	70,803	64,554	65,487	63,742	64,165	64,520
Economic and community development	8,762	10,578	13,743	16,232	13,379	21,126	19,637	13,838	12,449	12,598
Education	781,588	774,053	831,550	803,828	841,494	807,336	852,799	888,832	943,217	956,006
Interest on long-term debt	22,900	20,305	22,057	22,844	25,568	26,885	26,081	25,257	26,648	33,651
Total governmental activities expenses	1,924,892	1,970,329	2,008,586	2,003,111	2,142,032	2,058,976	2,157,863	2,185,683	2,373,179	2,657,529
Business-type activities:										
Water and sewer services	229,829	223,534	240,626	223,858	278,104	270,090	272,177	302,014	356,593	361,069
Total business-type activities expenses	229,829	223,534	240,626	223,858	278,104	270,090	272,177	302,014	356,593	361,069
Total primary government expenses	\$ 2,154,721	\$ 2,193,863	\$ 2,249,212	\$ 2,226,969	\$ 2,420,136	\$ 2,329,066	\$ 2,430,040	\$ 2,487,697	\$ 2,729,772	\$ 3,018,598
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 188,526	\$ 187,868	\$ 145,403	\$ 190,247	\$ 212,958	\$ 201,032	\$ 202,899	\$ 206,918	\$ 253,728	\$ 309,123
Public safety	2,022	1,935	2,294	5,077	5,958	6,950	9,205	10,979	11,210	11,802
Public works	1,837	1,669	2,616	3,195	2,942	3,379	3,681	4,702	7,257	13,920
Health and human services	3,916	3,916	3,801	3,652	3,622	4,031	28,872	28,590	20,251	15,231
Culture and leisure services	2,653	2,856	3,247	3,382	3,653	3,769	4,018	4,303	3,971	4,260
Economic and community development	939	571	713	851	487	876	585	429	983	457
Operating grants and contributions:										
General government	2,587	3,093	2,894	5,778	2,457	3,016	3,849	3,210	2,781	2,996
Public safety	19,627	20,638	18,115	14,093	12,879	12,930	16,175	19,602	18,316	18,163
Public works	41,584	36,342	2,128	2,865	2,260	3,772	5,614	4,300	5,033	4,826
Health and human services	101,797	109,357	100,877	100,326	114,528	113,800	114,841	126,609	125,413	129,450
Culture and leisure services	1,502	1,519	1,261	1,124	1,145	4,350	4,124	4,251	4,303	4,294
Economic and community development	6,569	8,249	17,938	24,115	16,386	12,148	9,524	8,679	11,899	11,220
Interest on long-term debt	-	-	1,137	4,064	6,853	5,671	5,422	5,255	5,186	5,079
Capital grants and contributions	53,287	54,852	31,263	37,614	41,519	32,015	25,843	48,492	35,781	36,021
Total governmental activities program revenues	426,846	432,865	333,687	396,383	427,647	407,739	434,652	476,319	506,112	566,842
Business-type activities:										
Charges for services:										
Water and sewer services	189,246	200,741	206,031	224,510	220,188	215,703	214,154	202,674	237,071	246,175
Operating grants and contributions:										
Capital grants and contributions	30,850	25,585	12,071	14,126	11,282	16,071	14,641	14,196	16,186	21,602
Total business-type activities program revenues	220,096	226,326	218,931	241,098	235,247	234,958	231,737	219,788	256,150	270,627
Total primary government program revenues	\$ 646,942	\$ 659,191	\$ 552,618	\$ 637,481	\$ 662,894	\$ 642,697	\$ 666,389	\$ 696,107	\$ 762,262	\$ 837,469

(continued)

Baltimore County, Maryland
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(dollars expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental activities	\$ (1,498,046)	\$ (1,537,464)	\$ (1,674,899)	\$ (1,606,728)	\$ (1,714,385)	\$ (1,651,237)	\$ (1,723,211)	\$ (1,709,364)	\$ (1,867,067)	\$ (2,090,687)
Business-type activities	(9,733)	2,792	(21,695)	17,240	(42,857)	(35,132)	(40,440)	(82,226)	(100,443)	(90,442)
Total primary government net expense	<u>\$ (1,507,779)</u>	<u>\$ (1,534,672)</u>	<u>\$ (1,696,594)</u>	<u>\$ (1,589,488)</u>	<u>\$ (1,757,242)</u>	<u>\$ (1,686,369)</u>	<u>\$ (1,763,651)</u>	<u>\$ (1,791,590)</u>	<u>\$ (1,967,510)</u>	<u>\$ (2,181,129)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 712,863	\$ 767,103	\$ 813,970	\$ 837,092	\$ 844,069	\$ 847,439	\$ 850,367	\$ 866,698	\$ 891,823	\$ 916,768
Income taxes	661,125	569,736	473,792	534,553	565,571	573,376	679,371	736,760	663,510	689,515
Public service taxes	155,699	123,863	116,592	110,405	121,099	143,067	140,032	153,522	174,239	176,124
Grants and contributions not restricted to specific programs:										
State of Maryland	8,847	6,954	9,655	8,823	9,423	9,686	9,063	9,210	8,966	8,926
Unrestricted investment earnings	13,953	5,688	1,098	966	1,077	1,416	1,096	749	1,392	2,068
Reversion of fund balance from component units	-	-	-	-	-	-	-	-	-	20,463
Transfers	110	-	-	-	-	-	-	10,213	738	242
Total governmental activities	<u>1,552,597</u>	<u>1,473,344</u>	<u>1,415,107</u>	<u>1,491,839</u>	<u>1,541,239</u>	<u>1,574,984</u>	<u>1,679,929</u>	<u>1,777,152</u>	<u>1,740,668</u>	<u>1,814,106</u>
Business-type activities										
Unrestricted investment earnings	1,219	1,094	177	256	360	322	192	98	56	34
Transfers	(110)	-	-	-	-	-	-	(10,213)	(738)	(242)
Total business-type activities	<u>1,109</u>	<u>1,094</u>	<u>177</u>	<u>256</u>	<u>360</u>	<u>322</u>	<u>192</u>	<u>(10,115)</u>	<u>(682)</u>	<u>(208)</u>
Total primary government	<u>\$ 1,553,706</u>	<u>\$ 1,474,438</u>	<u>\$ 1,415,284</u>	<u>\$ 1,492,095</u>	<u>\$ 1,541,599</u>	<u>\$ 1,575,306</u>	<u>\$ 1,680,121</u>	<u>\$ 1,767,037</u>	<u>\$ 1,739,986</u>	<u>\$ 1,813,898</u>
Change in Net Position										
Governmental activities	\$ 54,551	\$ (64,120)	\$ (259,792)	\$ (114,889)	\$ (173,146)	\$ (76,253)	\$ (43,282)	\$ 67,788	\$ (126,399)	\$ (276,581)
Business-type activities	(8,624)	3,886	(21,518)	17,496	(42,497)	(34,810)	(40,248)	(92,341)	(101,125)	(90,650)
Total primary government	<u>\$ 45,927</u>	<u>\$ (60,234)</u>	<u>\$ (281,310)</u>	<u>\$ (97,393)</u>	<u>\$ (215,643)</u>	<u>\$ (111,063)</u>	<u>\$ (83,530)</u>	<u>\$ (24,553)</u>	<u>\$ (227,524)</u>	<u>\$ (367,231)</u>

Baltimore County, Maryland
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars expressed in thousands)

	<u>2008 *</u>	<u>2009 *</u>	<u>2010 *</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Nonspendable	\$ 5,431	\$ 5,911	\$ 5,906	\$ 6,942	\$ 7,109	\$ 6,772	\$ 5,574	\$ 6,998	\$ 7,489	\$ 9,251
Restricted	2,657	31,132	17,763	12,689	99,492	69,140	34,889	17,490	5,194	61,062
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	143,571	141,214	99,589	65,223	65,659	91,286	108,855	151,283	83,161	53,984
Unassigned	118,530	82,703	109,231	165,200	229,972	294,935	284,664	229,819	239,528	205,391
Total General Fund	<u>270,189</u>	<u>260,960</u>	<u>232,489</u>	<u>250,054</u>	<u>402,232</u>	<u>462,133</u>	<u>433,982</u>	<u>405,590</u>	<u>335,372</u>	<u>329,688</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	10,925	14,108	17,835	21,365	22,161	21,770	18,667	31,285	41,444	48,276
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	8,860	22,816	5,926	7,184	4,699	14,365	16,058	20,789	16,089	15,644
Unassigned	(48,410)	(98,521)	(209,354)	(157,090)	(112,730)	(48,347)	(23,256)	(29,387)	(164,685)	(134,959)
Total all other governmental funds	<u>\$ (28,625)</u>	<u>\$ (61,597)</u>	<u>\$ (185,593)</u>	<u>\$ (128,541)</u>	<u>\$ (85,870)</u>	<u>\$ (12,212)</u>	<u>\$ 11,469</u>	<u>\$ 22,687</u>	<u>\$ (107,152)</u>	<u>\$ (71,039)</u>
Total governmental funds	<u>\$ 241,564</u>	<u>\$ 199,363</u>	<u>\$ 46,896</u>	<u>\$ 121,513</u>	<u>\$ 316,362</u>	<u>\$ 449,921</u>	<u>\$ 445,451</u>	<u>\$ 428,277</u>	<u>\$ 228,220</u>	<u>\$ 258,649</u>

* This information was prepared by the County Office of Budget and Finance based upon evaluation of fund balances and was presented for comparative purposes only.

Baltimore County, Maryland
Fund Balances of Governmental Funds
Pre GASB Statement No. 54
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars expressed in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 *</u>	<u>2012 *</u>	<u>2013*</u>	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>
General Fund										
Reserved for:										
Encumbrances	\$ 4,101	\$ 4,985	\$ 5,762	\$ 4,586	\$ 3,692	\$ 5,210	\$ 5,655	\$ 6,308	\$ 3,995	\$ 6,223
Inventories	5,431	5,911	5,906	6,942	7,109	6,772	5,574	6,998	7,489	9,251
Imprest funds	70	67	70	69	69	69	69	74	75	75
Equipment financing	2,657	31,132	17,763	12,689	99,260	68,821	34,441	16,904	3,991	59,416
Bond Escrow	-	-	-	-	232	319	448	586	1,203	1,646
Disputed taxes	-	-	-	-	-	-	-	25,427	25,427	25,427
Total reserved	<u>12,259</u>	<u>42,095</u>	<u>29,501</u>	<u>24,286</u>	<u>110,362</u>	<u>81,191</u>	<u>46,187</u>	<u>56,297</u>	<u>42,180</u>	<u>102,038</u>
Unreserved										
Designated for:										
Subsequent years expenditures	47,471	52,082	9,400	60,568	40,584	39,532	78,056	89,648	19,124	3,304
Retirement of long-term debt	8,986	-	-	-	21,314	46,475	25,075	29,826	34,540	18,955
Revenue stabilization	82,943	84,080	84,357	84,610	84,822	85,034	85,187	89,341	93,107	99,360
Undesignated	118,530	82,703	109,231	80,590	145,150	209,901	199,477	140,478	146,421	106,031
Total unreserved	<u>257,930</u>	<u>218,865</u>	<u>202,988</u>	<u>225,768</u>	<u>291,870</u>	<u>380,942</u>	<u>387,795</u>	<u>349,293</u>	<u>293,192</u>	<u>227,650</u>
Total General Fund	<u>270,189</u>	<u>260,960</u>	<u>232,489</u>	<u>250,054</u>	<u>402,232</u>	<u>462,133</u>	<u>433,982</u>	<u>405,590</u>	<u>335,372</u>	<u>329,688</u>
All other governmental funds										
Reserved	15,686	16,628	19,942	28,304	26,504	35,952	31,855	40,486	52,146	59,116
Unreserved, reported in:										
Special revenue funds	4,099	20,296	3,819	245	356	183	2,870	4,911	5,387	4,804
Capital project funds	(48,410)	(98,521)	(209,354)	(157,090)	(112,730)	(48,347)	(23,256)	(22,710)	(164,685)	(134,959)
Total all other governmental funds	<u>(28,625)</u>	<u>(61,597)</u>	<u>(185,593)</u>	<u>(128,541)</u>	<u>(85,870)</u>	<u>(12,212)</u>	<u>11,469</u>	<u>22,687</u>	<u>(107,152)</u>	<u>(71,039)</u>
Total governmental funds	<u>\$ 241,564</u>	<u>\$ 199,363</u>	<u>\$ 46,896</u>	<u>\$ 121,513</u>	<u>\$ 316,362</u>	<u>\$ 449,921</u>	<u>\$ 445,451</u>	<u>\$ 428,277</u>	<u>\$ 228,220</u>	<u>\$ 258,649</u>

* This information was prepared by the County Office of Budget and Finance and was derived from records for FY 2011- FY 2017 based on standards used prior to FY 2011. Information was presented for comparative purposes only.

Baltimore County, Maryland
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 1,499,041	\$ 1,518,367	\$ 1,414,149	\$ 1,448,849	\$ 1,545,610	\$ 1,605,959	\$ 1,645,650	\$ 1,703,481	\$ 1,761,006	\$ 1,776,875
Licenses and permits	4,545	4,171	3,648	4,480	5,867	5,933	30,585	30,747	22,477	17,749
Intergovernmental	201,079	215,211	170,515	186,868	187,089	182,690	177,093	194,620	193,332	202,695
Repayment of loans	3,810	2,490	2,450	3,990	1,695	2,954	2,978	3,042	1,759	1,270
Charges for services	13,502	12,882	14,104	17,923	18,365	19,775	23,670	26,035	35,050	56,962
Assessments	2,422	5,249	1,091	2,475	2,183	2,017	2,745	2,243	1,645	2,177
Fines and forfeitures	3,098	3,407	3,660	3,876	5,149	4,844	5,066	6,033	7,099	7,056
Interest revenue	10,520	3,780	1,085	852	1,015	1,847	1,428	952	1,714	1,525
Miscellaneous	25,317	22,175	24,049	32,468	27,042	30,316	33,704	43,265	42,564	62,149
Total revenues	1,763,334	1,787,732	1,634,751	1,701,781	1,794,015	1,856,335	1,922,919	2,010,418	2,066,646	2,128,458
Expenditures										
General government	73,556	74,504	73,972	76,667	74,636	112,682	113,669	112,732	111,204	116,215
Public safety	311,867	329,337	341,735	341,131	339,984	334,669	342,776	350,395	359,811	367,595
Public works	113,150	117,271	140,709	127,513	115,497	100,688	116,419	112,565	117,785	117,670
Health and human services	133,918	139,638	142,922	143,731	151,924	147,854	146,612	156,519	163,418	166,968
Culture and leisure services	24,707	25,960	26,999	26,771	27,050	19,777	20,507	20,983	22,128	22,951
Economic and community development	11,339	11,563	15,242	18,244	22,387	21,245	20,921	15,133	19,973	16,405
Pension plan contributions	40,778	46,446	53,156	53,795	58,985	320,818	71,791	95,585	92,550	247,707
Healthcare contributions	266,019	81,446	66,769	56,367	66,676	92,311	99,447	99,924	126,386	102,742
Loans	3,281	3,290	1,163	-	-	-	-	-	-	-
Miscellaneous	15,966	16,686	17,551	17,384	16,942	16,067	16,532	17,571	17,963	18,599
Capital projects	124,064	131,929	126,773	108,827	102,145	97,928	95,334	118,430	131,710	139,167
Payments to component units	828,488	823,229	882,459	857,010	895,901	864,835	911,309	947,156	1,001,289	1,020,500
Debt service:										
Principal retirement	45,418	40,981	46,030	48,149	50,765	54,543	59,631	68,647	77,829	83,421
Interest	23,157	25,108	24,213	28,454	32,133	36,774	49,256	45,664	49,458	49,925
Fiscal charges	635	1,027	1,216	2,413	2,051	3,517	1,250	3,150	1,082	2,355
Total expenditures	2,016,343	1,868,415	1,960,909	1,906,456	1,957,076	2,223,708	2,065,454	2,164,454	2,292,586	2,472,220
Deficiency of revenues over expenditures	(253,009)	(80,683)	(326,158)	(204,675)	(163,061)	(367,373)	(142,535)	(154,036)	(225,940)	(343,762)

(continued)

Baltimore County, Maryland
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars expressed in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses)										
Bonds issued	140,000	-	174,970	267,000	170,000	449,290	140,000	116,000	112,000	243,800
Bond premium	9,150	-	725	12,041	26,285	36,013	20,659	44,998	25,010	12,340
Bond discount	-	-	(2,002)	-	-	-	-	-	-	-
Bond anticipation notes issued	140,000	35,000	-	70,050	235,100	193,000	116,000	112,000	-	121,000
Bond anticipation notes premium	-	-	-	-	3,307	1,967	-	-	-	2,592
Refunding bonds issued	-	73,020	-	13,565	-	94,080	39,530	-	-	-
Bond premium - refunding	-	8,151	-	1,387	-	16,228	-	117,365	-	-
Certificates of participation issued	-	34,700	-	-	78,430	-	-	-	-	59,810
Refunding certificates of participation issued	-	-	-	-	-	11,830	-	-	-	-
Certificates of participation premium	-	1,723	-	-	14,259	786	-	-	-	11,950
Installment purchase agreement	-	-	-	-	320	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	12,946	6,088	-	-	1,091
Auction rate notes refunding	-	(35,000)	-	-	-	-	-	-	-	-
Bond anticipation notes refunding	(140,000)	-	-	(70,050)	(170,000)	(193,000)	(140,000)	(116,000)	(112,000)	(99,800)
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Payment to refunding escrow agent	-	(80,850)	-	(14,879)	-	(122,342)	(44,190)	(137,501)	-	-
Reversion of fund balance from component units	-	-	-	-	-	-	-	-	-	20,463
Transfers in	158,675	165,168	158,907	61,265	10,866	36,366	71,776	87,684	139,543	179,757
Transfers out	(155,585)	(163,430)	(158,909)	(61,087)	(10,657)	(36,232)	(71,798)	(87,684)	(138,670)	(178,812)
Total other financing sources	152,240	38,482	173,691	279,292	357,910	500,932	138,065	136,862	25,883	374,191
Net change in fund balances	\$ (100,769)	\$ (42,201)	\$ (152,467)	\$ 74,617	\$ 194,849	\$ 133,559	\$ (4,470)	\$ (17,174)	\$ (200,057)	\$ 30,429
Debt service as a percentage of noncapital expenditures	3.61%	3.80%	3.83%	4.33%	4.42%	4.30%	5.49%	5.58%	5.88%	5.68%

Baltimore County, Maryland
Unreserved Fund Balance and Revenue Stabilization Reserve Account Expressed as a Percentage of General Fund Revenues and Transfers In Last Ten Fiscal Years
(budgetary basis)
(dollars expressed in thousands)

Fiscal Year	Total General Fund Revenues	Unreserved Fund Balance	Unreserved Fund Balance as a % of General Fund Revenues	Revenue Stabilization Reserve Account ("RSRA")	Undesignated Fund Balance	Undesignated Fund Balance PLUS RSRA as % of G.F. Revenues
2008	1,640,051	257,930	15.7	82,943	118,530	12.3
2009	1,635,375	218,865	13.4	84,080	82,703	10.2
2010	1,489,427	202,988	13.6	84,357	109,231	13.0
2011	1,547,926	225,768	14.6	84,610	80,590	10.7
2012	1,722,890	291,870	16.9	84,822	145,150	13.3
2013	1,701,812	380,942	22.4	85,034	209,901	17.3
2014	1,750,110	387,795	22.2	85,187	199,477	16.3
2015	1,820,656	349,367	19.2	89,341	140,478	12.6
2016	1,887,247	293,192	15.5	93,107	146,421	12.7
2017	1,972,182	227,650	11.5	99,360	106,031	10.4

The General Fund Unassigned Fund Balance includes the Revenue Stabilization Reserve Account (the Account) which is a designation of General Fund fund balance to provide a financial cushion for unanticipated decreases in revenues; primarily intergovernmental revenues. Section 10-8-101 of the County Code gives the County the authority to establish and maintain the Account. Revenues in excess of estimates and any unexpended appropriations at the close of the fiscal year shall be transferred to the Account if the Account balance does not exceed five percent of the current fiscal year General Fund budgeted revenue after interest is credited to the Account. If a deficit exists in the General Fund at the end of any fiscal year, the Director of Budget and Finance shall notify the County Executive and County Council; and request that sufficient monies to the extent available be transferred from the Account to eliminate the deficit. Funds in the Account are not to be used for any other purpose except upon the recommendation of the County Executive and approval of a majority plus one of the County Council.

**Baltimore County, Maryland
General Fund Revenues
Last Ten Fiscal Years
(budgetary basis)
(dollars expressed in thousands)**

Fiscal Year	Taxes (1)	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeitures	Interest on Investments and Miscellaneous	Reimbursements and Other Financing Sources	Total
2008	1,499,041	3,864	78,434	9,720	3,098	30,750	15,144	1,640,051
2009	1,518,367	3,539	70,424	8,861	3,407	23,320	7,457	1,635,375
2010	1,414,149	3,009	30,904	9,497	3,660	21,270	6,938	1,489,427
2011	1,448,849	3,858	34,186	9,963	3,876	26,214	20,980	1,547,926
2012	1,545,610	4,916	31,517	10,068	5,149	25,089	100,541	1,722,890
2013	1,605,959	4,970	37,717	10,378	4,844	29,419	8,525	1,701,812
2014	1,645,650	4,925	43,473	11,118	5,066	30,966	8,912	1,750,110
2015	1,703,481	5,306	43,739	12,544	6,033	39,173	10,380	1,820,656
2016	1,759,834	5,194	46,609	22,404	7,099	33,686	12,421	1,887,247
2017	1,775,935	5,767	47,764	43,822	7,056	78,736	13,102	1,972,182

Note: Table does not include major interfund transfers that occurred in FY 2010 and FY 2011.

(1) See the General Fund Tax Revenues by Source table for detail

Baltimore County, Maryland
General Fund Tax Revenues by Source
Last Ten Fiscal Years
(budgetary basis)
(dollars expressed in thousands)

Fiscal Year	Total Taxes	General Property Taxes	Income Taxes	Other Local Taxes (1)
2008	1,499,041	713,116	640,985	144,940
2009	1,518,367	765,573	640,176	112,618
2010	1,414,149	814,100	495,656	104,393
2011	1,448,849	837,056	514,715	97,078
2012	1,545,610	845,238	593,204	107,168
2013	1,605,959	853,860	624,060	128,039
2014	1,645,650	853,317	667,924	124,409
2015	1,703,481	870,115	696,335	137,031
2016	1,759,834	892,906	709,377	157,551
2017	1,775,935	919,193	697,694	159,048

(1) Fiscal year 2017 other local taxes include: title transfer tax - \$76.294 million, recordation tax - \$35.955 million, electricity - \$14.192 million, telephone tax - \$8.775 million, admissions and amusement tax - \$6.569 million, motel and hotel occupancy tax - \$10.593 million, 911 fee - \$6.106 million and auto trailer camp tax - \$0.564 million.

Baltimore County, Maryland
General Fund Expenditures and Transfers by Function
Last Ten Fiscal Years
(budgetary basis)
(dollars expressed in thousands)

Fiscal Year	General Government	Public Safety	Public Works	Health and Human Services	Culture and Leisure Services	Economic and Community Development	Debt Service	Non-Departmental (1)	Payments to Component Units	Interfund Transfers	Total
2008	74,202	304,400	112,962	35,468	22,410	1,758	68,990	166,824	713,750	153,696	1,654,460
2009	74,811	321,064	117,197	36,521	24,014	2,022	66,655	144,553	743,667	145,719	1,676,223
2010	75,026	327,432	136,389	37,993	24,681	2,104	70,784	138,157	770,486	40,550	1,623,602
2011	76,761	330,042	126,883	37,537	23,622	1,889	77,221	127,467	766,829	9,938	1,578,189
2012	73,710	330,137	116,079	37,595	23,812	1,419	78,370	142,789	775,282	7,390	1,586,583
2013	102,135	323,636	89,235	34,311	16,684	1,295	81,835	174,216	795,428	20,590	1,639,365
2014	103,973	324,374	104,495	34,837	17,289	1,170	95,922	187,839	821,274	32,233	1,723,406
2015	109,697	334,171	110,129	36,448	17,940	1,015	109,664	213,177	849,915	57,297	1,839,453
2016	113,437	340,701	113,532	37,936	18,307	1,192	118,692	236,896	862,811	107,568	1,951,072
2017	119,786	352,432	113,328	40,076	19,514	1,285	125,568	225,811	882,629	142,990	2,023,419

(1) Non-Departmental expenditures include costs incurred for pension plan contributions, social security, workers compensation, general and auto liability insurance, employees health and life insurance and miscellaneous programs.

Baltimore County, Maryland
Taxable Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(dollars expressed in thousands)

Fiscal Year Ended June 30	Real Property (1)			Personal Property			Total Taxable Assessed Value (1)	Estimated Actual Value	Total Direct Rate (2)
	Residential Property	Commercial Property	Total Real Property	Railroad/Utility Property	Other Business Property	Total Personal Property			
2008	56,863,450	12,482,221	69,345,671	1,255,594	1,812,240	3,067,834	72,413,505	72,413,505	1.170
2009	62,317,297	16,565,357	78,882,654	1,257,017	1,860,511	3,117,528	82,000,182	82,000,182	1.163
2010	67,285,085	18,977,845	86,262,930	1,225,048	1,885,528	3,110,576	89,373,506	89,373,506	1.162
2011	66,400,696	19,833,974	86,234,670	1,241,027	1,703,753	2,944,780	89,179,450	89,179,450	1.155
2012	61,900,847	19,547,635	81,448,482	1,229,659	1,794,683	3,024,342	84,472,824	84,472,824	1.159
2013	58,402,524	19,467,508	77,870,032	1,271,351	1,753,389	3,024,740	80,894,772	80,894,772	1.161
2014	56,661,374	18,887,124	75,548,498	1,245,132	1,741,590	2,986,722	78,535,220	78,535,220	1.162
2015	55,714,387	19,575,325	75,289,712	1,306,763	1,716,549	3,023,312	78,313,024	78,313,024	1.164
2016	56,669,097	19,910,764	76,579,861	1,347,311	1,897,128	3,244,439	79,824,300	79,824,300	1.167
2017	58,287,682	20,479,456	78,767,138	1,424,762	1,909,921	3,334,683	82,101,821	82,101,821	1.167

Note:

(1) Tax exempt properties are not included

(2) Expressed in dollars per \$100 of assessed value

**Baltimore County, Maryland
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	County Direct Rates		
	Real	Personal	Total (a)
2008	1.100	2.7500	1.170
2009	1.100	2.7500	1.163
2010	1.100	2.7500	1.162
2011	1.100	2.7500	1.155
2012	1.100	2.7500	1.159
2013	1.100	2.7500	1.161
2014	1.100	2.7500	1.162
2015	1.100	2.7500	1.164
2016	1.100	2.7500	1.167
2017	1.100	2.7500	1.167

Notes:

- (1) Rates are per \$100 of assessed value.
- (2) Except for the State of Maryland, there is no separate taxing authority that overlaps the County geographically.
- (3) There are no tax limits.
- (a) Weighted average of the individual Real & Personal direct rates.

**Baltimore County, Maryland
Principal Property Taxpayers
Current Year and Nine Years Ago
(dollars expressed in thousands)**

Taxpayer	2017		Taxpayer	2008	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Percentage of Total Taxable Assessed Value
BGE	993,069,130	1.21%	BGE	961,814,944	1.33%
Verizon	242,260,180	0.30%	Verizon	377,636,304	0.52%
Merritt Mgt Corp	589,851,231	0.72%	Merritt Mgt Corp	295,975,501	0.41%
Home Properties	261,724,086	0.32%	Oak Campus Partners LLC	148,581,960	0.21%
Comcast	94,782,380	0.12%	Towson Town Center	147,607,798	0.20%
Towson Town Center	264,437,770	0.32%	Maryland Health & High Education	135,071,434	0.19%
Trade Point Atlantic LLC	183,269,557	0.22%	Wal Mart	123,197,538	0.17%
Wal Mart	156,599,560	0.19%	ISG	117,591,676	0.16%
White Marsh Mall	147,899,004	0.18%	TRP Suburban	113,682,915	0.16%
Oak Campus Partners LLC	137,240,867	0.17%	Comcast	54,078,720	0.07%
	<u><u>\$ 3,071,133,765</u></u>	<u><u>3.75%</u></u>		<u><u>\$ 2,475,238,790</u></u>	<u><u>3.42%</u></u>

Source: State of Maryland Assessment Files and Baltimore County Office of Budget and Finance Tax Files

Baltimore County, Maryland
Property Tax Levies and Collections
Last Ten Fiscal Years
(dollars expressed in thousands)

Fiscal Year Ended	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2008	711,041	709,242	99.75	1,710	710,952	99.99
2009	762,124	758,977	99.59	2,924	761,901	99.97
2010	806,805	805,384	99.82	992	806,376	99.95
2011	839,080	834,831	99.49	3,501	838,332	99.91
2012	846,418	841,983	99.48	3,536	845,519	99.89
2013	853,307	851,115	99.74	1,365	852,480	99.90
2014	856,946	854,254	99.69	1,824	856,078	99.90
2015	872,676	869,303	99.61	2,452	871,755	99.89
2016	888,230	886,008	99.75	973	886,981	99.86
2017	921,713	918,421	99.64	-	918,421	99.64

Baltimore County, Maryland
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars expressed in thousands)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2) (3)
	General Obligation Debt (1)	Certificates of Participation (1)	Loan Payable	General Obligation Debt (1)	Certificates of Participation (1)				
2008	887,695	48,896	3,601	739,080	2,533	1,681,805	4.20	2,105.81	
2009	835,146	79,090	3,515	710,512	4,192	1,632,455	4.24	2,035.97	
2010	951,250	71,008	3,422	782,702	3,561	1,811,943	4.56	2,248.17	
2011	1,168,253	62,586	3,321	882,556	2,930	2,119,646	5.11	2,617.04	
2012	1,348,019	146,016	-	1,003,942	7,264	2,505,241	5.76	3,079.37	
2013	1,759,768	134,490	12,946	1,032,220	6,522	2,945,946	6.83	3,601.43	
2014	1,805,692	118,209	18,993	1,085,389	5,361	3,033,644	6.80	3,669.21	
2015	1,846,087	104,500	14,496	1,168,797	4,610	3,138,490	6.79	3,772.00	
2016	1,762,843	88,566	10,038	1,164,150	3,875	3,029,472	6.34	3,627.94	
2017	1,927,873	142,205	5,216	1,399,888	7,743	3,482,925	7.21	4,158.80	

(1) Presented net of original issuance discounts and premiums

(2) See the Demographic and Economic Statistics schedule for personal income and population data.

(3) Expressed in dollars

Baltimore County, Maryland
Ratios of Net General Obligation (GO) Debt to
Estimated Actual Value of Property and Net GO Debt Per Capita
Last Ten Fiscal Years
(dollars expressed in thousands)

Fiscal Year	Estimated Population (1)	Estimated Actual Value of Real & Personal Property	GO Debt (2)	Less: Amounts Available in Escrow for Debt Service (3)	Net GO Debt	Percent of Net GO Debt to Estimated Actual Value of Property	GO Debt per Capita (4)
2008	798,651	72,413,505	1,626,775	-	1,626,775	2.25	2,036.90
2009	801,808	82,000,182	1,545,658	-	1,545,658	1.88	1,927.72
2010	805,964	89,373,506	1,733,952	-	1,733,952	1.94	2,151.40
2011	809,941	89,179,450	2,050,809	-	2,050,809	2.30	2,532.05
2012	813,556	84,472,824	2,351,961	232	2,351,729	2.78	2,890.68
2013	817,993	80,894,772	2,791,988	319	2,791,669	3.45	3,412.83
2014	826,784	78,535,220	2,891,081	448	2,890,633	3.68	3,496.24
2015	832,050	78,313,024	3,014,884	586	3,014,298	3.85	3,622.74
2016	832,040	79,824,300	2,926,993	1,203	2,925,790	3.67	3,516.41
2017	837,476	82,101,821	3,327,761	1,647	3,326,114	4.05	3,971.59

Notes:

- (1) U.S. Bureau of the Census, Population Estimates Branch
- (2) This is the general obligation debt of both governmental and business-type activities, net of original issuance discounts and premiums
- (3) The County has resources restricted to repaying the principal of outstanding debt.
- (4) Expressed in dollars

**Baltimore County, Maryland
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars expressed in thousands)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Consolidated Public Improvement (CPI)										
General Obligation Debt										
Assessed value										
Real property	\$ 69,345,671	\$ 78,882,654	\$ 86,262,930	\$ 86,234,670	\$ 81,448,482	\$ 77,870,032	\$ 75,548,498	\$ 75,289,712	\$76,579,861	\$78,767,139
Personal property	3,067,834	3,117,528	3,110,576	2,944,780	3,024,342	3,024,740	2,986,722	3,023,312	3,244,439	3,334,682
Total assessed value	<u>72,413,505</u>	<u>82,000,182</u>	<u>89,373,506</u>	<u>89,179,450</u>	<u>84,472,824</u>	<u>80,894,772</u>	<u>78,535,220</u>	<u>78,313,024</u>	<u>79,824,300</u>	<u>82,101,821</u>
Debt limit (4% of total assessed value)	2,896,540	3,280,007	3,574,940	3,567,178	3,378,913	3,235,791	3,141,409	3,132,521	3,192,972	3,284,073
Debt applicable to limit:										
Consolidated public improvement bonds	651,290	574,235	702,565	918,085	1,036,500	1,161,100	1,235,730	1,274,405	1,311,740	1,323,355
Pension liability funding	59,110	46,140	38,885	31,805	24,735	274,010	267,085	249,082	238,928	376,741
CPI commercial paper notes	140,000	175,000	174,900	174,900	240,000	240,000	216,000	211,900	99,800	121,000
Total debt applicable to debt limit	<u>850,400</u>	<u>795,375</u>	<u>916,350</u>	<u>1,124,790</u>	<u>1,301,235</u>	<u>1,675,110</u>	<u>1,718,815</u>	<u>1,735,387</u>	<u>1,650,468</u>	<u>1,821,096</u>
Legal debt margin	<u>\$ 2,046,140</u>	<u>\$ 2,484,632</u>	<u>\$ 2,658,590</u>	<u>\$ 2,442,388</u>	<u>\$ 2,077,678</u>	<u>\$ 1,560,681</u>	<u>\$ 1,422,594</u>	<u>\$ 1,397,134</u>	<u>\$ 1,542,504</u>	<u>\$ 1,462,977</u>
Metropolitan District General Obligation Debt										
Assessed value (1)										
Real property	\$ 61,053,861	\$ 69,372,971	\$ 75,606,965	\$ 76,836,626	\$ 72,056,007	\$ 68,888,892	\$ 67,005,625	\$ 64,936,021	\$67,958,118	\$69,971,527
Personal property	2,701,006	2,741,695	2,726,330	2,623,851	2,675,581	2,675,882	2,648,990	2,607,552	2,879,164	2,962,312
Total assessed value	<u>63,754,867</u>	<u>72,114,666</u>	<u>78,333,295</u>	<u>79,460,477</u>	<u>74,731,588</u>	<u>71,564,774</u>	<u>69,654,615</u>	<u>67,543,573</u>	<u>70,837,282</u>	<u>72,933,839</u>
Debt limit (3.2% of total assessed value)	2,040,156	2,307,669	2,506,665	2,542,735	2,391,411	2,290,073	2,228,948	2,161,394	2,266,793	2,333,883
Debt applicable to limit:										
Metropolitan District (MD) bonds	662,041	585,648	658,837	750,917	822,490	850,645	875,708	928,611	1,003,368	1,107,298
MD commercial paper notes	60,000	106,600	106,500	106,500	160,000	160,000	183,800	187,500	99,300	225,000
Total debt applicable to debt limit	<u>722,041</u>	<u>692,248</u>	<u>765,337</u>	<u>857,417</u>	<u>982,490</u>	<u>1,010,645</u>	<u>1,059,508</u>	<u>1,116,111</u>	<u>1,102,668</u>	<u>1,332,298</u>
Legal debt margin	<u>\$ 1,318,115</u>	<u>\$ 1,615,421</u>	<u>\$ 1,741,328</u>	<u>\$ 1,685,318</u>	<u>\$ 1,408,921</u>	<u>\$ 1,279,428</u>	<u>\$ 1,169,440</u>	<u>\$ 1,045,283</u>	<u>\$ 1,164,125</u>	<u>\$ 1,001,585</u>

Notes:

(1) Assessed value of property in the Metropolitan District.

* The County has \$1.646 million restricted to repaying the principal of outstanding debt as of June 30, 2017.

**Baltimore County, Maryland
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Estimated Population (1)	Total Personal Income (expressed in thousands)	Per Capita Personal Income (2)	Median Age (3)	Education Level in Years of Formal Schooling (3)	School Enrollment (4)	Unemployment Rate (5)
2008	798,651	40,008,568	50,095	38.0	14.9	104,714	4.5
2009	801,808	38,464,815	47,973	38.0	15.0	103,643	7.9
2010	805,964	39,717,586	49,280	38.4	15.0	103,832	7.8
2011	809,941	41,510,448	51,251	39.1	15.0	104,331	7.9
2012	813,556	43,379,449	53,004	39.1	15.4	105,315	7.7
2013	817,993	43,128,806	52,348	39.2	15.4	107,033	7.3
2014	826,784	44,611,807	53,949	39.2	15.4	108,376	6.5
2015	832,050	46,234,945	55,568	39.2	15.3	109,984	5.9
2016	835,040	47,793,124	57,235	39.1	15.3	111,126	5.4
2017	837,476	48,328,776	57,708	39.1	15.3	112,351	4.4

Notes:

- (1) U.S. Bureau of the Census, Population Estimates Branch.
- (2) Data extracts prepared by the U.S. Bureau of the Census and Maryland Office of Planning.
- (3) Baltimore County Office of Planning
- (4) Baltimore County Board of Education
- (5) Maryland Department of Labor and Licensing Regulation

**Baltimore County, Maryland
Principal Employers
Current Year and Nine Years Ago**

Employer	2017		Employer	2008	
	Employees	Percentage of Total County Employment		Employees	Percentage of Total County Employment
Social Security Administration/CMS	14,753	3.98	Baltimore County Public Schools	14,482	3.36
Baltimore County Public Schools	14,235	3.84	Social Security Administration	9,800	2.27
Baltimore County Government	7,998	2.16	Baltimore County Government	8,771	2.03
T. Rowe Price Associates, Inc.	4,200	1.13	Greater Baltimore Medical Center	3,331	0.77
Greater Baltimore Medical Center	3,900	1.05	UMBC	3,258	0.76
Towson University	3,476	0.94	Erickson Retirement Communities	3,100	0.72
Franklin Square Hospital	2,829	0.76	Franklin Square Hospital	3,000	0.70
McCormick & Company, Inc.	2,132	0.56	Center for Medicare & Medicaid Services - CMS	2,968	0.69
UMBC	2,017	0.54	T. Rowe Price Group	2,724	0.63
Sheppard Pratt Health Systems	1,913	0.52	St. Joseph Medical Center	2,650	0.61
Total	57,453	15.48	Total	54,084	12.54

Source: Baltimore County Department of Economic Development

Baltimore County, Maryland
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL GOVERNMENT										
County Executive	15	15	15	14	14	14	14	14	14	14
Administrative Office	24	23	23	23	13	13	13	13	13	13
Office of Budget and Finance	151	163	160	184	132	122	123	124	122	121
Office of Law	33	32	32	30	39	37	33	33	29	29
Planning & Community Conservation	51	49	50	49	49	42	41	44	44	44
Office of Human Resources	32	33	33	32	34	31	33	44	49	49
Permits, Approvals and Inspections	223	224	223	188	202	182	184	186	188	188
Property Management	-	-	-	-	-	315 *	291	288	279	270
County Council	37	37	37	37	37	36	36	36	36	36
County Auditor	19	19	19	19	19	19	18	18	18	18
Board of Appeals	10	10	10	10	9	9	9	9	9	9
Information Technology	148	176	186	186	186	173	173	204	209	216
Internal Service Funds	59	59	59	59	59	55	53	50	50	50
HEALTH & HUMAN SERVICES										
Department of Health	552	550	533	531	526	524	521	541	546	581
Social Services	206	205	213	214	237	190	185	185	197	197
Social Services - State	17	16	12	12	12	12	12	10	10	10
Department of Aging	330	332	332	331	322	285	285	283	283	282
Environmental Protection and Sustainability	116	119	119	119	89	79	97	95	91	83
Local Management Board	9	9	10	7	5	5	5	3	3	3
Housing Office	60	60	60	59	64	49	49	48	59	60
RECREATION & COMM. SERV.										
Recreation & Parks	325	333	336	315	329	191	190	189	174	176
Economic Development	19	19	21	21	16	11	11	11	11	11
Community Development Block Grants	26	25	31	30	27	29	28	27	27	27
Workforce Development	29	32	49	45	48	44	44	46	50	47
Organization Contributions	1	1	2	-	-	-	-	-	-	-
PUBLIC WORKS	1,173	1,179	1,181	1,181	1,128	867	867	865	865	871
SUBTOTAL	3,665	3,720	3,746	3,696	3,596	3,334	3,315	3,366	3,376	3,405

(continued)

Baltimore County, Maryland
Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
PUBLIC SAFETY										
Department of Corrections	471	472	472	473	470	462	463	463	463	472
Communications Center	193	192	187	187	186	186	186	190	190	193
Police Department	2,566	2,564	2,590	2,575	2,534	2,524	2,531	2,519	2,527	2,529
Fire Department	1,083	1,098	1,091	1,090	1,082	1,062	1,062	1,062	1,064	1,076
SUBTOTAL	<u>4,313</u>	<u>4,326</u>	<u>4,340</u>	<u>4,325</u>	<u>4,272</u>	<u>4,234</u>	<u>4,242</u>	<u>4,234</u>	<u>4,244</u>	<u>4,270</u>
STATE MANDATED AGENCIES										
Circuit Court	98	98	100	100	89	89	89	91	91	93
Orphan's Court	5	5	5	5	5	5	5	5	5	5
Board Of Elections	14	14	14	14	14	12	12	12	12	12
Board Of Elections - State	26	26	26	26	26	26	26	26	26	26
State's Attorney	120	123	124	124	122	120	120	120	120	123
County Sheriff	100	100	104	104	104	99	95	95	90	90
Liquor License Commission	26	25	25	25	24	24	24	24	24	24
Cooperative Extension	2	2	2	2	2	2	2	2	2	2
Cooperative Extension - State	8	8	8	8	8	8	8	8	8	8
SUBTOTAL	<u>399</u>	<u>401</u>	<u>408</u>	<u>408</u>	<u>394</u>	<u>385</u>	<u>381</u>	<u>383</u>	<u>378</u>	<u>383</u>
EDUCATION, COMMUNITY COLLEGE & LIBRARY										
Community College	1,711	1,777	1,795	1,974	2,060	2,040	1,976	1,936	1,929	1,779
Education	14,472	14,757	14,537	14,606	14,327	14,342	14,472	14,626	14,753	15,015
Library	477	483	489	495	492	521	522	478	485	489
SUBTOTAL	<u>16,660</u>	<u>17,017</u>	<u>16,821</u>	<u>17,075</u>	<u>16,879</u>	<u>16,903</u>	<u>16,970</u>	<u>17,040</u>	<u>17,167</u>	<u>17,283</u>
TOTAL	<u>25,037</u>	<u>25,464</u>	<u>25,315</u>	<u>25,504</u>	<u>25,141</u>	<u>24,856</u>	<u>24,908</u>	<u>25,023</u>	<u>25,165</u>	<u>25,341</u>

Source: Baltimore County Office of Budget and Finance Budget Documents

* Organizational shift in personnel with the majority of employees coming from the Department of Public Works and Recreation and Parks.

**Baltimore County, Maryland
Operating Indicators by Function
Fiscal Years 2007 - 2016**

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CIRCUIT COURT										
Cases and Appeals Filed										
Civil	19,630	20,000	18,606	19,885	15,924	16,443	17,116	18,008	17,855	18,190
Criminal	8,125	8,250	9,290	10,211	10,648	10,751	10,536	10,159	10,158	11,235
Juvenile	4,566	4,750	3,872	3,852	3,495	3,362	3,452	2,980	2,777	2,773
Custody Mediation & Investigations	721	750	697	783	827	815	816	859	806	838
OFFICE OF STATE'S ATTORNEY										
Defendants Disposed										
New and Reopened Crime Cases	55,675	55,152	58,042	64,097	63,653	63,540	64,520	65,927	63,970	63,500
Juvenile Respondents	3,375	3,426	3,865	3,244	2,941	3,465	3,384	3,312	3,196	3,200
POLICE DEPT. (calendar year)										
Calls for Service	590,341	618,713	626,783	604,706	579,614	564,898	609,026	571,436	582,894	580,000
Patrol Car Posts	118	118	118	118	118	118	118	118	118	118
FIRE DEPT. (calendar year)										
Fire Calls	28,529	29,012	29,196	30,175	31,197	29,939	30,084	53,211	51,689	54,970
Medical Calls	104,329	107,374	84,450	86,844	87,454	91,083	95,724	103,557	108,643	113,382
DEPT. OF PERMITS & DEV. MGT.										
Inspections										
Plumbing Code	33,776	32,468	24,298	21,534	20,090	22,135	23,286	29,509	27,146	28,392
Electrical Code	33,920	33,101	31,045	25,466	30,572	26,477	24,741	28,428	27,628	30,943
Building	36,173	35,958	28,422	26,693	26,276	25,872	24,722	24,587	29,606	35,010
Business & Amusement License	9,000	9,000	7,800	8,400	8,400	8,400	8,400	5,400	4,967	4,800
Enforcement	84,953	106,192	39,852	38,200	37,090	36,080	36,107	41,758	39,490	41,559
Applications, Permits and Licenses										
Building, Electrical &										
Plumbing Permits	31,036	26,900	20,331	21,174	21,835	22,480	23,286	28,155	33,857	35,000
Electrical Licenses	1,460	1,100	3,832	3,934	4,134	4,201	4,329	4,204	150	4,500
Plumbing Licenses	2,775	2,800	2,712	2,758	2,850	2,949	3,002	108	2,843	25
Animal Licenses	21,730	23,000	21,427	18,672	18,000	18,000	18,000	13,000	14,054	17,062
Miscellaneous Permits	8,520	14,550	7,232	7,003	7,000	8,806	8,900	8,391	8,104	7,753
BUREAU OF CORRECTIONS										
Prisoner Days (daily population x 365 days)	491,930	529,980	510,905	502,014	508,473	530,122	518,300	472,373	457,358	441,102
COUNTY SHERIFF										
Prisoners Transported	19,318	24,000	18,580	19,029	22,518	24,356	25,300	20,855	22,602	23,000
Summons, Writs Served	43,941	47,216	41,103	43,855	40,687	42,362	45,000	44,213	42,043	33,000
DEPT. OF SOCIAL SERVICES										
Average Caseload										
Temporary Cash Assistance	2,064	2,027	2,073	2,304	2,919	3,163	3,149	2,962	2,969	2,720
Transitional Emergency Assist.	1,047	1,017	1,052	1,225	1,408	1,333	1,293	1,798	1,645	1,682
Section 8 Housing Units Served	69,540	66,914	69,235	66,186	71,688	72,288	73,188	73,488	75,918	76,068

(continued)

**Baltimore County, Maryland
Operating Indicators by Function
Fiscal Years 2007 - 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
COMMUNITY COLLEGE										
Equivalent Full Time Students	17,108	17,005	16,380	20,137	20,966	20,894	19,883	19,628	18,234	18,400
DEPARTMENT OF AGING										
Senior Centers Registered Membership	16,685	15,547	14,491	14,991	16,477	17,600	18,000	19,038	19,081	19,870
County Ride Trips	65,227	64,719	67,142	65,720	66,686	68,225	70,229	40,963	44,800	54,068
Congregate Meals	190,079	179,986	168,476	193,091	131,096	140,508	156,038	120,215	108,864	114,118
DEPARTMENT OF HEALTH										
Center Based Services Visits	11,753	11,058	10,522	13,231	13,019	12,894	12,680	11,829	13,453	12,737
W.I.C. Nutrition Program Visits	58,596	59,500	72,530	75,584	79,359	80,089	75,000	78,636	79,570	79,000
Home Health Visits	8,500	8,500	12,953	11,477	10,466	10,290	10,444	10,270	7,484	10,449
DEPT. OF EDUCATION										
Student Enrollment	106,182	104,988	103,643	103,832	104,331	105,315	106,885	108,376	109,984	111,126
BOARD OF LIBRARY TRUSTEES										
Books in Library	1,546,231	1,554,270	1,629,143	1,718,261	1,678,782	1,805,836	1,800,000	1,917,385	1,764,617	1,750,000
Circulation of Materials	9,147,294	9,579,090	10,217,972	10,130,476	10,507,820	10,577,067	10,437,437	11,287,133	11,212,886	11,200,000
Requests for Information	1,948,470	1,992,338	1,966,948	1,951,241	2,115,860	1,984,668	1,984,668	1,513,434	1,473,342	1,500,000
DEPT. OF PUBLIC WORKS										
Highways										
Miles of Road Paved	2,646	2,652	2,656	2,666	2,678	2,680	2,684	2,689	2,692	2,692
Miles of Streets Swept	6,235	3,812	4,047	3,777	3,397	3,800	3,800	3,861	1,598	1,917
Solid Waste										
Refuse Collection Units Served	326,555	327,277	327,959	328,325	328,918	329,688	330,213	331,287	332,463	333,824
Tons of Refuse Collected	370,048	375,000	342,896	347,010	342,557	340,835	341,000	348,730	321,426	322,500
Traffic Engineering										
Signs Installed and Repaired	9,695	11,000	12,200	8,500	13,500	14,464	15,500	10,960	11,913	12,000
Signals and Flashers Maintained	395	397	399	403	403	404	406	406	406	350
Number of Street Lights	40,870	41,100	41,161	41,279	41,448	41,546	41,650	41,788	41,900	42,392
Utilities										
Miles of Sanitary Sewer Lines	3,060	3,077	3,085	3,137	3,142	3,149	3,145	3,160	3,164	3,168
Miles of Water Main	2,055	2,129	2,080	2,105	2,109	2,107	2,108	2,139	2,143	2,146
Miles of Storm Drain Lines	833	853	866	844	902	899	900	1,393	1,357	1,364
RECREATION AND PARKS										
Community Center Participants	380,900	403,278	423,641	319,400	299,089	275,462	280,000	208,159	200,876	229,703
Attendance:										
Beaches	49,451	55,000	55,715	58,454	57,900	41,392	42,000	46,120	38,752	32,030
Lodge	172,375	176,000	172,913	171,533	176,366	186,696	188,000	167,204	188,355	184,345
Fishing Center	28,873	30,000	27,240	26,647	23,561	27,888	28,000	23,704	22,890	38,103

Source: Baltimore County Office of Budget and Finance Budget Documents

Baltimore County, Maryland
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013*	2014	2015	2016**	2017***
Public safety										
Police stations	10	10	10	10	10	10	10	10	10	10
Fire stations	25	25	25	25	25	25	25	25	25	25
Public works										
Highways and streets										
Streets (miles)	2,659	2,664	2,674	2,676	2,679	2,684	2,684	2,691	2,692	2,705
Streetlights	41,000	41,100	42,000	42,000	42,000	42,020	42,100	42,240	42,255	42,392
Traffic signals	397	400	401	401	401	401	401	401	401	401
Utilities										
Water mains (miles)	2,055	2,080	2,105	2,109	2,107	2,109	2,110	2,112	2,112	2,146
Fire hydrants	12,217	12,410	12,660	13,260	13,295	13,347	13,357	13,370	14,288	13,873
Sanitary sewers (miles)	3,078	3,084	3,137	3,142	3,148	3,151	3,153	3,160	3,164	3,170
Storm drains (miles)	853	866	884	902	899	1,416	1,423	1,423	1,462	1,458
Solid waste										
Citizen drop-off centers	3	3	3	3	3	3	3	3	3	3
Culture and leisure										
Parks acreage	15,501	15,779	16,149	16,435	16,641	16,743	16,797	16,873	13,202	13,648
Recreation centers	192	195	199	202	205	205	205	206	206	206
Health and human services										
Senior centers	19	19	19	19	20	20	20	20	20	20
Health centers	7	7	7	7	7	7	7	7	7	7

Source: Baltimore County Office of Budget and Finance Budget Documents and Accounting Records

* The large increase in storm drain pipe miles is due to this being the first year using the GIS as a data source.

** The large decrease in park acreage has occurred because prior to FY 2016 park acreage was estimated based on the Maryland State standard calculation of providing 30 acres of parkland per thousand citizens. The number presented above for FY 2016 is the total acres of County owned and leased parks, undeveloped park sites, greenway reservations, and open spaces.

***The large decrease in fire hydrants reflects the count less private hydrants and those owned by other jurisdictions. Decrease in sanitary sewers reflects no longer including mileage for laterals extending from