

HOWARD COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011



Howard County, Maryland

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Marsha S. McLaughlin
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Raymond S. Wacks
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Haskell N. Arnold
County Auditor

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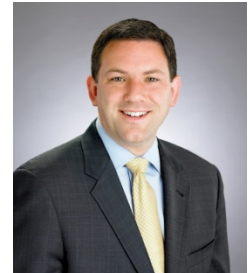
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County Executive

Ken Ulman

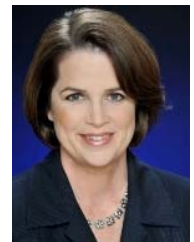


County Council

Mary Kay Sigaty
Chairperson



Courtney Watson
Vice Chairperson



Calvin Ball
Council Member



Greg Fox
Council Member



Jennifer Terrasa
Council Member



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011



Prepared by the Department of Finance

Howard County, Maryland



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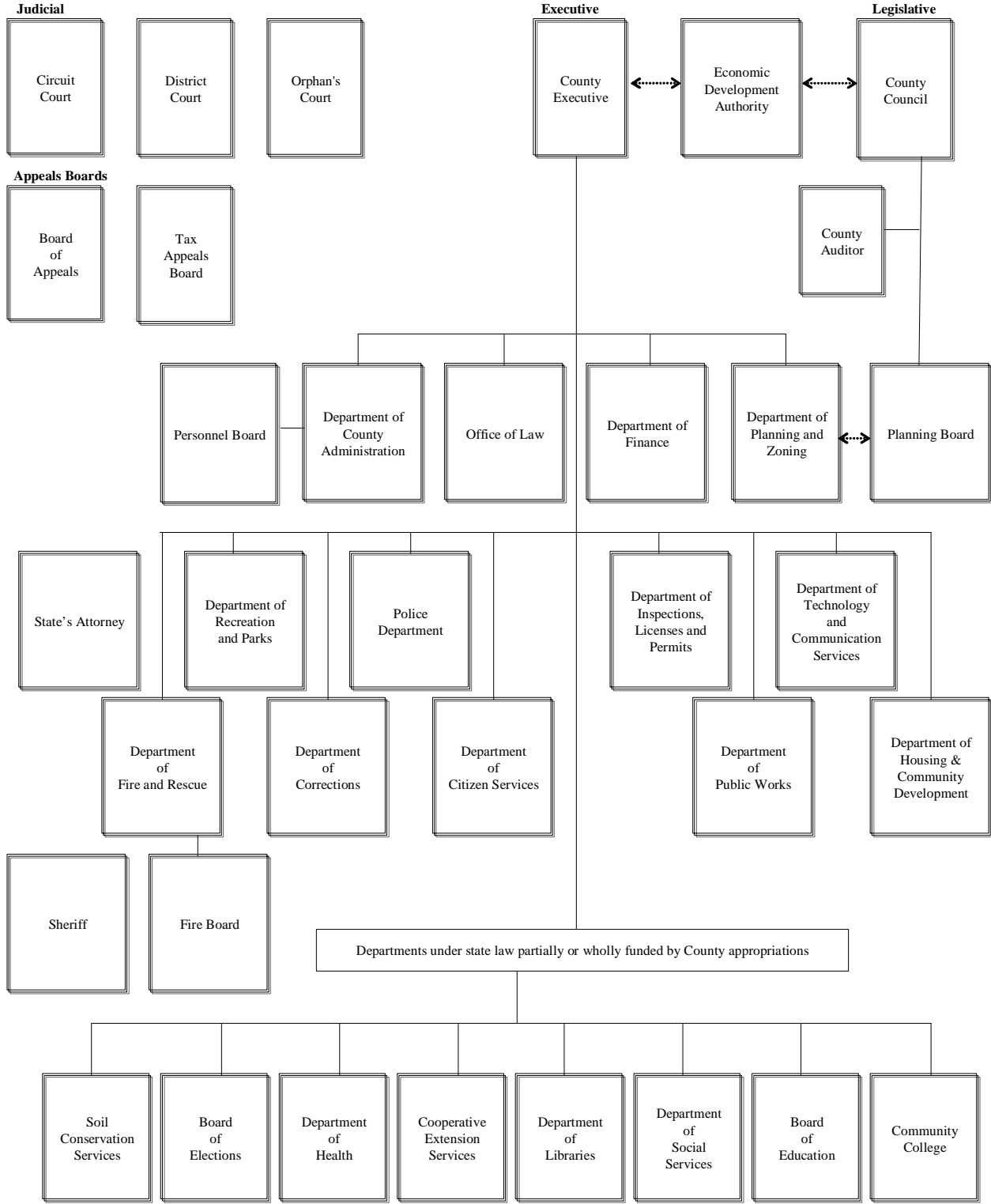
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HOWARD COUNTY GOVERNMENT ORGANIZATIONAL CHART





HOWARD COUNTY DEPARTMENT OF FINANCE

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March 12, 2012

Honorable County Executive,
Honorable Members of the County Council and
Citizens of Howard County

Ladies and Gentlemen:

FORMAL TRANSMITTAL OF THE CAFR

The audited Comprehensive Annual Financial Report (CAFR) of Howard County, Maryland (the County) prepared by the Department of Finance for the fiscal year ended June 30, 2011, is hereby submitted in compliance with Howard County Charter, Section 212 and includes the independent auditors' opinion issued by the independent public accounting firm hired by the County Council. The annual report was prepared by the Howard County Department of Finance in cooperation with the finance departments of the County's component units.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Reznick Group, P.C. licensed certified public accountants performed an independent audit and issued an unqualified ("clean") opinion on the County's financial statements for the fiscal year ended June 30, 2011. The Independent Auditors' Report is presented as the first element of the financial section of this report.

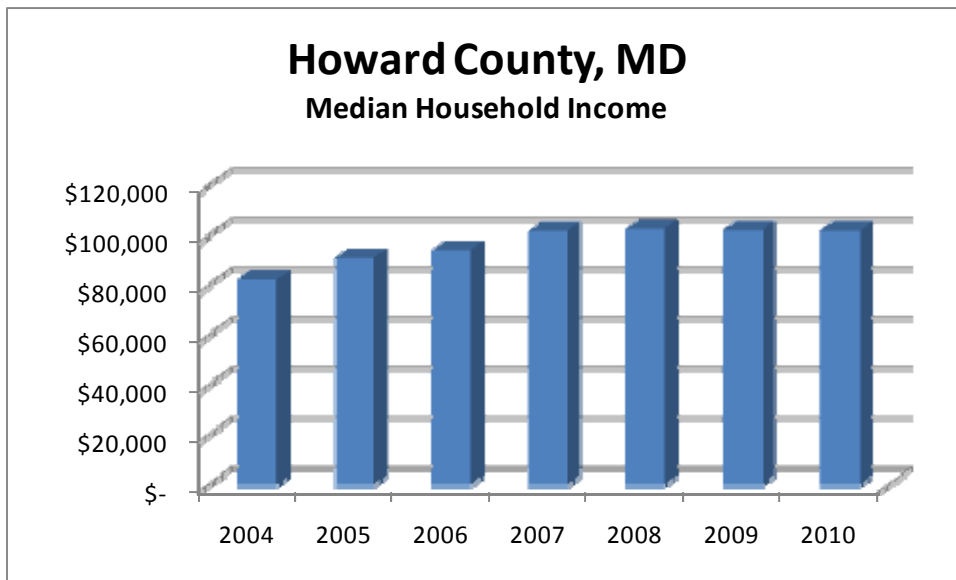
Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Howard County, Maryland was formed in 1851 and was named for the fifth Governor of Maryland, Colonel John Eager Howard. Under a home rule charter adopted in 1968, the County's executive functions are vested in the elected County Executive. The County Council consists of five members elected by district.

Located directly between Baltimore, Maryland and Washington, D.C. and at its closest point is less than four miles from the former and 13 miles from the latter, the County is 251 square miles

in area. The County was predominantly agricultural in character until 1966, when construction began on the planned community of Columbia. Columbia is unique for its purposeful goal to be an integrated community at a time before the Fair Housing Act of 1968 made it illegal to discriminate in housing based on race, color, national origin or religion. Howard County is home to approximately 287,085 residents based on estimates by the Department of Planning and Zoning. According to the U.S. Census Bureau, American Community Survey, 2010, Howard County again had the third highest median income in the nation. Ellicott City in Howard County ranked 17th in *Newsmax* Magazine’s 2009 annual list of “Top 25 Cities with the “Best American Values”. Howard County was ranked the healthiest Maryland county in 2010 by the Robert Wood Johnson Foundation and the University of Wisconsin Population Health Institute. The Ellicott City/Columbia area ranked 2nd, on the 2010 “Best Places to Live in America” list by *Money* Magazine.



Source: United States Department of Commerce, Bureau of the Census, American Community Survey

COMPONENT UNITS

The County government provides all the local government services as there are no incorporated cities or towns in Howard County. Services provided by the County include police, fire and rescue, sheriff, corrections, public works, planning and zoning, landfill, water and sewer, public housing, and recreation and parks. In addition to general government activities, the governing body has financial accountability for the Howard County Public School System, the Howard Community College, the Howard County Public Library, and the Howard County Housing Commission. Therefore, the activities of these entities are included in this annual report. Additional information on all four of these legally separate entities can be found in Note 1A in the Notes to the Financial Statements. The financial activities of the Howard County Economic Development Authority, which is also a component unit of the County, are excluded due to immateriality. The Volunteer Fire Districts do not meet the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report.

BUDGET

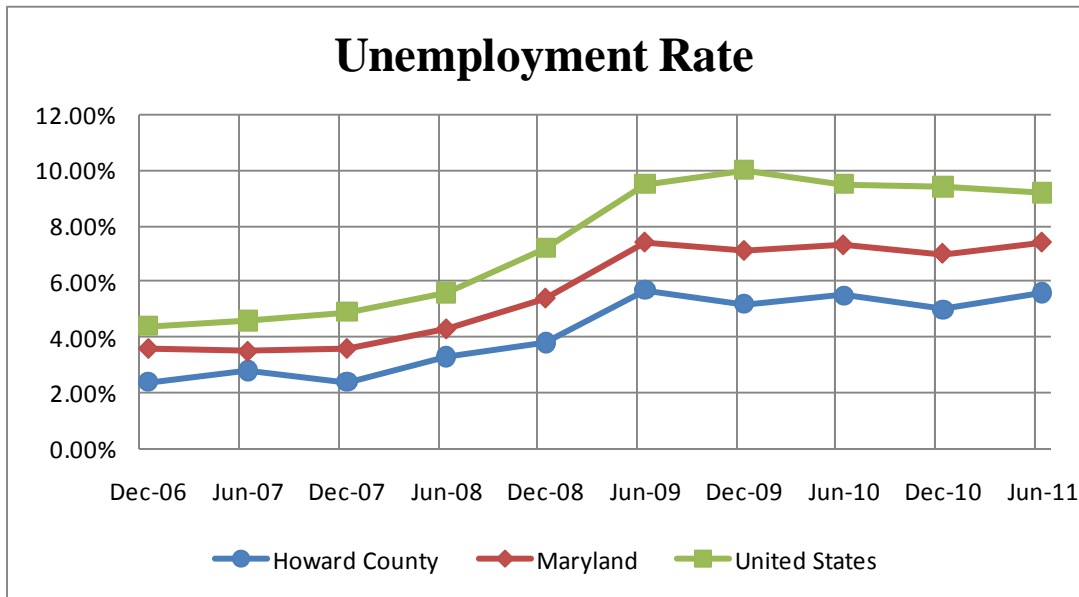
The Howard County budget is a comprehensive plan of all funds spent by County departments and agencies. As required by county law, the budget consists of the current operating expense and revenue budget (with five years spending projections), the capital budget and capital program, and the budget message. The annual budget includes all revenues, all expenditures and the projected surplus or deficit in the general fund and all other funds. Funds in the operating budget include appropriations for the following functional areas: education, public safety, public works, community services, general government, legislative and judicial, and capital, debt and reserves. The capital budget includes funds to construct major government facilities such as roads, bridges, schools, libraries, water and sewer infrastructure and fire stations. Capital projects usually take more than a year to complete, unlike the operating budget which covers only one year.

The budget process begins each fall when the County Executive appoints a Spending Affordability Advisory Committee. The committee advises the Executive and provides guidelines for setting debt affordability levels for the upcoming year. County departments and agencies submit budget requests to the Executive in late January or early February. After a public process that involves two public hearings, and a thorough review of departmental requests, the County Executive submits a proposed capital budget not later than ninety days prior to the end of the fiscal year. The Executive must submit a proposed operating budget to the County Council not later than seventy days prior to the end of the fiscal year. The County Council then conducts a series of public hearings and work sessions in April and May to review the Executive's proposed budget. The County Council cannot change the form of the budget as submitted by the Executive to alter the revenue estimates or to increase any expenditure recommended by the Executive for current or capital purposes, unless expressly provided in state law or to correct mathematical errors. The County Council can reduce the Executive's budget, but not increase it, except in the case of the Department of Education's budget. The County Council may restore funds back to the level requested by the school board. After its review, the County Council finalizes the entire budget and sets tax rates, fees and charges needed to generate enough revenue to balance the budget. The Annual Budget must be adopted by the County Council by the first day of the last month of the fiscal year currently ending. Expenditure authority for the operating budget is at the fund and department level in major categories including personnel costs, various operating expenses, and capital costs. Appropriations in the capital budget are at the project level on an annual basis.

Once the budget is approved, the County Council can only amend it at the request of the County Executive. The operating budget is amended during the year through the use of supplemental budget appropriation ordinances (SAOs). The County Executive may request at any time during the fiscal year the approval of an SAO by transferring funds from the County's budgeted contingency reserves. The capital budget may be amended through the use of Transfer Appropriation Ordinances (TAOs). The County Executive may request, at any time during the fiscal year that a TAO be approved by transferring funds from one capital project to another. At no time may the bottom line of the capital budget be increased. The County maintains an encumbrance system for budgetary control. All unencumbered appropriations of the operating budget lapse at year-end. Capital unencumbered appropriations continue until the specific capital project is closed.

ECONOMIC CONDITION AND OUTLOOK

Howard County continues to have a diverse economic base, taking advantage of a friendly business climate, a highly educated workforce and superb quality of life. It is located in the heart of the corridor between Washington, D.C. and Baltimore, which combined comprise the fourth largest market in the United States. Employment is expected to remain stable and the unemployment rate should continue to remain below the State (7.4%) and National (9.2%) levels as evidenced by the June 2011 rate of 5.6%.



Source: United States Department of Labor, Bureau of Labor Statistics.

LOCAL ECONOMY

Because of Howard County's ideal geographic location, substantial growth in a wide variety of industries has resulted. Howard County's over 8,800 businesses employ 153,395 workers in industries ranging from technology, telecommunications and biotechnology companies to multinational corporations, research and development firms, wholesale distributors and manufacturers. The service sector is the largest industry in the County, employing two-thirds of the workforce. In the service industry, government contracts continue to provide new business opportunities for startups providing technical labor through the Base Realignment & Closure (BRAC) program and more recently the activation of the new United States Cyber Command. Fort George Meade is less than two miles outside the County border and 5,800 highly skilled positions were transferred there directly under BRAC. In addition, it is estimated that through 2015 another 21,000 new jobs will be created due to expansion at Fort Meade resulting from the activation of the United States Cyber Command beginning in May 2010.

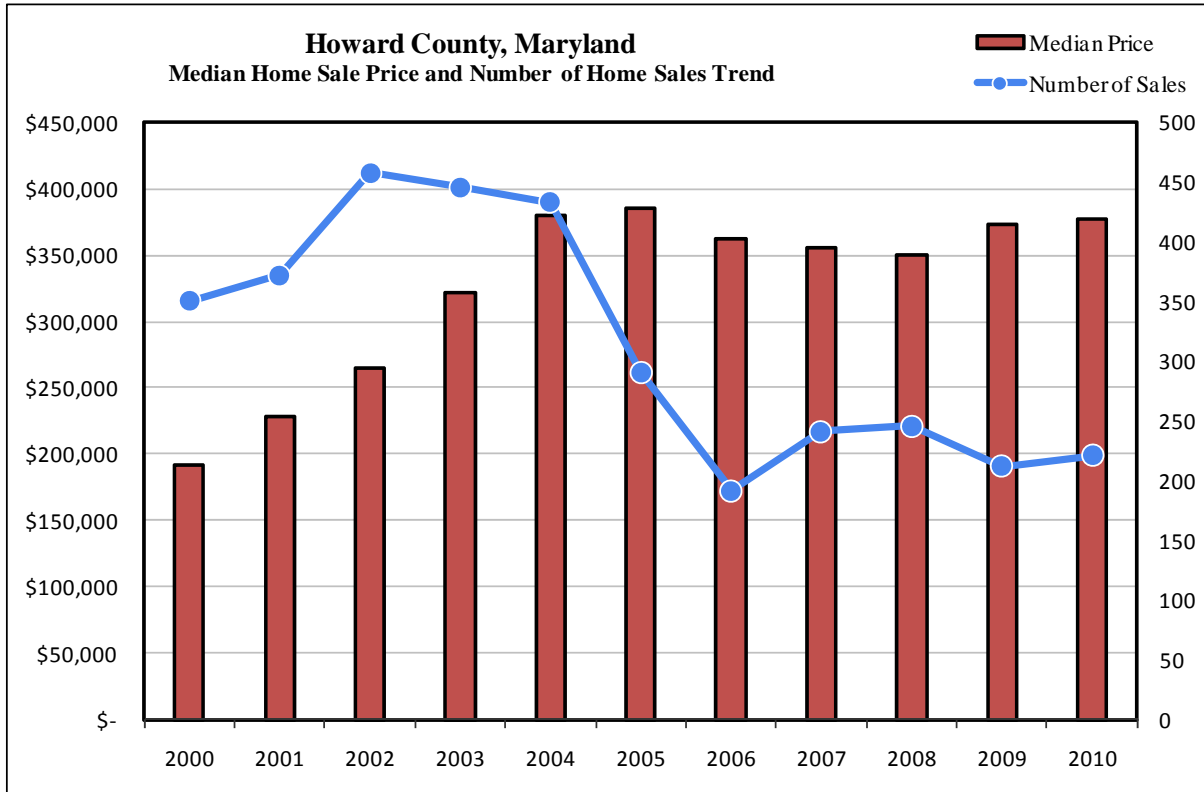
Commercial real estate vacancy rates are beginning to decline despite notable increases in inventory in anticipation of Fort Meade related growth. The rental market remains soft, but is stable. The September vacancy rate is 12.7% which allows for some capacity to respond to new entries into the market.

Fiscal Year 2011 property taxes increased 2.2% above the previous fiscal year. In its FY 2012 budget Howard County projected a 0.3% increase in property tax. One third of property is assessed each year. Increases in assessed values are then phased in over 3 years. This triennial assessment of property and the phasing in of new assessments helps to stabilize the tax base and tax revenues. Local income tax is the County's other main revenue source. Income tax increased by 24.1% when compared to the actual for Fiscal Year 2010. Due to increase in the number of employed residents and median incomes, the FY 2012 projection for income tax represents a 3.2% increase from FY 2011 actual collections.

County revenues related to housing activity remained sluggish in FY 2011. The decline of the real estate market that began in FY 2006 continues to have effects in FY 2011. Recordation tax, a leading indicator of the health of the local real estate market, decreased 4.4% from the previous year and was still 18.9% below the FY 2008 level. The FY 2012 budget projects an improvement in recordation tax collections compared to FY 2011. Investment income remains significantly below FY 2008 levels, but increased 23.5% in FY 2011 over FY 2010 levels. The FY 2012 budget anticipates a slight increase in interest rates resulting in increased investment income earnings.

Looking forward, overall economic performance is not expected to improve significantly in FY 2012. In the face of slower revenue growth, Howard County developed a FY 2012 budget that addresses the slower revenue growth, while adding to its Rainy Day Fund, by focusing on opportunities to reduce spending and increase efficiencies.

It is anticipated that the FY 2012 gross assessable base of Howard County will decrease by 6.9%. However, the taxable assessments will continue to increase slightly each year. This is because the homestead tax credit limits taxable increases on homeowner occupied properties to 5% per year, and despite the decrease in home values most residential properties are still phasing in a 5% annual increase. About 80% of homeowner occupied properties in Howard County receive this credit.



Source: Metropolitan Regional Information Systems Inc. and Coastal Association of REALTORS

MAJOR INITIATIVES

The County will continue the strong fiscal management policies which have led to Triple-A ratings from all three credit rating agencies. The County will take advantage of opportunities to expand the diverse local economy created by the location of the U.S. Cyber Command at nearby Fort Meade through the new Entrepreneurial Center. In order to maintain our highly educated workforce, the County continues to invest in our top-ranked school system. Recognizing our responsibility to the environment and the health of the Chesapeake Bay, the County has created a program to create partnerships to address storm water pollution on a county-wide basis.

LONG TERM FINANCIAL PLANNING

Rainy Day Fund County voters approved an amendment to the County Charter to establish a budget stabilization account, also known as a rainy day fund, to provide a financial safety net for the County effective December 3, 1992. The amendment required all surplus funds in the County be placed in that fund until it reached 7% of the prior year's audited expenditures. The funds may be used if an emergency exists pursuant to the County Charter or if the County Executive determines that actual revenues will be substantially below the revenues budgeted and reasonable expenditure reduction will not offset the anticipated loss. See Note 1M in the Notes to the Financial Statements for a discussion of the status of the rainy day fund. The fund balance

is currently at the target level.

Capital projects and debt administration The County funds its capital program based on the requirements of the General Plan and supporting master plans for schools, recreation and parks, human services, water and sewer, solid waste, libraries, fire stations and public facilities.

The County plans long and short-term debt issuance to finance its capital budget based on cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The County finances its capital needs on a regular basis dictated by its capital spending pattern. External financial specialists assist the County in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors. Bonds issued to the County mature over a term that does not exceed the economic life of the improvements that they finance.

The County consolidates general County improvements into Consolidated Public Improvement bonds with a term of up to 20 years and water and sewer improvements into Metropolitan District Bonds with a term of up to 30 years. Debt obligations are generally issued through a competitive sale. However, the County may use a negotiated sale process when it will provide significant savings and/or if the terms of the offering are sufficiently complex that the bond issue might be compromised in a competitive sale.

Spending affordability advisory committee The Spending Affordability Advisory Committee was established by Executive Order in 1987 to provide recommendations and projections for the upcoming budget year. Specifically, the Committee is charged to review in detail the status and projections of revenues and expenditures for the County for the next budget year and subsequent five years; to evaluate future County revenue levels and consider the impact of economic indicators such as changes in personal income, assessable base growth; and to evaluate expenditure levels with consideration of the long-term obligations facing the County and the best way to pay for them.

The Committee recommends revenue projections and the amount of new County debt authorization for the upcoming fiscal year. The Committee report includes the effect its recommendations will have on future budgets. It is also the task of this Committee to assess the County's ability to repay bond debt and the Committee issues an annual report defining debt capacity of the County.

FINANCIAL POLICIES

The financial policies and management practices of Howard County were recognized by all three major rating agencies with a continued Triple A credit rating, the highest possible rating.

Debt management policy The County adopted an updated debt management policy on October 7, 2009 that establishes the processes employed to manage its debt. The policy sets the parameters for issuing debt and managing outstanding debt. It provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. By establishing a debt policy, the County has recognized the binding commitment to full and timely repayment of all debt. The policy ensures that the County maintains a sound

debt position and that credit quality is protected.

Investment policy The County's investment policy provides for the safety and liquidity of public funds by minimizing credit and market risk while maintaining a competitive yield on the investment portfolio. All deposits at June 30, 2011 were either insured by federal depository insurance or collateralized with the collateral held by an independent third party in the County's name. Investment activities are governed by State laws and, accordingly, the County invests in certificates of deposit (state banks only), repurchase agreements, bankers acceptances, U.S. government and federal agency obligations, treasury and government mutual funds and the State investment pool. Repurchase agreements and certificates of deposit are subject to the County's collateralization policy.

The investment policy for the two Howard County retirement plans establishes asset allocation targets, investment manager selection and investment performance guidelines.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Howard County, Maryland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the thirty-fifth consecutive year that the County received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2011. This was the eighteenth consecutive year the County has received this award. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged as proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

A very special thank you to James Barnes, Thompson Betts, Lori Buchman, Sarah Flaig, Silvia Gould, Verda Hall, Michelle Harrod, Nicole Hogue, Sean Hollywood, Yusef Ibrahim, Rafiu Ighile, Shauna Lu, Angela Price, Jennifer Skiratko and Sima Taghavi for their efforts in preparing and publishing this document. Credit also must be given to the County Executive and the County Council for their unwavering support for maintaining the highest standards of professionalism in the management of Howard County's finances.

Respectfully submitted,



Stanley J. Milesky
Director of Finance



OFFICE OF THE COUNTY AUDITOR

Haskell N. Arnold, CPA
County Auditor

March 13, 2012

CERTIFICATE OF THE COUNTY AUDITOR

The Honorable Ken Ulman
County Executive

Honorable Members of the County Council

Mary Kay Sigaty, Chairperson
Courtney Watson, Vice Chairperson
Calvin Ball
Greg Fox
Jennifer Terrasa

Article II, Section 212 of the Howard County Charter, requires that a complete audit of all offices, departments, institutions, boards, commissions, corporations, courts, and other agencies of the County Government be prepared for the preceding fiscal year, and submitted to the County Council and to the County Executive, no later than November 30th of each year.

The independent certified public accounting firm of Reznick Group has been retained by the County Council to assist the County Auditor in the discharge of this responsibility. I hereby certify that the auditing requirements of Article II, Section 212 of the Howard County Charter have been satisfied for the fiscal year ended June 30, 2011. Also, in accordance with the Charter Amendment approved by the voters of Howard County, I will make copies of this report available to the public at the County Auditor's Office and at the Howard County public libraries.

Respectfully submitted,

Haskell N. Arnold
County Auditor



On the cover, Howard County is extremely proud of its newest and greenest facility, the Robinson Nature Center. Geothermal heating and air-conditioning, porous paving, solar panels, and innovative water conservation methods have led to the building receiving one of three LEED certified platinum certifications in the state. The nature center offers Nature Sphere – a digital planetarium and dome-style theater, Children’s Discovery Room, natural and cultural history exhibits, a wildlife viewing area, and a balcony and green rooftop for outdoor nature viewing.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Howard County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandison

President

Jeffrey R. Emer

Executive Director

Financial Section

- Basic Financial Statements
- Notes to Financial Statements
- Combining and Individual Fund Statements and Schedules



INDEPENDENT AUDITOR'S REPORT

County Council
Howard County, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Howard County, Maryland (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Howard County Public School System, Howard Community College, or the Howard County Housing Commission, which represent 36 percent, 59 percent, and 46 percent, respectively, of the assets, net assets, and revenues of the total governmental activities, the business-type activities, and the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the report of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, 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 Howard County, Maryland, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2012, on our consideration of Howard County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion, required supplemental schedules of funding progress for Pension Trust funds and Other Post Employment Benefit (OPEB) Trust, and required schedule of employer contributions for OPEB Trust Fund 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.

As fully described in note 18 to the financial statements, certain errors were noted which resulted in the restatement of prior year balances.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard County, Maryland's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections 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 them.

Reznick Group, P.C.

Baltimore, Maryland
March 12, 2012

Management's Discussion and Analysis

As management of Howard County, Maryland (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal (found on pages iii to x of this report.) The discussion focuses on the County's primary government and, unless otherwise noted, does not include component units reported separately from the primary government.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$801.2 million. That amount is net of a \$617.7 million unrestricted deficit. The unrestricted deficit occurs because the County issues debt to fund construction costs for the Public School System and the Community College, two of its component units but does not own the corresponding assets. Debt outstanding for education projects is \$433.0 million and for college projects is \$67.7 million. Ownership of the buildings owned by the Public School System transfers to the County if the assets are no longer needed for educational purposes. The current net value of the Public School System's buildings and improvements and construction in progress is \$889.3 million.
- The \$20.6 million increase in the government's total net assets is primarily due to the receipt of \$18.6 million in grant funding from the State of Maryland to fund water and sewer system capital improvements and \$5.8 million in contributed capital.
- The County's local income tax revenues increased by \$64.4 million or 24.1% this year due to gains in the number of residents employed.
- In accordance with the Governmental Accounting Standards Board Statement No. 54, effective for the year ended June 30, 2011, new fund balance categories were established for financial statement reporting purposes of all governmental funds. These new categories, nonspendable, restricted, committed, assigned and unassigned, were established to enhance fund balance presentation and improve the usefulness of fund balance information. Approximately 51.2% of the total governmental fund balance, \$102.4 million, is available to meet the County's current and future needs as mandated by the appropriate level of authority within the County and are properly designated as committed, assigned and unassigned. Available fund balance for the General Fund was \$92.7 million, or 11.5% of total General Fund expenditures.
- At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$200.1 million, a decrease of about \$13.8 million in comparison with the prior year. Specifically, the fund balance of the General Capital Projects Fund decreased by \$32.7 million due to the purchase of a new County office building for \$25.7 million and technology upgrades for the Public School System of \$8.0 million. Also, there was a restatement of beginning fund balance of the nonmajor governmental funds totaling \$1.5 million due to changes in prior years' accounts receivable and deferred revenue related to grants.
- The reserve for the budget stabilization account balance is \$56.8 million, an increase of \$2.1 million or 7.0% of fiscal year 2011 general fund expenditures. That balance meets the target set by the County Charter (7% of fiscal year 2009 expenditures). We have reached that target and have assigned \$0.4 million for subsequent years' budget stabilization. The County is committed to meeting this mandated target in future years.
- The County's total long-term debt increased by \$111.9 million (11.3%) during the current fiscal year. The major factors in this increase were the issuance of \$111.1 million in Consolidated Public Improvement (CPI) Project Bonds, \$50.0 million in Metropolitan (Metro) District Project Bonds, and a \$2.6 million draw on the State Water Quality Revolving Loan Fund. The County retired \$52.3, \$6.6, and \$3.9 million of Consolidated Public Improvement, Metropolitan District and Water Quality Bonds, respectively. The County also retired \$540,000 of Special Facility Revenue bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Howard County, Maryland's basic financial statements that include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The two government-wide statements are on a full accrual accounting basis, including the elimination and/or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the Countywide position presenting information that includes all County assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Evaluations of the overall health of the County would extend to other non-financial factors such as diversification of the taxpayer base or the condition of County infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which presents information showing how the government's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or disbursed. An important purpose of the Statement of Activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers.

Both government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works (roads, trash collection and disposal, planning and zoning, inspections and permits), legislative and judicial, education, community services (health, housing, aging, and consumer protection), recreation and parks and state highways. The business-type activities of the County include the operations of water and sewer services and a public golf course. Fiduciary activities, such as employee pension plans, are not included in the government-wide statements since these assets are not available to fund County programs.

The government-wide financial statements include not only the County, the *primary government*, but also a legally separate school system, community college, library system and housing commission for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A *fund* is an accountability unit used to maintain control over resources that have been segregated for specific activities or objectives. State and local governments use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, the focus is very different with fund statements focusing on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the government-wide focus includes the long-term view and the fund focus includes the short-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *government-wide activities*.

The County maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general, agricultural land preservation, highway capital projects and general capital projects funds, all of which are major funds. Data from the other eleven non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its non-capital governmental funds. Budgetary comparison statements are provided for the general and agricultural land preservation funds to demonstrate compliance with this budget. Budgetary statements for non-major special revenue funds are provided in the combining section of this report.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer infrastructure and operations and for the operations of its public golf course. Internal service funds are an accounting structure used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles, technology and communications systems, risk management self-insurance program, and employee benefits self-insurance. Because the internal service funds' services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations and for the public golf course, both of which are major funds of the County. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary funds financial statements can be found on pages 23-25 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 26-27 of this report.

The Component Unit financial statements can be found on pages 28-29 of this report.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found immediately after the Basic Financial Statements on pages 31-62.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning management's discussion and analysis and the County's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on page 63-64 of this report.

The combining statements referred to earlier in connection with the general fund, non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions and is considered to be supplementary information. Combining and individual fund statements and schedules start on page 65 of this report.

Detailed capital asset schedules for governmental and proprietary funds appear on pages 95-97. Schedules providing additional long-term debt detail start on page 99. The Statistical Section begins on page 111.

Government-Wide Financial Analysis

Over time, changes in net assets serve as a useful indicator of a government's financial position. Howard County's assets exceeded liabilities by \$801.2 million at the close of the most recent fiscal year.

The largest portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire or construct those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. It is important to note that although counties in the State of Maryland issue debt for the construction of schools, school buildings are owned by each county's Public School System. Ownership reverts to the County if the local board determines a building is no longer needed. The County also funds projects for the Howard Community College and for intersection improvements to State owned roads. As of June 30, 2011, debt outstanding for education projects is \$433.0 million and for college projects is \$67.7 million. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. The negative unrestricted governmental activities net assets of \$618.8 million reflects the imbalance of liabilities without corresponding assets as well as the County's Net OPEB Obligation of \$219.8 million.

An additional portion of the County's net assets (\$215.9 million or 26.9%) represents resources subject to external restrictions on their usage.

Summary of Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010 *	2011	2010 **	2011	2010
Current and other assets	\$ 443,070,170	332,601,646	177,926,066	168,989,462	620,996,236	501,591,108
Capital assets	1,175,460,495	1,067,437,465	619,618,427	556,575,702	1,795,078,922	1,624,013,167
Total assets	1,618,530,665	1,400,039,111	797,544,493	725,565,164	2,416,075,158	2,125,604,275
Long-term liabilities						
outstanding	1,193,344,944	1,064,623,440	234,584,071	194,497,937	1,427,929,015	1,259,121,377
Other liabilities	170,674,733	67,609,839	16,246,535	19,034,029	186,921,268	86,643,868
Total liabilities	1,364,019,677	1,132,233,279	250,830,606	213,531,966	1,614,850,283	1,345,765,245
Net assets:						
Invested in capital assets						
net of related debt	790,647,396	735,346,804	412,443,596	391,047,153	1,203,090,992	1,126,393,957
Restricted	83,470,483	163,458,570	132,392,365	120,266,910	215,862,848	283,725,480
Unrestricted	(619,606,891)	(630,999,542)	1,877,926	719,135	(617,728,965)	(630,280,407)
Total net assets	\$ 254,510,988	267,805,832	546,713,887	512,033,198	801,224,875	779,839,030

* Restated by \$100,481,835 to correct the net OPEB obligation, \$10,542,118 to correct construction-in-progress, and \$1,480,513 in the governmental funds to correct prior years' accounts receivable and deferred revenue related to grants, for a total of \$109,543,440.

** Restated by \$1,263,876 to correct the net OPEB obligation and \$1,050,623 to correct construction-in-progress, for a total of \$2,314,499.

At the end of the current fiscal year, the County is able to report positive balances in two of the three categories of net assets for the government as a whole, as well as for its separate governmental activities. Business-type activities show positive balances in all three categories.

The County's net assets increased by \$21.4 million during the current fiscal year as the result of a \$34.7 million increase business-type activities offset by a \$13.3 million decrease in governmental activities. The business-type activities increase is due to the receipt of \$18.6 million in grant funding from the State of Maryland to fund water and sewer system capital improvements and \$5.8 million in contributed capital. The governmental activities decrease is primarily due to recognition of an additional \$50.5 million in net OPEB obligation.

The deficit in unrestricted net assets for governmental activities decreased by \$11.4 million this year because of the following factors:

- The outstanding debt for School and Community College capital projects (see discussion above) increased by \$14.9 and \$4.6 million respectively.
- The County's net OPEB obligation increased by \$50.5 million.
- Net assets that would have been previously reported as restricted moved to the unrestricted category, due to the implementation of GASB Statement No. 54 in the current fiscal year. Restricted net assets decreased by \$80.0 million from fiscal year 2010. This had the effect of reducing the deficit in unrestricted net assets.
- Investment earnings decreased by \$3.5 million due to a smaller increase in the fair value of the United States Treasury Strips investments than the previous fiscal year and a further decline in interest rates during the year.

Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010 *	2011	2010 **	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 97,594,321	91,836,614	50,662,802	46,504,589	148,257,123	138,341,203
Operating grants and contributions	26,559,373	26,513,435	30,884,327	32,395,714	57,443,700	58,909,149
Capital grants and contributions	24,715,975	22,998,508	24,331,033	9,666,912	49,047,008	32,665,420
General revenues						
Property taxes	504,884,233	494,218,364	-	-	504,884,233	494,218,364
Local Income taxes	331,334,252	266,953,624	-	-	331,334,252	266,953,624
Other taxes	47,446,303	48,701,823	-	-	47,446,303	48,701,823
Other	3,707,021	7,342,986	196,349	395,605	3,903,370	7,738,591
Total revenues	1,036,241,478	958,565,354	106,074,511	88,962,820	1,142,315,989	1,047,528,174
Expenses						
General government	50,599,944	41,838,369	-	-	50,599,944	41,838,369
Public safety	167,113,492	157,890,697	-	-	167,113,492	157,890,697
Public works	102,947,974	114,088,506	-	-	102,947,974	114,088,506
Recreation and parks	27,086,201	28,011,377	-	-	27,086,201	28,011,377
Legislative and judicial	21,684,657	20,819,872	-	-	21,684,657	20,819,872
Community services	38,522,217	39,164,160	-	-	38,522,217	39,164,160
State highways	1,917,170	2,450,937	-	-	1,917,170	2,450,937
Education	605,557,506	595,574,926	-	-	605,557,506	595,574,926
Interest on long term debt	37,102,195	32,759,477	-	-	37,102,195	32,759,477
Water & Sewer	-	-	66,636,363	64,845,285	66,636,363	64,845,285
Golf course	-	-	1,762,425	1,791,000	1,762,425	1,791,000
Total expenses	1,052,531,356	1,032,598,321	68,398,788	66,636,285	1,120,930,144	1,099,234,606
Increase (decrease) in net assets	(16,289,878)	(74,032,967)	37,675,723	22,326,535	21,385,845	(51,706,432)
Transfers	2,995,034	(587,000)	(2,995,034)	587,000	-	-
Increase (decrease) in net assets	(13,294,844)	(74,619,967)	34,680,689	22,913,535	21,385,845	(51,706,432)
Net assets beginning	267,805,832	342,425,799	512,033,198	489,119,663	779,839,030	831,545,462
Net assets ending	\$ 254,510,988	\$ 267,805,832	546,713,887	512,033,198	801,224,875	779,839,030

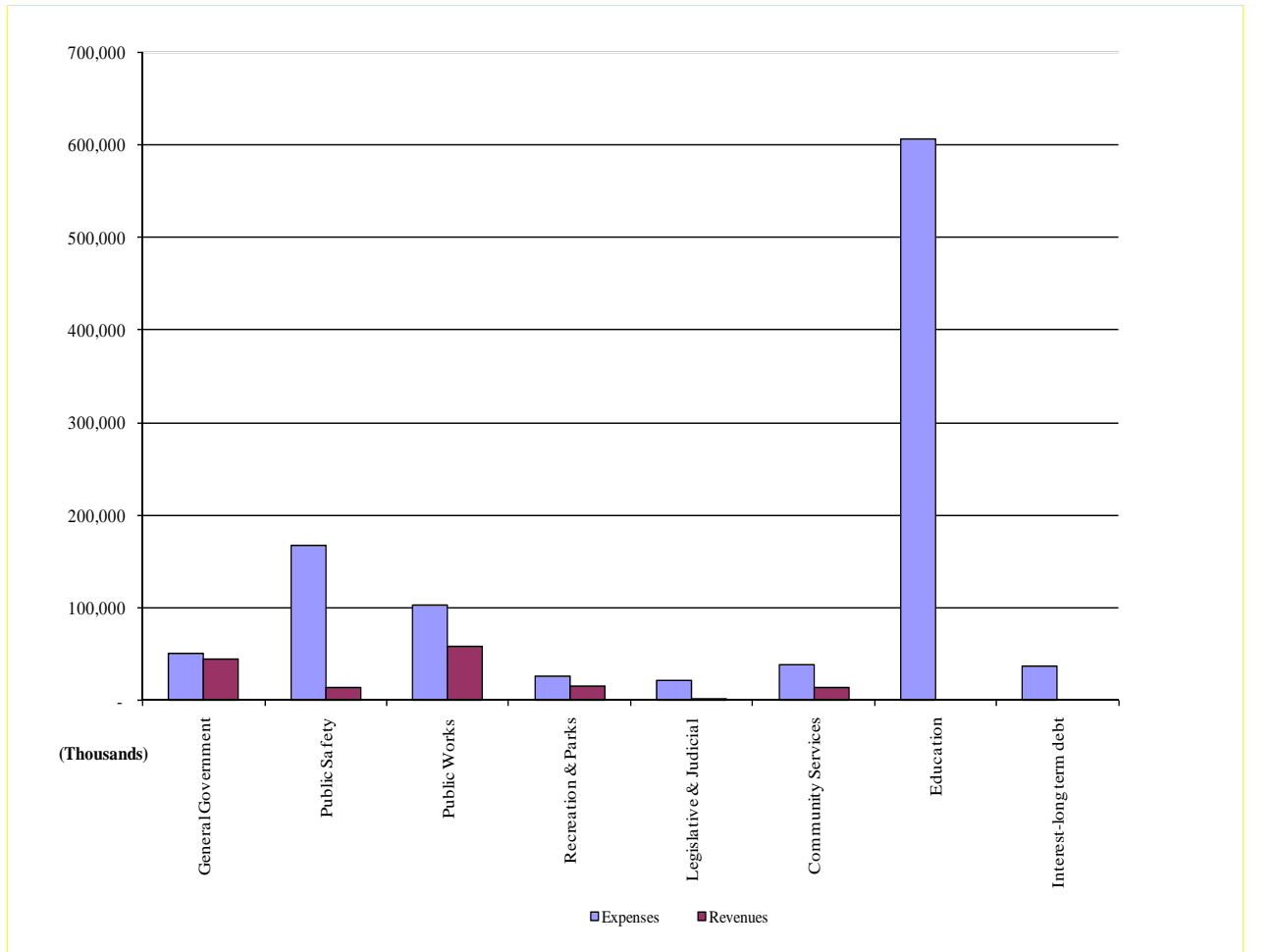
* Restated by \$100,481,835 to correct the net OPEB obligation, \$10,542,118 to correct construction-in-progress, and \$1,480,513 in the governmental funds to correct prior years' accounts receivable and deferred revenue related to grants, for a total of \$109,543,440.

** Restated by \$1,263,876 to correct the net OPEB obligation and \$1,050,623 to correct construction-in-progress, for a total of \$2,314,499.

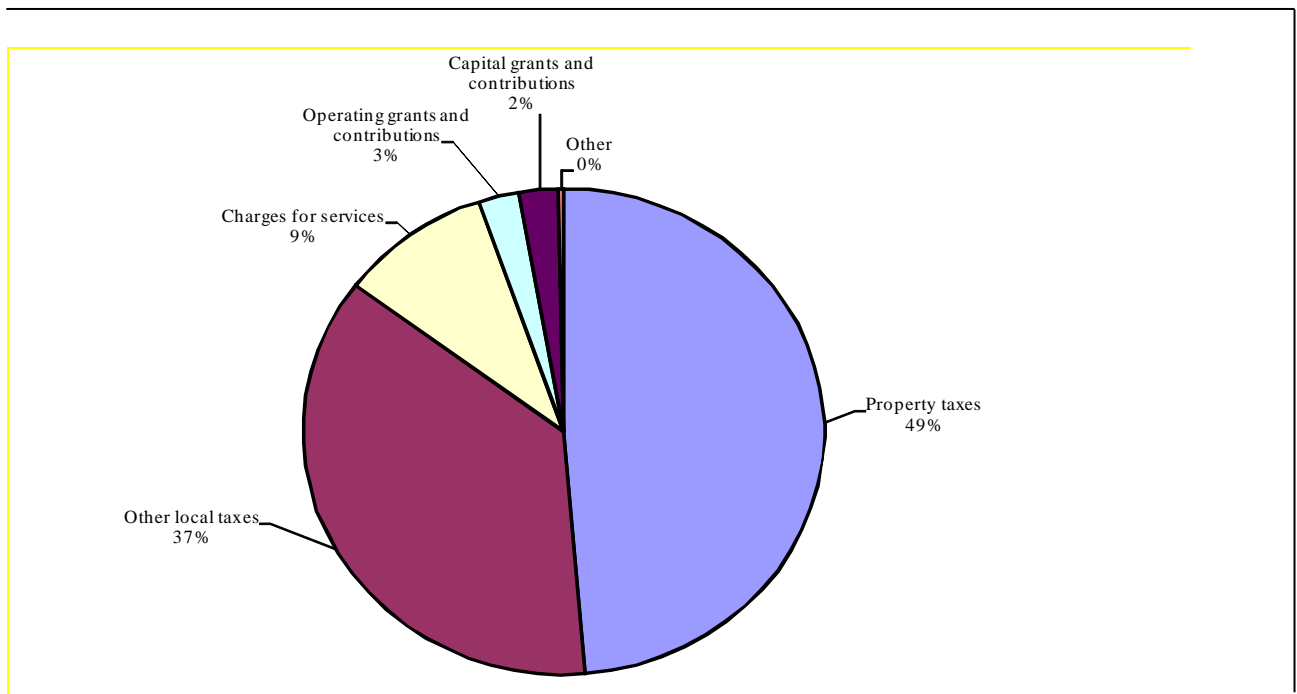
Governmental activities. Governmental activities decreased the County's net assets by \$13.3 million. Key elements of this decrease are as follows:

- Program Revenues increased overall by \$7.5 million (5.3%). The County received \$2.6 million in federal grant monies to fund One Maryland Broadband Plan. In addition, proceeds from the sale of items collected curbside via single stream recycling increased \$0.7 million due to increased market prices for commodities such as metal.
- Property tax revenue increased by \$10.7 million (2.2 %) this year. The taxable assessed value declined in the current fiscal year. Taxable residential assessed values are limited to 5% annual increases (Homestead Credit). This limitation resulted in a substantial difference between full assessed values and taxable assessed values on residential properties at the peak real estate market in 2007. The 5% Homestead Credit means the County was not relying on taxes levied against full market values at the peak of the real estate market in 2007. As full assessed values decline they are still, overall, slightly higher than taxable assessed values.
- Local income taxes increased by \$64.4 million or 24.1% this year due to gains in the number of residents employed.
- Investment earnings decreased by \$3.5 million due to a smaller increase in the fair value of the United States Treasury Strips investments than the previous fiscal year and a further decline in interest rates during the year.
- Expenses increased by \$50.5 million for additional Net OPEB Obligation.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

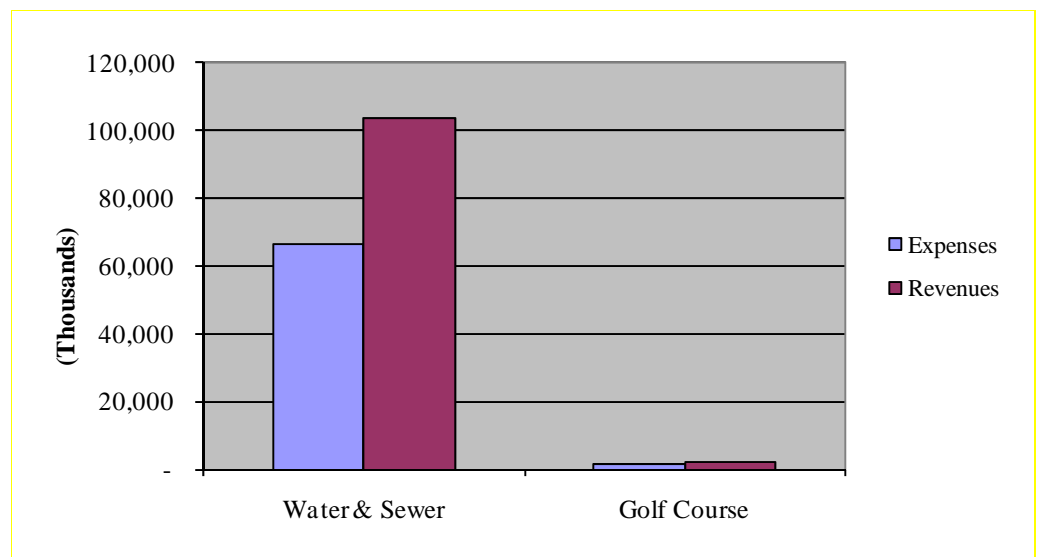


Business-type activities. Business-type activities increased the County’s net assets by \$34.6 million. The components of this increase are as follows:

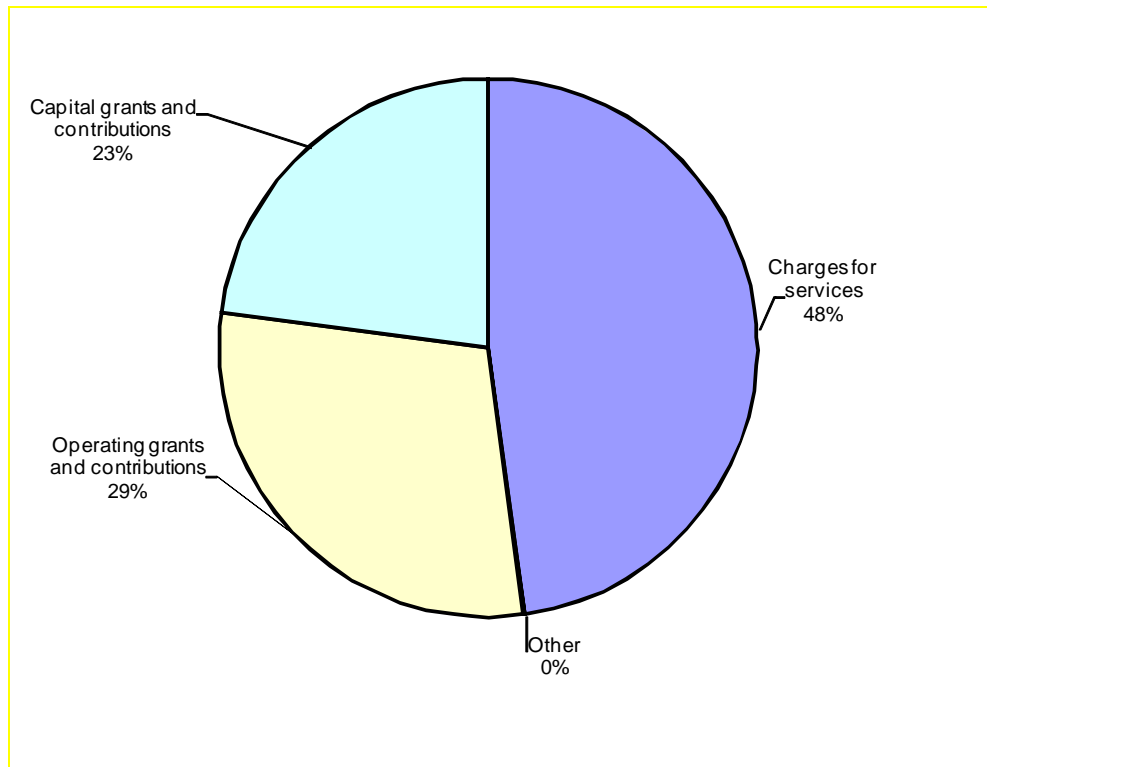
- Charges for services increased by \$4.2 million due to a 9% rate increase for water and sewer usage.
- Operating grants and contributions which totaled \$30.9 million represent an annual ad valorem fee levied on all properties within the water and sewer service district. This charge is primarily used to fund debt service payments and pay-as-you-go funding on capital projects.
- Capital grants and contributions mainly consisted of the receipt of \$18.6 million in grant funding from the State of Maryland to fund improvements to reduce nitrogen discharge in the reclaimed water system. In addition, \$5.8 million was received in capital contributions. This revenue includes the value of water and sewer lines constructed by developers and donated at no cost to the County. The County pays for additional water and sewer lines built by developers through a rebate process. Capital contributions also include front foot revenues assessed to properties connected to the water and sewer system. These front foot revenues fund the debt issued to pay developer rebates. Effective July 1, 2004, the County has not entered into any new rebate contracts. Developers pay for those improvements and are still required to donate the assets to the County. Overall, capital grants and contributions increased by \$14.7 million from fiscal year 2010.
- Interest expense decreased by \$1.7 million due to the final payoff of 1991 capital appreciation bonds in fiscal year 2010.

Business-type activities are shown comparing costs to revenues generated by related services. Both water and sewer and the golf course activities are self-supporting.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of Howard County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$200.1 million, a decrease of \$13.8 million in comparison with the prior year. Of this fund balance, \$14.2 million is nonspendable, \$83.5 million is restricted by enabling legislation, \$96.3 million is committed by the County at the highest level of authority, \$104.2 million is assigned, and (\$98.1) million is deficit unassigned fund balance.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund is \$92.7 million, \$20.9 million or 29.1% more than the prior year due to a \$21.3 million increase in local income tax revenue.

The \$72.4 million total fund balance of the Agricultural Land Preservation Fund is a \$0.2 million decrease from the prior year. The decrease is the result of closing on four preservation purchases during the fiscal year.

The general capital projects fund is used to track the construction of general county buildings. The fund balance is a negative \$73.3 million. This is a timing issue due to capital project expenditures occurring before revenues are recognized.

The highway capital projects fund is used to track the construction of bridges, roads, sidewalks, and intersections. The fund balance is \$49.8 million of which \$41.4 million represents funds restricted for public road facilities.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

All assets in the Water and Sewer Proprietary Fund and the Special Recreation Facility Fund (golf course), except those available to fund current liabilities, are considered restricted because a change in the charter is required to allow these assets to be used for other purposes. Net assets of the water and sewer operations at the end of the year amounted to \$540.5 million, and those for the golf course operation were \$4.4 million. The total increase in net assets in each fund was \$34.3 million and \$0.5 million, respectively.

Other factors concerning the finances of these two funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The original general fund expenditure and revenue budgets did not change in total during the current fiscal year.

Due to uncertainty surrounding the economy at the beginning of the fiscal year, the County held back on expenditures and spent \$6.6 million less than the budget. The County collected \$16.4 million more in local income taxes than budgeted due to a quicker than anticipated recovery in the local jobs market.

Total debt service final budget amounts compared to expenditures and encumbrances for the period show a favorable variance of \$7.2 million. Likewise, interest on investments fell short of budgeted revenue by \$8.2 million. This occurred because interest income and expense on variable rate debt, commercial paper, are budgeted high to allow for increases in interest rates during the year. Component units' return of funding was \$3.9 million less than budgeted because the funding was received in fiscal year 2010, but budgeted in fiscal year 2011.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of June 30, 2011 is \$1.8 billion (net of accumulated depreciation). Capital assets includes land, easements, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges, water and sewer lines, and storm water management systems. The total increase in the County's investment in capital assets for the current fiscal year was 10.5% (a 10.1% increase for governmental activities and an 11.3% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- \$45.1 million for the Water Reclamation Plant expansion and enhancement
- \$27.4 million for land purchases for agricultural land preservation program easements, a new transit facility, and one park
- \$25.7 million on the purchase of a new County office building and \$9.4 million on the renovation of the main County office buildings
- \$21.3 million in developer donated roads, storm drainage, water and sewer lines and open space land
- \$16.0 million on the Little Patuxent Parallel Sewer system
- \$12.8 million on the new Miller library branch
- \$11.8 million on the North Laurel Park Community Center
- \$11.2 million for transit buses and \$4.2 million for fire vehicles and equipment

Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land and land improvements	\$ 470,374,442	443,156,392	10,802,873	10,802,873	481,177,315	453,959,265
Buildings	149,845,607	136,854,015	73,665,111	76,229,701	223,510,718	213,083,716
Improvements other than buildings	27,578,798	29,042,279	25,739,727	27,525,487	53,318,525	56,567,766
Equipment	42,891,223	46,894,998	1,127,457	1,221,329	44,018,680	48,116,327
Infrastructure	171,777,099	160,740,085	270,060,641	262,395,927	441,837,740	423,136,012
Construction in progress	312,993,326	250,749,696 *	238,222,618	178,400,385 *	551,215,944	429,150,081
Total capital assets	\$1,175,460,495	1,067,437,465	619,618,427	556,575,702	1,795,078,922	1,624,013,167

*Restated due to prior period adjustment of \$10,542,118 in governmental activities and \$1,050,623 in business-type activities.

Additional information on the County's capital assets can be found in Note 7 on pages 46-47 of this report.

Long-term debt. At the end of the current fiscal year, the County had total long-term debt outstanding of \$1.1 billion. Of this amount, \$1.09 billion comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds).

Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 783,854,998	723,305,002	154,210,000	110,810,000	938,064,998	834,115,002
State water quality loan	4,050,000	5,795,000	41,957,623	43,220,051	46,007,623	49,015,051
Landfill closure obligation	36,341,000	35,002,000	-	-	36,341,000	35,002,000
Agricultural land preservation program	71,121,600	60,998,200	-	-	71,121,600	60,998,200
Special facility revenue bonds	-	-	6,330,000	6,870,000	6,330,000	6,870,000
Other	4,945,142	4,888,717	2,034,984	2,034,984	6,980,126	6,923,701
Total outstanding debt	\$ 900,312,740	829,988,919	204,532,607	162,935,035	1,104,845,347	992,923,954

The County's total long-term debt increased by \$111.9 million (11.3%) during the current fiscal year. The major factors in this increase were the issuance of \$111.1 million of Consolidated Public Improvement Project Bonds, \$50.0 million of Metropolitan District Project Bonds, and a \$2.6 million draw on the State Water Quality Revolving Loan Fund. The County retired \$52.3, \$6.6, and \$3.9 million of CPI, Metro and Water Quality Bonds, respectively. The County also retired \$540,000 of Special Facility Revenue bonds. The County maintains an "AAA" rating from both Standard & Poor's and Fitch Ratings, and an "Aaa" rating from Moody's Investors Service for general obligation debt. Additionally, the County entered into \$10.3 million of installment purchase agreements for the purchase of four properties in the Agricultural land preservation program.

Local statutes limit the amount of general obligation debt a governmental entity may issue to 4.8% of its total assessed valuation. The current debt limitation for the County is \$2.3 billion, which is significantly in excess of Howard County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note 8 starting on page 48 of this report.

Economic Factors and Next Year's Budgets and Rates

Howard County has a relatively low unemployment rate as evidenced by the following:

- The June 2011 unemployment rate for the County was 5.6% (peaked at 5.8% in July 2010 and was 4.7% in December 2011). This compares favorably to the state's unemployment rate of 7.4% and the national rate of 9.1% for the same period. The County's rate was 2.4% in December 2007.
- The occupancy rate for commercial space as of June 2011 was 87.6%, up from 87.2% a year ago. Howard County had 397,757 SF new commercial space come on line during this fiscal year.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

The fiscal year 2012 general fund budget is \$38.7 million or 4.7% more than the fiscal year 2011 budget. This increase is the result of an \$18.7 million increase in pay-as-you-go funding of one-time expenditures, \$11.4 million increase in Education and \$5.8 million increase for public safety.

The County's property tax and income tax rates remained the same for Fiscal Year 2012. The Building Excise Tax (used to fund road expansion) rates were increased 5% (based on the Baltimore Cost Index). Water charges were increased 9% to offset an increase in the cost of water purchased from Baltimore City. No changes were made to the annual refuse and recycling fees and the water and sewer ad valorem or fire tax rates.

Currently Known Facts, Decisions and Conditions

The County is anticipating a revenue increase in FY 2012. FY 2012 income tax received through January 2012 is up 25% over FY 2011 and is running ahead of budgeted expectation for that period. All other major revenue sources are on budget for FY 2012.

Requests for Information

This financial report is designed to provide a general overview of Howard County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to the Department of Finance, 3430 Court House Drive, Ellicott City, Maryland 21043 (410) 313-2113 or e-mailed to smilesky@howardcountymd.gov. Complete financial reports are also available on our web site www.howardcountymd.gov.



Lime Kiln Middle School

As a nationally recognized Blue Ribbon School, Lime Kiln Middle School consistently achieves high performance in mathematics and reading. Through planting rain gardens, protecting endangered freshwater fish, and growing Spartina grasses, the building also obtained green status.

Basic Financial Statements

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

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



Howard County, Maryland
Statement of Net Assets
June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Equity in pooled cash and cash equivalents	\$ 129,927,147	12,519,061	142,446,208	43,238,891
Investments	-	-	-	150,391,818
Receivables:				
Property taxes, net	4,694,640	156,990	4,851,630	-
Due from other governments	62,890,486	-	62,890,486	15,959,354
Other	917,123	9,317,293	10,234,416	5,214,919
Materials and supplies	1,293,524	883,700	2,177,224	2,609,253
Prepays	-	-	-	1,444,575
Property held for sale	-	-	-	2,700,000
Restricted assets:				
Equity in pooled cash and cash equivalents	168,498,024	77,229,454	245,727,478	8,262,970
Investments	42,452,520	-	42,452,520	-
Property taxes	593,726	-	593,726	-
Due from other governments	15,277,908	-	15,277,908	-
Water & sewer assessments receivable	-	74,903,445	74,903,445	-
Other receivables	13,876,267	343,140	14,219,407	3,569,208
Materials and supplies	481,385	-	481,385	-
Internal balances	(1,877,588)	1,877,588	-	-
Other assets	4,045,008	695,395	4,740,403	-
Capital assets:				
Land	470,374,442	10,802,873	481,177,315	44,575,576
Construction in progress	312,993,326	238,222,618	551,215,944	152,595,031
Buildings and improvements, net	177,424,405	99,404,838	276,829,243	925,751,141
Machinery and equipment, net	42,891,223	1,127,457	44,018,680	9,328,740
Infrastructure, net	171,777,099	270,060,641	441,837,740	-
Other capital assets	-	-	-	2,924,969
Total assets	1,618,530,665	797,544,493	2,416,075,158	1,368,566,445
LIABILITIES				
Accounts payable and other current liabilities	31,249,802	12,258,548	43,508,350	103,855,089
Accrued interest payable	14,495,237	2,262,792	16,758,029	-
Accrued wages and benefits	12,372,565	572,269	12,944,834	1,659,036
Deposits	3,558,754	749,051	4,307,805	366,946
Bond anticipation notes	100,000,000	-	100,000,000	-
Due to primary government	-	-	-	9,963,007
Unearned revenues	8,998,375	403,875	9,402,250	32,572,410
Noncurrent liabilities:				
Due within one year	58,540,075	14,940,625	73,480,700	5,483,990
Due in more than one year, net	1,134,804,869	219,643,446	1,354,448,315	68,895,542
Total liabilities	1,364,019,677	250,830,606	1,614,850,283	222,796,020
NET ASSETS				
Invested in capital assets, net of related debt	790,647,396	412,443,596	1,203,090,992	1,070,268,304
Property held for sale	-	-	-	2,700,000
Restricted for:				
Public school facilities	14,105,662	-	14,105,662	-
Public road facilities	41,441,585	-	41,441,585	-
Forest conservation	4,436,975	-	4,436,975	-
Fire & rescue services	18,609,426	-	18,609,426	-
Park land watershed facilities	4,267,398	-	4,267,398	-
Program open space	229,786	-	229,786	-
Storm water construction	379,651	-	379,651	9,750,709
Debt service	-	132,392,365	132,392,365	4,378,357
Unrestricted	(619,606,891)	1,877,926	(617,728,965)	58,673,055
Total net assets	\$ 254,510,988	546,713,887	801,224,875	1,145,770,425

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

Howard County, Maryland Statement of Activities For the Year Ended June 30, 2011

Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Gov Activities	Bus Type Activities	Total	Component Units
Primary government:								
Governmental activities:								
General government	\$ 50,599,944	33,914,325	2,012,095	8,250,051	(6,423,473)	-	(6,423,473)	-
Public safety	167,113,492	4,555,304	10,022,129	21,192	(152,514,867)	-	(152,514,867)	-
Public works	102,947,974	41,652,829	3,614,450	12,675,353	(45,005,342)	-	(45,005,342)	-
Recreation and parks	27,086,201	13,361,672	155,348	2,720,502	(10,848,679)	-	(10,848,679)	-
Legislative and judicial	21,684,657	563,936	509,924	-	(20,610,797)	-	(20,610,797)	-
Community services	38,522,217	3,546,255	10,245,427	1,048,877	(23,681,658)	-	(23,681,658)	-
State highways	1,917,170	-	-	-	(1,917,170)	-	(1,917,170)	-
Education	605,557,506	-	-	-	(605,557,506)	-	(605,557,506)	-
Interest on long term debt	37,102,195	-	-	-	(37,102,195)	-	(37,102,195)	-
Total governmental activities	1,052,531,356	97,594,321	26,559,373	24,715,975	(903,661,687)	-	(903,661,687)	-
Business type activities:								
Water and sewer	66,636,363	48,606,394	30,884,327	24,331,033	-	37,185,391	37,185,391	-
Golf course	1,762,425	2,056,408	-	-	-	293,983	293,983	-
Total business-type activities	68,398,788	50,662,802	30,884,327	24,331,033	-	37,479,374	37,479,374	-
Total primary government	1,120,930,144	148,257,123	57,443,700	49,047,008	(903,661,687)	37,479,374	(866,182,313)	-
Component units:								
Public school system	831,030,580	15,659,881	154,173,954	63,876,658	-	-	-	(597,320,087)
Community college	94,953,136	34,893,405	820,157	13,710,576	-	-	-	(45,528,998)
Library	19,840,656	770,202	-	-	-	-	-	(19,070,454)
Housing commission	23,971,034	5,899,954	-	15,945,039	-	-	-	(2,126,041)
Total component units	\$ 969,795,406	57,223,442	154,994,111	93,532,273	-	-	-	(664,045,580)
General revenues:								
Property taxes					\$ 504,884,233	-	504,884,233	509,221,945
Local income taxes					331,334,252	-	331,334,252	-
Transfer tax					21,319,655	-	21,319,655	-
Recordation tax					14,599,474	-	14,599,474	-
Building excise tax					4,681,589	-	4,681,589	-
Hotel / motel tax					3,012,642	-	3,012,642	-
Admission tax					2,137,962	-	2,137,962	-
County development tax					39,306	-	39,306	-
Mobile home tax					566,554	-	566,554	-
Intergovernmental, unrestricted					1,089,121	-	1,089,121	200,610,267
Unrestricted investment income					2,890,191	196,349	3,086,540	1,183,267
Miscellaneous					816,830	-	816,830	5,698,901
Transfers					2,995,034	(2,995,034)	-	-
Total general revenues and transfers					890,366,843	(2,798,685)	887,568,158	716,714,380
Change in net assets					(13,294,844)	34,680,689	21,385,845	52,668,800
Net assets - beginning of year, as previously reported					377,349,272	514,347,697	891,696,969	1,093,101,625
Adjustment to restate net assets					(109,543,440)	(2,314,499)	(111,857,939)	-
Net assets - beginning of year, as restated					267,805,832	512,033,198	779,839,030	1,093,101,625
Net assets - end of year					\$ 254,510,988	546,713,887	801,224,875	1,145,770,425

The accompanying notes to the financial statements are an integral part of this statement.

Howard County, Maryland
Balance Sheet
Governmental Funds
June 30, 2011

	General	Agricultural Land Preservation Fund	General Capital Projects	Highway Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Pooled cash and cash equivalents	\$ 81,180,246	-	-	-	15,424,577	96,604,823
Receivables:						
Property taxes, net	4,694,640	-	-	-	-	4,694,640
Due from other governments	61,388,115	-	-	-	-	61,388,115
Due from other funds	3,022,368	-	-	-	-	3,022,368
Other	344,835	-	-	-	115,822	460,657
Restricted assets:						
Pooled cash and cash equivalents	-	29,473,175	45,586,426	36,531,534	56,906,889	168,498,024
Investments	-	42,452,520	-	-	-	42,452,520
Due from other funds	-	-	-	15,351,782	-	15,351,782
Economic development loans	-	-	-	-	26,708	26,708
Housing loans	-	-	-	-	13,736,234	13,736,234
Property taxes	-	-	-	-	593,726	593,726
Materials and supplies	-	-	-	-	481,385	481,385
Due from other governments	-	531,192	3,277,041	-	11,469,675	15,277,908
Other	-	-	19,883	21,987	71,455	113,325
Total assets	150,630,204	72,456,887	48,883,350	51,905,303	98,826,471	422,702,215
LIABILITIES						
Due to other funds	-	-	14,249,239	-	4,124,911	18,374,150
Accounts payable / accrued liabilities	1,883,301	22	17,263,645	885,122	8,893,261	28,925,351
Accrued wages and benefits	7,767,204	8,519	95,294	3,742	3,917,790	11,792,549
Bond anticipation notes	-	-	88,439,384	1,225,875	10,334,741	100,000,000
Deposits and connection fees	3,321,336	-	-	-	237,418	3,558,754
Claims payable	506,821	-	-	-	-	506,821
Deferred revenue	44,478,326	-	2,116,783	-	12,835,438	59,430,547
Total liabilities	57,956,988	8,541	122,164,345	2,114,739	40,343,559	222,588,172
FUND BALANCES						
Nonspendable:						
Inventory	-	-	-	-	481,385	481,385
Long term receivables:						
Noncurrent economic development loans	-	-	-	-	26,708	26,708
Noncurrent housing loans receivables	-	-	-	-	13,736,234	13,736,234
Restricted for:						
Public school facilities	-	-	14,105,662	-	-	14,105,662
Public road facilities	-	-	-	41,441,585	-	41,441,585
Forest conservation	-	-	-	-	4,436,975	4,436,975
Fire & rescue services	-	-	-	-	18,609,426	18,609,426
Park land watershed facilities	-	-	-	-	4,267,398	4,267,398
Program open space	-	-	-	-	229,786	229,786
Storm water construction	-	-	-	-	379,651	379,651
Committed for:						
Budget stabilization account	56,803,611	-	-	-	-	56,803,611
Agricultural land preservation	-	11,999,033	-	-	-	11,999,033
Community renewal programs	-	-	-	-	1,127,532	1,127,532
Environmental services	-	-	-	-	13,515,465	13,515,465
Health department	-	-	-	-	7,883,991	7,883,991
Recreation programs	-	-	-	-	3,156,484	3,156,484
Fire house & training facilities	-	-	-	-	1,780,827	1,780,827
Assigned for:						
Future balloon payments	-	42,452,520	-	-	-	42,452,520
Subsequent year's expenditures	2,244,000	17,996,793	-	-	-	20,240,793
Subsequent years' budget stabilization account	406,099	-	-	-	-	406,099
Other post-employment benefits	5,326,780	-	-	-	-	5,326,780
Purchase commitments	8,610,722	-	-	-	-	8,610,722
Pay-as-you-go contribution to capital projects	10,550,000	-	-	-	-	10,550,000
Capital projects	-	-	-	8,348,979	8,306,641	16,655,620
Unassigned	8,732,004	-	(87,386,657)	-	(19,455,591)	(98,110,244)
Total fund balances	92,673,216	72,448,346	(73,280,995)	49,790,564	58,482,912	200,114,043
Total liabilities and fund balances	\$ 150,630,204	72,456,887	48,883,350	51,905,303	98,826,471	422,702,215

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

Howard County, Maryland
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Amounts reported for governmental activities in the statement of net assets (page 15) are different because:

Total fund balances - governmental funds (page 17)		\$ 200,114,043
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		37,251,901
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (859,026,598)	
Capital lease	(4,945,142)	
Deferred refunding gain/loss and costs	(40,493,378)	
Bond issuance costs	3,816,595	
Accrued interest payable	(14,495,237)	
Compensated absences	(19,914,772)	
Net OPEB obligation	(219,833,035)	
Landfill closure & post closure	<u>(36,341,000)</u>	(1,191,232,567)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,157,717,036
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>50,660,575</u>
Net assets of governmental activities (page 15)		<u><u>\$ 254,510,988</u></u>

Howard County, Maryland
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Agricultural Land Preservation Fund	General Capital Projects	Highway Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 437,603,223	-	-	-	66,427,494	504,030,717
Other local taxes	335,670,307	5,369,220	5,329,914	4,681,589	10,659,828	361,710,858
State shared taxes	1,089,121	-	-	-	-	1,089,121
Revenues from other governments	5,655,420	-	7,569,723	3,006,426	24,247,608	40,479,177
Charges for services	11,049,968	-	-	-	38,867,013	49,916,981
Interest on investments	547,145	1,432,176	124,539	114,542	176,242	2,394,644
Installment interest from housing loans	-	-	-	-	495,546	495,546
Licenses and permits	5,646,996	-	-	-	4,515	5,651,511
Fines and forfeitures	3,003,943	-	-	-	389,780	3,393,723
Developer contributions	-	-	-	761,276	602,269	1,363,545
Rental of property	-	-	-	-	197,100	197,100
Recoveries for interfund services	11,734,246	-	-	-	-	11,734,246
Payments from component units	816,830	-	-	-	-	816,830
Miscellaneous program revenues	2,498,710	255	5,144,804	14,181	1,094,266	8,752,216
Total revenues	815,315,909	6,801,651	18,168,980	8,578,014	143,161,661	992,026,215
EXPENDITURES						
Current:						
General government	19,616,315	-	-	-	4,075,070	23,691,385
Legislative & judicial	19,741,992	-	-	-	521,013	20,263,005
Public works	58,272,797	2,131,595	851,124	-	22,917,864	84,173,380
Public safety	91,041,327	-	-	-	65,295,112	156,336,439
Recreation and parks	12,435,087	-	-	-	11,421,227	23,856,314
Community services	14,471,310	-	-	-	22,464,017	36,935,327
Education	505,134,037	-	67,450,335	-	-	572,584,372
Capital improvements	-	10,274,400	70,095,822	11,984,841	37,211,681	129,566,744
Debt service:						
Principal	52,310,000	151,000	-	-	-	52,461,000
Interest	32,462,558	4,716,482	-	-	-	37,179,040
Total expenditures	805,485,423	17,273,477	138,397,281	11,984,841	163,905,984	1,137,047,006
Excess (deficiency) of revenues over expenditures	9,830,486	(10,471,826)	(120,228,301)	(3,406,827)	(20,744,323)	(145,020,791)
OTHER FINANCING SOURCES (USES)						
Bond premium	-	-	3,639,006	228,907	737,085	4,604,998
Capital related debt issued	-	-	87,806,361	5,523,364	17,785,275	111,115,000
Capital lease proceeds	-	-	186,598	-	-	186,598
Installment purchase agreements issued	-	10,274,400	-	-	-	10,274,400
Transfers in	20,407,509	-	3,707,764	-	15,720,044	39,835,317
Transfers out	(9,337,128)	-	(7,848,520)	(7,201,500)	(12,401,375)	(36,788,523)
Total other financing sources and uses	11,070,381	10,274,400	87,491,209	(1,449,229)	21,841,029	129,227,790
Net change in fund balances	20,900,867	(197,426)	(32,737,092)	(4,856,056)	1,096,706	(15,793,001)
Adjustment to beginning balance	-	-	-	-	1,480,513	1,480,513
Fund balances - beginning, as previously reported	71,772,349	72,645,772	(40,543,903)	54,646,620	55,905,693	214,426,531
Fund balances-ending	\$ 92,673,216	72,448,346	(73,280,995)	49,790,564	58,482,912	200,114,043

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

Howard 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, 2011

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances - total governmental funds (page 19) \$ (15,793,001)

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 the amount by which capital outlays exceeds depreciation in the current period is as follows:

Capital outlays	126,258,688	
Less: Depreciation expense	<u>(21,746,190)</u>	104,512,498

In the statement of activities, only the gain on the sale of land and buildings is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the land and buildings sold. (1,470,116)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 8,092,491

Revenues to governmental funds that relate to prior periods are not reported in the statement of activities. Similarly, revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. The details are as follows:

Revenues related to prior periods	16,832,592	
Revenues that do not provide current financial resources	<u>1,341,635</u>	18,174,227

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. (74,344,938)

In the statement of activities, certain operating expenses are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended. (49,837,452)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The new revenue (expense) of certain internal service funds is reported with governmental activities. (1,660,122)

Transfers of capital assets within funds incorporated as part of governmental activities are removed from the statement of activities. In this case, assets were transferred from governmental funds to internal service funds. (968,431)

Change in net assets of governmental activities (page 16). \$ (13,294,844)

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

Howard County, Maryland
Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

REVENUES	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Property taxes	\$ 438,152,849	438,152,849	437,598,106	(554,743)
Other local taxes	320,500,000	320,500,000	335,670,307	15,170,307
State shared taxes	433,000	433,000	1,089,121	656,121
Revenues from other governments	5,609,900	5,609,900	5,655,420	45,520
Charges for services	10,907,844	10,907,844	11,051,898	144,054
Interest on investments	8,942,232	8,942,232	781,632	(8,160,600)
Licenses and permits	5,189,400	5,189,400	5,646,996	457,596
Recoveries for interfund services	12,716,817	12,716,817	11,734,246	(982,571)
Fines and forfeitures	3,096,500	3,096,500	3,003,943	(92,557)
Payments from component units	4,759,469	4,759,469	816,830	(3,942,639)
Miscellaneous	934,750	934,750	2,498,709	1,563,959
Total revenues	811,242,761	811,242,761	815,547,208	4,304,447
EXPENDITURES				
Current:				
General government	21,927,499	20,277,499	19,703,211	574,288
Legislative & judicial	21,582,476	21,690,069	19,758,533	1,931,536
Public works	57,530,878	62,005,674	61,385,857	619,817
Public safety	93,335,398	93,405,990	90,613,014	2,792,976
Recreation and parks	12,997,540	12,792,540	12,790,635	1,905
Community services	15,038,332	15,038,332	14,407,710	630,622
Education	505,134,037	505,134,037	505,134,037	-
Debt service:				
Principal payments on debt	52,310,015	52,310,015	52,310,000	15
Interest payments on debt	39,690,091	39,690,091	32,474,709	7,215,382
Total expenditures	819,546,266	822,344,247	808,577,706	13,766,541
Excess (deficiency) of revenues over expenditures	(8,303,505)	(11,101,486)	6,969,502	18,070,988
OTHER FINANCING SOURCES (USES)				
Transfers in	20,853,601	20,853,601	20,044,527	(809,074)
Transfers out	(12,550,096)	(9,752,115)	(9,209,000)	543,115
Total other financing sources (uses)	8,303,505	11,101,486	10,835,527	(265,959)
Net change in fund balance	-	-	17,805,029	17,805,029
Plus prior year encumbrances lapsed	-	-	2,232,730	-
Fund balances - beginning	-	-	74,811,606	-
Fund balances - ending	\$ -	-	94,849,365	-

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

Howard County, Maryland
Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis
Agricultural Land Preservation Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local taxes	\$ 4,625,000	4,625,000	5,361,720	736,720
Investment income	-	-	1,432,176	1,432,176
Miscellaneous program revenue	15,000	15,000	255	(14,745)
Total revenues	4,640,000	4,640,000	6,794,151	2,154,151
EXPENDITURES				
Public works:				
Agricultural land preservation program administration	1,570,801	2,657,301	2,156,800	500,501
Agricultural land preservation board	1,900	1,900	199	1,701
Contingency	27,387,303	26,187,303	-	26,187,303
Capital improvements	-	-	10,247,400	(10,247,400)
Total public works	28,960,004	28,846,504	12,404,399	16,442,105
Debt service:				
Principal payments on debt	151,000	151,000	151,000	-
Interest payments on debt	4,603,863	4,717,363	4,716,482	881
Total debt service	4,754,863	4,868,363	4,867,482	881
Total expenditures	33,714,867	33,714,867	17,271,881	16,442,986
Excess (deficiency) of revenues over expenditures	(29,074,867)	(29,074,867)	(10,477,730)	18,597,137
OTHER FINANCING SOURCES				
Appropriation from fund balance	29,074,867	29,074,867	203,330	28,871,537
Installment purchase agreements issued	-	-	10,274,400	(10,274,400)
Total other financing sources	29,074,867	29,074,867	10,477,730	18,597,137
Net change in fund balance	-	-	-	-
Less appropriation from fund balance	-	-	(203,330)	-
Plus prior year encumbrances lapsed	-	-	690	-
Fund balances - beginning	-	-	72,653,206	-
Fund balances - ending	\$ -	-	72,450,566	-

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

Howard County, Maryland
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-Type Activities			Gov't Activities- Internal Service Funds
	Water and Sewer	Special Recreation Facility	Total	
ASSETS				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 12,487,908	31,153	12,519,061	33,322,324
Prepaid expenses	-	-	-	-
Receivables:				
Service billings	9,317,293	-	9,317,293	-
Property taxes	156,990	-	156,990	-
Due from other governments	-	-	-	1,502,371
Other receivables	-	-	-	456,466
Materials and supplies	841,646	42,054	883,700	1,293,534
Restricted assets:				
Equity in pooled cash and cash equivalents	76,466,031	763,423	77,229,454	-
Water and sewer assessments	7,152,400	-	7,152,400	-
Total current assets	106,422,268	836,630	107,258,898	36,574,695
Noncurrent assets:				
Restricted assets:				
Receivables:				
Water and sewer assessments	67,751,045	-	67,751,045	-
Other receivables	63,140	280,000	343,140	-
Materials and supplies	-	-	-	-
Capital assets:				
Land	2,117,977	8,684,896	10,802,873	-
Construction in progress	238,222,618	-	238,222,618	-
Buildings and improvements, net	368,702,842	762,637	369,465,479	-
Machinery and equipment, net	1,017,086	110,371	1,127,457	17,743,459
Other assets	601,155	94,240	695,395	-
Total noncurrent assets	678,475,863	9,932,144	688,408,007	17,743,459
Total assets	784,898,131	10,768,774	795,666,905	54,318,154
LIABILITIES				
Current liabilities:				
Due to other funds	-	-	-	-
Accounts payable	11,890,820	367,728	12,258,548	1,700,713
Capital lease	-	-	-	-
Accrued wages and benefits	572,269	-	572,269	580,016
Compensated absences	24,819	-	24,819	46,585
Unpaid insurance claims	-	-	-	5,242,093
Deposits and connection fees	-	-	-	75,000
Other accrued expenses	-	-	-	41,917
Current liabilities	12,487,908	367,728	12,855,636	7,686,324
Current liabilities payable from restricted assets:				
Deposits and connection fees	749,051	-	749,051	-
Developer agreement rebates and deposits	344,924	-	344,924	-
Deferred water and sewer assessments	2,182,616	-	2,182,616	-
Other debt payable	4,138,266	-	4,138,266	-
Bonds payable	7,695,000	555,000	8,250,000	-
Interest payable	2,183,412	79,380	2,262,792	-
Current liabilities payable from restricted assets	17,293,269	634,380	17,927,649	-
Total current liabilities	29,781,177	1,002,108	30,783,285	7,686,324
Noncurrent liabilities:				
Developer agreement rebates and deposits	1,926,149	-	1,926,149	-
Deferred water and sewer assessments	20,674,832	-	20,674,832	-
Net OPEB obligation	3,425,259	-	3,425,259	-
Compensated absences	756,789	-	756,789	924,415
Unpaid insurance claims	-	-	-	6,577,926
Special revenue bonds payable	-	5,769,904	5,769,904	-
Metropolitan district bonds payable	149,653,806	-	149,653,806	-
Deferred refunding amount	(15,673)	(366,977)	(382,650)	-
Deferred revenue	403,875	-	403,875	-
Other long-term debt	37,819,357	-	37,819,357	-
Total noncurrent liabilities	214,644,394	5,402,927	220,047,321	7,502,341
Total liabilities	244,425,571	6,405,035	250,830,606	15,188,665
NET ASSETS				
Invested in capital assets, net of related debt	408,843,618	3,599,977	412,443,595	17,743,459
Restricted:				
For debt service	67,751,045	763,423	68,514,468	-
Unrestricted	63,877,897	339	63,878,236	21,386,030
Total net assets	\$ 540,472,560	4,363,739	544,836,299	39,129,489
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds			1,877,588	
Net assets of business-type activities			<u>546,713,887</u>	

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

Howard County, Maryland
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Water and Sewer	Special Recreation Facility	Total	
Operating revenues:				
User charges	\$ 44,209,000	-	44,209,000	69,366,431
Greens and cart fees	-	1,531,616	1,531,616	-
Range fees	-	89,354	89,354	-
Merchandise	-	108,540	108,540	-
Food and beverage	-	307,440	307,440	-
Insurance recoveries	-	-	-	1,253,088
Miscellaneous sales and services	1,512,241	19,458	1,531,699	1,962,850
Total operating revenues	45,721,241	2,056,408	47,777,649	72,582,369
Operating expenses:				
Salaries and employee benefits	10,314,199	-	10,314,199	10,072,352
Contractual services	4,942,439	1,444,808	6,387,247	9,616,402
Supplies and materials	1,521,777	-	1,521,777	2,181,476
Business and travel	49,446	-	49,446	56,687
Vehicle fuels and supplies	1,560,991	-	1,560,991	6,600,548
Purchased water and transmission charges	13,371,950	-	13,371,950	-
Sewage treatment charges	9,606,069	-	9,606,069	-
Share of county administrative expenses	4,339,626	-	4,339,626	646,948
Insurance claims	914,723	-	914,723	41,005,127
Other administrative	1,083	-	1,083	-
Depreciation expense	13,765,809	49,808	13,815,617	4,858,123
Less: house connection and capitalized overhead costs	(43,777)	-	(43,777)	-
Total operating expenses	60,344,335	1,494,616	61,838,951	75,037,663
Operating income (loss)	(14,623,094)	561,792	(14,061,302)	(2,455,294)
Nonoperating revenues (expenses):				
Ad valorem charges	30,884,327	-	30,884,327	-
Water and sewer assessment charges	2,885,153	-	2,885,153	-
Interest on investments	172,580	23,769	196,349	71,894
Interest expense	(6,186,604)	(267,809)	(6,454,413)	-
Loss on sale of capital assets	-	-	-	(298,817)
Other, net	18,554,834	-	18,554,834	-
Total nonoperating revenues (expenses)	46,310,290	(244,040)	46,066,250	(226,923)
Net income (loss) before contributions and transfers	31,687,196	317,752	32,004,948	(2,682,217)
Capital contributions	5,776,199	-	5,776,199	-
Transfers in	-	205,000	205,000	968,431
Transfers out	(3,200,000)	(34)	(3,200,034)	(51,760)
Change in net assets	34,263,395	522,718	34,786,113	(1,765,546)
Total net assets - beginning (as previously reported)	508,523,664	3,841,021	512,364,685	40,895,035
Prior period adjustment	(2,314,499)	-	-	-
Total net assets - beginning (as restated)	506,209,165	-	512,364,685	40,895,035
Total net assets - ending	\$ 540,472,560	4,363,739	544,836,324	39,129,489
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(105,424)	
Change in net assets of business -type activities			34,680,689	

Howard County, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Water & Sewer	Special Recreation Facility	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 54,378,079	2,056,407	56,434,486	71,151,368
Cash paid to suppliers	(33,533,651)	(1,408,844)	(34,942,495)	(51,662,595)
Cash paid to / for employees	(10,421,058)	-	(10,421,058)	(10,132,526)
Cash paid for interfund services used	(5,459,201)	-	(5,459,201)	(7,347,270)
Other operating cash receipts	108,917	-	108,917	771,034
Net cash provided by (used in) operating activities	5,073,086	647,563	5,720,649	2,780,011
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers in (out) to other funds	(3,200,000)	114,644	(3,085,356)	(51,760)
Net cash (used in) provided by noncapital financing activities	(3,200,000)	114,644	(3,085,356)	(51,760)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of county bonds	49,887,835	-	49,887,835	-
Proceeds from state loan	2,604,792	-	2,604,792	-
Cash receipts from assessments & connection charges	31,257,910	-	31,257,910	-
Acquisition and construction of capital assets	(73,394,473)	-	(73,394,473)	(2,045,099)
Capital contribution	2,314,921	-	2,314,921	-
Proceeds from grant and capital contribution	18,554,834	-	18,554,834	-
Payment of long term debt principal	(10,457,209)	(540,000)	(10,997,209)	-
Interest paid on long term debt	(5,646,022)	(214,788)	(5,860,810)	-
Net cash provided by (used in) capital and related financing activities	15,122,588	(754,788)	14,367,800	(2,045,099)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	172,580	23,734	196,314	71,894
Net cash provided by investing activities	172,580	23,734	196,314	71,894
Net increase (decrease) in cash and cash equivalents	17,168,254	31,153	17,199,407	755,046
Balances - beginning of the year	71,785,684	763,423	72,549,107	32,567,278
Balances - end of the year	88,953,938	794,576	89,748,514	33,322,324
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities				
Operating (loss) income	(14,623,094)	561,792	(14,061,302)	(2,455,294)
Adjustments to reconcile operating income to net cash:				
Depreciation expense	13,765,809	49,808	13,815,617	4,858,123
Change in assets and liabilities:				
Decrease (increase) in accounts and other receivables	8,606,360	-	8,606,360	(519,424)
Decrease (increase) in inventories	(34,216)	(1,542)	(35,758)	-
Increase (decrease) in operating accounts payables	(3,562,776)	37,505	(3,525,271)	896,606
Increase in compensated absences and net opeb obligation	921,003	-	921,003	-
Total adjustments	19,696,180	85,771	19,781,951	5,235,305
Net cash provided by (used in) operating activities	\$ 5,073,086	647,563	5,720,649	2,780,011

Noncash investing, capital and financing activities:

In Fiscal Year 2011, water and sewer lines with an estimated market value of \$3,461,278 were contributed to the water and sewer enterprise fund by developers.

All investments mature in one year or less so the change in fair value is not determined.

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

Howard County, Maryland
Statement of Fiduciary Net Assets
Pension and Other Post Employment Benefits Trust Funds and Agency Funds
June 30, 2011

	<u>Pension and OPEB Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Equity in pooled cash and cash equivalents	\$ -	5,897,869
Receivables:		
Property tax	-	310,144
Interest and dividends	997,735	-
Employer contributions	2,052,741	-
Employee contributions	564,766	-
Sale of investments	908,775	-
Other	53,171	2,837
Investments, at fair value:		
Cash	10,349	-
Common stocks	163,557,126	-
Mutual funds	197,492,952	-
Money market funds	5,659,463	-
Fixed income securities	176,302,978	-
Real estate	26,237,331	-
Other	-	-
Prepaid insurance	53,529	-
Total assets	<u>573,890,916</u>	<u>6,210,850</u>
LIABILITIES		
Accounts payable		
Investments purchased	667,820	-
Other	1,551,967	1,136,508
Deposits	-	5,074,342
Total liabilities	<u>2,219,787</u>	<u>6,210,850</u>
NET ASSETS		
Held in trust for pension and OPEB benefits	<u>\$ 571,671,129</u>	

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

Howard County, Maryland
Statement of Changes in Fiduciary Net Assets
Pension and Other Post Employment Benefits Trust Funds
For the Year Ended June 30, 2011

ADDITIONS

Contributions:

Employer	\$	37,612,897
Member		7,881,276
Total contributions		45,494,173
Investment income:		
Net change in fair value of investments		82,632,980
Interest		4,766,351
Dividends		10,770,688
Other		119,069
Investment expense		(2,224,396)
Net investment (loss) income		96,064,692
Total additions		141,558,865

DEDUCTIONS

Benefits		31,095,946
Administrative expenses		543,414
Total deductions		31,639,360
Change in net assets		109,919,505
Net assets - beginning		461,751,624
Net assets - ending	\$	571,671,129

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

Howard County, Maryland
Combining Statement of Net Assets
Component Units
June 30, 2011

	Public School System	Community College	Library	Housing Commission	Total
ASSETS					
Equity in pooled cash and cash equivalents	\$ 14,127,029	23,708,535	2,354,357	3,048,970	43,238,891
Investments	140,416,013	8,227,141	1,320,136	428,528	150,391,818
Receivables:					
Due from other governments	6,529,871	9,429,483	-	-	15,959,354
Other	2,392,679	987,802	56,784	1,777,654	5,214,919
Materials and supplies	1,791,181	818,072	-	-	2,609,253
Prepays	461,337	690,659	230,826	61,753	1,444,575
Property held for sale	-	2,700,000	-	-	2,700,000
Restricted assets:					
Equity in pooled cash and cash equivalents	119,394	-	229,461	7,914,115	8,262,970
Mortgage receivable	-	-	-	3,569,208	3,569,208
Capital assets:					
Land	12,476,159	1,164,643	164,453	30,770,321	44,575,576
Construction in progress	144,874,972	6,904,678	-	815,381	152,595,031
Buildings and improvements, net	744,434,167	141,846,519	-	39,470,455	925,751,141
Machinery and equipment, net	4,191,061	4,925,020	212,659	-	9,328,740
Other assets	-	211,623	2,713,346	-	2,924,969
Total assets	1,071,813,863	201,614,175	7,282,022	87,856,385	1,368,566,445
LIABILITIES					
Current liabilities:					
Accounts payable and other current liabilities	96,679,442	4,951,424	1,696,088	528,135	103,855,089
Accrued salaries and benefits	-	1,320,986	338,050	-	1,659,036
Deposits	-	102,316	-	264,630	366,946
Due to primary government	-	7,481,453	-	2,481,554	9,963,007
Unearned revenues	28,335,553	2,607,513	328,875	1,300,469	32,572,410
Long term liabilities:					
Due within one year	3,873,985	381,416	-	1,228,589	5,483,990
Due in more than one year, net	10,150,174	10,860,218	930,594	46,954,556	68,895,542
Total liabilities	139,039,154	27,705,326	3,293,607	52,757,933	222,796,020
NET ASSETS					
Invested in capital assets, net of related debt	898,949,405	144,995,662	3,090,458	23,232,779	1,070,268,304
Property Held for Sale	-	2,700,000	-	-	2,700,000
Restricted for:					
Education	1,235,579	8,285,669	229,461	-	9,750,709
Business type operations	146,090	726,415	-	3,505,852	4,378,357
Unrestricted	32,443,635	17,201,103	668,496	8,359,821	58,673,055
Total net assets	\$ 932,774,709	173,908,849	3,988,415	35,098,452	1,145,770,425

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

Howard County, Maryland
Combining Statement of Activities
Component Units
June 30, 2011

Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Total
		Charges for Services	Operating Grants and Contributions	Capital Contributions	Public School System	Community College	Library	Housing Commission	
Component units:									
Public school system	\$ 831,030,580	15,659,881	154,173,954	63,876,658	(597,320,087)	-	-	-	(597,320,087)
Community college	94,953,136	34,893,405	820,157	13,710,576	-	(45,528,998)	-	-	(45,528,998)
Library	19,840,656	770,202	-	-	-	-	(19,070,454)	-	(19,070,454)
Housing commission	23,971,034	5,899,954	-	15,945,039	-	-	-	(2,126,041)	(2,126,041)
Total component units	\$ 969,795,406	57,223,442	154,994,111	93,532,273	(597,320,087)	(45,528,998)	(19,070,454)	(2,126,041)	(664,045,580)
General revenues:									
Property taxes					\$ 464,708,788	25,195,470	15,229,779	4,087,908	509,221,945
Intergovernmental, unrestricted					169,356,259	27,613,312	3,640,696	-	200,610,267
Investment income					121,532	951,765	1,555	108,415	1,183,267
Miscellaneous					1,382,489	-	-	4,316,412	5,698,901
Total general revenues					635,569,068	53,760,547	18,872,030	8,512,735	716,714,380
Change in net assets					38,248,981	8,231,549	(198,424)	6,386,694	52,668,800
Net assets - beginning of year					894,525,728	165,677,300	4,186,839	28,711,758	1,093,101,625
Net assets - end of year					\$ 932,774,709	173,908,849	3,988,415	35,098,452	1,145,770,425

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



Howard Transit Hybrid Bus

Howard Transit is the County's primary public transit system and currently has 26 hybrid vehicles and three electric buses in its fleet. "The 35-foot, low-floor buses will reduce fuel consumption, produce fewer emissions, require less maintenance and will have a smoother, quieter ride.... They are both community-friendly and environmentally-friendly," Howard County Executive Ken Ulman said in a statement.

Notes to Basic Financial Statements

The Notes are an integral part of the financial statements.



Notes to Basic Financial Statements

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Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

A. The Reporting Entity

Howard County, Maryland (the County), was formed in 1851 under a commission form of government. Under home rule charter since 1968, the County is governed by an elected County Executive and a five member County Council serving separate executive and legislative functions.

The basic financial statements include Howard County, Maryland as the primary government, and its significant component units, entities for which the County is considered to be financially accountable. The component units include the activities of the Howard County Public School System, the Library, the Community College, and the Housing Commission. The Volunteer Fire Districts have not met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report. The component units are included in the County's reporting entity because of the significance of their operational or financial relationship with the County in that the County approves budgetary requests and provides a significant amount of funding.

Discretely Presented Component Units

The financial data of the County's component units are discretely presented in a column separate from the financial data of the primary government. They are reported in a separate column to emphasize that they are legally separate from the County. The following are the County's component units that are included in the reporting:

The Howard County Public School System is responsible for the operation of special education, elementary, middle and high schools. The Board is comprised of five members elected by County voters. The County is responsible for levying taxes and has budgetary control over the Board.

The Howard County Library operates various library branches throughout the County. The Library is governed by a seven-member board nominated by the County Executive and approved by the County Council. The County approves the Library's annual budget and provides substantial funding to the Library.

The Howard Community College provides educational services to County citizens by offering two-year associate degrees and a continuing education program. The Community College is governed by a seven-member board appointed by the governor of Maryland. The County approves the College's annual budget and provides substantial funding to the College.

The Howard County Housing Commission is a public corporation established by Maryland and Howard County law to act as builder, developer, owner and manager of housing for eligible participants. The Commission is comprised of seven commissioners appointed by the County Executive and confirmed by the County Council. The County provides substantial funding to the Commission and approves its annual budget.

Financial information regarding the component units is included in the component units combining statements. Annual financial reports for individual component units can be obtained from their respective administrative offices:

Howard County Public School System
10910 Route 108
Ellicott City, Maryland 21042

Howard County Library
10375 Little Patuxent Parkway
Columbia, Maryland 21044

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and Statement of Activities present financial information on all the non-fiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements with the exception of interfund services provided and used. Governmental activities, which primarily are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities displays the extent to which direct expenses are offset by program revenues for each function of governmental activities and for each segment of business-type activities. Direct expenses are those that can be attributed to a specific function or segment. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and pension trust fund financial statements. Agency funds do not have a measurement focus and are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when liabilities are 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. The County considers all revenues, with the exception of income tax revenue, to be available if they are collected within sixty days after the end of the current fiscal period. Income tax revenue is considered to be available if it is collected within thirty days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to vacation, sick leave, claims, and judgments, are recorded only when payment is due.

Property taxes, other local taxes, state shared taxes, fines and forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Agricultural Land Preservation Fund* accounts for 25% of the local transfer tax and also the County development tax which are dedicated to preserving the agricultural use of land through the purchase of development rights of property owners.

The *General Capital Projects Fund* is used to account for the construction of general capital projects such as senior centers, community centers, and administrative buildings, and also public schools and buildings for the Community College.

The *Highway Capital Projects Fund* accounts for road resurfacing and construction, bridge improvements, sidewalks and curbs, and intersection improvements.

The County reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the County's water and sewer operations, construction or acquisition of capital assets, and related debt service costs. All assets, except those available to fund current liabilities, are considered restricted because a change in the charter is required to allow these assets to be used for other purposes.

The *Special Recreation Facility Fund* accounts for the operations and related debt service costs of a public golf course opened in September 1996. All assets, except those available to fund current liabilities, are considered restricted because a change in the charter is required to allow these assets to be used for other purposes.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. This definition establishes that at least one restricted or committed revenue source must be the foundation of the special revenue fund. The following revenue sources are included in special revenue funds: local transfer tax, fire and rescue tax, forest conservation developer fees, residential trash collection and disposal fees, grants, registration fees for recreational programs, and fees for health services.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, except those accounted for in the General Capital Projects fund and proprietary fund types.

Internal Service Funds are funds used to account for goods and services furnished by one County department to another County department on a cost reimbursement basis. Internal Service Funds account for centralized vehicle fleet and mailing services; technology and communication operations; risk management activities for workers' compensation, general liability, environmental, vehicle and property insurance; and County employee health benefits costs.

Agency Funds are used to account for resources held in a custodial capacity on behalf of parties outside the government, including money paid by residents of street lights districts for energy costs, State property tax, Bay Restoration Fee, surety bonds held on construction work, and multifarious funds donated to the County.

Pension Trust Funds are used to account for the activities of the County's single-employer public employee retirement plans. These include the Police and Fire Employees' Retirement Plan and the General Employees' Plan. The plans account for employee contributions, County contributions and the earnings and profits from investments. They also account for the disbursements made for employee retirements, withdrawals, disability and death benefits as well as administrative expenses.

Annual Financial Reports for both pension trust funds can be obtained from their administrative office at Howard County, Maryland, Director of Finance, 3430 Court House Drive, Ellicott City, Maryland 21043 or by contacting the County via e-mail at staghavi@howardcountymd.gov.

Other Post Employment Benefits (OPEB) Trust Fund was established to account for the other post employment benefits of the County and its component units. The trust fund will act as a funding mechanism for the employers' cost of retiree benefits.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between water and sewer operations and other County departments because the elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 the Water and Sewer Fund and of the Special Recreation Facility Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as they are needed.

D. Budgetary Process

Pursuant to County Charter, the County Executive's capital and operating portions of the budget for all County funds are submitted to the County Council by April 1 and 21, respectively. The County Council holds public hearings before passing the annual budget appropriation ordinance. If the County Council does not pass the budget ordinance, the Executive's proposed budget ordinance stands adopted. The adopted budget becomes effective July 1, and provides the spending authority at the individual department level for the operations of the County government with the unexpended or unencumbered appropriation authority of the operating budget expiring the following June 30. Capital unencumbered appropriations continue until the capital project is closed.

During the fiscal year, the County Council, upon the request of the County Executive, may approve transfers between projects in the capital budget but it may not increase the total size of the capital budget. The County Council, at any time during the fiscal year, may approve supplemental operating budget requests from the County Executive. The budgeted contingency reserve, which may not exceed 4 percent of the appropriated budget, is the funding source for supplemental requests. After April 1 of each year, the Council may also at the request of the Executive approve transfers between departments in the operating budgets. The Council may approve supplemental budgets from unappropriated funds only in emergencies affecting "life, health and property." Additionally, the County Executive has the authority to make transfers within a department at any time during the year without approval of the County Council. During fiscal year 2011, the Council approved two capital budget transfers and seven operating budget supplements.

Budgetary data, as revised, is presented in the Basic Financial Statements for the General and Agricultural Land Preservation Funds. Outstanding encumbrances are included in the final budget and actual expenditure amounts in those statements because they remain in force and do not lapse until the end of the subsequent fiscal year. Lapsed appropriations are reported as additions to fund balance on a budgetary basis.

E. Deposits and Investments

Cash Equivalents

The County considers all demand deposits and investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments

The County follows Governmental Accounting Standards Board (GASB) Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which requires marketable securities to be carried at fair value. The County currently limits its purchases to maturities of one year or less (except those items described in the next paragraph). The County has an internal investment pool that is available for use by all funds.

The investments of the Pension Trust Funds are reported at fair value. The securities of the Pension Trust Funds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in the Non-major Governmental Funds represent stripped-coupon U.S. Treasury securities stated at fair value in the Agricultural Land Preservation Fund. They are also reported in aggregate as part of U.S. Government Securities in the Equity in Pooled Cash and Cash Equivalents and Investments note.

Also, in accordance with its investment policy, the Pension Trust Funds may invest in collateralized mortgage obligations (CMO) and putable bonds. These investments are reported as part of U.S. Government Agency notes in the Equity in Pooled Cash and Cash Equivalents note.

F. Loans Receivable

For the purposes of the fund financial statements, Special Revenue Fund expenditures relating to housing loans in the Community Renewal Fund are charged to operations upon funding, and the loans are recorded with an offset to a nonspendable fund balance account. For purposes of the Government-wide Financial Statements, housing loans are not offset by restricted net assets accounts.

G. Inventory

Materials and supplies are valued at cost, using the weighted average method. Materials and supplies are recorded as an asset when purchased, and charged to expenditures/expenses when consumed. This is referred to as the consumption method of inventory accounting.

H. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). They are recorded at historical or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value at the date contributed. Capital assets are defined by Howard County as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year.

Capital assets are depreciated using the straight-line method over the estimated useful lives (in years) as follows:

Buildings	50	Computer software	5
Infrastructure	15-40	Vehicles	6
Water and sewer lines	50	Furniture and Equipment	5-20

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized; they are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities or extend useful lives are capitalized.

I. 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 days. Classified employees are limited to an accrual of forty days and executive exempt employees have no leave accrual limit. Employees who terminate employment are not reimbursed for accumulated sick leave. Payments made to terminated employees for accumulated vacation leave are charged as expenditures/expenses, primarily in the General Fund, Special Revenue Funds, and Proprietary Funds, when paid. Accumulated vacation benefits at year-end are recorded as obligations in the Statement of Net Assets and Proprietary Fund Statements.

J. Self-Insurance

The County establishes its funding of claims liabilities as they occur. This funding level includes provisions for indemnity, medical losses, and allocated loss adjustment expenses which are all classified as incremental claim adjustment expenses. Unpaid claims in the self-insurance funds include liabilities for unpaid claims based upon individual case estimates for claims reported at June 30, 2011. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2011.

K. Water and Sewer Assessments

Water and sewer assessments are charged to property owners on a 30-year basis to recover the debt service on bonds used to construct main and lateral water and sewer lines which benefit such properties. A water and sewer assessments receivable is established for the entire uncollected assessed amount. The portion of the receivable relating to bond principal is credited to net assets and the portion representing interest is initially recorded as a deferred liability and then recognized as revenue when billed.

From 1980 to 2004 the deferred liability grew as the water and sewer system was being built. The liability is now declining and will continue to do so as debt is retired and there are minimal new assessments. The Water and Sewer Ad valorem charge (billed annually to all property within the Metropolitan District) is sufficient to fund the debt service related to the cost of infrastructure replacement and repair.

L. Reconciliation Between GAAP and Budgetary Basis

The General and Special Revenue Funds of the primary government have legally adopted annual budgets. The "Statement of Revenues, Expenditures, and Changes in Fund Balances - Budgetary Basis" – General Fund and Agricultural Land Preservation Fund are prepared on a basis consistent with their budgets. The "Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis" for Non-major Special Revenue Funds are prepared on a basis consistent with those budgets. The budgets are prepared using encumbrance accounting wherein encumbrances are treated as an expenditure of the current period. Also, the budgets include appropriations of prior year fund balances as other sources in the current year and account for payroll expenditures on a cash basis. The "Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds" is prepared on a basis consistent with GAAP where encumbrances are treated only as an assignment of fund balance, prior year fund balances are not included as other sources, and payroll expenditures, including compensated absences, are recorded on a modified accrual basis. The overall general fund final budget did not change from the original. However, several programs within the general fund were modified during the year by resolution. Appropriations were transferred from the General Fund contingency to cover unanticipated expenditures for snow removal. Several appropriations were transferred from the Grant Contingency Fund to various departments for new grants that were awarded by other governments.

The financial statements are reconciled on the following page:

	<u>General Fund</u>	<u>Agricultural Land Pres. Fund</u>
Budgetary basis - revenues and other sources over expenditures and other uses	\$ 17,805,029	(203,330)
Adjustments:		
Current year encumbrances outstanding	6,790,022	-
Prior year encumbrances expended this year	(2,653,083)	(690)
Effect of recording payroll expenditure - modified accrual basis	(1,044,655)	(906)
Other	3,554	7,500
GAAP basis - net change in fund balances	\$ 20,900,867	(197,426)

The ending fund balances are reconciled as follows:

	<u>General Fund</u>	<u>Agricultural Land Pres. Fund</u>
Budgetary basis, June 30, 2011	\$ 94,849,365	72,450,566
Adjustments:		
Current year encumbrances outstanding	6,790,022	-
Prior years encumbrances outstanding	1,820,700	-
Payroll expenditures recorded on a modified accrual basis	(10,309,842)	(9,270)
Other	(477,029)	7,050
GAAP basis, June 30, 2011	\$ 92,673,216	\$ 72,448,346

M. Budget Stabilization Account

The County has established a budget stabilization account (also known as the “rainy day fund”) to provide funding in emergency situations or in cases of revenue shortfalls. The County Charter sets a goal of maintaining the account at 7 percent of audited General Fund expenditures for the most recently completed fiscal year at the time the budget is prepared. When the fiscal year 2011 budget was prepared, the fiscal year 2009 financial statements were the most recently completed and audited. Therefore, the charter target is based upon fiscal year 2009 audited expenditures. A contribution of \$2,122,245 was made to the fund in fiscal year 2011, which resulted in achieving the charter target of \$56,803,611.

The budget stabilization account is calculated as follows:

Budget Fiscal Year	Audited Expenditures from Fiscal Year	Audited Expenditures	Percentage	Charter Target
2011	2009	\$ 811,480,156	7%	\$ 56,803,611
2012	2010	\$ 803,698,741	7%	\$ 56,258,912
2013	2011	\$ 817,281,569	7%	\$ 57,209,710

N. Net Assets Restricted by Enabling Legislation

Net assets restricted by enabling legislation represent accumulated net assets attributed to revenue sources, such as taxes and fees, which are restricted for specified purposes by State enabling legislation in the County Code. These amounts, which are included with restricted net assets in the government-wide Statement of Net Assets, are as follows at year-end:

Governmental activities	\$ 83,470,483
Business-type activities	132,392,365
Total	\$ 215,862,848

O. Implementation of New Accounting Principles

The County adopted the provisions of two Governmental Accounting Standards Board Statements:

Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”: This statement addresses the recording and reporting of governmental funds fund balances on the Balance Sheet. In prior years reporting Governmental Funds fund balances were reported as either reserved or unreserved. Reserved fund balances reported dollar amounts that had been appropriated for which resources have already been committed while unreserved fund balances were residual amounts that were still available for further expenditure.

GASB 54 establishes fund balance classifications that focus on the extent to which a government is bound to observe constraints on the specific purposes for which the amounts can be spent. This statement also clarifies the definition of governmental funds particularly special revenue funds as funds that are used to account for specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects and debt service.

GASB 54 requires that fund balance amounts be properly reported within one of the five 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 specific purposes when constraints are placed on the use of resources by external parties, constitution provisions or enabling legislation.

Committed – Includes fund balance amounts for which constraints have been imposed by the government itself, using the highest level of decision making authority (the County Council). In addition, these constraints can only be removed or changed through formal action by the Council.

Assigned – Represents amounts intended to be used for specific purposes. The County Executive assigns fund balance amounts in the General Fund. In addition, GASB 54 requires all residual amounts in special revenue funds to be reported as assigned.

Unassigned – Represents the residual fund balance of the General Fund (cannot be reported in other Governmental Funds unless amount is reported negative) after the other four fund balance categories are reported.

Statement No. 59, “*Financial Instruments Omnibus*”: *Omnibus*. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. Adoption of this standard has no material impact on the County’s financial statements.

2. Equity in Pooled Cash and Cash Equivalents and Investments

The County’s cash and investments are managed separately from the Pension and Other Post Employment Benefits Trust funds and each will be discussed separately below.

The County’s Cash and Investments

The County maintains a cash and investment pool that is available for use by all funds except the Pension and Other Post Employment Benefits trust funds. Each County fund is allocated interest income based on their share of the investment pool. Except as otherwise legislated, interest income earned by Governmental and Internal Service Funds is transferred to the General Fund.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The County’s investment policy requires at least 102% collateralization of deposits. None of the component units have a policy covering deposits. The carrying

amount of total deposits, including certificates of deposit, for the County was \$9,689,594 and the bank balance was \$16,215,536 at June 30, 2011. The bank balance was covered by federal depository insurance or by collateral held by the County's agent in the County's name. The component units had a combined bank balance of \$33,264,733. Of that amount, \$1,621,882 was covered by federal depository insurance or by collateral held in the component unit's name and the remaining \$31,642,851 was covered by collateral held in the pledging bank's trust department or by the pledging bank's agent in the component unit's name.

Investments: The County has adopted an investment policy that is designed to provide maximum safety and liquidity of funds while providing a reasonable rate of return. Permissible investments include U.S. Treasury Obligations, U.S. Government Agency and U.S. Government-Sponsored enterprises, repurchase agreements, collateralized certificates of deposit, bankers' acceptances, commercial paper, the Maryland Local Government Investment Pool, and mutual funds dealing in government securities. The County's policy and State law require that the underlying collateral for repurchase agreements and certificates of deposit must have a market value at least 102% of the cost plus accrued interest of the investment.

The County's policy is more restrictive than State law, limiting the percentage of the total portfolio that can be invested in certain investment types. These investment types, and the maximum percentage of the portfolio that can be invested in each are: U.S. Government Agency and U.S. Government-Sponsored enterprises, 90%, repurchase agreements, 90%, collateralized certificates of deposit, 5%, bankers' acceptances, 30%, and mutual funds, 60%. State law places no limits on these types of investments. Another restriction that is only in the County's policy limits the maximum amount invested through any broker, dealer or other financial institution to 40% of the portfolio. An additional restriction limits investments in commercial paper to 5%, which is more restrictive than State law. In addition, all component units have investment policies.

The table below reconciles the County's deposits (\$9,689,594) and investments (\$996,094,680) to the Government-wide Statement of Net Assets and the Statement of Net Assets – Pension and Other Post Employment Benefits Trust Funds and Agency Funds:

Equity in pooled cash and cash equivalents	\$ 148,344,077
Restricted equity in pooled cash and cash equivalents	245,727,478
Investments	611,712,719
Total	\$ 1,005,784,274

Investments of the County and its component units as of June 30, 2011:

Investments	Fair value		
	Primary Government	Component Units	Reporting Entity
Repurchase agreements	\$ 90,000,000	-	90,000,000
U.S. Government securities	42,452,520	-	42,452,520
U.S. Government sponsored enterprises	109,900,059	-	109,900,059
Maryland Local Govt. Investment Pool	150,646,845	164,277,744	314,924,589
Money market funds	33,835,057	96,372	33,931,429
Mutual funds	-	8,227,141	8,227,141
Equity in properties under home ownership	-	4,024,389	4,024,389
Total	\$ 426,834,481	176,625,646	603,460,127

Interest Rate Risk: The County's investment policy requires that the majority of investments will have a maturity of one year or less, except for U.S. Treasury stripped coupon securities purchased as part of the Agricultural Land Preservation Program (see Note 8). These securities have no coupon and have long-term maturity lengths; therefore, they are very interest rate sensitive. If market interest rates were to rise, the market value of these securities would decline further than a similar coupon-paying Treasury security. Conversely, if

market interest rates were to fall, the market value of these securities would rise further than a similar coupon-paying Treasury security. The County plans to hold these securities to their maturity.

At June 30, 2011, the County did not have any callable investments. Therefore, all investment maturity dates were considered when calculating the weighted average maturity.

The following is a list of County investments and their weighted average maturities.

Investment Type	Fair Value	Weighted Average Maturity (in years)
Repurchase agreements	\$ 90,000,000	0.02
U.S. Government securities	42,452,520	9.87
U.S. Government-Sponsored Enterprises	109,900,059	0.45
Total	\$ 242,352,579	
Portfolio weighted average maturity		1.94

The Maryland Local Government Investment Pool and the money market funds used by the County are operated in accordance with Rule 2a7 of the Investment Company Act of 1940. The County's investments in these pools are not included in the computation of weighted average maturity.

Credit Risk: State law limits investments in bankers' acceptances and commercial paper to the highest short-term debt letter and numerical rating by at least one nationally recognized statistical rating organization. All investments in U.S. Government Sponsored Enterprises are rated AA+ by Standard & Poor's. The Maryland Local Government Investment Pool and the money market fund are both rated AAAM by Standard & Poor's.

Concentration of Credit Risk: The County places no limit on the amount the County may invest in any one issuer. More than 5% of the County's investments are in the Federal Home Loan Bank, Federal Farm Credit Bank, and the Federal Home Loan Mortgage Corporation. At June 30, 2011, investments in these U.S. Government Sponsored Enterprises represent 16.51%, 8.25%, and 18.54% respectively, of the County's total investments.

Pension Trust Funds' Cash and Investments

The County's Pension Trust funds, the Howard County Police & Fire Employees Retirement Plan, and the Howard County Retirement Plan (the Plans), share commingled funds that are allocated based on each Plan's percentage of ownership. The Plans have an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long term total return consistent with the level of risk assumed. To help achieve this return, professional investment managers are employed by the Plans to manage the Plans' assets. The Plans employ State Street Bank as trustee for their assets.

Investments: The Plans' investment policy includes an asset allocation plan for investments. The target allocation is 67.5% equities (including Alternative Investments and Real Estate) and 32.5% fixed income. The minimum and maximum percentages for equities are 35% and 92.5% (including 27.5% Alternative Investments and 10% Real Estate), respectively, and for fixed income are 22.5% and 42.5%, respectively.

Investments of the Plans as of June 30, 2011:

Investments	Fair value
Common stocks	\$ 163,557,126
Mutual funds	173,261,738
Money market funds	5,054,348
Fixed income	176,302,978
Real estate	26,237,331
Total	\$ 544,413,521

Interest rate risk: The Plans' investment policy does not place any limits on the investment managers with respect to the duration of their investments. The list on the next page shows Plans' investments and their related weighted-average maturities:

Investment Type	Fair Value	Weighted Average Maturity (in years)
Corporate bonds	\$ 35,535,323	8.99
Government sponsored enterprises	36,738,108	22.00
Municipal securities	4,402,793	6.61
U.S. Treasury	13,024,898	0.64
Total	\$ 89,701,122	
Portfolio weighted average maturity		2.14

Credit Risk: The money market fund used by State Street Bank is unrated, as are the mutual funds used by the Plans. As of June 30, 2011, the Plans' fixed income investments had the following risk characteristics:

Standard & Poor's Rating or Comparable	Fair Value
AAA to A	\$ 51,166,014
BBB to B	25,795,235
Total	\$ 76,961,249

Custodial Credit Risk: State Street invests in a money market fund on behalf of the Plans. At June 30, 2011, the amount in the money market fund was \$5,054,348 of which \$667,820 was committed to the prospective settlement of various securities and the rest is collateralized or insured. All other investments of the fund are held by State Street Bank as trustee in the Plans' names.

Credit Risk – Currency Forward Contract

One of the Plans' investment objectives is to diversify assets in accordance with the Modern Portfolio Theory (MPT) in order to reduce overall risk. Consistent with this objective, the Plans have participated in a mutual fund that holds 3-month currency forward contracts. This strategy is undertaken to protect the dollar value of underlying international investments. The hedging is restricted to 100% of the underlying asset value and 50% of the total Fund value. As of June 2011, there were hedges in place to reduce exposure to Australian dollar and Swiss franc.

Foreign Currency Risk: The Plans' exposure to foreign currency risk derives from its investments in foreign currency or instruments denominated in foreign currency. Investments in such securities are limited to a maximum net currency exposure of 37.5% at any given time. As of June 30, 2011, the Plans' exposure to foreign currency risk is as follows:

<u>Investment Type</u>	<u>Currency</u>	<u>Fair Value</u>
Common Stock	Euro Currency	\$ 6
Foreign Currency	Euro Currency	9,927
Total		<u>\$ 9,933</u>

Other Post Employment Benefits Trust Funds' Cash and Investments

The County's OPEB Trust funds have an investment policy that is designed to provide benefits as anticipated through a carefully planned and executed investment program that achieves a reasonable long term total return consistent with the level of risk assumed. To help achieve this return, professional investment managers are employed by the Plans to manage the Plans' assets. The Trust employs US Bank as custodian for their assets.

Investments: The Plans' investment policy includes an asset allocation plan for investments. The target allocation is 65% equity mutual funds and 35% fixed income mutual funds. The minimum and maximum percentages for equities are 40% and 80%, respectively, and for fixed income are 20% and 60%, respectively.

Investments of the Plans as of June 30, 2011:

<u>Investments</u>	<u>Fair value</u>
Mutual funds	\$ 24,231,214
Money market funds	605,115
Total	<u>\$ 24,836,329</u>

Credit Risk: The Maryland Local Government Investment Pool is rated AAA by Standard & Poor's. The money market fund used by US Bank is unrated, as are the mutual funds used by the Plans.

3. Receivables

Receivables at year-end of the County's major individual Governmental Funds, Enterprise Funds and Non-major Governmental Funds, and other funds (including Internal Service Funds and Fiduciary Funds) in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Receivables:	General Fund	Agricultural Land Pres. Fund	General County Capital Proj.	Highway Capital Projects	Enterprise Funds	Nonmajor and Other Funds	Total
Property taxes	\$ 5,028,780	-	-	-	156,990	903,870	6,089,640
Service billings	-	-	-	-	9,317,293	456,466	9,773,759
Water and sewer assessments	-	-	-	-	74,903,445	-	74,903,445
Due from other governments	61,388,115	531,192	3,277,041	-	-	12,972,046	78,168,394
Other	344,835	-	19,883	21,987	343,140	18,530,244	19,260,089
Gross receivables	66,761,730	531,192	3,296,924	21,987	84,720,868	32,862,626	188,195,327
Less: Allowance for uncollectibles	(334,140)	-	-	-	-	-	(334,140)
Total Receivable	\$ 66,427,590	531,192	3,296,924	21,987	84,720,868	32,862,626	187,861,187

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Most of the receivables in the Enterprise Funds are liens on real property that will be sold via the annual tax sale process if not paid. Therefore, no allowance is established. At June 30, 2011, the various components of deferred revenue and unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
General Fund:		
Due from governmental agencies	\$ 521,500	-
Income tax	39,237,167	-
Property tax	4,039,421	-
Drug forfeiture	-	350,000
Escrow	-	266,692
Miscellaneous	-	63,546
General Capital Projects Fund	680,328	1,436,455
Non-major funds:		
Property tax	471,363	-
Due from governmental agencies	5,710,804	3,452,961
Recreation program fees	-	3,200,310
Total governmental funds	\$ 50,660,583	8,769,964

4. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from other funds:

The balances due to the General and Highway Capital Projects Funds are the result of loans made to cover operating cash deficits.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Funds - Grants Fund	\$ 3,022,368
Highway Capital Projects	General Capital Projects Fund	14,249,239
	Nonmajor Capital Projects Funds	1,102,543
		\$ 18,374,150

Transfers:

Interfund transfers for the year ended June 30, 2011 consisted of the following:

Fund	Reconciliation of Transfers In and Out							
	General	Capital Projects			Non-major Special Revenue	Internal Service	Enterprise	Total In
		General	Highway	Non-major				
General	\$ -	7,848,520	7,201,500	5,168,797	136,898	51,760	34	20,407,509
Capital Projects:								
General	107,764	-	-	-	400,000	-	3,200,000	3,707,764
Non-major	10,594	-	-	-	2,505,000	-	-	2,515,594
Non-major Special								
Revenue	9,013,770	-	-	-	4,190,680	-	-	13,204,450
Enterprise	205,000	-	-	-	-	-	-	205,000
Total Out	\$ 9,337,128	7,848,520	7,201,500	5,168,797	7,232,578	51,760	3,200,034	40,040,317

The transfers out from the General Fund are operating funding to a State Agency and the County’s golf course enterprise fund, as well as interest allocation to various funds. Transfer tax revenue is dedicated to various functions in the capital projects and non-major special revenue funds. Part of that revenue is then transferred to the General Fund to cover each function’s share of debt service costs for the year. There is an additional transfer in to the Internal Service Funds of \$968,431 representing a transfer of capital assets from the General Capital Projects Fund, for which there is no corresponding transfer out on the modified accrual basis.

5. Due From Other Governments

The amounts due from other governments are primarily tax and grant revenues due from the Federal and State governments.

6. Property Tax and Transfer Tax

The County's real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the County. Assessed values are established by the State Department of Assessments and Taxation at 100 percent of estimated market value. The State uses January 1 as the date of finality and processes additions, deletions and corrections throughout the year. A revaluation of all property is required to be completed every three years. County taxes are due and payable, and become a lien on the property, on July 1 of each fiscal year. A discount of ½ percent is allowed if payment is made in July. Property taxes are billed and payable semi-annually on properties designated as “principal residence” unless a taxpayer makes an election to pay annually. The first installment is due by September 30 while the second installment is due by December 31. If delinquent, taxes are charged penalty and interest (1.5 percent) each month that they remain unpaid. If the annual payment election is made, taxes become delinquent October 1 and are charged penalty and interest (1.5 percent) each month that taxes remain unpaid. Tax lien certificates are sold at a public auction in May or June for properties with delinquent taxes. Property taxes levied during the current year are recorded as receivables and revenue, net of estimated uncollectible amounts of personal property tax. The net receivables uncollected 60 days after year-end are recorded as deferred revenues.

The Howard County Code imposes a transfer tax upon every instrument of writing conveying title to real or leasehold property offered for sale or lease and recorded in Howard County. The Code specifies that the proceeds shall be distributed to the School Construction Fund (25 percent), the Recreation and Parks Fund (25 percent), the Agricultural Land Preservation Fund (25 percent), the Community Renewal Fund (12-1/2 percent), and the Fire Service Building and Equipment Fund (12-1/2 percent).

7. Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 443,156,392	27,363,320	145,270	470,374,442
Construction in progress	250,749,696 *	131,032,732	68,789,102	312,993,326
Total capital assets, not being depreciated	<u>693,906,088</u>	<u>158,396,052</u>	<u>68,934,372</u>	<u>783,367,768</u>
Capital assets being depreciated:				
Buildings	201,252,279	18,280,691	3,038,814	216,494,156
Improvements other than buildings	65,375,177	1,514,267	173,178	66,716,266
Equipment	118,249,843	9,257,268	5,836,810	121,670,301
Infrastructure	294,149,226	19,445,330	-	313,594,556
Total capital assets, being depreciated	<u>679,026,525</u>	<u>48,497,556</u>	<u>9,048,802</u>	<u>718,475,279</u>
Less accumulated depreciation for:				
Buildings	64,398,264	4,031,247	1,780,962	66,648,549
Improvements other than buildings	36,332,898	2,917,192	112,622	39,137,468
Equipment	71,354,845	12,882,983	5,458,750	78,779,078
Infrastructure	133,409,141	8,408,316	-	141,817,457
Total accumulated depreciation	<u>305,495,148</u>	<u>28,239,738</u>	<u>7,352,334</u>	<u>326,382,552</u>
Total capital assets, being depreciated, net	<u>373,531,377</u>	<u>20,257,818</u>	<u>1,696,468</u>	<u>392,092,727</u>
Governmental activities capital assets, net	<u>\$ 1,067,437,465</u>	<u>178,653,870</u>	<u>70,630,840</u>	<u>1,175,460,495</u>

* Restated due to prior period adjustment of \$10,542,118. See note 18 for further details.

Depreciation expense was charged to functions / programs of governmental activities as follows:

Governmental activities:	Amount
General government	\$ 3,378,229
Public safety	2,885,590
Public facilities	12,861,736
Legislative and judicial	14,110
Community services	155,550
Recreation and parks	1,809,799
Education	641,175
Capital assets held by the government's internal service funds are charged to the various functions based on usage of assets	<u>4,858,123</u>
Total depreciation expense - governmental activities	<u>\$ 26,604,312</u>

Capital asset activity for business-type activities for the fiscal year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land and land improvements	\$ 10,802,873	-	-	10,802,873
Construction in progress	178,400,385 *	87,432,852	27,610,619	238,222,618
Total capital assets, not being depreciated	<u>189,203,258</u>	<u>87,432,852</u>	<u>27,610,619</u>	<u>249,025,491</u>
Capital assets being depreciated:				
Buildings	129,185,533	-	-	129,185,533
Improvements other than buildings	55,604,784	212,701	-	55,817,485
Equipment	3,665,580	100,751	16,928	3,749,403
Infrastructure	474,356,530	16,737,140	-	491,093,670
Total capital assets, being depreciated	<u>662,812,427</u>	<u>17,050,592</u>	<u>16,928</u>	<u>679,846,091</u>
Less accumulated depreciation for:				
Buildings	52,955,832	2,564,590	-	55,520,422
Improvements other than buildings	28,079,297	1,998,461	-	30,077,758
Equipment	2,444,251	194,623	16,928	2,621,946
Infrastructure	211,960,603	9,072,426	-	221,033,029
Total accumulated depreciation	<u>295,439,983</u>	<u>13,830,100</u>	<u>16,928</u>	<u>309,253,155</u>
Total capital assets, being depreciated, net	<u>367,372,444</u>	<u>3,220,492</u>	<u>-</u>	<u>370,592,936</u>
Business-type activities capital assets, net	<u>\$ 556,575,702</u>	<u>90,653,344</u>	<u>27,610,619</u>	<u>619,618,427</u>

* Restated due to prior period adjustment of \$1,050,623. See note 18 for further details.

Depreciation expense was charged to functions / programs of business-type activities as follows:

Business-type activities:	Amount
Water and Sewer system	\$ 13,765,809
Golf course	49,808
Total depreciation expense - business-type activities	<u>\$ 13,815,617</u>

Construction Commitments

Howard County government total encumbrances outstanding as of June 30, 2011 were \$123,413,213.

8. Long-Term Debt

A. Primary Government

A summary of long-term debt outstanding for the primary government at June 30, 2011 is as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
<u>Governmental Activities:</u>			
Consolidated public improvement bonds	2012-2031	0.60% to 5.55%	\$ 783,854,998
State Water Quality Revolving Loan	2011-2016	2.41%	4,050,000
Total debt subject to statutory limit			<u>787,904,998</u>
Compensated absences	various	not applicable	20,885,772
Capital leases	various	not applicable	4,945,142
Net OPEB Obligation	various	not applicable	219,833,035
Landfill closure obligation	various	not applicable	36,341,000
Agricultural Land Preservation Program	2012-2031	2.73% to 8.60%	71,121,600
Total Governmental Activities			(1) <u>\$ 1,141,031,547</u>
<u>Business Type Activities:</u>			
Metropolitan district bonds	2012-2041	1.00% to 5.25%	\$ 154,210,000
Special facility revenue bonds	2012-2021	2.00% to 3.80%	6,330,000
State water quality revolving loan	2012-2029	1.00% to 4.40%	41,957,623
Compensated absences	various	not applicable	781,608
Net OPEB Obligation	various	not applicable	3,425,259
Major water and sewer agreements	various	not applicable	2,034,984
Total Business Type Activities			(2) <u>208,739,474</u>
Total Debt			<u>\$ 1,349,771,021</u>

Note (1): Does not include deferred refunding premium liability of \$48,895,503, economic refunding loss of (\$8,402,125), and unpaid insurance claims of \$11,820,019 shown in the Statement of Net Assets.

Note (2): Does not include deferred refunding premium of \$3,138,806, unamortized discount of (\$5,096), and economic refunding loss of (\$382,650) shown in the Statement of Net Assets. Also, does not include developer agreement rebates of \$236,089, (a contractual obligation to reimburse a developer for a portion of the cost of constructing water/sewer lines donated to the County) or deferred water and sewer assessments of \$22,857,448.

The County is subject to State and County law which limits the amount of applicable General County debt (including Consolidated Public Improvement Bonds, State Water Quality Loan, Local Government Insurance Trust, and Maryland State Retirement) outstanding to 4.8 percent of the assessed value of real property and personal property located in the County. At June 30, 2011 the statutory debt limit was \$2,310,818,426 providing a debt margin of \$1,522,913,428. The authorized, unissued General County Bonds, Metropolitan District Bonds, and Water Quality Bonds at June 30, 2011 were \$443,528,340, \$198,705,797, and \$81,475,502 respectively. It is the County's intent to use such unissued bonds to fund future capital projects. There is no overlapping municipal bonded debt in the County and the County is in compliance with its debt agreement provisions.

The changes in long-term debt for the primary government for the year ended June 30, 2011 are as follows:

	Balance			Balance	Amounts Due Within
	June 30, 2010	Additions	Retirements		
Consolidated public improvement bonds	\$ 723,305,002	111,115,000	50,565,004	783,854,998	55,430,000
State Water Quality Revolving Loan	5,795,000	-	1,745,000	4,050,000	1,200,000
Compensated absences	20,268,672	1,172,309	555,209	20,885,772	946,727
Capital Leases	4,888,717	186,598	130,173	4,945,142	207,628
Landfill closure obligation	35,002,000	1,339,000	-	36,341,000	-
Agricultural Land Preservation Program	60,998,200	10,274,400	151,000	71,121,600	755,720
Total long-term debt	850,257,591	124,087,307	53,146,386	921,198,512	58,540,075
Metropolitan district bonds	110,810,000	49,990,000	6,590,000	154,210,000	7,695,000
State Water Quality Revolving Loan	43,220,040	2,604,792	3,867,209	41,957,623	4,138,266
Special facility revenue bonds	6,870,000	-	540,000	6,330,000	555,000
Compensated absences	774,239	22,265	14,896	781,608	24,819
Major water and sewer agreements	2,034,984	-	-	2,034,984	-
Total enterprise fund	163,709,263	52,617,057	11,012,105	205,314,215	12,413,085
Total	\$ 1,013,966,854	176,704,364	64,158,491	1,126,512,727	70,953,160

Note (1): Does not include deferred refunding premium liability of \$48,895,503, economic refunding loss of (\$8,402,125), unpaid insurance claims of \$11,820,019, and net OPEB obligation of \$219,833,035 shown in the Statement of Net Assets.

Note (2): Does not include deferred refunding premium of \$3,138,806, unamortized discount of (\$5,096), and economic refunding loss of (\$382,650) shown in the Statement of Net Assets. Also, does not include net OPEB obligation of \$3,425,259, developer agreement rebates of \$236,089, (a contractual obligation to reimburse a developer for a portion of the cost of constructing water/sewer lines donated to the County) or deferred water and sewer assessments of \$22,857,448.

The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the payment of the principal and interest of General County bonds and other long-term debt. Metropolitan District bonds and their related interest charges are being financed from front foot benefit assessment charges, ad valorem taxes and in-aid-of-construction charges. In the event such revenues and charges are insufficient to finance the debt service, the full faith and credit and unlimited taxing power of the County are irrevocably pledged to the payment of the principal and interest of these bonds.

On March 9, 2011, the County issued \$111,115,000 in **Consolidated Public Improvement Bonds** with an effective interest rate of 3.933 percent and \$49,990,000 in **Metropolitan District Bonds** with an effective interest rate of 4.524 percent. The County issued these bonds to pay off \$115,000,000 of the Commercial Paper Bond Anticipation Notes, Series D (BANs), to provide funding for certain capital projects and to pay bond issuance costs.

Since 1993, the County has participated in the **State Water Quality Revolving Loan Program**. Under this program, the State makes loans to local governments with interest rates that are below the market rate for tax-exempt financing. As of June 30, 2011, the County has borrowed \$90,710,936, of which \$76,500,936 was borrowed by the Water and Sewer Enterprise Fund to expand the County's water reclamation plant and \$14,210,000 was used to refund Consolidated Public Improvement Bonds. The outstanding balances of these loans are \$41,957,623 and \$4,050,000, respectively.

Industrial revenue bonds issued by the County for the benefit of private businesses in the County are neither debt of nor charges against the general credit or taxing power of the County. These amounts are not included in general long-term debt (see Note 10).

During fiscal year 1995, the County issued **Special Facility Revenue Bonds** in the amount of \$10,675,000. On June 1, 2003, the County refunded the balance of the **Special Facility Revenue Bonds**, which was \$9,220,000, and issued **Golf Course Refunding Bonds** in the amount of \$9,880,000. The original bonds were issued for the purpose of constructing a public golf course with related facilities. Income derived from the golf course facility is pledged to pay debt service on these bonds and to establish a debt service reserve fund equal to the greatest amount of debt service payable in a fiscal year. The balance in the debt service reserve fund at June 30, 2011 is \$763,423. If a deficiency exists in the debt service reserve fund securing these bonds, the County is obligated to restore the amount in the debt service reserve fund to the maximum annual debt service on these bonds not later than 30 days after the beginning of the first fiscal year beginning after such deficiency is determined, until these bonds have been paid in full. These bonds do not constitute a pledge of the County's full faith and credit or taxing power, but the County's covenant to restore the amount in the debt service reserve fund is a general contractual obligation of the County.

Under its **Agricultural Land Preservation Program**, the County acquires development rights on a parcel of agricultural property by entering into an installment purchase agreement with the property owner. The County acquires the development rights to the land in perpetuity. Historically, under the terms of the agreement, the County paid the property owner semiannual interest payments for 30 years and minimal portions of the installment purchase price until maturity. The remaining amount of the purchase price was paid at the end of 30 years with a balloon payment. Upon execution of an agreement, the County purchased stripped-coupon U.S. Treasury obligations in amounts sufficient to equal the balloon payment in 30 years (See Note 2). Under the current program, the County pays ten percent of the purchase price at closing, with equal annual principal payments over 20 years with interest.

In prior years, the County defeased certain Consolidated Public Improvement and Metropolitan District 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 as long-term obligations of the County or Enterprise Fund. At June 30, 2011, \$140,380,000 of Consolidated Public Improvement Bonds and \$7,900,000 of Metropolitan District Bonds are considered defeased.

A summary of debt service requirements to maturity, including principal and interest, for certain long-term debt as of June 30, 2011 is as follows:

Debt service requirements of governmental activities:

Year ending June 30:	General County Bonds		Agricultural Land Program	
	Principal	Interest	Principal	Interest
2012	\$ 56,630,000	34,888,546	755,720	4,864,877
2013	55,095,000	32,967,982	664,720	4,832,803
2014	52,760,000	30,551,488	755,720	4,806,419
2015	50,245,000	28,085,907	664,720	4,774,345
2016	49,225,000	25,754,246	755,720	4,747,961
2017-2021	220,700,000	95,170,205	40,343,800	19,591,570
2022-2026	206,450,000	48,631,856	17,209,600	5,715,140
2027-2031	96,799,998	10,967,646	9,971,600	635,408
	<u>\$ 787,904,998</u>	<u>307,017,876</u>	<u>71,121,600</u>	<u>49,968,523</u>

Debt service requirements of business-type activities:

Year ending June 30:	Metro District Bonds		Special Facility Revenue Bonds		Water Quality	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 7,695,000	6,318,098	555,000	204,748	4,138,266	1,186,046
2013	7,220,000	6,192,803	575,000	187,798	4,254,594	1,080,454
2014	7,540,000	5,916,973	590,000	170,323	3,179,302	912,746
2015	7,750,000	5,599,298	605,000	152,019	3,251,704	840,344
2016	6,530,000	5,283,910	625,000	132,410	3,171,029	758,557
2017-2021	33,780,000	22,110,824	3,380,000	314,003	16,925,159	2,722,771
2022-2026	28,800,000	15,862,354	-	-	6,514,001	626,454
2027-2031	24,185,000	9,988,122	-	-	523,568	53,832
2032-2036	16,310,000	5,600,599	-	-	-	-
2037-2041	14,400,000	2,021,124	-	-	-	-
	<u>\$ 154,210,000</u>	<u>84,894,105</u>	<u>6,330,000</u>	<u>1,161,301</u>	<u>41,957,623</u>	<u>8,181,204</u>

B. Component Units

The changes in long-term obligations for the component units for the year ended June 30, 2011 are as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Public School System:				
Capital leases and compensated absences	\$ 19,105,388	-	5,081,229	14,024,159
Community College:				
Loans and compensated absences	11,628,642	-	387,008	11,241,634
Library:				
Compensated absences	888,071	42,523	-	930,594
Housing:				
Loans and compensated absences	53,827,435	2,796,748	8,441,038	48,183,145
Total	\$ 85,449,536	2,839,271	13,909,275	74,379,532

9. Short-Term Debt

The changes in short-term debt for the primary government for the year ended June 30, 2011 are as follows:

<u>Type</u>	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>
Bond Anticipation Notes	\$ -	215,000,000	115,000,000	\$ 100,000,000

10. Conduit Debt

From time to time, the County has issued Industrial Revenue Bonds, Economic Revenue Development Bonds, Multi-family Rental Housing Revenue Bonds and Recovery Zone Facility Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2011, there were 47 series of conduit debt outstanding. The aggregate principal amount payable for the 17 series issued after July 1, 1996 was \$121,962,637. The aggregate principal amount payable for the 30 series issued prior to June 30, 1996 could not be determined; however, their original issue amounts totaled \$141,780,339.

11. Lease Obligations

Operating Leases – Primary Government

The County is committed under various long-term operating lease agreements for office space as lessee. Lease expenditures for the year ended June 30, 2011 amounted to \$3,755,405. Future lease payments including any agreed upon percentage increases are as follows:

Fiscal Year	
2012	\$ 2,454,693
2013	1,765,320
2014	664,164
2015	496,914
2016	449,764
2017-2020	5,940

The County also leases County-owned tower space under various long-term operating lease agreements as lessor. Lease revenues for the year ended June 30, 2011 amounted to \$1,375,325. Future lease revenues are as follows:

Fiscal Year	
2012	\$ 2,209,168
2013	2,139,618
2014	2,070,384
2015	2,098,822
2016	941,703
2017-2021	4,995,723

Capital Leases

The County entered into two lease agreements as lessee with Grant Capital Management for financing the acquisition of equipment for the energy performance contract. These lease agreements qualify as capital leases for accounting purposes, and must be recorded at the lesser of their fair value or the present value of their future minimum lease payments. Therefore, they have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 are as follows:

<u>Year Ending June 30, 2011</u>	<u>Governmental Activities</u>
2012	\$ 476,869
2013	491,175
2014	505,909
2015	521,085
2016	536,717
2017-2021	2,935,716
2022-2024	1,560,052
Total minimum lease payments	<u>7,027,523</u>
Less: amount representing interest	<u>(2,082,381)</u>
Present value of minimum lease payments	<u>\$ 4,945,142</u>

12. Restricted Assets

Federal and State grants, golf course receivables, water and sewer assessments, user charges, in-aid-of-construction charges, developer contributions, and bond and loan proceeds for purposes of construction of the water and sewer system are restricted. Developer contributions primarily represent water and sewer projects constructed by developers on behalf of the County in connection with the development of privately owned property. The agreements between the developers and the County relating to such projects provide for specific rebates of construction costs to the developer from bond proceeds based upon house connections within a ten-year period. Any amounts not rebated at the end of ten years are recognized as contributed revenue. The cumulative amounts of other nonoperating revenues are available for construction activities and reflected as restricted net assets. Assets and liabilities arising from the construction and operation of the County's publicly owned golf course are restricted in the Special Recreation Facility Fund. Restricted assets also include funds reserved for capital projects, funds that are legally restricted for special purposes such as public housing projects, investments in strip treasuries held to maturity for the final payment on the purchase of land development rights, and funds reserved for payment of zero coupon bonds.

13. Landfill Closure and Post-Closure Care Cost

State and federal laws and regulations require the County to place a final cover cap on closed cells at the currently operating Alpha Ridge Landfill and to perform certain maintenance and monitoring functions at the landfill site for a minimum period of 30 years after closure. The County recognizes a portion of these costs in each operating period based on landfill capacity used as of each balance sheet date. Closure and post-closure care costs are paid after each cell is filled to capacity. The closure cap for a 70-acre inactive landfill cell was completed in 2001. A separate active lined landfill cell is projected to close no earlier than 2050 if current operating conditions continue and will be capped at that time. In addition, the County has constructed closure caps and groundwater treatment systems at two older closed landfills, and the post-closure operating costs are included in the Environmental Services Fund budget. The long-term liability for these older landfills has been removed from long-term debt. Future total closure and post-closure care costs for the Alpha Ridge Landfill as determined through engineering studies will approximate \$43,559,200. Actual cost may differ due to inflation or future design changes. The County ceased using the Alpha Ridge Landfill as its primary disposal site as of March 1997 and, thus, it is not expected to use the landfill to its full capacity in the

foreseeable future. The County is exporting waste to a regional landfill in Virginia. The remaining capacity at the landfill will be held for backup or future use. As of June 30, 2011, the County has recognized \$36,341,000 of these costs. This cumulative amount reported to date is based on the use of 70.56 percent of the existing cell and 100 percent of the closed cell. The total current cost of closure and post-closure care to be recognized in future years is \$7,218,200. The County intends to finance these costs through the proceeds of bonds and through its annual operating budget. The General Fund has been used in prior years to liquidate the liability.

14. Retirement Plans

Generally, the majority of employees of the primary government, except certain police and fire officers, participate in the Howard County Retirement Plan (“Retirement Plan”) which was established July 1, 1995. As of that date, approximately 73 percent of the County employees participating in the Maryland State Retirement Systems, described below, transferred to the Retirement Plan. Certain police and fire personnel participate in the Howard County Police and Fire Employees’ Retirement Plan (“Police and Fire Plan”) which was established July 1, 1990. The Retirement Plan and the Police and Fire Plan are single-employer defined benefit public employee retirement plans administered by Howard County, Maryland. The financial statements of the Plans were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The remaining employees of the primary government participate in the State Employees Retirement System (“Retirement System”) established October 1, 1941, and the State Employees Pension System (“Pension System”) established January 1, 1980. These cost-sharing multiple-employer defined benefit systems administered by the Maryland State Retirement Systems were established under the provisions of Article 73B of the Annotated Code of Maryland. Responsibility for administration and operation of the systems vests in a 14-member Board of Trustees (“Trustees”). The Retirement Plan and the Police and Fire Plan were established and operate under the provisions of the Howard County Code, Sections 1.400, 1.401 to 1.478, and 1.401A to 1.478A. Substantially all of the County’s full-time benefited and part-time benefited employees are eligible to participate in the Retirement Plan, except for certain exceptions provided for in Howard County Code Section 1.406. Responsibility for administration and operation of the Retirement Plan and the Police and Fire Plan vests in 7-member Retirement Committees (“Committees”). The Committees and the Trustees have authority to establish and amend the respective benefit and contribution provisions. All full-time and permanent part-time employees of the County must be members of one of the plans. Police and fire officers hired on or after July 1, 1990 must enroll in the Police and Fire Plan. All other employees hired after July 1, 1995 must enroll in the Retirement Plan.

The payroll for employees covered by the Retirement Plan for the year ended June 30, 2011 was \$84,782,324. The payroll for police and fire employees covered by the Police and Fire Plan for the year ended June 30, 2011 was \$57,159,360. The payroll for employees covered by the State Retirement System and State Pension System for the year ended June 30, 2011 was \$2,189,756 and \$4,971,272 respectively. The County's total payroll was approximately \$174,840,994. Both the Retirement Plan and the Police and Fire Plan issue separate audited financial reports which may be obtained by writing to: Howard County, Maryland, Director of Finance, 3430 Court House Drive, Ellicott City, Maryland 21043, or by accessing the reports online at www.howardcountymd.gov.

The Retirement Plan and the Police and Fire Plan provide retirement benefits as well as death and disability benefits and cost-of-living adjustments. Under the conditions of the Retirement Plan, participants attaining the age of 62 who have completed two years of eligibility service and the sum of attained age in whole years and years of eligibility service equal at least 67 or participants who have completed 30 years eligibility service, are entitled to a normal retirement benefit. After July 1, 2005, normal retirement is also defined as 20 years of service for participating Corrections employees. For non-Corrections participants, the benefit is 1.55% of the participants average compensation times the participant’s creditable service. The Plan permits early retirement for participants who attain the age of 55 and have completed 15 years of eligibility service. The benefit is reduced ½ percent for each month the early retirement date precedes the participant attaining age 62. For participants who reach a termination after August 31, 2002, early retirement is also provided to participants who achieve 25 years of eligibility service. This benefit is reduced by ½ percent each month the benefit commencement date precedes 30 years of eligibility service, or ½ percent for each month the retiree’s age precedes age 62, if less. Participating Corrections employees who retire on or after July 1, 2005 are entitled to receive a normal retirement benefit of 2.5 percent of average compensation multiplied by years of

creditable service (up to 20 years) plus 1 percent of average compensation multiplied by service greater than 20 years but less than 30 years (excluding sick leave, which is always credited at 1 percent of average compensation). Prior to July 1, 2005, other rules applied. The benefit was 2.0 percent of average compensation multiplied by post-1997 creditable service. The benefit for pre-1998 creditable service is 1.55 percent or 2 percent, depending on phase-in rules. Participants become vested after 5 years of eligibility service and are entitled to a benefit beginning at age 62. If an employee leaves employment or dies before 5 years of eligibility service, prior to July 1, 2006, accumulated employee contributions plus 5 percent interest are refunded to the employee or the designated beneficiary. If an employee leaves employment or dies before 5 years of eligibility service after July 1, 2006, accumulated employee contributions plus 2 percent interest are refunded to the employee or designated beneficiary. A participant who becomes totally and permanently disabled may retire prior to normal retirement and receive a benefit. Both disability and death benefits vary if incurred in the line of duty. Participant contributions are 8.5 percent of base pay for participating Corrections participants with less than 20 years of creditable service, 0 percent for Corrections participants with greater than 20 years of creditable service, and 2 percent of base pay for other participants. The County funds the remainder of the cost of its employees' participation in the Retirement Plan.

All of the County's full-time career police and fire officers are eligible to participate in the Police and Fire Plan. Effective January 1, 2003, employees attaining the age of 62 who have completed 5 years of eligibility service and employees who have completed 20 years of eligibility service are entitled to a normal retirement benefit. The amount will vary, based on the number of years of creditable service, from 50 percent (with 20 years of service) to 80 percent (with 30 years of service) of average compensation for police; and from 50 percent (with 20 years of service) to 70 percent (with 30 years of service) of average compensation for fire fighters. Participants become vested after 5 years of eligibility service and are entitled to a benefit beginning at age 62. Terminated vested employees with less than 20 years of service will receive 2.5 percent of average compensation times the number of years of creditable service at age 62. If an employee leaves employment or dies before 5 years of eligibility service, prior to July 1, 2006, accumulated employee contributions plus 5 percent interest are refunded to the employee or the designated beneficiary. If an employee leaves employment or dies before 5 years of eligibility service after July 1, 2006, accumulated employee contributions plus 2 percent interest are refunded to the employee or designated beneficiary. A participant who becomes totally and permanently disabled may retire prior to normal retirement and receive a benefit. Both disability and death benefits vary if incurred in the line of duty. Participant contributions are 11.6 percent of pay for participating Police Department Employees and 7.7 percent of pay for participating Fire Department Employees. The County funds the remainder of the cost of its employees' participation in the Police and Fire Plan.

Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses, benefits, and refunds are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

The Retirement Plan and the Police and Fire Plan's funding policies provide for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. During the year ended June 30, 2011 contributions to each plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at July 1, 2010. This increase in contribution was necessary in order to spread significant increases recommended by the actuary for the coming years. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the accrued actuarial liability.

Actuarial assumptions are as follows:

	Howard County Retirement Plan	Police and Fire Retirement Plan
Contribution rates:		
County	11.9%	26.3%
Plan members	2.0-8.5%	7.7-11.6%
Annual Required Contribution (thousands)	\$10,304	\$15,677
Contributions made (thousands)	\$10,304	\$15,677
Actuarial valuation date	7/1/10	7/1/10
Actuarial methods and significant assumptions:		
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, increases 3.0% annually	Level percentage of pay, increases 3.0% annually
Remaining amortization period**	15-29 years, except actuarial gains and losses which are amortized over 15 year open amortization period.	12-23 years, except actuarial gains and losses which are amortized over a 15 year open amortization period.
Asset valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return	8% compounded annually, gross of investment expenses	8% compounded annually, gross of investment expenses
Projected salary increases*	4.0-7.0%	4.50-8.25%
Cost-of-living adjustments	3%, compounded annually	2%, compounded annually

* Includes inflation at 3%

** Closed amortization period

Required six year trend information for the Retirement Plan and the Police and Fire Plan is as follows:

	Year	Annual Pension Cost	Percentage of ARC Contributed	Net Pension Obligation
	Ending	(000)		
Retirement Plan	6/30/06	9,253	100	0
	6/30/07	9,695	100	0
	6/30/08	10,022	100	0
	6/30/09	9,745	100	0
	6/30/10	9,758	102	0
	6/30/11	10,304	100	0
Police and Fire Plan	6/30/06	12,217	100	0
	6/30/07	13,549	100	0
	6/30/08	14,717	100	0
	6/30/09	14,426	100	0
	6/30/10	14,881	105	0
	6/30/11	15,677	100	0

The funded status of both plans as of the most recent valuation date is presented below (dollar amounts in millions).

Schedule of Funding Progress - Howard County Retirement Plan

Actuarial Valuation Date of July 1,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a % of Covered Payroll
2010	\$ 237.4	\$ 253.8	93.6%	\$ 16.4	\$ 84.8	19.3%

Schedule of Funding Progress - Howard County Fire and Police Employees' Retirement Plan

Actuarial Valuation Date of July 1,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a % of Covered Payroll
2010	\$ 267.0	\$ 348.7	76.6%	\$ 81.7	\$ 53.3	153.3%

The multiyear schedule of funding progress for both plans can be found in the required supplementary information section (RSI) and presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing overtime relative to the AALs for benefits.

The Plan's investments are reported at fair market value. Short-term investments consisting of money market funds are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is approximated by the net asset value of the Plan's share of ownership of the co-mingled real estate investment funds. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities.

Generally, all employees of the component units participate in The State of Maryland Employees' Retirement and Pension Systems ("Employees' Retirement and Pension Systems") and the Teachers' Retirement and Pension Systems ("Teachers' Retirement and Pension Systems"). The component units' employer contributions to the Employees' Retirement and Pension Systems were \$5,204,226, \$3,799,270 and \$3,466,173 for the years ended June 30, 2011, 2010, and 2009 respectively. Contributions to the Teachers' Retirement and Pension Systems are made directly by the State of Maryland according to State statute on behalf of the component units and amounted to \$64,193,297, \$55,529,077 and \$44,755,291 in 2011, 2010, and 2009, respectively.

The State Retirement Agency issues a publicly available Comprehensive Annual Financial Report that includes the Systems' financial statements and required supplementary information. That report may be obtained by writing to the State Retirement and Pension System of Maryland, State Retirement Agency, 120 East Baltimore Street, 14th Floor, Baltimore, Maryland 21202-6700 or by calling (800) 492-5909.

15. Other Post-Employment Benefits

In the financial statements for the fiscal year ending 2008, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 43, Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans and GASB 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.

Plan Description

The County's OPEB plan is a Cost-Sharing Multiple Employer Defined Benefit Healthcare Plan. Per Section 1.406B of Howard County Bill No. 14-2008, the County established an irrevocable trust for administering the plan assets and paying healthcare costs on behalf of the participants. The Plan includes the County (consisting of the County government, Howard County Library, Mental Health Authority, and Economic Development Authority), and its component units, Howard County Community College and Howard County Public School System.

The County provides a post-employment health insurance program in addition to the pension benefits described in Note 14. These post-employment benefits are subject to change at any time. All employees who retire from the County may participate in the program. In order to be eligible, the retiree must have a minimum of fifteen years of County service, and immediately preceding retirement, been enrolled in a medical, vision or prescription drug insurance plan offered to active employees of the County. The County will pay a percentage of the retiree's health insurance premium based upon these criteria. This percentage varies with the number of years of service attained by the employee. Other retirees who do not meet the eligibility criteria are permitted to participate in the retirees' health insurance program by paying the full premium at the group rate.

The component units provide medical benefits to eligible employees who retire from employment with the entity. The eligibility requirements vary among different entities. Each entity pays a percentage of the health insurance premium based on certain criteria. In addition to medical benefits, the school system offers life insurance benefits to the eligible retirees who must have provided ten years of service with the school system and have retired at the Howard County Public School System.

Plan membership at June 30, 2011, per the most recent actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	2,356
Active plan members	9,576
Deferred vested terminations	<u>48</u>
Total	<u>11,980</u>

There are no separate financial statements for the Plan.

Basis of Accounting

The Plan's financial information is prepared on the accrual basis of accounting. Expenditures are recognized on the accrual basis as retirees' insurance costs are incurred. For FY 2011, the Plan's insurance costs are \$17.5 million; \$5.9 million is paid by the retirees and the balance is paid by the County and its component units through the County's self insurance fund (internal service fund).

Funding Policies and Funded Progress

The Plan's funding policy provides for the County to contribute to the trust the actuarially determined annual required contribution (ARC). In FY 2011, the County made no contributions to the trust. The County's eight year phase-in funding policy has been deferred due to the extraordinary economic downturn. Fiscal Year 2011 includes funding for pay-as-you go OPEB costs only.

As of June 30, 2011, per the most recent actuarial valuation, the actuarial accrued liability (AAL) was \$671,151,000 and there was \$19,820,099 of actuarial plan assets; therefore, the unfunded AAL (UAAL) was \$651,330,901. The annual covered payroll of active employees covered by the Plan was \$650,701,932 and the ratio of the UAAL to covered payroll was 100.1%.

The required contribution amount and OPEB expense per the most recent actuarial valuation report with valuation date of 2/1/2011 for Board of Education, 1/1/2011 for General Government, and 3/1/2011 for College are presented on the next page:

	Actuarial Unfunded Accrued Liability	Amortization of Actuarial Unfunded Accrued Liability	Normal Cost	Annual Required Contribution	ARC Funding	Net OPEB Obligation (NOO)
	(1)	(2)	(3)	(2)+(3)	(4)	(2)+(3)-(4)
Schools \$	388,284,000	16,910,000	20,168,000	37,078,000	8,165,048	28,912,952
College	20,219,901	881,000	1,665,000	2,546,000	214,872	2,331,128
County	242,827,000	10,575,000	12,555,000	23,130,000	3,252,073	19,877,927
	651,330,901	28,366,000	34,388,000	62,754,000	11,631,993	51,122,007
						Beginning balance - restated (see Note 18): 172,750,242
						Less NOO amortization 7,523,965
						Plus interest on NOO 6,910,010
						Total NOO \$ 223,258,294

The Plan's annual OPEB cost (AOC) and the net OPEB obligation of the plan for the current and prior two years were as follows:

Fiscal Year	Annual OPEB Cost (AOC)	% of AOC contributed	Net OPEB Obligation
2009	\$ 65,268,921	23%	102,159,373
2010	78,700,853	10%	172,750,242
2011	62,140,045	19%	223,258,294

The Plan's actuarial value of plan assets and actuarial accrued liability as of the implementation year are as follows:

Fiscal Year	Plan Assets	AAL
2008	\$ -	707,256,000
2009	14,000,000	687,464,000
2010	20,229,000	848,066,000
2011	19,820,099	671,151,000

Actuarial Assumptions

The actuarial methods and significant assumptions used by the actuary are summarized in this note to conform to the disclosure requirements for GASB statements 43 and 45.

Actuarial valuation date	2/1/11 for Board of Ed, 1/1/11 for General Government and 3/1/11 for College
Actuarial cost method	Projected Unit Credit
Amortization method	Amortized over a closed period of 27 years using level percentage of pay.
Asset valuation method	Fair Value. Assets are assumed to earn a 7.4% return.
Actuarial trend assumption:	Medical and prescription drug trend rate applied to FY 2011 is 7.50%. This rate decreases by 1.70% in FY 2012. The ultimate rate is 4.20%.
	Dental trend to be applied is 5.00% for all years.
Interest assumption	Discount rate of 4.00%
Salary increases	3.00%

Summary financial information for the Other Post-Employment Benefits Trust is presented below:

Statement of Net Assets

Assets

Receivables:

Interest and dividends \$ 50

Investments, at fair value:

Cash 10,349

Mutual funds 24,231,214

Money market funds 605,115

Total assets \$ 24,846,728

Liabilities

Accounts payable

Other 986,541

Total liabilities 986,541

Net assets held in trust for

other post employment benefits \$ 23,860,187

Statement of Changes in Net Assets

Additions

Contributions:

Employer \$ 11,631,993

Total contributions 11,631,993

Investment income:

Net change in fair value of investments 3,690,705

Interest -

Dividends 612,963

Investment expense (76,707)

Net investment (loss) income 4,226,961

Total additions 15,858,954

Deductions

Benefits 11,765,007

Administrative expenses 53,859

Total deductions 11,818,866

Change in net assets 4,040,088

Net assets - beginning of year 19,820,099

Net assets - end of year \$ 23,860,187

16. Deferred Compensation Plan

Deferred compensation plans are available to all county employees. The plans were established in accordance with Internal Revenue Code Section 457. A deferred compensation plan offers employees an opportunity to defer a portion of their salary along with the related Federal and State income tax, until future years. The deferred compensation funds are not available to employees until termination, retirement, death,

or unforeseeable emergency. The assets of this plan were transferred to custodial accounts and the County no longer reports those assets and liabilities in the Agency Funds of the County.

17. 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; injuries to employees; and natural disasters. The reporting entity, excluding the Howard County Public School System, has established two internal service funds to account for and finance its uninsured risks of loss. The reporting entity's risk financing techniques include a combination of risk retention through self-insurance and risk transfer using a risk pool. The Employee Benefits Fund provides full coverage for employee benefits and long-term disability claims. The Risk Management Fund provides coverage up to a maximum of \$1,000,000 for each automobile liability claim, \$1,000,000 for each general liability claim, \$100,000 for each property damage claim, and unlimited on each workers' compensation claim.

The reporting entity belongs to the Maryland Local Government Insurance Trust ("LGIT"), which provides insurance for claims in excess of coverage provided by the reporting entity's Risk Management Fund. The County pays an annual premium to LGIT for this coverage. The reporting entity participates in LGIT in the areas of excess property, general and automobile liability coverages. LGIT consists of various counties and local municipalities. LGIT was created to provide broader insurance coverages than those available from commercial insurers, coverages which would otherwise be unavailable, and loss control and risk management services. Settled claims have not exceeded this coverage in any of the past five fiscal years.

All funds and component units of the reporting entity, excluding the Howard County Public School System, participate in the risk management program and make payments to the Internal Service Funds based on a combination of actuarial estimates and historical cost information. These amounts are needed to pay prior and current year claims and to establish a reserve for future claims and/or catastrophic losses. The Howard County Public School System has its own risk management program.

As of June 30, 2011, the combined net assets for the two Internal Service Funds are \$9,656,974 and are reported as reserved for insurance claims in the Internal Service Funds. The combined claims liability of the two funds, \$11,820,019 is based on generally accepted accounting principles which require that a liability for claims be reported if information prior to the issuance of the Financial Statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The changes in the combined self-insurance funds unpaid claims liability in fiscal 2010 and 2011 are presented in the schedule below.

		Current Year Claims and			Expected Amount	
	Beginning of Year	Changes in Estimates	Claims Payments	End of Year	Due Within One Year	
2011	\$ 11,858,574	41,691,435	(41,729,990)	11,820,019	5,242,093	
2010	\$ 11,487,988	38,051,541	(37,680,955)	11,858,574	5,365,140	

The current portion is included under accounts payable and other current liabilities and the non-current portion is included under Noncurrent liabilities – due in more than one year on the Government Wide Statement of Net Assets.

18. Individual Fund Disclosure and Prior Period Adjustments

The Grants Fund will eliminate its deficit of (\$4,438,780) through receipt of intergovernmental revenues.

The General, Public Libraries, and Storm Drainage Capital Projects Funds will eliminate their deficits of (\$73,280,995), (\$8,424,749), and (\$2,434,256), respectively, through future bond sales.

The deficit of (\$468,801) in the Risk Management Self-Insurance Internal Service Fund will be eliminated via increased funding in fiscal year 2012.

The adjustment to the beginning balance of the Grants Fund of \$1,480,513 is for correcting prior years' accounts receivable and deferred revenue balances.

The adjustments to the beginning balance of construction in progress in governmental activities and business-type activities for \$10,542,118 and \$1,050,623, respectively, are to remove the capital projects that were not going to result in assets owned by Howard County.

The noncurrent liabilities in governmental activities and business-type activities are adjusted for \$100,481,835 and \$1,263,876, respectively, in order to correct prior years' calculation of the net OPEB obligation.

19. Commitments and Contingencies

Grants

The County receives grant funds, principally from the U.S. Government, for various County programs. Expenditures from certain of these funds are subject to audit by the grantor, and the County is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the County, no material refunds will be required as a result of expenditures disallowed by the grantors.

Construction

The County had \$842,949,395 authorized but unobligated capital project appropriations at June 30, 2011.

Litigation

The County is a defendant in lawsuits and other claims that occur in the ordinary course of County operations. It is the opinion of the County Solicitor that such lawsuits and claims will not have a material adverse impact on the County's financial condition.

**Required Supplementary
Information**



**Howard County, Maryland
Required Supplementary Information
Pension Trust Funds
For the Year Ended June 30, 2011**

Required supplementary information (unaudited) for the Howard County Retirement Plan for the years ended June 30, 2009, 2010 and 2011 respectively, is as follows:

Valuation Date	(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
7/1/08	217,212,899	225,594,376	96.3%	8,381,477	81,475,327	10.3%
7/1/09	228,132,672	245,225,658	93.0%	17,092,986	85,231,182	20.1%
7/1/10	237,414,529	253,782,682	93.6%	16,368,153	84,845,897	19.3%

Required supplementary information (unaudited) for the Howard County Police and Fire Employees' Retirement Plan for the years ended June 30, 2009, 2010, and 2011 respectively, is as follows:

Valuation Date	(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
7/1/08	238,417,336	300,686,389	79.3%	62,269,053	46,863,025	132.9%
7/1/09	253,566,998	322,469,583	78.6%	68,902,585	52,145,928	132.1%
7/1/10	266,984,658	348,701,993	76.6%	81,717,335	53,308,475	153.3%

**Howard County, Maryland
Required Supplementary Information
Other Post Employment Benefits Funds
For the Year Ended June 30, 2011**

Schedule of funding progress (unaudited) for the Howard County Post Employment Benefits Plan for the year ended June 30, 2011 is as follows:

Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
7/1/07	-	707,256,000	0.0%	707,256,000	486,385,877	145.4%
7/1/08	14,000,000	687,464,000	2.0%	673,464,000	627,617,736	107.3%
7/1/10	19,820,099	671,151,000	3.0%	651,330,901	650,701,932	100.1%

Schedule of employer contribution (unaudited) for the Howard County Post Employment Benefits Plan for the year ended June 30, 2011 is as follows:

Date	ARC	Contribution	Percentage of ARC Contributed	Net OPEB Obligations
6/30/08	73,601,000	21,977,714	30%	51,623,286
6/30/09	65,168,000	14,732,748	23%	102,159,373
6/30/10	78,925,000	8,109,983	10%	172,750,242
6/30/11	62,754,000	11,631,993	19%	223,258,294

Combining and Individual Fund Statements and Schedules

The Combining and Individual fund statements and schedules provide detailed information concerning financial position and results of operations.

- **General Fund**
- **Non-major Governmental Funds**
- **Internal Service Funds**
- **Fiduciary Funds**
- **Capital Assets Used in the Operation of Governmental Funds**
- **Capital Assets Used in the Operation of Enterprise Funds**
- **Long-Term Debt**



General Fund

The General fund is the general operating fund of the County. This fund is used to account for all financial resources except those required to be accounted for in another fund.



Howard County, Maryland
Schedule of Revenues and Appropriations from Fund Balances - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

	Budget Amounts		Revenues	Variance with Final budget Over (Under)
	Original	Final		
Property taxes:				
Real, personal and corporate	\$ 436,650,010	436,650,010	435,703,062	(946,948)
Payment in lieu of taxes	752,839	752,839	1,297,989	545,150
Additions and abatements	-	-	(543,946)	(543,946)
Interest on taxes	750,000	750,000	1,141,001	391,001
Total property taxes	438,152,849	438,152,849	437,598,106	(554,743)
Other local taxes:				
Local income tax surcharge	299,000,000	299,000,000	315,353,675	16,353,675
Admission tax	2,000,000	2,000,000	2,137,962	137,962
Recordation	15,500,000	15,500,000	14,599,474	(900,526)
Mobile home	600,000	600,000	566,554	(33,446)
Hotel / motel	3,400,000	3,400,000	3,012,642	(387,358)
Total other local taxes	320,500,000	320,500,000	335,670,307	15,170,307
State shared taxes:				
Highway	418,000	418,000	1,055,306	637,306
Corporate	15,000	15,000	33,815	18,815
Total state shared taxes	433,000	433,000	1,089,121	656,121
Revenues from other governments	5,609,900	5,609,900	5,655,420	45,520
Charges for services:				
Sale of maps and publications	60,000	60,000	44,237	(15,763)
Civil marriage	10,000	10,000	10,150	150
Tax certificates	350,580	350,580	237,729	(112,851)
Planning and zoning fees	675,000	675,000	448,860	(226,140)
IRB and MIDFA loan fees	2,000	2,000	-	(2,000)
Rental housing inspection fees	765,000	765,000	892,819	127,819
Extension development agreement fees	28,000	28,000	66,800	38,800
Development - review fees	1,161,000	1,161,000	888,525	(272,475)
Development - specifications	7,000	7,000	465	(6,535)
Developer - water and sewer overhead	540,000	540,000	446,802	(93,198)
Sale of topographic maps	-	-	22	22
House type revision fees	106,500	106,500	78,280	(28,220)
Master in chancery fees	133,800	133,800	134,303	503
Police records check	50,000	50,000	57,131	7,131
Sheriff fees	400,000	400,000	409,456	9,456
Boarding prisoners	1,371,000	1,371,000	1,652,082	281,082
Weekender inmate fees	35,000	35,000	41,397	6,397
Recreation and parks other	74,000	74,000	7,021	(66,979)
Parking meters	50,000	50,000	49,634	(366)
Private road revenue	7,500	7,500	-	(7,500)
Office space rental	-	-	90,591	90,591
Other charges for services	157,000	157,000	82,905	(74,095)
Other business appl fees	150,000	150,000	-	(150,000)
Transportation fares	714,464	714,464	428,248	(286,216)
Internal Service Charges	-	-	76,168	76,168
Food and beverage	60,000	60,000	83,589	23,589
CATV franchise fee	4,000,000	4,000,000	4,824,684	824,684
Total charges for services	10,907,844	10,907,844	11,051,898	144,054

(Continued)

Howard County, Maryland
Schedule of Revenues and Appropriations from Fund Balances - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

	Budget Amounts		Revenues	Variance with Final Budget
	Original	Final		
Interest on investments	8,942,232	8,942,232	781,632	(8,160,600)
Licenses and permits:				
Beer, wine and liquor	265,500	265,500	260,468	(5,032)
Traders	451,500	451,500	452,272	772
Peddlers and solicitors	12,000	12,000	15,170	3,170
Building	2,615,600	2,615,600	2,933,944	318,344
Electrical	962,600	962,600	962,236	(364)
Plumbing	705,000	705,000	834,109	129,109
Signs	28,000	28,000	40,315	12,315
Mobile home park	7,000	7,000	6,450	(550)
Animal license	67,000	67,000	58,063	(8,937)
Marriage license	9,000	9,000	9,285	285
Marriage license surcharge	65,000	65,000	66,640	1,640
Other	1,200	1,200	8,044	6,844
Total licenses and permits	5,189,400	5,189,400	5,646,996	457,596
Recoveries for interfund services:				
Streetlight districts	600	600	17,348	16,748
Public works operations - utility pro rata	4,040,455	4,040,455	4,040,455	-
Housing and community development	718,149	718,149	-	(718,149)
Fire and recue fund	4,424,327	4,424,327	4,424,327	-
Office of law - self insurance	506,585	506,585	323,167	(183,418)
Pension plan	212,151	212,151	164,399	(47,752)
Agricultural land preservation fund	611,471	611,471	611,471	-
Public works - W&S capital projects pro rata	400,000	400,000	401,667	1,667
Waste management pro rata	963,079	963,079	963,079	-
Public works - water and sewer developer capital projects	450,000	450,000	431,667	(18,333)
General county capital projects pro rata share	390,000	390,000	356,666	(33,334)
Total recoveries for interfund services	12,716,817	12,716,817	11,734,246	(982,571)
Fines and forfeitures	3,096,500	3,096,500	3,003,943	(92,557)
Component units return of funding:				
Community college	859,469	859,469	816,830	(42,639)
Public school system	3,900,000	3,900,000	-	(3,900,000)
Total component units	4,759,469	4,759,469	816,830	(3,942,639)
Miscellaneous revenues:				
Commissions, rents and concessions	145,000	145,000	410,634	265,634
Sale of property and equipment	18,250	18,250	8,751	(9,499)
Other revenue	521,500	521,500	1,542,018	1,020,518
Miscellaneous program Revenue	250,000	250,000	481,168	231,168
Abandoned property	-	-	56,138	56,138
Total miscellaneous revenue	934,750	934,750	2,498,709	1,563,959
Total revenues	811,242,761	811,242,761	815,547,208	4,304,447
Other sources of financial resources:				
Transfers in:				
Return from Environmental Services	2,500,000	2,500,000	-	(2,500,000)
Community renewal program fund	948,838	948,838	-	(948,838)
DILP technology debt	370,584	370,584	285,358	(85,226)
Excise tax debt	3,203,028	3,203,028	3,183,026	(20,002)
Fire and rescue reserve fund	1,145,101	1,145,101	1,145,098	(3)
Public school system debt	6,931,418	6,931,418	6,911,416	(20,002)
Recreation program fund	3,025,632	3,025,632	3,025,629	(3)
Capital projects - return of funding	2,729,000	2,729,000	5,494,000	2,765,000
Total transfers in	20,853,601	20,853,601	20,044,527	(809,074)
Total revenues and other sources of financial resources	\$ 832,096,362	\$ 832,096,362	\$ 835,591,735	3,495,373

Howard County, Maryland
Schedule of Expenditures and Encumbrances - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

	Budget Amounts		Expenditures	Encumbrances	Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
<u>General Government</u>						
Office of the county executive	\$ 980,924	980,924	946,383	17,000	963,383	17,541
Office of the county administrator:						
Bureau of staff services:						
Staff services	2,061,287	2,055,465	1,784,687	200,051	1,984,738	70,727
Environmental sustainability	113,594	113,594	91,472	-	91,472	22,122
Office of human rights	611,424	611,424	588,032	-	588,032	23,392
Workforce development	255,978	255,978	219,404	-	219,404	36,574
Total bureau of staff services	3,042,283	3,036,461	2,683,595	200,051	2,883,646	152,815
Bureau of management services:						
Budget division	688,433	693,955	693,629	-	693,629	326
Human resources	1,404,836	1,404,836	1,335,841	12,049	1,347,890	56,946
Employee tuition reimbursement	73,750	73,750	49,396	-	49,396	24,354
Purchasing division	1,059,179	1,059,479	1,037,097	2,455	1,039,552	19,927
Central services	653,687	653,687	646,860	-	646,860	6,827
Public information	806,448	806,448	803,670	-	803,670	2,778
Total bureau of management services	4,686,333	4,692,155	4,566,493	14,504	4,580,997	111,158
Total office of the county administrator	7,728,616	7,728,616	7,250,088	214,555	7,464,643	263,973
Department of economic development	1,270,661	1,270,661	1,270,661	-	1,270,661	-
Total dept of economic development	1,270,661	1,270,661	1,270,661	-	1,270,661	-
Department of finance:						
Office of the director	1,763,020	1,497,188	1,378,647	105,916	1,484,563	12,625
Bureau of accounting	1,356,303	1,443,523	1,341,935	80,168	1,422,103	21,420
Bureau of revenue and customer service	1,335,216	1,377,019	1,274,930	55,809	1,330,739	46,280
Utility and miscellaneous billing	498,139	553,355	540,116	6,922	547,038	6,317
Bureau of payroll / disbursements	1,174,944	1,256,537	1,171,854	23,671	1,195,525	61,012
Total department of finance	6,127,622	6,127,622	5,707,482	272,486	5,979,968	147,654
Office of law	3,262,011	3,262,011	3,197,660	40,700	3,238,360	23,651
Technology and communication services	857,665	857,665	763,887	22,309	786,196	71,469
General fund contingency	1,700,000	50,000	-	-	-	50,000
Total General Government	21,927,499	20,277,499	19,136,161	567,050	19,703,211	574,288
<u>Legislative and Judicial</u>						
Legislative:						
County council	2,076,201	2,076,201	1,933,276	-	1,933,276	142,925
County auditor	832,156	832,156	641,638	118,390	760,028	72,128
Board of license commissioners	111,841	111,841	91,427	-	91,427	20,414
Zoning board	126,971	126,971	110,506	-	110,506	16,465
Board of appeals	139,737	139,737	90,941	7,000	97,941	41,796
Total legislative	3,286,906	3,286,906	2,867,788	125,390	2,993,178	293,728

(Continued)

Howard County, Maryland
Schedule of Expenditures and Encumbrances - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

	Budget Amounts		Expenditures	Encumbrances	Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
Judicial:						
Circuit court	\$ 2,319,809	2,345,958	2,228,194	29,450	2,257,644	88,314
Orphans' court	44,222	44,222	44,197	-	44,197	25
Sheriff's department	6,082,535	6,082,535	5,783,638	2,291	5,785,929	296,606
State attorney's office	6,382,266	6,463,710	6,294,784	77	6,294,861	168,849
Total judicial	14,828,832	14,936,425	14,350,813	31,818	14,382,631	553,794
Board of election supervisors	1,401,447	1,401,447	976,701	-	976,701	424,746
Election expense	2,065,291	2,065,291	1,406,023	-	1,406,023	659,268
Total Legislative and Judicial	21,582,476	21,690,069	19,601,325	157,208	19,758,533	1,931,536
<u>Public Works</u>						
Department of public works:						
Office of the director	4,009,866	3,667,278	3,606,967	60,311	3,667,278	-
Total office of the director	4,009,866	3,667,278	3,606,967	60,311	3,667,278	-
Bureau of engineering:						
Administrative management division	497,246	485,602	485,602	-	485,602	-
Transportation & watershed management	1,126,489	1,120,153	1,120,153	-	1,120,153	-
Construction inspection division	2,726,663	2,679,870	2,679,869	-	2,679,869	1
Survey and drafting division	815,020	784,164	784,155	-	784,155	9
Total bureau of engineering	5,165,418	5,069,789	5,069,779	-	5,069,779	10
Bureau of highways:						
Operations	1,140,571	1,138,390	1,138,201	-	1,138,201	189
Highway maintenance division	14,303,612	16,128,784	13,337,061	2,791,723	16,128,784	-
Traffic engineering division	1,170,398	1,278,342	861,460	416,838	1,278,298	44
Total bureau of highways	16,614,581	18,545,516	15,336,722	3,208,561	18,545,283	233
Bureau of facilities:						
Administration	6,428,812	6,537,132	6,036,235	495,541	6,531,776	5,356
Building and ground maintenance	6,421,788	6,441,331	6,146,251	293,171	6,439,422	1,909
Total bureau of facilities	12,850,600	12,978,463	12,182,486	788,712	12,971,198	7,265
Bureau of environmental services:						
Stormwater management	1,355,204	1,334,624	1,035,355	297,895	1,333,250	1,374
Total bureau of environmental services	1,355,204	1,334,624	1,035,355	297,895	1,333,250	1,374
Total department of public works	39,995,669	41,595,670	37,231,309	4,355,479	41,586,788	8,882
Department of inspections, licenses and permits:						
Operations division	1,759,876	1,763,476	1,491,151	193,330	1,684,481	78,995
Inspection and enforcement division	2,826,609	2,815,509	2,719,707	-	2,719,707	95,802
Plan review division	1,000,003	1,007,503	997,844	-	997,844	9,659
Licenses and permits division	643,922	643,922	627,311	-	627,311	16,611
Total dept of inspection, license and permits	6,230,410	6,230,410	5,836,013	193,330	6,029,343	201,067

(Continued)

Howard County, Maryland
Schedule of Expenditures and Encumbrances - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

	Budget Amounts		Expenditures	Encumbrances	Expenditures and Encumbrances	Variance with
	Original	Final				Final Budget (Over) Under
Department of planning and zoning:						
Office of the director	\$ 1,119,964	1,119,964	1,068,191	21,480	1,089,671	30,293
Division of land development	1,160,872	1,110,572	1,097,975	-	1,097,975	12,597
Division of research	754,306	834,306	730,281	48,694	778,975	55,331
Public service and zoning administration	841,098	843,483	832,812	-	832,812	10,671
Environmental and community planning	348,639	422,739	343,001	75,000	418,001	4,738
Development engineering division	1,101,157	1,100,157	1,061,642	-	1,061,642	38,515
Conservation easements program	380,314	275,128	263,570	-	263,570	11,558
Division of transportation planning	439,718	1,227,241	1,033,299	117,759	1,151,058	76,183
Total department of planning and zoning	6,146,068	6,933,590	6,430,771	262,933	6,693,704	239,886
Soil conservation district	544,045	544,045	544,045	-	544,045	-
Department of transportation	4,614,686	6,701,959	6,398,806	133,171	6,531,977	169,982
Total Public Works	57,530,878	62,005,674	56,440,944	4,944,913	61,385,857	619,817
<u>Public Safety</u>						
Police department:						
Office of the chief	3,754,913	3,979,913	3,944,016	-	3,944,016	35,897
Animal control division	1,430,920	1,430,920	1,218,830	39,066	1,257,896	173,024
Administrative command	715,549	715,549	690,225	-	690,225	25,324
Command operations	32,565,665	32,465,665	32,002,294	-	32,002,294	463,371
Bureau of criminal investigations	10,871,986	10,328,678	10,015,065	74,107	10,089,172	239,506
Special operations bureau	6,401,661	6,441,661	5,556,445	176,826	5,733,271	708,390
Information and technology bureau	12,326,252	12,345,152	11,919,676	58,932	11,978,608	366,544
Human resource bureau	3,148,455	3,468,455	3,227,660	81,746	3,309,406	159,049
Management services bureau	8,453,531	8,513,531	7,806,273	166,648	7,972,921	540,610
Investigations and special operations	253,596	253,596	209,214	-	209,214	44,382
Total police department	79,922,528	79,943,120	76,589,698	597,325	77,187,023	2,756,097
Department of corrections	13,412,870	13,462,870	13,424,200	1,791	13,425,991	36,879
Total Public Safety	93,335,398	93,405,990	90,013,898	599,116	90,613,014	2,792,976
<u>Recreation and Parks</u>						
Department of recreation and parks	12,997,540	12,792,540	12,295,169	495,466	12,790,635	1,905
Total Recreation and Parks	12,997,540	12,792,540	12,295,169	495,466	12,790,635	1,905
<u>Community Services</u>						
Department of social services	521,574	521,574	450,609	-	450,609	70,965
Citizen services administration	4,799,442	4,964,381	4,543,788	243	4,544,031	420,350
Consumer affairs division	398,270	402,549	397,557	-	397,557	4,992
Office on aging	2,635,462	2,466,244	2,332,056	-	2,332,056	134,188
Mental health authority	330,000	330,000	330,000	-	330,000	-
Cooperative extension services	416,464	416,464	416,358	-	416,358	106

(Continued)

Howard County, Maryland
Schedule of Expenditures and Encumbrances - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

	Budget Amounts		Expenditures	Encumbrances	Expenditures and Encumbrances	Variance with Final Budget
	Original	Final				
County grants in-aid:						
Adaptive living	\$ 17,000	17,000	17,000	-	17,000	-
Alianza	13,260	13,260	13,260	-	13,260	-
Autism society/ the parents place	37,000	37,000	37,000	-	37,000	-
Balt. Symphony Orchest	6,000	6,000	6,000	-	6,000	-
Bridges to Housing Sta	163,000	163,000	163,000	-	163,000	-
Center african american culture	33,600	33,600	33,600	-	33,600	-
Community action council	665,230	665,230	665,230	-	665,230	-
Crisis intervention	1,285,057	1,285,057	1,285,057	-	1,285,057	-
Domestic violence center	461,027	461,027	461,027	-	461,027	-
Economic development grant program	72,000	72,000	72,000	-	72,000	-
Emergency assistance	103,600	103,600	103,580	-	103,580	20
Family and children / family life	123,250	123,250	123,250	-	123,250	-
Family and children's service	90,000	90,000	90,000	-	90,000	-
Family Stabilization	45,000	45,000	45,000	-	45,000	-
FIRN (Foreign-born info refer network)	200,040	200,040	200,040	-	200,040	-
Forest conservancy district board	4,800	4,800	4,800	-	4,800	-
HCGH healthy families	38,675	38,675	38,675	-	38,675	-
Healthy howard	500,000	500,000	500,000	-	500,000	-
Historical society	28,800	28,800	28,800	-	28,800	-
Hospice services of howard county	37,400	37,400	37,400	-	37,400	-
Howard County assn for retarded citizens	112,200	112,200	112,200	-	112,200	-
Humanin	13,220	13,220	13,220	-	13,220	-
Humanin step	200,000	200,000	200,000	-	200,000	-
Korean american center	26,520	26,520	26,520	-	26,520	-
Legal aid bureau	87,500	87,500	87,500	-	87,500	-
Local / regional arts grants	442,114	442,114	442,114	-	442,114	-
Maryland food bank	14,000	14,000	14,000	-	14,000	-
Meals-on-wheels	23,000	23,000	23,000	-	23,000	-
Metro washington ear	2,000	2,000	2,000	-	2,000	-
N. Laurel Savage Multi	162,924	162,924	162,923	-	162,923	1
National Alliance on Ment	20,000	20,000	20,000	-	20,000	-
National family resiliency center	32,300	32,300	32,300	-	32,300	-
Neighbor ride	30,400	30,400	30,400	-	30,400	-
On our own	36,100	36,100	36,100	-	36,100	-
Sexual Assault/Child A	232,964	232,964	232,964	-	232,964	-
St. John's mentoring	4,675	4,675	4,675	-	4,675	-
St. Stephen's	22,500	22,500	22,500	-	22,500	-
Therapeutic riding center	9,432	9,432	9,432	-	9,432	-
Tourism council	423,732	423,732	423,732	-	423,732	-
Voices for children	15,400	15,400	15,400	-	15,400	-
Volunteer Center	35,000	35,000	35,000	-	35,000	-
Way Station	29,900	29,900	29,900	-	29,900	-
Winter growth	36,500	36,500	36,500	-	36,500	-
Total grants	5,937,120	5,937,120	5,937,099	-	5,937,099	21
Total Community Services	15,038,332	15,038,332	14,407,467	243	14,407,710	630,622

(Continued)

Howard County, Maryland
Schedule of Expenditures and Encumbrances - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

	Budget Amounts		Expenditures	Encumbrances	Expenditures	Variance with
	Original	Final			and Encumbrances	
<u>Education:</u>						
Board of education	\$ 464,708,788	464,708,788	464,708,788	-	464,708,788	-
Community college	25,195,470	25,195,470	25,195,470	-	25,195,470	-
Library	15,229,779	15,229,779	15,229,779	-	15,229,779	-
Total Education	505,134,037	505,134,037	505,134,037	-	505,134,037	-
<u>Debt Service</u>						
<u>Principal:</u>						
Police	525,636	525,636	525,635	-	525,635	1
Schools	24,490,183	24,490,183	24,490,181	-	24,490,181	2
Community college	2,526,472	2,526,472	2,526,471	-	2,526,471	1
Fire	646,088	646,088	646,087	-	646,087	1
General county projects	14,195,258	14,195,258	14,195,257	-	14,195,257	1
Recreation and parks	2,298,000	2,298,000	2,297,998	-	2,297,998	2
Community renewal	762,029	762,029	762,028	-	762,028	1
Storm drainage	886,365	886,365	886,363	-	886,363	2
Excise bonds	1,911,543	1,911,543	1,911,541	-	1,911,541	2
DILP technology	352,600	352,600	352,600	-	352,600	-
School surcharge	3,349,922	3,349,922	3,349,921	-	3,349,921	1
College bonds	365,919	365,919	365,918	-	365,918	1
Total principal	52,310,015	52,310,015	52,310,000	-	52,310,000	15
<u>Interest:</u>						
Police	329,290	329,290	329,288	-	329,288	2
Schools	14,626,380	14,626,380	14,626,379	-	14,626,379	1
Community college	2,425,022	2,425,022	2,425,019	-	2,425,019	3
Fire	499,013	499,013	499,012	-	499,012	1
General county	7,286,953	7,286,953	7,286,949	-	7,286,949	4
Recreation and parks	727,632	727,632	727,631	-	727,631	1
Community renewal	186,809	186,809	186,808	-	186,808	1
Storm drainage	586,613	586,613	586,611	-	586,611	2
Excise bonds	1,271,485	1,271,485	1,271,484	-	1,271,484	1
DILP Technology	17,984	17,984	17,984	-	17,984	-
School surcharge	3,561,496	3,561,496	3,561,495	-	3,561,495	1
College bonds	450,914	450,914	450,912	-	450,912	2
Short term construction note	7,720,500	7,720,500	479,111	26,026	505,137	7,215,363
Total interest	39,690,091	39,690,091	32,448,683	26,026	32,474,709	7,215,382
Total Debt Service	92,000,106	92,000,106	84,758,683	26,026	84,784,709	7,215,397
Total expenditures and encumbrances	819,546,266	822,344,247	801,787,684	6,790,022	808,577,706	13,766,541
<u>Transfers Out:</u>						
Health department	9,004,000	9,004,000	9,004,000	-	9,004,000	-
Golf course	-	205,000	205,000	-	205,000	-
Grant matching funds	3,546,096	543,115	-	-	-	543,115
Total Transfers Out	12,550,096	9,752,115	9,209,000	-	9,209,000	543,115
Total Expenditures and Encumbrances	\$ 832,096,362	832,096,362	810,996,684	6,790,022	817,786,706	14,309,656



Blossoms of Hope...The Howard County Cherry Tree Project

In 2003 Howard County's Office of Tourism began a tree planting program with the goals of: beautifying the county's attractions, its parks, and its roadways with Kwanzan cherry trees, raising awareness of breast cancer prevention each spring, and raising money to benefit those within the community coping with cancer. Approximately 1,500 trees have been planted to date.

Non-major Governmental Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital project funds are used to account for the construction of major capital facilities. These funds are generally financed by bond issues, intergovernmental revenue, and contributions.



**Howard County, Maryland
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011**

	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds
ASSETS			
Pooled cash and cash equivalents	\$ 15,424,577	-	15,424,577
Other receivables	115,822	-	115,822
Restricted assets:			
Pooled cash and cash equivalents	40,860,378	16,046,511	56,906,889
Economic development loans	26,708	-	26,708
Housing loans	13,736,234	-	13,736,234
Property taxes	593,726	-	593,726
Materials and supplies	481,385	-	481,385
Due from other governments	10,672,887	796,788	11,469,675
Other	41,926	29,529	71,455
Total assets	81,953,643	16,872,828	98,826,471
LIABILITIES			
Due to other funds	3,022,368	1,102,543	4,124,911
Accounts payable / accrued liabilities	3,436,880	5,456,381	8,893,261
Accrued wages and benefits	3,912,827	4,963	3,917,790
Bond anticipation notes	-	10,334,741	10,334,741
Deposits and connection fees	237,418	-	237,418
Deferred revenue	12,835,438	-	12,835,438
Total liabilities	23,444,931	16,898,628	40,343,559
FUND BALANCES			
Nonspendable:			
Inventory	481,385	-	481,385
Long term receivables:			
Noncurrent economic development loans	26,708	-	26,708
Noncurrent housing loans receivables	13,736,234	-	13,736,234
Restricted for:			
Forest conservation	4,436,975	-	4,436,975
Fire & rescue services	18,609,426	-	18,609,426
Park land watershed facilities	-	4,267,398	4,267,398
Program open space	-	229,786	229,786
Storm water construction	-	379,651	379,651
Committed for:			
Community renewal programs	1,127,532	-	1,127,532
Environmental services	13,515,465	-	13,515,465
Health department	7,883,991	-	7,883,991
Recreation programs	3,156,484	-	3,156,484
Fire house & training facilities	-	1,780,827	1,780,827
Assigned for capital projects	-	8,306,641	8,306,641
Unassigned	(4,465,488)	(14,990,103)	(19,455,591)
Total fund balances	58,508,712	(25,800)	58,482,912
Total liabilities and fund balances	\$ 81,953,643	16,872,828	98,826,471

Howard County, Maryland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2011

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Property taxes	\$ 66,427,494	-	66,427,494
Other local taxes	2,664,957	7,994,871	10,659,828
Revenues from other agencies (grants)	19,385,244	4,862,364	24,247,608
Charges for services	38,867,013	-	38,867,013
Interest on investments	153,172	23,070	176,242
Installment interest from housing loans	495,546	-	495,546
Licenses and permits	4,515	-	4,515
Fines and forfeitures	389,780	-	389,780
Developer contributions	423,649	178,620	602,269
Rental of property	197,100	-	197,100
Miscellaneous program revenue	877,941	216,325	1,094,266
Total revenues	129,886,411	13,275,250	143,161,661
EXPENDITURES			
Current:			
General government	4,075,070	-	4,075,070
Legislative and judicial	521,013	-	521,013
Public works	22,917,864	-	22,917,864
Public safety	65,295,112	-	65,295,112
Recreation and parks	11,421,227	-	11,421,227
Community services	22,464,017	-	22,464,017
Capital improvements	-	37,211,681	37,211,681
Total expenditures	126,694,303	37,211,681	163,905,984
Excess (deficiency) of revenues over expenditures	3,192,108	(23,936,431)	(20,744,323)
OTHER FINANCING SOURCES (USES)			
Bond premium	-	737,085	737,085
Capital related debt issued	-	17,785,275	17,785,275
Transfers in	13,204,450	2,515,594	15,720,044
Transfers out	(7,232,578)	(5,168,797)	(12,401,375)
Total other financing sources and uses	5,971,872	15,869,157	21,841,029
Net change in fund balances	9,163,980	(8,067,274)	1,096,706
Adjustment to beginning balance	1,480,513	-	1,480,513
Fund balances - beginning, as previously reported	47,864,219	8,041,474	55,905,693
Fund balances - ending	\$ 58,508,712	(25,800)	58,482,912

Howard County, Maryland
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2011

	Community Renewal Program Fund	Environmental Services Fund	Forest Conservation Fund	Fire and Rescue Reserve Fund	Grants Fund	Health Department Fund	Recreation Program Fund	Total
ASSETS								
Pooled cash and cash equivalents	\$ -	-	-	-	-	8,273,653	7,150,924	15,424,577
Other receivables	-	-	-	-	-	71,136	44,686	115,822
Permanently restricted assets:								
Pooled cash and cash equivalents	641,318	14,632,902	4,463,050	21,123,108	-	-	-	40,860,378
Economic development loans	-	-	-	-	26,708	-	-	26,708
Housing loans	13,736,234	-	-	-	-	-	-	13,736,234
Property taxes	-	16,962	-	576,764	-	-	-	593,726
Materials and supplies	-	-	-	383,818	-	-	97,567	481,385
Due from other governments	765,596	311,263	-	-	9,596,028	-	-	10,672,887
Other	-	15,510	-	6,400	20,016	-	-	41,926
Total assets	15,143,148	14,976,637	4,463,050	22,090,090	9,642,752	8,344,789	7,293,177	81,953,643
LIABILITIES								
Due to other funds	-	-	-	-	3,022,368	-	-	3,022,368
Accounts payable / accrued liabilities	178	1,149,457	-	35,762	1,669,859	240,403	341,221	3,436,880
Accrued wages and benefits	186,015	168,121	26,075	2,589,721	421,337	24,598	496,960	3,912,827
Deposits and connection fees	93,189	143,594	-	-	-	-	635	237,418
Deferred revenue	-	-	-	471,363	8,967,968	195,797	3,200,310	12,835,438
Total liabilities	279,382	1,461,172	26,075	3,096,846	14,081,532	460,798	4,039,126	23,444,931
FUND BALANCES								
Nonspendable								
Inventory	-	-	-	383,818	-	-	97,567	481,385
Long term receivables:								
Noncurrent economic development loans	-	-	-	-	26,708	-	-	26,708
Noncurrent housing loans receivables	13,736,234	-	-	-	-	-	-	13,736,234
Restricted for:								
Forest conservation	-	-	4,436,975	-	-	-	-	4,436,975
Fire & rescue services	-	-	-	18,609,426	-	-	-	18,609,426
Committed for:								
Community renewal programs	1,127,532	-	-	-	-	-	-	1,127,532
Environmental services	-	13,515,465	-	-	-	-	-	13,515,465
Health department	-	-	-	-	-	7,883,991	-	7,883,991
Recreation programs	-	-	-	-	-	-	3,156,484	3,156,484
Unassigned	-	-	-	-	(4,465,488)	-	-	(4,465,488)
Total fund balances	14,863,766	13,515,465	4,436,975	18,993,244	(4,438,780)	7,883,991	3,254,051	58,508,712
Total liabilities and fund balances	\$ 15,143,148	14,976,637	4,463,050	22,090,090	9,642,752	8,344,789	7,293,177	81,953,643

Howard County, Maryland
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2011

	Community Renewal Program Fund	Environmental Services Fund	Forest Conservation Fund	Fire and Rescue Reserve Fund	Grants Fund	Health Department Fund	Recreation Program Fund	Total
REVENUES								
Property taxes	\$ -	51,228	-	66,376,127	139	-	-	66,427,494
Other local taxes	2,664,957	-	-	-	-	-	-	2,664,957
Revenues from other agencies (grants)	-	33,064	-	45,310	18,284,706	966,091	56,073	19,385,244
Charges for services	-	21,676,791	-	47,089	1,612,434	2,998,787	12,531,912	38,867,013
Interest on investments	-	44,738	10,161	81,435	-	6,113	10,725	153,172
Installment interest from housing loans	493,013	-	-	-	2,533	-	-	495,546
Licenses and permits	-	-	-	-	-	-	4,515	4,515
Fines and forfeitures	-	-	34,015	1,050	250	-	354,465	389,780
Developer contributions	-	-	423,649	-	-	-	-	423,649
Rental of property	-	-	-	-	-	-	197,100	197,100
Miscellaneous program revenue	506,751	4,135	-	72,752	264,991	29,312	-	877,941
Total revenues	3,664,721	21,809,956	467,825	66,623,763	20,165,053	4,000,303	13,154,790	129,886,411
EXPENDITURES								
Current:								
General government	-	-	-	-	4,075,070	-	-	4,075,070
Legislative and judicial	-	-	-	-	521,013	-	-	521,013
Public works	-	19,383,391	636,613	-	2,897,860	-	-	22,917,864
Public safety	-	-	-	60,857,762	4,437,350	-	-	65,295,112
Recreation and parks	-	-	-	-	85,376	-	11,335,851	11,421,227
Community services	3,587,449	-	-	-	8,395,689	10,480,879	-	22,464,017
Total expenditures	3,587,449	19,383,391	636,613	60,857,762	20,412,358	10,480,879	11,335,851	126,694,303
Excess (deficiency) of revenues over expenditures	77,272	2,426,565	(168,788)	5,766,001	(247,305)	(6,480,576)	1,818,939	3,192,108
OTHER FINANCING SOURCES (USES)								
Transfers in	4,191,492	-	498	-	8,123	9,004,337	-	13,204,450
Transfers out	-	(44,738)	-	(2,986,435)	(4,190,680)	-	(10,725)	(7,232,578)
Total other financing sources and uses	4,191,492	(44,738)	498	(2,986,435)	(4,182,557)	9,004,337	(10,725)	5,971,872
Net change in fund balances	4,268,764	2,381,827	(168,290)	2,779,566	(4,429,862)	2,523,761	1,808,214	9,163,980
Adjustment to beginning balance	-	-	-	-	1,480,513	-	-	1,480,513
Fund balances - beginning, as previously reported	10,595,002	11,133,638	4,605,265	16,213,678	(1,489,431)	5,360,230	1,445,837	47,864,219
Fund balances - ending	\$ 14,863,766	13,515,465	4,436,975	18,993,244	(4,438,780)	7,883,991	3,254,051	58,508,712

Howard County, Maryland
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budgetary Basis
Community Renewal Program Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local taxes	\$ 2,250,000	2,250,000	2,664,957	414,957
Revenue from other agencies	2,268,536	2,268,536	-	(2,268,536)
Miscellaneous	-	-	506,751	506,751
Installment Interest from Housing Loans	150,000	150,000	493,013	343,013
Total revenues	4,668,536	4,668,536	3,664,721	(1,003,815)
EXPENDITURES				
Community services:				
Housing and community development administration	3,762,515	3,762,515	3,560,460	202,055
Community development committee	6,940	6,940	-	6,940
Housing initiatives	1,753,031	1,753,031	16,495	1,736,536
Pleasant Chase	667	667	667	-
Capital improvements	350,000	350,000	-	350,000
Contingency reserve	2,000,000	2,000,000	-	2,000,000
Total expenditures	7,873,153	7,873,153	3,577,622	4,295,531
Excess (deficiency) of revenues over expenditures	(3,204,617)	(3,204,617)	87,099	3,291,716
OTHER FINANCING SOURCES (USES)				
Appropriation from fund balance	4,388,634	4,388,634	-	(4,388,634)
Bond Revenue	350,000	350,000	-	(350,000)
Transfers in	-	-	4,190,680	4,190,680
Transfers out	(1,534,017)	(1,534,017)	-	1,534,017
Total other financing sources (uses)	3,204,617	3,204,617	4,190,680	986,063
Net change in fund balance			4,277,779	4,277,779
Plus Prior Year Encumbrance Lapsed			400,000	-
Fund balances - beginning			11,610,572	-
Fund balances - ending			\$ 16,288,351	4,277,779

Howard County, Maryland
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budgetary Basis
Environmental Services Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 19,985,000	19,985,000	21,678,830	1,693,830
Revenue from other agencies	-	-	33,064	33,064
Miscellaneous	41,000	41,000	55,333	14,333
Total revenues	20,026,000	20,026,000	21,767,227	1,741,227
EXPENDITURES				
Waste management:				
Administrative services	1,853,404	1,859,799	1,689,410	170,389
Operations	9,325,580	9,619,185	9,304,308	314,877
Collections	5,208,468	4,908,468	4,477,122	431,346
Recycling	6,089,347	6,089,347	5,766,038	323,309
Total expenditures	22,476,799	22,476,799	21,236,878	1,239,921
Excess (deficiency) of revenues over expenditures	(2,450,799)	(2,450,799)	530,349	2,981,148
OTHER FINANCING SOURCES (USES)				
Appropriation from fund balance	4,950,799	4,950,799	-	(4,950,799)
Transfers out	(2,500,000)	(2,500,000)	-	2,500,000
Total other financing sources (uses)	2,450,799	2,450,799	-	(2,450,799)
Net change in fund balance			530,349	530,349
Plus prior year encumbrances lapsed			1,166,191	-
Fund balances - beginning			9,819,834	-
Fund balances - ending			\$ 11,516,374	530,349

Howard County, Maryland
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budgetary Basis
Forest Conservation Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Developer Contributions-Mitigation	\$ 300,000	300,000	403,368	103,368
Developer Contributions-Inspections	15,000	15,000	20,281	5,281
Fines & Forfeitures	80,000	80,000	34,015	(45,985)
Interest on Investments	2,500	2,500	10,659	8,159
Total revenues	397,500	397,500	468,323	70,823
EXPENDITURES				
Public Works:				
Reforestation Inspections	59,486	59,486	41,344	18,142
Forest Mitigation	764,293	764,293	559,761	204,532
Contingency	1,932,616	1,932,616	-	1,932,616
Total expenditures	2,756,395	2,756,395	601,105	2,155,290
Excess (deficiency) of revenues over expenditures	(2,358,895)	(2,358,895)	(132,782)	2,226,113
OTHER FINANCING SOURCES (USES)				
Appropriation from fund balance	2,358,895	2,358,895	132,284	(2,226,611)
Transfers in	-	-	498	498
Transfers out	-	-	-	-
Total other financing sources (uses)	2,358,895	2,358,895	132,782	(2,226,113)
Net change in fund balance			-	-
Less appropriation from fund balance			(132,284)	-
Fund balances - beginning			4,576,557	-
Fund balances - ending			\$ 4,444,273	-

Howard County, Maryland
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budgetary Basis
Fire and Rescue Reserve Fund
For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	66,314,957	66,314,957	66,376,068	61,111
Revenues from other agencies	-	-	45,310	45,310
Miscellaneous	32,000	32,000	120,891	88,891
Total revenues	66,346,957	66,346,957	66,542,269	195,312
EXPENDITURES				
Public safety:				
Metro fire district	74,546,146	75,042,743	58,077,730	16,965,013
Rural fire district	4,869,428	4,869,428	2,117,813	2,751,615
Total expenditures	79,415,574	79,912,171	60,195,543	19,716,628
Excess (deficiency) of revenues over expenditures	(13,068,617)	(13,565,214)	6,346,726	19,911,940
OTHER FINANCING SOURCES (USES)				
Appropriation from fund balance	16,470,214	16,470,214	-	(16,470,214)
Transfers out	(3,401,597)	(2,905,000)	(2,905,000)	-
Total other financing sources (uses)	13,068,617	13,565,214	(2,905,000)	(16,470,214)
Net change in fund balance			3,441,726	3,441,726
Plus prior year encumbrances lapsed			19,355	-
Fund balances - beginning			18,788,565	-
Fund balances - ending			\$ 22,249,646	3,441,726

Howard County, Maryland
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budgetary Basis
Grants Fund
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Revenue from other agencies:				
Grants from federal government	\$ 25,768,442	27,365,814	8,835,390	(18,530,424)
Grants from state government	11,837,077	11,844,297	11,964,763	120,466
Other Local grants	303,395	303,395	241,669	(61,726)
Total revenue from other agencies	37,908,914	39,513,506	21,041,822	(18,471,684)
Interest on investments	20,000	20,000	2,533	(17,467)
Contingency	30,000,000	28,395,408	-	(28,395,408)
Miscellaneous	5,152,450	5,152,450	1,877,813	(3,274,637)
Total revenues	73,081,364	73,081,364	22,922,168	(50,159,196)
EXPENDITURES				
General government	12,711,034	12,909,094	4,192,943	8,716,151
Public safety	11,036,896	11,036,896	5,278,080	5,758,816
Recreation & parks	156,851	164,071	84,853	79,218
Community services	17,490,091	18,889,403	8,349,914	10,539,489
Public works	7,121,015	7,121,015	3,276,178	3,844,837
Legislative & judicial	695,380	705,386	518,379	187,007
Contingency	30,000,000	28,385,402	-	28,385,402
Total expenditures	79,211,267	79,211,267	21,700,347	57,510,920
Excess (deficiency) of revenues over expenditures	(6,129,903)	(6,129,903)	1,221,821	7,351,724
OTHER FINANCING SOURCES				
Transfers in	6,129,903	6,129,903	-	(6,129,903)
Transfers out	-	-	(4,190,680)	(4,190,680)
Total other financing sources	6,129,903	6,129,903	(4,190,680)	(10,320,583)
Net change in fund balance			(2,968,859)	(2,968,859)
Plus prior year encumbrances lapsed			34,785	-
Adjustment to beginning balance			2,030,725	-
Fund balances - beginning			(8,513,312)	-
Fund balances - ending			\$ (9,416,661)	(2,968,859)

Howard County, Maryland
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budgetary Basis
Health Department Fund
For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from other agencies	\$ 8,116,268	8,116,268	966,091	(7,150,177)
Charges for services	3,385,245	3,385,245	2,998,787	(386,458)
Interest on investments	40,633	40,633	6,450	(34,183)
Other	17,621	17,621	29,312	11,691
Total revenues	11,559,767	11,559,767	4,000,640	(7,559,127)
EXPENDITURES				
Community services:				
General local health services	7,689,912	8,189,912	5,990,471	2,199,441
Targeted funds	2,275,720	1,651,720	402,035	1,249,685
Grant programs	10,598,135	10,722,135	3,868,376	6,853,759
Total expenditures	20,563,767	20,563,767	10,260,882	10,302,885
Excess (deficiency) of revenues over expenditures	(9,004,000)	(9,004,000)	(6,260,242)	2,743,758
OTHER FINANCING SOURCES				
Transfers in	9,004,000	9,004,000	9,004,000	-
Total other financing sources	9,004,000	9,004,000	9,004,000	-
Net change in fund balance			2,743,758	2,743,758
Plus prior year encumbrances lapsed			353,765	-
Fund balances - beginning			4,452,761	-
Fund balances - ending			\$ 7,550,284	2,743,758

Howard County, Maryland
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budgetary Basis
Recreation Program Fund
For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 13,716,973	13,716,973	12,531,912	(1,185,061)
Licenses and permits	-	-	4,516	4,516
Revenue from other governments	-	-	56,073	56,073
Fines and Forfeitures	295,000	295,000	354,465	59,465
Rental of property	166,000	166,000	197,100	31,100
Total revenues	14,177,973	14,177,973	13,144,066	(1,033,907)
EXPENDITURES				
Recreation and parks:				
Administration	14,174,424	14,174,424	11,340,265	2,834,159
Contingency	709,999	709,999	-	709,999
Total expenditures	14,884,423	14,884,423	11,340,265	3,544,158
Excess (deficiency) of revenues over expenditures	(706,450)	(706,450)	1,803,801	2,510,251
OTHER FINANCING (USES)				
Appropriation from fund balance	706,450	706,450	-	(706,450)
Total other financing (uses)	706,450	706,450	-	(706,450)
Net change in fund balance			1,803,801	1,803,801
Plus prior year encumbrances lapsed			16,016	-
Fund balances - beginning			1,911,573	-
Fund balances - ending			\$ 3,731,390	1,803,801

**Howard County, Maryland
Combining Balance Sheet
Non-Major Capital Projects Funds
June 30, 2011**

	Fire Service Bldg & Equip Fund	Public Libraries Fund	Recreation and Parks Fund	Storm Drainage Fund	Total
RESTRICTED ASSETS					
Equity in pooled cash and cash equivalents	\$ 10,659,205	580,733	4,806,573	-	16,046,511
Receivables:					
Due from other governments	265,596	-	531,192	-	796,788
Other	-	-	29,529	-	29,529
Total assets	10,924,801	580,733	5,367,294	-	16,872,828
LIABILITIES					
Due to other funds	-	-	-	1,102,543	1,102,543
Accounts payable/accrued liability	391,333	2,692,482	2,308,072	64,494	5,456,381
Accrued wages and benefits	-	-	4,963	-	4,963
Bond anticipation notes	446,000	6,313,000	2,308,522	1,267,219	10,334,741
Total liabilities	837,333	9,005,482	4,621,557	2,434,256	16,898,628
FUND BALANCES					
Restricted for:					
Park land watershed facilities	-	-	4,267,398	-	4,267,398
Program open space	-	-	229,786	-	229,786
Storm water construction	-	-	-	379,651	379,651
Committed for fire house & training facilities	1,780,827	-	-	-	1,780,827
Assigned for capital projects	8,306,641	-	-	-	8,306,641
Unassigned	-	(8,424,749)	(3,751,447)	(2,813,907)	(14,990,103)
Total fund balances	10,087,468	(8,424,749)	745,737	(2,434,256)	(25,800)
Total liabilities and fund balances	\$ 10,924,801	580,733	5,367,294	-	16,872,828

Howard County, Maryland
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Year Ended June 30, 2011

	Fire Service Bldg & Equip Fund	Public Libraries Fund	Recreation and Parks Fund	Storm Drainage Fund	Total
REVENUES					
Other local taxes	\$ 2,664,957	-	5,329,914	-	7,994,871
Revenues from other agencies	21,192	1,048,877	2,669,501	1,122,794	4,862,364
Developer contributions	-	-	51,000	127,620	178,620
Interest on investments	23,070	-	-	-	23,070
Miscellaneous program revenues	-	-	187,586	28,739	216,325
Total revenues	2,709,219	1,048,877	8,238,001	1,279,153	13,275,250
EXPENDITURES					
Capital improvements	3,661,507	12,788,488	14,813,142	5,948,544	37,211,681
Total expenditures	3,661,507	12,788,488	14,813,142	5,948,544	37,211,681
Excess (deficiency) of revenues over expenditures	(952,288)	(11,739,611)	(6,575,141)	(4,669,391)	(23,936,431)
OTHER FINANCING SOURCES (USES)					
Bond premium	45,091	154,377	400,242	137,375	737,085
Capital related debt issued	1,088,000	3,725,000	9,657,518	3,314,757	17,785,275
Transfers in	2,505,000	4,680	1,307	4,607	2,515,594
Transfers out	(1,168,168)	-	(4,000,629)	-	(5,168,797)
Total other financing sources and (uses)	2,469,923	3,884,057	6,058,438	3,456,739	15,869,157
Net change in fund balances	1,517,635	(7,855,554)	(516,703)	(1,212,652)	(8,067,274)
Fund balances - beginning	8,569,833	(569,195)	1,262,440	(1,221,604)	8,041,474
Fund balances - ending	\$ 10,087,468	(8,424,749)	745,737	(2,434,256)	(25,800)



Kayaking

Howard County is very fortunate to be surrounded by many waterways, including the scenic Little Patuxent River which runs right through the county. This river offers whitewater kayaking, rafting, and paddling and is labeled as a difficult course. Tour groups in the County also offer group instruction for all ages on the tame Centennial Lake and throughout the calm lakes and tributaries that lead to the Chesapeake Bay.

Internal Service Funds

Internal service funds are used to account for the financing, on a cost-reimbursement basis, of goods and services provided by one department to other departments within the County.



Howard County, Maryland
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	Fleet Operations	Technology and Communications	Risk Management Self- Insurance	Employee Benefits Self- Insurance	Total
ASSETS					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 4,586,303	7,893,037	9,093,982	11,749,002	33,322,324
Due from other governments	-	-	-	1,502,371	1,502,371
Receivables	72,222	158,976	225,268	-	456,466
Materials and supplies	676,929	616,605	-	-	1,293,534
Total current assets	5,335,454	8,668,618	9,319,250	13,251,373	36,574,695
Noncurrent assets:					
Capital asset:					
Machinery and equipment, net	16,258,938	1,484,521	-	-	17,743,459
Total noncurrent assets	16,258,938	1,484,521	-	-	17,743,459
Total assets	21,594,392	10,153,139	9,319,250	13,251,373	54,318,154
LIABILITIES					
Current liabilities:					
Accounts payable	191,061	535,845	393,006	580,801	1,700,713
Accrued wages and benefits	233,488	310,243	25,444	10,841	580,016
Compensated absences	13,049	30,319	2,154	1,063	46,585
Unpaid insurance claims	-	-	2,783,330	2,458,763	5,242,093
Deposits and connection fees	-	75,000	-	-	75,000
Other accrued expenses	-	-	-	41,917	41,917
Total current liabilities	437,598	951,407	3,203,934	3,093,385	7,686,324
Noncurrent liabilities:					
Compensated Absences	314,422	571,589	31,027	7,377	924,415
Unpaid insurance claims	-	-	6,553,090	24,836	6,577,926
Total noncurrent liabilities	314,422	571,589	6,584,117	32,213	7,502,341
Total liabilities	752,020	1,522,996	9,788,051	3,125,598	15,188,665
NET ASSETS					
Invested in capital assets, net of related debt	16,258,938	1,484,521	-	-	17,743,459
Unrestricted	4,583,434	7,145,622	(468,801)	10,125,775	21,386,030
Total net assets	\$ 20,842,372	8,630,143	(468,801)	10,125,775	39,129,489

Howard County, Maryland
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

	Fleet Operations	Technology and Communications	Risk Management Self- Insurance	Employee Benefits Self- Insurance	Total
Operating revenues:					
User charges	\$ 14,685,701	14,101,024	4,468,321	36,111,385	69,366,431
Insurance recoveries	-	-	594,662	658,426	1,253,088
Miscellaneous sales and services	365,958	1,596,892	-	-	1,962,850
Total operating revenues	15,051,659	15,697,916	5,062,983	36,769,811	72,582,369
Operating expenses:					
Salaries and employee benefits	3,554,614	5,603,413	581,973	332,352	10,072,352
Contractual services	1,850,700	7,031,323	477,952	256,427	9,616,402
Supplies and materials	427,400	1,746,464	6,822	790	2,181,476
Business and travel	3,697	51,273	1,717	-	56,687
Vehicle fuels and supplies	6,172,555	427,651	342	-	6,600,548
Share of county administrative expenses	144,514	118,279	354,167	29,988	646,948
Insurance claims	2,242	-	3,905,997	37,096,888	41,005,127
Other administrative	-	-	-	-	-
Depreciation	4,409,761	448,362	-	-	4,858,123
Total operating expenses	16,565,483	15,426,765	5,328,970	37,716,445	75,037,663
Operating (loss) income	(1,513,824)	271,151	(265,987)	(946,634)	(2,455,294)
Nonoperating revenues (expenses)					
Interest on investments	7,866	14,945	20,134	28,949	71,894
(Loss) gain on sale of capital assets	(300,017)	1,200	-	-	(298,817)
Total nonoperating revenues	(292,151)	16,145	20,134	28,949	(226,923)
Net (loss) income before transfers	(1,805,975)	287,296	(245,853)	(917,685)	(2,682,217)
Transfers in	533,979	434,452	-	-	968,431
Transfers out	(7,866)	(14,945)	-	(28,949)	(51,760)
Change in net assets	(1,279,862)	706,803	(245,853)	(946,634)	(1,765,546)
Total net assets - beginning	22,122,234	7,923,340	(222,948)	11,072,409	40,895,035
Total net assets - ending	\$ 20,842,372	8,630,143	(468,801)	10,125,775	39,129,489

Howard County, Maryland
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Fleet Operations	Technology and Communications	Risk Management Self-Insurance	Employee Benefits Self-Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 14,979,660	15,593,380	4,468,053	36,110,275	71,151,368
Cash paid to suppliers	(6,736,483)	(4,073,106)	(3,954,310)	(36,898,696)	(51,662,595)
Cash paid to/ for employees	(3,581,120)	(5,599,497)	(597,174)	(354,735)	(10,132,526)
Cash paid for quasi-external transactions	(1,929,767)	(4,949,715)	(360,237)	(107,551)	(7,347,270)
Other operating cash receipts	-	176,372	594,662	-	771,034
Net cash provided by (used in) operating activities	<u>2,732,290</u>	<u>1,147,434</u>	<u>150,994</u>	<u>(1,250,707)</u>	<u>2,780,011</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies and transfers to other funds	<u>(7,866)</u>	<u>(14,945)</u>	<u>-</u>	<u>(28,949)</u>	<u>(51,760)</u>
Net cash used in noncapital financing activities	<u>(7,866)</u>	<u>(14,945)</u>	<u>-</u>	<u>(28,949)</u>	<u>(51,760)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	<u>(1,734,570)</u>	<u>(310,529)</u>	<u>-</u>	<u>-</u>	<u>(2,045,099)</u>
Net cash used in capital and related financing activities	<u>(1,734,570)</u>	<u>(310,529)</u>	<u>-</u>	<u>-</u>	<u>(2,045,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	<u>7,866</u>	<u>14,945</u>	<u>20,134</u>	<u>28,949</u>	<u>71,894</u>
Net cash provided by investing activities	<u>7,866</u>	<u>14,945</u>	<u>20,134</u>	<u>28,949</u>	<u>71,894</u>
Net increase (decrease) in cash and cash equivalents	997,720	836,905	171,128	(1,250,707)	755,046
Cash and cash equivalents - beginning of the year	<u>3,588,583</u>	<u>7,056,132</u>	<u>8,922,854</u>	<u>12,999,709</u>	<u>32,567,278</u>
Cash and cash equivalents - end of the year	<u>4,586,303</u>	<u>7,893,037</u>	<u>9,093,982</u>	<u>11,749,002</u>	<u>33,322,324</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating (loss) income	<u>(1,513,824)</u>	<u>271,151</u>	<u>(265,987)</u>	<u>(946,634)</u>	<u>(2,455,294)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	4,409,761	448,362	-	-	4,858,123
Change in assets and liabilities:					
Decrease (increase) other assets	19,643	120,738	(268)	(659,537)	(519,424)
(Decrease) increase accounts and other payables	<u>(183,290)</u>	<u>307,183</u>	<u>417,249</u>	<u>355,464</u>	<u>896,606</u>
Total adjustments	<u>4,246,114</u>	<u>876,283</u>	<u>416,981</u>	<u>(304,073)</u>	<u>5,235,305</u>
Net cash provided by (used in) operating activities	<u>\$ 2,732,290</u>	<u>1,147,434</u>	<u>150,994</u>	<u>(1,250,707)</u>	<u>2,780,011</u>



James N. Robey Public Safety Training Center

The Public Safety Training Center, named and dedicated on October 29, 2007 after former Police Chief and County Executive James N. Robey, is the first of its kind for the County because of both its capabilities to train both fire and police personnel and its state-of-the-art technology. The facility houses 14 classrooms, 16 offices, a large conference room, police and fire simulations, K-9 training, a firefighting tower, and an indoor firing range.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and which cannot be used to support the government's own programs.



Howard County, Maryland
Combining Statement of Net Assets
Pension and Other Post Employment Benefits Trust Funds
June 30, 2011

	Howard County Retirement Plan	Howard County Police and Fire Employees' Retirement Plan	Howard County Other Post Employment Benefits Fund	Total
ASSETS				
Receivables:				
Interest and dividends	\$ 470,105	527,580	50	997,735
Employer contributions	832,938	1,219,803	-	2,052,741
Employee contributions	172,131	392,635	-	564,766
Sale of investments	428,230	480,545	-	908,775
Other	25,055	28,116	-	53,171
Investments, at fair value:				
Cash	-	-	10,349	10,349
Common stocks	77,070,849	86,486,277	-	163,557,126
Mutual funds	81,643,824	91,617,914	24,231,214	197,492,952
Money market funds	1,951,481	3,102,867	605,115	5,659,463
Fixed income securities	83,076,907	93,226,071	-	176,302,978
Real estate	12,363,469	13,873,862	-	26,237,331
Prepaid insurance	24,871	28,658	-	53,529
Total assets	258,059,860	290,984,328	24,846,728	573,890,916
LIABILITIES				
Accounts payable				
Investments purchased	314,688	353,132	-	667,820
Other	268,879	296,547	986,541	1,551,967
Total liabilities	583,567	649,679	986,541	2,219,787
Net assets held in trust for pension and other post employment benefits	\$ 257,476,293	290,334,649	23,860,187	571,671,129

Howard County, Maryland
Combining Statement of Changes in Net Assets
Pension and Other Post Employment Benefits Trust Funds
For the Year Ended June 30, 2011

	Howard County Retirement Plan	Howard County Police and Fire Employees' Retirement Plan	Howard County Other Post Employment Benefits Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 10,303,986	15,676,918	11,631,993	37,612,897
Member	2,168,696	5,712,580	-	7,881,276
Total contributions	12,472,682	21,389,498	11,631,993	45,494,173
Investment income:				
Net change in fair value of investments	38,791,182	40,151,093	3,690,705	82,632,980
Interest	2,246,630	2,519,721	-	4,766,351
Dividends	4,786,061	5,371,664	612,963	10,770,688
Other	43,527	75,542	-	119,069
Investment expense	(1,019,571)	(1,128,118)	(76,707)	(2,224,396)
Net investment (loss) income	44,847,829	46,989,902	4,226,961	96,064,692
Total additions	57,320,511	68,379,400	15,858,954	141,558,865
DEDUCTIONS				
Benefits	7,629,430	11,701,509	11,765,007	31,095,946
Administrative expenses	239,161	250,394	53,859	543,414
Total deductions	7,868,591	11,951,903	11,818,866	31,639,360
Change in net assets	49,451,920	56,427,497	4,040,088	109,919,505
Net assets - beginning of year	208,024,373	233,907,152	19,820,099	461,751,624
Net assets - end of year	\$ 257,476,293	290,334,649	23,860,187	571,671,129

Howard County, Maryland
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2011

	Street Light District Fund	State Property Tax and Interest Fund	Road Surety Deposit Fund	Multifarious Fund	Total
ASSETS					
Equity in pooled cash and cash equivalents	\$ 1,750,269	882,302	2,359,230	906,068	5,897,869
Property taxes receivable	-	310,144	-	-	310,144
Other receivable	-	-	-	2,837	2,837
Total assets	1,750,269	1,192,446	2,359,230	908,905	6,210,850
LIABILITIES					
Accounts payable	-	1,049,744	-	-	1,049,744
Deposits	1,750,269	142,702	2,359,230	822,141	5,074,342
Other	-	-	-	86,764	86,764
Total liabilities	\$ 1,750,269	1,192,446	2,359,230	908,905	6,210,850

Howard County, Maryland
Combining Statement of Changes Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Street Light District Fund</u>				
ASSETS				
Equity in pooled cash and cash equivalents	\$ 1,467,736	1,770,860	1,488,327	1,750,269
Total assets	1,467,736	1,770,860	1,488,327	1,750,269
LIABILITIES				
Accounts payable	153,376	127,967	281,343	-
Deposits	1,314,360	566,877	130,968	1,750,269
Total liabilities	1,467,736	694,844	412,311	1,750,269
<u>State Property Tax and Interest Fund</u>				
ASSETS				
Equity in pooled cash and cash equivalents	762,392	178,319,478	178,199,568	882,302
Property taxes receivable	204,780	118,748,973	118,643,609	310,144
Total assets	967,172	297,068,451	296,843,177	1,192,446
LIABILITIES				
Accounts payable	4,467	159,353,992	158,308,715	1,049,744
Deposits	962,705	56,899,982	57,719,985	142,702
Total liabilities	967,172	216,253,974	216,028,700	1,192,446
<u>Road Surety Deposit Fund</u>				
ASSETS				
Equity in pooled cash and cash equivalents	2,011,489	1,272,562	924,821	2,359,230
Property taxes receivable	1,200	2,500	3,700	-
Total assets	2,012,689	1,275,062	928,521	2,359,230
LIABILITIES				
Deposits	2,012,689	3,563,394	3,216,853	2,359,230
Total liabilities	2,012,689	3,563,394	3,216,853	2,359,230
<u>Multifarious Fund</u>				
ASSETS				
Equity in pooled cash and cash equivalents	706,318	2,655,239	2,455,489	906,068
Other receivable	3,562	38,475	39,200	2,837
Total assets	709,880	2,693,714	2,494,689	908,905
LIABILITIES				
Deposits	709,880	2,497,658	2,385,397	822,141
Other liabilities	-	207,606	120,842	86,764
Total liabilities	709,880	2,705,264	2,506,239	908,905
<u>Totals - All Agency Funds</u>				
ASSETS				
Equity in pooled cash and cash equivalents	4,947,935	184,018,139	183,068,205	5,897,869
Property taxes receivable	205,980	118,751,473	118,647,309	310,144
Other receivable	3,562	38,475	39,200	2,837
Total assets	5,157,477	302,808,087	301,754,714	6,210,850
LIABILITIES				
Accounts payable	157,843	159,481,959	158,590,058	1,049,744
Deposits	4,999,634	63,527,911	63,453,203	5,074,342
Other liabilities	-	207,606	120,842	86,764
Total liabilities	\$ 5,157,477	223,217,476	222,164,103	6,210,850

**Capital Assets Used in the Operation of
Governmental Funds**



Howard County, Maryland
Schedule by Function and Activity
Capital Assets Used in the Operation of Governmental Funds
June 30, 2011

Function and Activity	Improvements			Equipment	Construction In Progress	Total
	Land and Land Improvements	Buildings	Other Than Buildings			
General government:						
County executive	-	-	7,314	6,020	-	13,334
Technology and communication	-	-	-	7,943,142	-	7,943,142
Finance	-	-	-	4,132,490	-	4,132,490
Law	-	-	-	35,984	-	35,984
County administration	-	-	31,810,224	1,017,865	-	32,828,089
Total general government	-	-	31,817,538	13,135,501	-	44,953,039
Public safety:						
Corrections	-	-	-	149,893	-	149,893
Fire	1,116,001	6,617,241	8,820	29,784,822	-	37,526,884
Police	-	-	-	9,211,710	-	9,211,710
Total public safety	1,116,001	6,617,241	8,820	39,146,425	-	46,888,487
Public facilities:						
Public works	290,682,636	150,473,421	315,097,987	3,915,333	-	760,169,377
Planning and zoning	-	-	-	427,053	-	427,053
Inspections, licenses and permits	-	-	-	3,108,005	-	3,108,005
Transportation	3,013,631	-	-	7,867,966	-	10,881,597
Total public facilities	293,696,267	150,473,421	315,097,987	15,318,357	-	774,586,032
Legislative and judicial:						
Board of elections	-	-	-	47,840	-	47,840
Circuit court	-	-	-	80,629	-	80,629
County council	-	-	-	15,280	-	15,280
State's attorney	-	-	-	59,229	-	59,229
Sheriff	-	-	-	62,423	-	62,423
Total legislative and judicial	-	-	-	265,401	-	265,401
Community services:						
Citizen services	-	-	-	127,837	-	127,837
Health department	-	-	-	1,042,042	-	1,042,042
Housing and community development	490,900	3,400,119	-	107,324	-	3,998,343
Library	2,280,637	32,058,771	44,523	121,181	-	34,505,112
Social services	-	-	-	263,804	-	263,804
Total community services	2,771,537	35,458,890	44,523	1,662,188	-	39,937,138
Recreation and parks:						
Recreation and parks	95,844,437	23,944,604	33,341,954	1,560,717	-	154,691,712
Total recreation and parks	95,844,437	23,944,604	33,341,954	1,560,717	-	154,691,712
Agricultural land preservation:						
Agricultural land easements	76,946,200	-	-	-	-	76,946,200
Total agricultural land preservation	76,946,200	-	-	-	-	76,946,200
Construction in progress	-	-	-	-	312,993,326	312,993,326
Total governmental funds capital assets	470,374,442	216,494,156	380,310,822	71,088,589	312,993,326	1,451,261,335

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Howard County, Maryland
Schedule of Changes by Function and Activity
Capital Assets Used in the Operation of Governmental Funds
For the Year Ended June 30, 2011

Function and Activity	Balances		Assets		Balances		Allowance for Depreciation		Balances	
	June 30, 2010		Additions	Deductions	June 30, 2011	June 30, 2010	Additions	Deductions	June 30, 2011	
General government:										
County executive	13,334	-	-	-	13,334	7,966	487	-	8,453	
Technology and communication	6,336,091	2,642,115	1,035,064	7,943,142	878,308	3,057,438	7,178	3,928,568		
Finance	4,148,449	-	15,959	4,132,490	3,212,188	364,335	15,959	3,560,564		
Law	35,984	-	-	35,984	34,184	314	-	34,498		
County administration	32,835,523	-	7,434	32,828,089	17,266,983	1,589,417	7,433	18,848,967		
Total general government	43,369,381	2,642,115	1,058,457	44,953,039	21,399,629	5,011,991	30,570	26,381,050		
Public safety:										
Corrections	83,810	66,083	-	149,893	83,810	45,284	-	129,094		
Fire	37,187,475	887,618	548,209	37,526,884	19,626,122	2,198,363	255,559	21,568,926		
Police	8,861,906	380,857	31,053	9,211,710	6,055,654	808,269	7,851	6,856,072		
Total public safety	46,133,191	1,334,558	579,262	46,888,487	25,765,586	3,051,916	263,410	28,554,092		
Public facilities:										
Public works	714,107,329	48,199,958	2,137,910	760,169,377	175,357,073	11,520,687	22,448	186,855,312		
Planning and zoning	4,535,623	3,759,812	7,868,382	427,053	2,821,957	445,979	2,966,043	301,893		
Inspections, licenses and permits	3,119,908	-	11,903	3,108,005	2,717,089	402,819	11,903	3,108,005		
Transportation	1,032,084	9,849,513	-	10,881,597	143,345	2,493,435	-	2,636,780		
Total public facilities	722,794,944	61,809,283	10,018,195	774,586,032	181,039,464	14,862,920	3,000,394	192,901,990		
Legislative and judicial:										
Board of elections	47,840	-	-	47,840	47,840	-	-	47,840		
Circuit court	80,629	-	-	80,629	51,130	9,824	-	60,954		
County council	15,280	-	-	15,280	15,280	-	-	15,280		
States attorney	59,229	-	-	59,229	59,230	-	-	59,230		
Sheriff	104,020	-	41,597	62,423	87,559	4,286	41,597	50,248		
Total legislative and judicial	306,998	-	41,597	265,401	261,039	14,110	41,597	233,552		
Community services:										
Citizen services	127,837	-	-	127,837	125,114	300	-	125,414		
Health department	1,042,042	-	-	1,042,042	764,546	61,051	-	825,597		
Housing and community development	4,972,943	-	974,600	3,998,343	2,583,343	94,200	813,871	1,863,672		
Library	34,505,112	-	-	34,505,112	11,239,886	641,176	-	11,881,062		
Social services	263,804	-	-	263,804	263,804	-	-	263,804		
Total community services	40,911,738	-	974,600	39,937,138	14,976,693	796,727	813,871	14,959,549		
Recreation and parks:										
Recreation and parks	150,973,576	6,130,788	2,412,652	154,691,712	29,776,717	1,817,063	1,079,714	30,514,066		
Total recreation and parks	150,973,576	6,130,788	2,412,652	154,691,712	29,776,717	1,817,063	1,079,714	30,514,066		
Agricultural land preservation:										
Agricultural land easements	65,530,200	11,416,000	-	76,946,200	-	-	-	-		
Total agricultural land preservation	65,530,200	11,416,000	-	76,946,200	-	-	-	-		
Total county government	1,070,020,028	83,332,744	15,084,763	1,138,268,009	273,219,128	25,554,727	5,229,556	293,544,299		
Construction in progress	250,749,696	*	131,032,732	68,789,102	312,993,326	-	-	-		
Total governmental funds capital assets	1,320,769,724	214,365,476	83,873,865	1,451,261,335	273,219,128	25,554,727	5,229,556	293,544,299		

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

* Restated due to prior period adjustment

**Capital Assets Used in the Operation of
Enterprise Funds**



Howard County, Maryland
Capital Assets and Depreciation
Capital Assets Used in the Operation of Enterprise Funds
For the Year Ended June 30, 2011

	Balances	Assets		Balances	Balances June 30, 2010	Allowance for Depreciation		Balances
	June 30, 2010	Additions	Deductions	June 30, 2011		Additions	Deductions	June 30, 2011
Land:								
Utility	\$ 2,117,977	-	-	2,117,977	-	-	-	-
Golf Course	8,684,896	-	-	8,684,896	-	-	-	-
Total land	10,802,873	-	-	10,802,873	-	-	-	-
Buildings:								
Utility	128,127,400	-	-	128,127,400	52,576,511	2,543,427	-	55,119,938
Golf Course	1,058,133	-	-	1,058,133	379,321	21,163	-	400,484
Total buildings	129,185,533	-	-	129,185,533	52,955,832	2,564,590	-	55,520,422
Improvements other than buildings:								
Utility	55,456,780	212,701	-	55,669,481	28,043,680	1,991,061	-	30,034,741
Golf course	148,004	-	-	148,004	35,617	7,400	-	43,017
Total improvements	55,604,784	212,701	-	55,817,485	28,079,297	1,998,461	-	30,077,758
Infrastructure								
Utility	474,356,530	16,737,140	-	491,093,670	211,960,603	9,072,426	-	221,033,029
Golf course	-	-	-	-	-	-	-	-
Total improvements	474,356,530	16,737,140	-	491,093,670	211,960,603	9,072,426	-	221,033,029
Machinery and equipment:								
Utility	3,183,520	100,751	16,928	3,267,343	2,093,807	173,378	16,928	2,250,257
Golf course	482,060	-	-	482,060	350,444	21,245	-	371,689
Total machinery and equipment	3,665,580	100,751	16,928	3,749,403	2,444,251	194,623	16,928	2,621,946
Grand total	\$ 673,615,300	17,050,592	16,928	690,648,964	295,439,983	13,830,100	16,928	309,253,155



North Laurel Community Center

Opened in June 2011, the 63,000 square foot facility is home to a senior center, fitness room, dance and aerobics room, gymnasium, walking track, classrooms, spaces for meetings, and offices for county officials. An adjoining park to the North Laurel Community Center has a skate park, playing fields, playgrounds, and picnic tables. The entire project covers 51 acres.

Long-Term Debt

Liabilities of the County represented by outstanding general obligation bonds and other long-term debt.



Howard County, Maryland
Schedule of General Long-Term Debt - General County Bonds
Long-Term Obligations
June 30, 2011

Type of Debt	Maturity	Rate of Interest	Issued	Outstanding	Interest Payable to Maturity	Total Due to Maturity
General improvement bonds:						
06-29-99	2000-2016	2.41	14,210,000	4,050,000	625,373	4,675,373
02-01-02	2002-2015	3.40 - 5.25	26,559,453	6,177,801	644,894	6,822,695
06-01-03	2003-2023	2.00 - 5.00	26,565,326	4,540,213	764,552	5,304,765
02-01-04	2004-2024	2.00 - 5.00	37,724,019	26,842,739	8,169,443	35,012,182
01-01-05	2005-2025	3.00 - 4.25	13,716,504	9,644,604	2,812,660	12,457,264
01-15-06	2006-2026	3.50 - 4.50	23,906,607	13,824,428	5,590,976	19,415,404
03-15-07	2007-2027	4.00 - 5.00	16,490,227	8,014,662	3,156,269	11,170,931
12-19-07	2009-2019	3.75 - 5.00	29,567,105	17,103,735	2,253,502	19,357,237
02-27-08	2009-2028	3.00 - 5.00	46,633,639	29,099,678	12,882,565	41,982,243
03-23-09	2010-2029	3.50 - 5.00	20,124,587	18,805,542	9,112,578	27,918,120
12-08-09	2011-2022	2.00 - 5.00	24,381,235	24,381,235	9,014,703	33,395,938
03-16-10	2011-2023	3.00 - 5.00	10,746,917	10,328,135	3,069,016	13,397,151
03-16-10	2024-2030	5.00 - 5.55	6,245,844	6,245,843	5,327,258	11,573,101
03-09-11	2012-2031	4.00 - 5.00	46,678,279	46,678,279	23,799,045	70,477,324
Total general improvement bonds			343,549,742	225,736,894	87,222,834	312,959,728
Storm drain bonds:						
02-01-02	2002-2015	3.40 - 5.25	2,394,309	628,240	66,186	694,426
06-01-03	2003-2023	2.00 - 5.00	1,903,649	458,225	74,090	532,315
02-01-04	2004-2024	2.00 - 5.00	2,214,872	1,692,909	534,712	2,227,621
01-01-05	2005-2025	3.00 - 4.25	341,954	261,953	85,553	347,506
01-15-06	2006-2026	3.50 - 4.50	1,745,637	1,099,109	459,013	1,558,122
03-15-07	2007-2027	4.00 - 5.00	2,465,000	1,299,328	582,297	1,881,625
12-19-07	2009-2019	3.75 - 5.00	897,891	519,404	68,434	587,838
02-27-08	2009-2028	3.00 - 5.00	1,344,420	887,563	420,094	1,307,657
03-23-09	2010-2029	3.50 - 5.00	1,920,227	1,794,988	870,236	2,665,224
12-08-09	2011-2022	2.00 - 5.00	1,639,668	1,639,668	606,250	2,245,918
03-16-10	2011-2023	3.00 - 5.00	2,357,743	2,265,867	673,305	2,939,172
03-09-11	2012-2031	4.00 - 5.00	3,314,757	3,314,757	1,690,038	5,004,795
Total storm drain bonds			22,540,127	15,862,011	6,130,208	21,992,219
Police department bonds:						
02-01-02	2002-2015	3.40 - 5.25	1,585,542	465,731	50,176	515,907
06-01-03	2003-2023	2.00 - 5.00	874,118	424,334	57,851	482,185
02-01-04	2004-2024	2.00 - 5.00	2,754,040	1,871,848	634,004	2,505,852
01-01-05	2005-2025	3.00 - 4.25	1,978,000	1,515,244	494,875	2,010,119
01-15-06	2006-2026	3.50 - 4.50	1,432,986	902,254	376,802	1,279,056
03-15-07	2007-2027	4.00 - 5.00	176,319	92,940	41,653	134,593
12-19-07	2009-2019	3.75 - 5.00	472,855	273,533	36,039	309,572
02-27-08	2009-2028	3.00 - 5.00	16,000	10,563	5,003	15,566
03-23-09	2010-2029	3.50 - 5.00	357,459	334,145	161,998	496,143
12-08-09	2011-2022	2.00 - 5.00	544,524	544,524	201,332	745,856
03-16-10	2011-2023	3.00 - 5.00	161,000	154,726	45,977	200,703
03-16-10	2024-2030	5.00 - 5.55	623,000	623,000	531,374	1,154,374
03-09-11	2012-2031	4.00 - 5.00	157,000	157,000	80,047	237,047
Total police department bonds			11,132,843	7,369,842	2,717,131	10,086,973
Fire department bonds:						
02-01-02	2002-2015	3.40 - 5.25	1,838,425	633,973	70,176	704,149
06-01-03	2003-2023	2.00 - 5.00	793,991	437,302	58,674	495,976
02-01-04	2004-2024	2.00 - 5.00	1,060,772	858,507	262,408	1,120,915
03-15-07	2007-2027	4.00 - 5.00	134,000	70,633	31,654	102,287
12-19-07	2009-2019	3.75 - 5.00	1,127,193	652,050	85,911	737,961
02-27-08	2009-2028	3.00 - 5.00	559,000	369,042	174,674	543,716
03-23-09	2010-2029	3.50 - 5.00	6,022,000	5,629,239	2,729,135	8,358,374
12-08-09	2011-2022	2.00 - 5.00	252,171	252,171	93,237	345,408
03-16-10	2011-2023	3.00 - 5.00	630,000	605,450	179,910	785,360
03-16-10	2024-2030	5.00 - 5.55	955,000	955,000	814,546	1,769,546
03-09-11	2012-2031	4.00 - 5.00	1,088,000	1,088,000	554,720	1,642,720
Total fire department bonds			14,460,552	11,551,367	5,055,045	16,606,412

(Continued)

Howard County, Maryland
Schedule of General Long-Term Debt - General County Bonds
Long-Term Obligations
June 30, 2011

Type of Debt	Maturity	Rate of Interest	Issued	Outstanding	Interest Payable to Maturity	Total Due to Maturity
School bonds:						
02-01-02	2002-2015	3.40 - 5.25	70,208,285	17,616,789	1,837,980	19,454,769
06-01-03	2003-2023	2.00 - 5.00	44,571,096	13,407,418	2,464,602	15,872,020
02-01-04	2004-2024	2.00 - 5.00	78,248,341	60,517,213	18,767,127	79,284,340
01-01-05	2005-2025	3.00 - 4.25	43,148,176	33,053,589	10,795,216	43,848,805
01-15-06	2006-2026	3.50 - 4.50	62,704,950	39,076,356	16,319,234	55,395,590
03-15-07	2007-2027	4.00 - 5.00	59,669,454	31,587,656	14,468,870	46,056,526
12-19-07	2009-2019	3.75 - 5.00	42,951,282	24,846,103	3,273,598	28,119,701
02-27-08	2009-2028	3.00 - 5.00	48,722,941	32,163,510	15,221,796	47,385,306
03-23-09	2010-2029	3.50 - 5.00	28,734,289	26,859,320	13,021,149	39,880,469
12-08-09	2011-2022	2.00 - 5.00	48,771,399	48,771,399	18,032,708	66,804,107
03-16-10	2011-2023	3.00 - 5.00	30,940,242	29,734,573	8,835,660	38,570,233
03-16-10	2011-2017	0.60 - 3.70	12,590,000	21,799,156	18,593,119	40,392,275
03-16-10	2024-2030	5.00 - 5.55	21,799,156	10,855,000	1,149,480	12,004,480
03-09-11	2012-2031	4.00 - 5.00	42,719,327	42,719,327	21,780,563	64,499,890
Total school bonds			635,778,938	433,007,409	164,561,102	597,568,511
Community renewal bonds:						
02-01-02	2002-2015	3.40 - 5.25	1,845,230	597,419	65,469	662,888
06-01-03	2003-2023	2.00 - 5.00	1,534,126	266,289	37,874	304,163
02-01-04	2004-2024	2.00 - 5.00	684,423	525,746	165,579	691,325
01-01-05	2005-2025	3.00 - 4.25	20,000	15,321	5,004	20,325
12-19-07	2009-2019	3.75 - 5.00	3,139,952	1,816,373	239,316	2,055,689
12-08-09	2011-2022	2.00 - 5.00	64,052	64,052	23,682	87,734
Total community renewal bonds			7,287,783	3,285,200	536,924	3,822,124
Recreation and parks bonds:						
02-01-02	2002-2015	3.40 - 5.25	5,881,846	1,798,897	195,225	1,994,122
06-01-03	2003-2023	2.00 - 5.00	7,485,140	1,036,672	147,403	1,184,075
02-01-04	2004-2024	2.00 - 5.00	3,247,873	2,388,335	771,632	3,159,967
01-01-05	2005-2025	3.00 - 4.25	245,442	188,020	61,407	249,427
01-15-06	2006-2026	3.50 - 4.50	10,481	6,599	2,755	9,354
03-15-07	2007-2027	4.00 - 5.00	3,328,000	1,754,225	786,156	2,540,381
12-19-07	2009-2019	3.75 - 5.00	6,253,677	3,617,576	476,634	4,094,210
02-27-08	2009-2028	3.00 - 5.00	59,000	38,951	18,440	57,391
03-23-09	2010-2029	3.50 - 5.00	533,230	498,452	241,657	740,109
12-08-09	2011-2022	2.00 - 5.00	1,322,416	1,322,416	488,949	1,811,365
03-16-10	2011-2023	3.00 - 5.00	6,000	5,766	1,713	7,479
03-16-10	2024-2030	5.00 - 5.55	1,047,000	1,047,000	893,016	1,940,016
03-09-11	2012-2031	4.00 - 5.00	9,657,518	9,657,518	4,923,912	14,581,430
Total recreation and parks bonds			39,077,623	23,360,427	9,008,899	32,369,326
Community college bonds:						
02-01-02	2002-2015	3.40 - 5.25	1,851,909	491,151	51,860	543,011
06-01-03	2003-2023	2.00 - 5.00	11,042,554	1,929,547	508,742	2,438,289
02-01-04	2004-2024	2.00 - 5.00	7,370,659	5,692,702	1,787,232	7,479,934
01-01-05	2005-2025	3.00 - 4.25	549,925	421,269	137,585	558,854
01-15-06	2006-2026	3.50 - 4.50	1,574,339	991,254	413,973	1,405,227
03-15-07	2007-2027	4.00 - 5.00	17,737,000	9,380,555	4,279,100	13,659,655
12-19-07	2009-2019	3.75 - 5.00	3,010,045	1,741,226	229,415	1,970,641
02-27-08	2009-2028	3.00 - 5.00	10,165,000	6,710,693	3,176,224	9,886,917
03-23-09	2010-2029	3.50 - 5.00	12,028,208	11,243,315	5,450,634	16,693,949
12-08-09	2011-2022	2.00 - 5.00	8,884,535	8,884,535	3,284,963	12,169,498
03-16-10	2011-2023	3.00 - 5.00	4,173,098	4,010,482	1,191,719	5,202,201
03-16-10	2024-2030	5.00 - 5.55	8,735,000	8,735,000	7,450,329	16,185,329
03-09-11	2012-2031	4.00 - 5.00	7,500,119	7,500,119	3,823,957	11,324,076
Total community college bonds			94,622,391	67,731,848	31,785,733	99,517,581
Total bonds			\$ 1,168,449,999	787,904,998	307,017,876	1,094,922,874

Howard County, Maryland
Schedule of Changes in Long-Term Debt
Long-Term Obligations
For the Year Ended June 30, 2011

	Balance June 30, 2010	Issued	Retired	Balance June 30, 2011
General county bonds:				
General improvement	\$ 195,518,013	46,678,279	16,459,398	225,736,894
Storm drain	13,433,619	3,314,757	886,365	15,862,011
Police department	7,738,478	157,000	525,636	7,369,842
Fire department	11,109,451	1,088,000	646,084	11,551,367
School bonds	418,128,184	42,719,327	27,840,102	433,007,409
Community renewal bonds	4,047,229	-	762,029	3,285,200
Recreation and parks bonds	16,000,908	9,657,518	2,297,999	23,360,427
Community college bonds	63,124,120	7,500,119	2,892,391	67,731,848
Total bonds	729,100,002	111,115,000	52,310,004	787,904,998
Other long-term debt:				
Compensated absences	20,268,672	1,172,309	555,209	20,885,772
Capital leases	4,888,717	186,598	130,173	4,945,142
Landfill closure obligation	35,002,000	1,339,000	-	36,341,000
Agricultural land preservation program	60,998,200	10,274,400	151,000	71,121,600
Total other long-term debt	121,157,589	12,972,307	836,382	133,293,514
Total long-term debt	\$ 850,257,591	124,087,307	53,146,386	921,198,512 *

* Does not include deferred refunding premium liability of \$48,895,503, economic refunding loss of (\$8,402,125), unpaid insurance claims of \$11,820,019 and net OPEB obligation of \$219,833,035 shown in the Statement of Net Assets.

Howard County, Maryland
Schedule of Bonded and Other Long-Term Debt
Enterprise Fund
June 30, 2011

Date of Issue	Maturity	Rate of Interest	Amount Issued	Outstanding	Interest Payable to Maturity	Total Due to Maturity
Metropolitan district bonds:						
02-01-02	2002-2031	3.40-5.25	26,150,000	17,065,000	4,702,335	21,767,335
06-01-03	2003-2032	3.00-5.00	29,180,000	13,675,000	4,679,470	18,354,470
02-01-04	2004-2023	2.00-4.25	8,325,000	7,540,000	1,591,769	9,131,769
01-01-05	2005-2034	3.00-4.50	4,000,000	3,465,000	2,063,272	5,528,272
01-15-06	2006-2035	3.50-4.40	3,000,000	2,435,000	1,595,360	4,030,360
03-15-07	2007-2037	4.00-4.50	10,000,000	8,655,000	5,993,146	14,648,146
12-19-07	2009-2029	3.75-4.375	11,980,000	11,310,000	4,679,113	15,989,113
02-27-08	2009-2038	3.00-4.375	4,095,000	3,860,000	2,698,375	6,558,375
03-23-09	2010-2029	3.00-5.00	26,240,000	24,495,000	10,767,913	35,262,913
12-08-09	2011-2030	1.00-4.00	7,255,000	7,255,000	3,613,960	10,868,960
03-16-10	2011-2015	2.00-4.00	5,520,000	4,465,000	421,250	4,886,250
03-09-11	2012-2041	4.00-4.75	49,990,000	49,990,000	42,088,142	92,078,142
Total metropolitan district bonds			185,735,000	154,210,000	84,894,105	239,104,105
MD water quality 06/1/92	1992-2013	3.50	15,211,855	2,244,698	232,470 (a)	2,477,168
MD water quality 10/10/95	1995-2015	4.33	1,985,344	557,651	92,196 (a)	649,847
MD water quality 10/18/00	2000-2022	2.40	34,000,000	20,670,861	4,229,224 (a)	24,900,085
MD water quality 1/29/02	2002-2024	2.00	21,329,372	14,598,006	2,816,107 (a)	17,414,113
MD water quality 10/1/08	2009-2029	2.30	1,075,498	987,540	288,005 (a)	1,275,545
MD water quality 11/19/09	2010-2031	1.00	3,500,000	2,898,867	523,202 (a)	3,422,069
Total water quality			77,102,069	41,957,623	8,181,204	50,138,827
Special recreation facility bonds	2003-2020	2.00-3.80	9,880,000	6,330,000	1,161,301	7,491,301
Compensated absences	n/a	n/a	n/a	781,608	n/a	781,608
Major water and sewer agreements	n/a	n/a	n/a	2,034,984	n/a	2,034,984
Total debt			\$ 272,717,069	205,314,215 (b)	94,236,610	299,550,825

(a) Includes administrative fees.

(b) Does not include deferred refunding premium liability of \$3,138,806, unamortized discount of (\$5,096) and economic refunding loss of (\$382,650) shown in the Statement of Net Assets. Also, does not include net OPEB obligation of \$3,425,259, developer agreement rebates of \$236,089, or deferred water and sewer assessments of \$22,857,448.

Howard County, Maryland
Schedule of Changes in Bonded Long-Term Debt
Enterprise Fund
For the Year Ended June 30, 2011

Date of Issue	Balance June 30, 2010	Issued	Retired	Balance June 30, 2011
Metropolitan district bonds:				
02-01-02	19,210,000	-	2,145,000	17,065,000
06-01-03	14,970,000	-	1,295,000	13,675,000
02-01-04	8,005,000	-	465,000	7,540,000
01-01-05	3,560,000	-	95,000	3,465,000
01-15-06	2,500,000	-	65,000	2,435,000
03-15-07	8,860,000	-	205,000	8,655,000
12-19-07	11,585,000	-	275,000	11,310,000
02-27-08	3,940,000	-	80,000	3,860,000
03-23-09	25,405,000	-	910,000	24,495,000
12-08-09	7,255,000	-	-	7,255,000
03-16-10	5,520,000	-	1,055,000	4,465,000
03-09-11	-	49,990,000	-	49,990,000
Total metropolitan district bonds	110,810,000	49,990,000	6,590,000	154,210,000
MD water quality 06/1/92	3,297,148	-	1,052,450	2,244,698
MD water quality 10/10/95	682,905	-	125,254	557,651
MD water quality 10/18/00	22,296,206	-	1,625,345	20,670,861
MD water quality 1/29/02	15,617,687	-	1,019,681	14,598,006
MD water quality 10/1/08	1,032,019	-	44,479	987,540
MD water quality 11/19/09	294,075	2,604,792	-	2,898,867
Total water quality	43,220,040	2,604,792	3,867,209	41,957,623
Special recreation facility bonds	6,870,000	-	540,000	6,330,000
Compensated absences	774,239	22,265	14,896	781,608
Major water and sewer agreements	2,034,984	-	-	2,034,984
Total debt	\$ 163,709,263	52,617,057	11,012,105	205,314,215

(a) Does not include deferred refunding premium liability of \$3,138,806, unamortized discount of (\$5,096) and economic refunding loss of (\$382,650) shown in the Statement of Net Assets. Also, does not include net OPEB obligation of \$3,425,259, developer agreement rebates of \$236,089, or deferred water and sewer assessments of \$22,857,448.



Skate Park

Outside and open year round, the Columbia Skate Park is 15,000 square feet of ramps including a 20' rail, 4' spine, two 5' quarter pipes, two 5' banks, a bank to wall ride, and more. Private lessons, camps, birthday parties, and rental packages are available at the park.

**Report on Internal Control
Over Financial Reporting and On Compliance
and Other Matters Based On an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Members of the County Council
Howard County, Maryland

We have audited the 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 Howard County, Maryland (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 12, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over financial reporting described below to be material weaknesses.

Grants Special Revenue Fund

The county receives over 200 varying types of federal and state grants which are administered by different agencies throughout the County. Due to the decentralization of the grant administration and the Department's lack of understanding of the financial reporting requirements, this resulted in the County being unable to provide timely, reliable information to

support the financial records of the Grants Fund. In addition, material adjustments were required to be posted to the current and prior fiscal years during fieldwork which delayed the external audit process.

We recommend the following:

- Each grant reimbursement request should be reconciled to SAP by the responsible grant administrator prior to submission to the grantor.
- The Department of Finance should review requests for reimbursement and supporting documentation to make sure amounts agree with SAP on a periodic basis.
- Confirmations should be sent to each grantor on an annual basis to confirm revenues, receivables and expenditures for the fiscal year.
- The Department of Finance should obtain an understanding of the rules and regulations of each grant to ensure proper financial reporting.

Management Response

The County agrees with the recommendations. The Department of Finance is developing a comprehensive Grants policies and procedures that would incorporate these recommendations.

Review and Approval

The County does not have sufficient review and approval procedures in place to ensure accurate, timely and reliable reporting of financial information.

This resulted in the following:

- Material journal entries were required to be posted both to the current fiscal year as well as prior fiscal years.
- The County provided numerous schedules to support activity in the Grants Fund that did not reconcile to the underlying supporting documentation.
- The Grants Fund not being reconciled timely, delaying the external audit process

- The County previously capitalized costs for projects that were not County owned resulting in a prior period adjustment.

Management Response

The County agrees with the recommendations and regular reviews are being instituted to address the review and approval process, especially in the grants division.

Other Post Employment Benefits (OPEB)

During the course of our audit we noted that the County did not record its Net OPEB Obligation in accordance with GASB 45. As a result, the County was required to record a prior period adjustment to the governmental activities and business-type activities on the Statement of Net Assets.

We recommend that the Department of Finance formalize a process whereby the implementation of new pronouncements are reviewed at the appropriate level.

Management Response

The County does have a formalized process for reviewing and implementing new pronouncements. However, management will continue to review this process to make sure the appropriate level signs off on the review.

Cutoff Procedures

During the course of our audit we noted that the County did not perform proper cutoff procedures related to cash disbursements. This resulted in expenditures not being recorded in the proper fiscal year.

We recommend the County reviews all disbursements subsequent to year end to ensure expenditures are recorded in the proper period.

Management Response

The County agrees with the recommendation and controls will be established to make sure disbursements are reviewed subsequent to year end closing.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over financial reporting described below to be significant deficiencies.

Accounting Policies and Procedures Manual

The Bureau of Accounting Policies and Procedures Manual is outdated. With the migration to the new accounting system during the current fiscal year, an updated policies and procedures manual is important to ensure that all new procedures or new job responsibilities that were implemented as a result of the system change are documented and staff are made aware of the new procedures in place. Also, if there is significant turnover within the Department, the procedures would be documented to allow the department to continue to operate in an effective and efficient manner to ensure accurate and timely financial reporting.

Management Response

The County agrees with the recommendation and has started developing these policies and procedures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Howard County, Maryland, in a separate letter dated March 12, 2012.

The County's response to the findings identified in our audit is described above. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, County Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Baltimore, Maryland
March 12, 2012



Wine in the Woods

Wine in the Woods is a tradition in Howard County that extends over 15 years. Every May, several thousand visitors gather in Symphony of the Woods for a sampling of over 29 vineyards. Crafters, vendors, and restaurants also offer up their best goods. Entertainment in the form of living statues, wandering performers, face painters, and professional musicians can be seen throughout the festival and on two stages.

Statistical Section

The Statistical Section provides detailed information for the primary government as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health. The tables in this section are unaudited because they often present data from outside accounting records.



Statistical Section (Unaudited)

Index

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 financial 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.



**Howard County, Maryland
Net Assets by Category
Last Ten Fiscal Years
(accrual basis of accounting)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	403,144,510	438,961,798	419,037,009	453,682,183	437,104,153	420,387,445	581,284,859	669,410,210	735,346,804	790,647,396
Restricted (a)	10,432,617	17,405,974	28,342,688	109,514,508	119,756,349	139,763,814	147,266,158	161,806,930	163,458,570	83,470,483
Unrestricted (b)	(76,875,129)	(103,050,451)	(95,289,397)	(161,602,748)	(105,399,387)	(110,356,141)	(288,540,789)	(442,781,138)	(629,621,547)	(619,606,891)
Subtotal governmental activities net assets	336,701,998	353,317,321	352,090,300	401,593,943	451,461,115	449,795,118	440,010,228 (c)	388,436,002	269,183,827 (d)	254,510,988
Business-type activities										
Invested in capital assets, net of related debt	303,777,509	311,410,291	326,966,323	325,302,549	340,388,015	306,098,965	328,013,443	338,277,158	391,047,153	412,443,596
Restricted (a)	84,835,551	87,490,610	82,466,384	99,171,080	99,161,799	142,022,020	139,098,839	151,228,040	120,266,910	132,392,365
Unrestricted	9,968,918	11,165,880	15,067,893	731,350	938,013	2,381,317	2,575,641	1,928,964	719,135	1,877,926
Subtotal business-type activities net assets	398,581,978	410,066,781	424,500,600	425,204,979	440,487,827	450,502,302	469,687,923	491,434,162	512,033,198 (d)	546,713,887
Primary government										
Invested in capital assets, net of related debt	706,922,019	750,372,089	746,003,332	778,984,732	777,492,168	726,486,410	909,298,302	1,007,687,368	1,126,393,957	1,203,090,992
Restricted (a)	95,268,168	104,896,584	110,809,072	208,685,588	218,918,148	281,785,834	286,364,997	313,034,970	283,725,480	215,862,848
Unrestricted	(66,906,211)	(91,884,571)	(80,221,504)	(160,871,398)	(104,461,374)	(107,974,824)	(285,965,148)	(440,852,174)	(628,902,412)	(617,728,965)
Total primary government net assets	\$ 735,283,976	\$ 763,384,102	\$ 776,590,900	\$ 826,798,922	\$ 891,948,942	\$ 900,297,420	\$ 909,698,151	\$ 879,870,164	\$ 781,217,025	\$ 801,224,875

(a) Due to the implementation of GASB Statement 46 in fiscal year 2006, higher restricted net assets were reported than in previous years.

(b) Deficits occur in unrestricted net assets for governmental activities because the County issues debt to fund construction costs for the Public School System and Community College, yet these component units own the capital assets. See the Management's Discussion and Analysis for further details.

(c) FY2008 net assets of governmental activities were restated in fiscal year 2009.

Howard County, Maryland
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	2002 (a)	2003 (a)	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
General government	33,861,811	21,203,520	40,705,773	38,174,921	43,401,671	43,441,064	46,844,606	49,015,557	40,551,179	50,599,944
Public safety	81,320,229	89,948,701	92,035,236	99,797,362	112,396,115	122,208,338	144,114,893	152,639,155	154,381,502	167,113,492
Public works (j)	75,855,425	70,485,129	87,315,039	85,450,609	94,663,945	103,782,948	95,262,350	115,081,550	101,682,165	102,947,974
Recreation and parks	17,334,111	18,255,567	20,268,442	24,309,652	25,296,028	28,304,306	28,335,338	28,490,509	26,909,791	27,086,201
Legislative and judicial	13,051,161	14,167,992	15,109,402	15,630,364	16,347,843	17,935,936	21,577,751	21,414,495	19,917,865	21,684,657
Community services	34,980,366	37,810,310	30,585,440	31,350,625	36,071,390	36,624,968	39,035,177	42,552,461	38,203,641	38,522,217
State highways (j)	3,339,416	4,962,451	5,229,593	1,972,412	302,754	2,244,049	378,464	646,354	2,450,937	1,917,170
Education	319,422,458	336,918,897	368,316,954	423,466,686	510,243,607	538,176,394	587,904,740	560,909,969	557,205,570	605,557,506
Interest on long term debt	23,989,117	24,611,613	23,507,751	25,949,006	27,669,889	31,436,334	35,419,506	33,065,408	32,759,477	37,102,195
Total governmental activities expenses	603,154,094	618,364,180	683,073,630	746,101,637	866,393,242	924,154,337	998,872,825 (i)	1,003,815,458	974,062,127	1,052,531,356
Business-type activities:										
Water and sewer	43,203,095	46,993,461	46,907,290	51,271,398	62,881,137	64,479,789	66,966,290	59,226,089	64,845,285	66,636,363
Golf course	2,030,798	1,943,021	1,922,354	1,884,139	1,921,122	1,896,158	1,910,116	1,734,769	1,791,000	1,762,425
Total business-type activities expenses	45,233,893	48,936,482	48,829,644	53,155,537	64,802,259	66,375,947	68,876,406	60,960,858	66,636,285	68,398,788
Total primary government expenses	648,387,987	667,300,662	731,903,274	799,257,174	931,195,501	990,530,284	1,067,749,231	1,064,776,316	1,040,698,412	1,120,930,144
Program revenues										
Governmental activities:										
Charges for services										
General government	17,700,457	9,460,935	19,303,477	22,336,590	19,210,703	19,202,259	21,908,851	22,623,190	29,198,040	33,914,325
Public works	20,999,584	26,165,606	28,766,381	35,564,427	41,819,146	40,699,663	42,589,702	39,248,132	42,937,855	41,652,829
Recreation and parks	7,775,099	10,106,790	8,366,050	9,496,397	11,147,873	11,467,477	12,213,842	13,050,979	12,621,042	13,361,672
Other	5,667,863	6,187,326	5,541,222	6,379,711	6,542,390	6,999,654	6,787,417	8,482,772	7,079,677	8,665,495
Operating grants and contributions	24,641,598	29,435,731	22,874,525	25,895,910	21,919,457	25,128,602	25,331,284	35,559,629	26,732,848	26,559,373
Capital grants and contributions	27,522,229	34,492,645	17,075,753	23,199,688	40,618,331	47,769,364	32,890,596	27,160,200	22,998,508	24,715,975
Total governmental activities program revenues	104,306,830	115,849,033	101,927,408	122,872,723	141,257,900	151,267,019	141,721,692	146,124,902	141,567,970	148,869,669
Business-type activities:										
Charges for services										
Water and sewer	26,211,959	27,506,628	28,678,494	35,112,827	35,751,512	40,708,994	43,270,127	43,184,222	44,355,147	48,606,394
Golf course	2,316,057	1,972,953	2,033,858	2,084,257	2,320,341	2,294,374	2,257,710	2,103,674	2,149,442	2,056,408
Operating grants and contributions	14,176,668	14,958,376	15,908,499	17,850,331	20,256,749	23,386,096	27,199,512	30,981,090	32,395,714	30,884,327
Capital grants and contributions	15,738,021	15,111,194	15,635,936	12,115,385	19,293,954	5,922,565	13,087,530	6,959,259	9,666,912	24,331,033
Total business-type activities program revenues	58,442,705	59,549,151	62,256,787	67,162,800	77,622,556	72,312,029	85,814,879	83,228,245	88,567,215	105,878,162
Total primary government program revenues	\$ 162,749,535	\$ 175,398,184	\$ 164,184,195	\$ 190,035,523	\$ 218,880,456	\$ 223,579,048	\$ 227,536,571	\$ 229,353,147	\$ 230,135,185	\$ 254,747,831

(continued)

Howard County, Maryland Changes in Net Assets Last Ten Fiscal Years (accrual basis of accounting)

	2002 (a)	2003 (a)	2004	2005	2006	2007	2008	2009	2010	2011
Net (expenses)/revenue										
Governmental activities	(498,847,264)	(502,515,147)	(581,146,222)	(623,228,914)	(725,135,342)	(772,887,318)	(857,151,133)	(857,690,556)	(832,494,157)	(903,661,687)
Business-type activities	13,208,812	10,612,669	13,427,143	14,007,263	12,820,297	5,936,082	16,938,473	22,267,387	21,930,930	37,479,374
Total primary government net expenses	(485,638,452)	(491,902,478)	(567,719,079)	(609,221,651)	(712,315,045)	(766,951,236)	(840,212,660)	(835,423,169)	(810,563,227)	(866,182,313)
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
Property taxes	268,910,097	284,275,663	299,709,216	324,785,642	353,894,412	383,551,777	426,302,542	467,389,345	494,218,364	504,884,233
Local income taxes	183,965,323	162,722,900	206,952,771	261,205,355	317,108,241	287,499,377	323,836,591	271,595,421	266,953,624	331,334,252
Other local taxes	39,668,634	44,501,489	57,116,429	63,386,811	79,177,105	67,000,997	53,619,620	40,889,560	47,911,642	46,357,182
Intergovernmental, unrestricted	13,450,430	12,895,419	10,057,401	12,540,562	15,298,806	15,955,176	15,513,177	13,409,168	790,181 (k)	1,089,121
Unrestricted investment income	6,813,346	8,924,257	2,542,571	10,761,191	9,673,535	18,723,699	24,208,820	10,547,370	6,481,902	2,890,191
Miscellaneous	-	-	3,540,813	52,996	50,415	47,835	508,178	589,962	861,084	816,830
Transfers	-	-	-	-	(200,000)	(1,557,550)	703,755	1,695,504	(587,000)	2,995,034
Subtotal governmental activities	512,807,830	513,319,728	579,919,201	672,732,557	775,002,514	771,221,321	844,692,683	806,116,330	816,629,797	890,366,843
Business-type activities:										
Unrestricted investment income	1,398,408	832,408	575,824	1,278,838	2,262,551	2,520,843	2,950,903	1,174,356	395,605	196,349
Transfers	-	-	-	-	200,000	1,557,550	(703,755)	(1,695,504)	587,000	(2,995,034)
Subtotal business-type activities	1,398,408	832,408	575,824	1,278,838	2,462,551	4,078,393	2,247,148	(521,148)	982,605	(2,798,685)
Total primary government	514,206,238	514,152,136	580,495,025	674,011,395	777,465,065	775,299,714	846,939,831	805,595,182	817,612,402	887,568,158
Net assets balances										
Governmental activities:										
Change in net assets, governmental activities	13,960,566	10,804,581	(1,227,021) (b)	49,503,643 (c)	49,867,172	(1,665,997) (d)	(12,458,450)	(51,574,226) (e)	(15,864,360)	(13,294,844)
Net assets, beginning-governmental activities	322,741,432	336,701,998	353,317,321	352,090,300	401,593,943	451,461,115	449,795,118	440,010,228	388,436,002	377,349,272
Restatement	-	5,810,742 (f)	-	-	-	-	2,673,560	-	4,777,630	(109,543,440)
Net assets, ending-governmental activities	336,701,998	353,317,321	352,090,300	401,593,943	451,461,115	449,795,118	440,010,228	388,436,002	377,349,272	254,510,988
Business-type activities:										
Change in net assets, business-type activities	14,607,220	11,445,077	14,002,967	15,286,101	15,282,848	10,014,475	19,185,621	21,746,239	22,913,535	34,680,689
Net Assets, beginning-business-type activities	383,974,758	398,581,978	410,066,781	424,500,600	425,675,557	440,487,827	450,502,302	469,687,923	491,434,162	514,347,697
Restatement	-	39,726 (g)	430,852 (g)	(14,111,144) (h)	(470,578) (g)	-	-	-	-	(2,314,499)
Net assets, ending-business-type activities	398,581,978	410,066,781	424,500,600	425,675,557	440,487,827	450,502,302	469,687,923	491,434,162	514,347,697	546,713,887
Total primary government	\$ 735,283,976	\$ 763,384,102	\$ 776,590,900	\$ 827,269,500	\$ 891,948,942	\$ 900,297,420	\$ 909,698,151	\$ 879,870,164	\$ 891,696,969	\$ 801,224,875

- (a) Reclassifications of data for fiscal years 2002 and 2003 were made to allow for consistency and comparison amongst all years.
- (b) The decrease from prior period is due to a decrease in operating and capital grants and contributions, and an increase in the cost of capital improvements.
- (c) The increase from prior period is due to increases in property and local income taxes.
- (d) The decrease from prior period results from a decrease in local income taxes due to a change in the timing of remittance from the State.
- (e) The decrease from prior period is the result of decreases in local taxes and interest income due to the downturn of the national economy.
- (f) Net assets of governmental activities were restated in fiscal year 2003 to correct the method of calculating grant accruals and deferrals.
- (g) Net assets of business-type activities were restated in fiscal years 2003, 2004, and 2006 to eliminate internal balances created in prior years to allocate profit and loss in internal service funds since internal service funds operate under the premise of breaking even.
- (h) In fiscal year 2005, net assets of business-type activities were restated to eliminate a water treatment plant owned by another entity.
- (i) In fiscal year 2009, the fiscal year 2008 net assets of governmental activities were restated due to failure to capitalize all eligible expenditures as work in progress. Expenses of governmental activities for fiscal year 2008 were restated, accordingly, for comparative analysis across fiscal years.
- (j) State highways expenses were misclassified as public works in fiscal years 2006, 2007, and 2008, but have been restated for comparative analysis.
- (k) In fiscal year 2010, funding from the State government for highway improvements was drastically reduced.

Howard County, Maryland
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Nonspendable										
Spendable:										
Restricted										
Committed										56,803,611
Assigned										27,137,601
Unassigned										8,732,004
Reserved	31,466,537	30,267,902	37,682,302	40,621,459	43,460,258	47,836,852	55,005,480	57,940,737	61,447,806	
Unreserved (a), (b)	3,922,264	307,472	2,068,326	31,589,257	65,693,657	67,301,953	47,921,532	23,858,483	10,324,543	
Total general fund	<u>35,388,801</u>	<u>30,575,374</u>	<u>39,750,628</u>	<u>72,210,716</u>	<u>109,153,915</u>	<u>115,138,805</u>	<u>102,927,012</u>	<u>81,799,220</u>	<u>71,772,349</u>	<u>92,673,216</u>
All other governmental funds										
Nonspendable										14,244,327
Spendable:										
Restricted										83,470,483
Committed										39,463,332
Assigned										77,104,933
Unassigned										(106,842,248)
Reserved	47,184,826	60,757,310	43,718,356	53,915,005	54,009,879	75,600,981	70,577,773	74,362,241	94,605,498	
Unreserved reported in:										
Special revenue funds	29,787,648	43,101,105	45,244,894	57,450,736	61,095,650	75,624,786	83,717,538	88,000,417	102,795,989	
Capital projects funds	(81,519)	(2,668,794)	3,152,735	(18,332,249)	(49,450,360)	(73,359,763)	(52,594,957)	(48,107,393)	(54,747,305)	
Total all other governmental funds	<u>76,890,955</u>	<u>101,189,621</u>	<u>92,115,985</u>	<u>93,033,492</u>	<u>65,655,169</u>	<u>77,866,004</u>	<u>101,700,354</u>	<u>114,255,265</u>	<u>142,654,182</u>	<u>107,440,827</u>
Total governmental funds	<u>\$ 112,279,756</u>	<u>\$ 131,764,995</u>	<u>\$ 131,866,613</u>	<u>\$ 165,244,208</u>	<u>\$ 174,809,084</u>	<u>\$ 193,004,809</u>	<u>\$ 204,627,366</u>	<u>\$ 196,054,485</u>	<u>\$ 214,426,531</u>	<u>\$ 200,114,043</u>

Notes:

Fund balance format for 2011 has been updated due to implementation of GASB Statement No. 54.

- (a) Decreases in the general fund - unreserved fund balance from fiscal years 2001 to 2003 and 2007 to 2010 were the result of downturns in the national economy.
- (b) Increases in the general fund - unreserved fund balance from fiscal years 2005 to 2007 were the result of increases in local income, property, and/or recordation taxes received.
- (c) Increase in the total fund balance of the general fund in 2011 is due to an increase in the local income taxes received.

Howard County, Maryland

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Property taxes (a)	\$ 268,742,269	283,725,179	299,527,817	324,280,297	353,195,328	384,236,664	426,188,822	466,921,737	494,641,029	504,030,717
Other local taxes	217,361,907	211,127,568	261,533,292 (b)	315,911,598	362,241,884	360,307,897	370,344,167	358,102,738 (c)	341,954,181 (c)	361,710,858
State shared taxes	13,450,430	12,895,419	10,057,401	12,540,562	15,298,806	15,955,176	15,513,177	13,409,168	790,181 (d)	1,089,121
Revenues from other governments	33,247,564	30,289,929	26,332,973	31,843,597	27,984,230	43,832,673	39,792,804	46,184,349	30,866,154	40,479,177
Charges for services	28,940,190	31,116,332	33,858,811	38,681,860	39,274,492	39,894,526	42,488,507	45,518,420	47,153,092	49,916,981
Interest on investments	6,599,501	8,812,900	1,132,131	10,614,636	9,193,162	17,655,119	22,647,797	10,347,213	6,435,344	2,394,644
Installment interest from housing loans	-	-	-	-	-	-	-	-	-	495,546
Licenses and permits	5,777,844	6,180,086	7,755,483	7,808,408	7,790,049	7,047,647	6,311,980	4,923,057	5,839,006	5,651,511
Fines and forfeitures	2,068,404	2,232,012	2,171,579	2,466,331	2,667,805	3,154,241	3,607,775	3,602,384	2,983,119	3,393,723
Developer fees (e)	1,104,093	1,895,940	1,376,924	2,270,854	2,009,027	1,811,520	2,345,464	1,229,577	1,665,829	1,363,545
Rental of property (e)	534,563	794,335	793,983	757,290	1,026,367	991,458	510,315	716,648	206,754	197,100
Recoveries for interfund services	6,162,816	7,452,902	5,845,634	5,424,689	5,391,777	5,418,929	5,932,335	6,009,417	11,457,728	11,734,246
Payments from component units (e)	1,560,737	58,157	3,540,813	52,996	50,415	47,835	508,178	589,962	861,084	816,830
Miscellaneous program revenues	725,673	1,778,149	2,349,629	7,928,572	10,504,384	8,651,601	9,094,850	8,189,651	8,645,463	8,752,216
Total revenues	586,275,991	598,358,908	656,276,470	760,581,690	836,627,726	889,005,286	945,286,171	965,744,321	953,498,964	992,026,215
Expenditures										
Current:										
General government	24,702,501	17,852,659	18,900,479	19,961,665	20,502,167	23,089,141	23,311,692	23,163,146	21,822,449	23,691,385
Legislative & judicial	12,896,104	13,925,101	14,996,418	15,806,162	16,661,584	18,554,621	20,943,849	21,184,129	19,370,470	20,263,005
Public works	59,282,360	62,116,869	69,115,109	70,906,152	71,953,116	78,994,209	85,529,891	92,855,401	87,553,902	84,173,380
Public safety	78,203,077	85,820,025	92,021,978	100,863,167	114,695,165	128,272,671	141,928,781	147,359,582	148,773,884	156,336,439
Recreation and parks	16,378,165	16,020,154	18,637,382	19,752,579	22,608,386	23,986,622	25,309,800	25,616,451	24,363,103	23,856,314
Community services	24,331,466	27,393,690	30,332,789	30,568,627	35,784,748	33,668,684	40,935,310	43,321,961	37,096,762	36,935,327
Education	302,724,401	316,134,117	335,840,342	361,586,585	506,364,891 (f)	536,256,495	546,950,012	558,271,124	542,819,926	572,584,372
Capital improvements (e)	77,698,890	59,817,928	73,921,934	102,339,370	63,124,243 (f)	62,188,653	93,569,283	63,681,785	79,441,474	129,566,744
Debt service:										
Principal	33,408,001	31,560,998	33,121,999	40,310,999	40,822,000	41,716,000	45,182,000	48,850,000	50,192,000	52,461,000
Interest	23,505,461	23,064,888	20,025,083	24,695,244	26,310,766	30,330,362	33,696,141	34,907,537	33,465,400	37,179,040
Total expenditures	653,130,426	653,706,429	706,913,513	786,790,550	918,827,066	977,057,458	1,057,356,759	1,059,211,116	1,044,899,370	1,137,047,006
Revenues over (under) expenditures	(66,854,435)	(55,347,521)	(50,637,043)	(26,208,860)	(82,199,340)	(88,052,172)	(112,070,588)	(93,466,795)	(91,400,406)	(145,020,791)
Other Financing Sources (Uses)										
Bond premium/(discount)	5,060,234	7,593,411	9,236,278	(560,100)	108,843	6,736,869	10,319,070	4,104,393	18,974,053	4,604,998
Capital related debt issued	35,000,000	54,895,000	48,290,000	60,000,000	91,375,000	100,000,000	107,500,000	69,720,000	101,010,000	111,115,000
Refunding bonds issued	77,165,000	39,875,000	85,015,000	-	-	-	87,420,000	-	85,860,000	-
Capital lease proceeds	-	-	-	-	-	-	-	-	4,909,012	186,598
Capital lease	-	-	-	-	-	-	-	-	(4,909,012)	-
Payment to bond refunding escrow agent	(81,376,073)	(42,042,048)	(91,855,055)	-	-	-	(92,179,903)	-	(99,078,896)	-
Installment purchase agreements issued (e)	2,476,000	-	-	-	-	-	8,369,200	893,000	-	10,274,400
Transfers in	34,953,192	37,884,250	36,263,480	34,039,823	61,971,415	68,119,015	89,413,236	94,990,994	35,705,614	39,835,317
Transfers out	(34,726,020)	(32,784,567)	(36,211,042)	(33,893,268)	(61,691,042)	(68,607,987)	(87,148,458)	(87,295,333)	(36,246,056)	(36,788,523)
Total other financing sources (uses)	38,552,333	65,421,046	50,738,661	59,586,455	91,764,216	106,247,897	123,693,145	82,413,054	106,224,715	129,227,790
Proceeds from sale of property	2,565,093	3,600,972	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (25,737,009)	13,674,497	101,618	33,377,595	9,564,876	18,195,725	11,622,557	(11,053,741)	14,824,309	(15,793,001)
Debt service as a percentage of noncapital expenditures	9.89%	9.20%	8.40%	9.50%	7.85%	7.88%	8.18%	8.41%	8.67%	8.90%

(a) Increase in real property taxes is due to steady increases in property values in the County. See the Management's Discussion & Analysis for further details.

(b) Increase in other local taxes is due to a rate increase in the local income tax from 2.45 to 3.2 percent.

(c) Other local taxes decreased due to declines in the quantity and value of real estate transactions.

(d) Decrease in State shared taxes is due to drastic decline in State highways funding.

(e) Reclassifications of prior years' data were made to allow for consistency purposes and comparison amongst all years.

(f) Expenditures on capital projects for the Public School System and Community College were reclassified to the Education

function in fiscal year 2006 from the Capital Improvements line in previous years.

Howard County, Maryland
Assessed and Estimated Accrual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property				Personal Property		Total
	Residential Assessed Value	Commercial Assessed Value	Assessed Value (a)	Total Direct Tax Rate (b)	Assessed Value (a)	Total Direct Tax Rate (b)	Assessed Value
2002	16,001,276,251	4,092,988,000	20,094,264,251	1.044	1,334,993,869	2.610	21,429,258,120
2003	17,059,315,828	4,342,237,000	21,401,552,828	1.044	1,332,670,460	2.610	22,734,223,288
2004	18,600,029,068	4,580,465,000	23,180,494,068	1.044	1,313,970,320	2.610	24,494,464,388
2005	19,875,069,165	6,069,882,095	25,944,951,260	1.044	1,331,028,850	2.610	27,275,980,110
2006	23,275,630,570	6,577,363,510	29,852,994,080	1.014	1,391,713,320	2.535	31,244,707,400
2007	28,754,085,178	6,172,812,902	34,926,898,080	1.014	1,468,267,950	2.535	36,395,166,030
2008	34,222,495,933	6,539,516,569	40,762,012,502	1.014	1,496,189,730	2.535	42,258,202,232
2009	39,129,032,552	7,012,754,331	46,141,786,883	1.014	1,497,439,490	2.535	47,639,226,373
2010	41,289,749,176	7,374,511,107	48,664,260,283	1.014	1,588,889,810	2.535	50,253,150,093
2011	39,020,062,724	7,498,201,792	46,518,264,516	1.014	1,623,786,020	2.535	48,142,050,536

- (a) Real property and personal property assessments are done every three years and every year, respectively, by the State Department of Assessments and Taxation at 100% of estimated fair value. Tax-exempt property is not included in the assessed value.
- (b) Rates are per \$100 of assessed value.

Howard County, Maryland
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Per \$100 of Assessed Value)

<u>Howard County Direct Rates</u>		
<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>
2002	1.044	2.610
2003	1.044	2.610
2004	1.044	2.610
2005	1.044	2.610
2006	1.014	2.535
2007	1.014	2.535
2008	1.014	2.535
2009	1.014	2.535
2010	1.014	2.535
2011	1.014	2.535

**Howard County, Maryland
Principal Property Taxpayers
Current Year and Nine Years Ago**

2011			2002		
Taxpayer	Taxable Assessed Valuation	Percentage of Total County Assessed Valuation	Taxpayer	Taxable Assessed Valuation	Percentage of Total County Assessed Valuation
Baltimore Gas & Electric Company	\$ 331,551,082	0.69%	Baltimore Gas & Electric Company	\$ 232,985,340	1.09%
Mall in Columbia Business Trust	179,525,100	0.37%	HRD Holdings Corporation	136,178,765	0.64%
Verizon - Maryland INC	159,378,980	0.33%	Verizon-Maryland	118,230,360	0.55%
Magazine Howard Crossing LLC	109,247,900	0.23%	U.S. Sprint Communications	74,333,190	0.35%
Seasons of Laurel LLC	85,033,300	0.18%	Town & Country West Greenview Company	51,064,366	0.24%
Liberty Property LTD Partnership	73,357,056	0.15%	Seasons of Laurel LLC	47,321,800	0.22%
WLA Sherwood Investors VILLC	69,757,600	0.14%	BPP Retail LLC	41,257,862	0.19%
Sprint Communications Company, LP	54,895,260	0.11%	Howard Research and Development	40,527,050	0.19%
New Cingular Wireless PCS, LLC	46,357,410	0.10%	Parcel A-74 Associates LLC	37,622,500	0.18%
Cellco Partnership	40,950,210	0.09%	Washington D.C. SMSA	31,749,830	0.15%
Total	\$ 1,150,053,898	2.39%	Total	\$ 811,271,063	3.80%

Source: Howard County Department of Finance, Bureau of Revenue

Howard County, Maryland Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collection to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	272,888,397	270,842,836	99.3%	1,882,020	272,724,856	99.9%
2003	286,459,075	284,784,071	99.4%	1,443,273	286,227,344	99.9%
2004	306,220,976	305,055,699	99.6%	1,083,405	306,139,104	100.0%
2005	338,595,522	336,809,362	99.5%	1,691,145	338,500,507	100.0%
2006	384,872,472	382,410,597	99.4%	2,040,078	384,450,675	99.9%
2007	435,502,514	433,853,289	99.6%	1,244,910	435,098,199	99.9%
2008	507,119,578	505,465,702	99.7%	1,269,008	506,734,710	99.9%
2009	569,987,425	568,246,317	99.7%	840,444	569,086,761	99.8%
2010	601,068,331	599,327,223	99.7%	897,538	600,224,761	99.9%
2011	577,633,399	574,828,923	99.5%	-	574,828,923	99.5%

Howard County, Maryland
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(in thousands of dollars, except per capita amount)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income (a)	Portion of Per Capita Personal Income (a)
	General Obligation Bonds	State Water Quality Revolving Loans	Installment Purchase Agreements	Capital Leases	Total Governmental Activities	Metropolitan District Bonds	Special Facility Revenue Bonds	State Water Quality Revolving Loans	Capital Leases	Total Business-Type Activities			
2002	410,869	13,975	53,307	-	478,151	98,057	9,510	40,733	-	148,300	626,451	5.34%	2,506
2003	436,514	13,855	53,171	-	503,540	97,047	9,880	50,219	62	157,208	660,748	5.41%	2,606
2004	454,881	13,735	52,944	-	521,560	91,839	9,880	57,118	48	158,885	680,445	5.10%	2,659
2005	477,853	11,790	52,808	-	542,451	89,515	9,405	58,833	32	157,785	700,236	4.93%	2,713
2006	529,618	11,705	52,581	-	593,904	86,467	8,915	56,278	17	151,677	745,581	4.95%	2,888
2007	588,785	11,555	52,445	-	652,785	91,266	8,420	52,831	-	152,517	805,302	4.99%	3,047
2008	648,875	9,760	60,582	-	719,217	89,797	7,915	49,220	32	146,964	866,181	5.03%	3,148
2009	671,881	7,980	61,240	-	741,101	110,889	7,395	46,576	17	164,877	905,978	5.20%	3,214
2010	723,305	5,795	60,998	4,889	794,987	110,810	6,870	43,220	-	160,900	955,887	N/A	N/A
2011	783,855	4,050	71,122	4,945	863,972	154,210	6,330	41,958	-	202,498	1,066,470	N/A	N/A

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

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Howard County, Maryland
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars, except per capita amount)

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>General Obligation Debt (a)</u>	<u>Percentage of Estimated Actual Taxable Value of Property (b)</u>	<u>General Obligation Debt per Capita (c)</u>
2002	261,134	424,844	2.0%	1,627
2003	265,095	450,369	2.0%	1,699
2004	268,561	468,616	1.9%	1,745
2005	272,584	489,643	1.8%	1,796
2006	276,287	541,323	1.7%	1,959
2007	278,900	600,340	1.6%	2,153
2008	282,674	658,635	1.6%	2,330
2009	284,952	679,861	1.4%	2,386
2010	287,907	733,989	1.5%	2,549
2011	291,200	792,850	1.6%	2,723

(a) General obligation debt is a total of governmental activities debt less Agricultural Land Preservation Program installment purchase agreements.

(b) See the Assessed Value and Estimated Actual Value of Taxable Property schedule for property value data.

(c) See the Demographic and Economic Statistics schedule for population data.

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

**Howard County, Maryland
Legal Debt Margin
Last Ten Fiscal Years
(thousands of dollars)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed value						(a)				
Real property	20,094,264	21,401,553	23,180,494	25,944,951	29,852,994	34,926,898	40,762,012	46,141,787	48,664,260	46,518,265
Personal property	1,334,994	1,332,670	1,313,970	1,331,029	1,391,713	1,468,268	1,496,190	1,497,439	1,588,890	1,623,786
Total assessed value	21,429,258	22,734,223	24,494,464	27,275,980	31,244,707	36,395,166	42,258,202	47,639,226	50,253,150	48,142,051
Legal debt margin										
Debt limit (12% of 40% of assessed value of real property)	964,525	1,027,275	1,112,664	1,245,358	1,432,944	n/a	n/a	n/a	n/a	n/a
Debt limit (12% of 100% of assessed value of personal property)	160,199	159,920	157,676	159,723	167,006	n/a	n/a	n/a	n/a	n/a
Debt limit (4.8% of assessed value of real property and personal property)	n/a	n/a	n/a	n/a	n/a	1,746,968	2,028,394	2,286,683	2,412,151	2,310,818
Total debt limit	1,124,724	1,187,195	1,270,340	1,405,081	1,599,950	1,746,968	2,028,394	2,286,683	2,412,151	2,310,818
Debt applicable to limit										
General county	410,870	436,514	454,881	477,853	529,619	588,785	648,875	671,881	723,305	783,855
Local Government Insurance Trust	1,104	-	-	-	-	-	-	-	-	-
State Water Quality Revolving Loan	13,975	13,855	13,735	11,790	11,705	11,555	9,760	7,980	5,795	4,050
Maryland State Retirement System Liability	1,948	1,638	1,305	762	-	-	-	-	-	-
Total debt applicable to limit	427,897	452,007	469,921	490,405	541,324	600,340	658,635	679,861	729,100	787,905
Legal debt margin	696,827	735,188	800,419	914,676	1,058,626	1,146,628	1,369,759	1,606,822	1,683,051	1,522,913
Total debt applicable to the limit as a percentage of debt limit	38.04%	38.07%	36.99%	34.90%	33.83%	34.36%	32.47%	29.73%	30.23%	34.10%

(a) The County Charter amended the borrowing limits effective Dec 7, 2006, to 4.8% of the assessable base of the County.

**Howard County, Maryland
Pledged Revenue Coverage
Special Recreation Facility (Golf Course)
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	2,369,556	1,412,473	957,083	275,000	575,888	1.12
2003	1,998,554	1,363,747	634,807	290,000	561,588	0.75
2004	2,050,330	1,498,772	551,558	- (a)	203,075	2.72
2005	2,100,092	1,492,518	607,574	475,000	283,073	0.80
2006	2,331,256	1,531,074	800,182	490,000	273,423	1.05
2007	2,308,060	1,516,767	791,293	495,000	263,573	1.04
2008	2,282,219	1,533,517	748,702	505,000	253,573	0.99
2009	2,120,794	1,400,663	720,131	520,000	243,322	0.94
2010	2,174,432	1,460,408	714,024	525,000	232,347	0.94
2011	2,080,177	1,444,807	635,370	540,000	219,822	0.84

Note: Operating expenses do not include depreciation or interest paid as part of debt service.

- (a) No principal payment was made in Fiscal Year 2004 due to the refunding of the Special Recreation Facility Revenue Bonds on June 1, 2003.

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

Fiscal Year	Estimated Population (a)	Personal (thousands of dollars) Income (b)	Per Capita Personal Income (b)	Public School Enrollment (c)	Unemployment Rate (d)
2002	261,134	12,182,398	46,968	45,722	3.3%
2003	265,095	12,655,680	48,146	46,650	3.0%
2004	268,561	13,822,504	52,085	47,211	2.7%
2005	272,584	14,730,587	55,008	47,552	3.2%
2006	276,287	15,810,097	58,396	48,596	3.2%
2007	278,900	16,742,719	61,096	48,222	2.9%
2008	282,674	17,338,901	62,553	48,595	3.4%
2009	284,952	17,426,777	61,823	48,888	5.8%
2010	287,907	N/A	N/A	49,683	5.5%
2011	291,200	N/A	N/A	49,991	5.6%

Sources:

- (a) Howard County Department of Planning and Zoning - Estimated population is presented as of July 1st.
- (b) Personal Income and Per Capita Personal Income restated for all years per Bureau of Economic Analysis, U.S. Dept. of Commerce.
- (c) Howard County Public School System - School enrollment is based on head count taken September 30th of each year.
- (d) State of Maryland, Dept. of Labor, Licensing and Regulation Unemployment rate is as of June 30th.

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Howard County Public Schools	7,423	1	4.89%	6,094	1	4.74%
Johns Hopkins Applied Physics Laboratory	4,600	2	3.03%	3,200	2	2.49%
Howard County Government	2,846	3	1.87%	2,426	3	1.89%
Verizon Wireless	2,028	4	1.33%	-		0.00%
Lorien Health Systems	2,000	5	1.32%	-		0.00%
Howard County General Hospital	1,682	6	1.11%	1,300	6	1.01%
U. S. Government	1,600	7	1.05%	1,200	7	0.93%
SAIC	1,060	8	0.70%	-		0.00%
The Columbia Association	900	9	0.59%	-		0.00%
Wells Fargo Securities Administrative Services	842	10	0.55%	-		0.00%
Magellan Health Services	-		0.00%	1,500	4	1.17%
Corvis Corporation	-		0.00%	1,400	5	1.09%
Giant Food	-		0.00%	1,000	8	0.78%
Micro Systems, Inc.	-		0.00%	800	9	0.62%
Sysco Food Services of Baltimore	-		0.00%	800	9	0.62%
Total	24,981		16.44%	19,720		15.34%

Source:

Howard County Department of Economic Development

**Howard County, Maryland
County Government Employees by Function
Last Ten Fiscal Years**

Function/program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	360	270 (a)	271	269	276	283	291	288	287	288
Public safety										
Police	462	522 (a)	526	531	538	550	595	623	624	624
Fire	301	301	301	357	329	361	404	405	417	419
Corrections	123	123	123	139	141	141	144	144	144	145
Public works	525	524	528	529	539	556	577	579	579	575
Recreation and parks	218	218	225	232	238	246	251	246	246	252
Legislative and judicial	178	175	175	179	183	188	197	204	202	202
Community services	259	290	293	329	330	366	384	380	358	341
Total	2,426	2,423	2,442	2,565	2,574	2,691	2,843	2,869	2,857	2,846

Source: Howard County Budget Office

(a) In 2003, 60 employees in the 911 Center were transferred to Police.

Howard County, Maryland Operating Indicators by Function/Program Last Ten Fiscal Years

Function/program	Date of incorporation		Form of government		Executive/Council		Date present charter adopted		Area in square miles	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Finance:										
Real property tax accounts billed	88,900	89,931	90,707	91,172	94,937	92,592	93,712	94,813	95,846	97,099
Business personal property tax accounts billed	9,615	9,910	9,920	10,255	7,960	9,906	11,854	9,613	9,833	11,658
Public Safety										
Police:										
Physical arrests	8,606	8,073	8,081	7,703	9,748	9,160	9,686	9,987	10,383	10,451
Parking violations	8,108	7,797	8,033	8,539	8,639	8,484	8,933	10,556	6,919	5,445
Traffic violations	29,340	23,499	25,990	30,115	52,850	62,730	65,217	80,724	80,735	81,588
Fire:										
Emergency responses	52,588	55,296	57,152	59,679	57,507	63,396	63,598	64,425	65,362	60,183
Inspections	N/A	371	411	586	549	471	570	610	1,425	1,217
Corrections:										
Average yearly prison population	273	276	264	241	247	297	278	284	287	308
Public Works										
Inspections, licenses and permits:										
Construction permits issued (a)	6,665	6,404	6,900	6,553	6,941	6,112	5,835	4,370	5,047	5,249
Environmental services:										
Refuse collected (tons per year)	107,999	108,200	116,218	116,647	124,913	125,494	120,838	107,756	102,492	103,749
Recyclables collected (tons per year)	38,847	40,420	56,478	50,373	55,691	60,317	54,293	60,860	61,993	63,100
Recreation and parks										
Programs operated	4,530	4,820	4,759	4,772	4,162	4,186	4,200	4,226	4,328	3,998
Registrations processed	83,775	94,321	96,657	101,052	94,361	105,665	106,014	101,503	113,354	85,598
Legislative and judicial										
Circuit court cases filed	1,089	1,223	1,053	1,205	1,277	1,182	996	999	957	985
District court cases filed	12,029	19,979	14,204	14,091	10,124	12,373	13,815	12,295	13,193	13,379
Community services										
Senior centers operated	8	8	8	9	9	9	9	9	9	9
Consumer affairs - cases closed	289	237	253	189	194	210	191	223	225	210
Community service partnership grants	33	30	29	29	32	31	32	36	36	33
Assisted living monitoring visits	N/A	N/A	N/A	292	280	205	163	217	172	418
Water and sewer										
Water main breaks	126	119	140	143	123	137	82	137	185	174
Average daily water consumption (thousands of gallons)	22,130	20,860	21,370	22,100	22,500	23,000	22,400	22,000	23,910	24,930
Number of water customers	62,900	63,978	64,189	65,567	66,434	67,868	69,170	69,833	70,646	70,062
Average daily sewage treatment (thousands of gallons)	18,610	27,600	26,450	25,052	18,800	25,600	24,400	26,800	26,530	24,628
Number of sewer customers	59,630	60,652	60,853	62,159	63,022	64,240	65,494	66,096	66,862	68,163
Golf course										
Rounds played	50,259	40,673	40,210	41,360	44,856	41,395	40,455	36,450	35,525	34,309

Sources: Various Howard County Departments

Note: Indicators are not available for the State highways or education functions.

(a) Construction permits issued prior to 2005 were provided on a calendar year basis.

Howard County, Maryland Capital Assets Statistics by Function Last Ten Fiscal Years

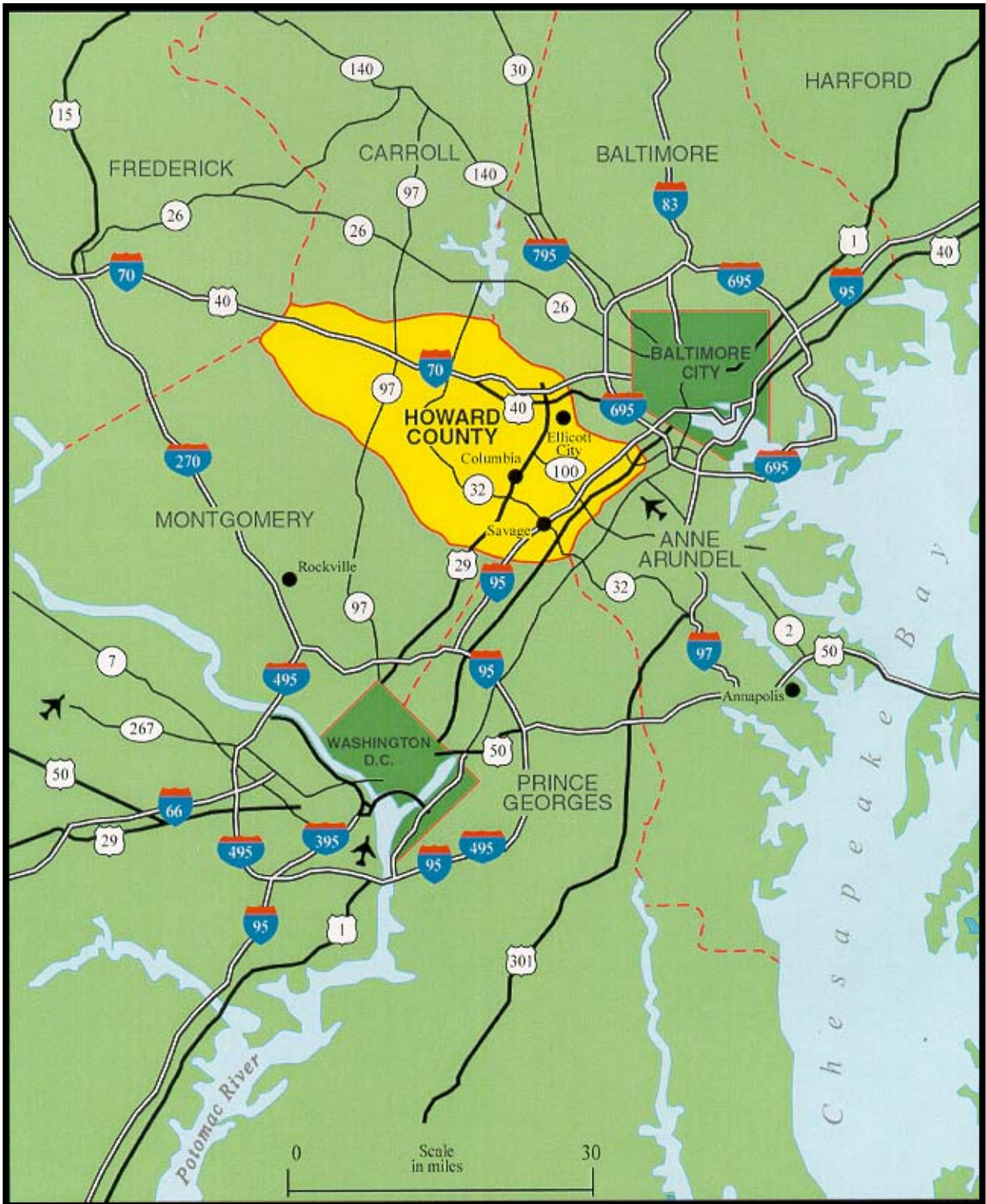
Function/program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Buildings	10	10	10	10	11	11	12	17	19	20
Vehicles	N/A	N/A	N/A	N/A	42	44	49	60	65	54
Legislative and judicial										
Vehicles	N/A	N/A	N/A	N/A	45	53	58	61	67	66
Public safety										
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units (vehicles)	199	199	194	200	200	207	225	244	265	265
Other vehicles	N/A	N/A	N/A	N/A	196	209	231	250	237	212
Fire:										
Stations	4	4	5	5	5	5	6	6	8	8
Pumpers/tankers	23	23	23	23	29	31	34	32	28	28
Ladder trucks	4	4	4	4	6	6	7	7	5	5
Paramedic units	21	21	21	21	21	24	27	28	30	30
Vehicles	N/A	N/A	N/A	N/A	90	106	118	101	128	133
Public Works										
Buildings	41	43	45	46	46	46	46	49	49	49
Transit buses	35	43	45	47	47	52	53	56	67	58
Vehicles	N/A	N/A	N/A	N/A	214	234	278	279	385	339
Streets (miles)	955	962	966	970	975	980	988	995	1,014	1,015
Streetlights	5,600	6,000	6,180	6,631	8,217	8,448	7,500	7,700	6,944	7,048
Stormwater management facilities	620	650	664	700	719	745	745	770	850	908
Recreation and parks										
Buildings	40	40	40	41	44	44	44	44	45	44
Parks and open space acreage	7,026	7,512	8,039	8,169	8,339	8,439	8,678	8,737	8,846	8,850
Playgrounds	30	31	31	31	37	40	41	42	42	40
Vehicles	N/A	N/A	N/A	N/A	64	70	69	63	76	78
Water and sewer										
Wastewater treatment plants	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	907	882	888	905	927	943	960	992	1,005	1,024
Sanitary sewers (miles)	848	862	869	880	892	898	906	955	962	971
Golf course										
	1	1	1	1	1	1	1	1	1	1

Sources: Various Howard County Departments

(a) Recreation and parks Parks and Open Space acreage and Playgrounds restated for all years per Howard County Department of Recreation and Parks

Note: Indicators are not available for State highways and education functions.

Howard County Regional Location





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