NEW ISSUES

Moody's Investors Service: Aa1
Standard & Poor's Ratings Group: AAA

$154,080,000
ANNE ARUNDEL COUNTY, MARYLAND
General Obligation Bonds
$116,000,000 Consolidated General Improvements Series, 2013
$38,080,000 Consolidated Water and Sewer Series, 2013

Dated: Date of Delivery **Due: As shown on the inside front cover**

The Bonds will be issued in book-entry form. Purchases of the Bonds will be in the denomination of $5,000 each or any integral multiple thereof. The Bonds will bear interest from the date of delivery, and interest on the Bonds will be payable on October 1 and April 1, commencing October 1, 2013. The Bonds will mature on April 1 in the years and in the amounts set forth on the inside cover of this Official Statement.

The Consolidated General Improvements Series, 2013 and the Consolidated Water and Sewer Series, 2013 (are referred to herein as the "Bonds") are general obligations of Anne Arundel County, Maryland (the "County") for the payment of which the County's full faith and credit and taxing power are irrevocably pledged; however, the Bonds are subject to the limitation on the taxing power set forth in Section 710(d) of the County Charter (See "THE BONDS — Security for and Sources of Payment of the Bonds").

The Bonds maturing on or after April 1, 2024, are redeemable prior to maturity on or after April 1, 2023, at par plus accrued and unpaid interest as set forth in "THE BONDS— Redemption" herein.

In the opinion of McKennon Shelton & Henn LLP, Bond Counsel, under existing statutes, regulations and decisions: (i) the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale and exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon; and (ii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. As described herein under "THE BONDS—Tax Matters", interest earned on the Bonds, for federal income tax purposes, may be included in the calculation of a corporation's alternative minimum taxable income and will be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

The Bonds are offered when, as and if issued, subject to the delivery of the Bonds and the approving opinion of McKennon Shelton & Henn LLP, Bond Counsel, and other conditions specified in the official Notice of Sale. The Bonds in definitive form will be available for delivery in New York, New York through the facilities of the Depository Trust Company and certain closing documents will be available for delivery in Baltimore, Maryland on or about June 27, 2013, or at such time or place as shall be mutually agreed upon by the County and the successful bidders for the Bonds.

The date of this Official Statement is June 20, 2013

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS OR PRICES

$116,000,000 Consolidated General Improvements Series, 2013

Maturing April 1	Principal Amount	Interest Rate	Yield	CUSIP**	Maturing April 1	Principal Amount	Interest Rate	Yield	CUSIP**
2014	$6,960,000	4.000%	0.190%	03588H DD5	2024	$4,640,000	5.000%	2.820%*	03588H DP8
2015	6,960,000	5.000	0.500	03588H DE3	2025	4,640,000	4.000	2.960 *	03588H DQ6
2016	6,960,000	5.000	0.740	03588H DF0	2026	4,640,000	5.000	3.150 *	03588H DR4
2017	6,960,000	5.000	1.110	03588H DG8	2027	4,640,000	5.000	3.270 *	03588H DS2
2018	6,960,000	5.000	1.410	03588H DH6	2028	4,640,000	5.000	3.390 *	03588H DT0
2019	6,960,000	5.000	1.750	03588H DJ2	2029	4,640,000	5.000	3.500 *	03588H DU7
2020	6,960,000	5.000	2.020	03588H DK9	2030	4,640,000	5.000	3.590 *	03588H DV5
2021	6,960,000	5.000	2.300	03588H DL7	2031	4,640,000	5.000	3.650 *	03588H DW3
2022	6,960,000	5.000	2.510	03588H DM5	2032	4,640,000	5.000	3.710 *	03588H DX1
2023	6,960,000	5.000	2.680	03588H DN3	2033	4,640,000	5.000	3.760 *	03588H DY9

$38,080,000 Consolidated Water and Sewer Series, 2013

Maturing April 1	Principal Amount	Interest Rate	Yield	CUSIP**	Maturing April 1	Principal Amount	Interest Rate	Yield	CUSIP**
2014	$1,265,000	4.000%	0.190%	03588H DZ6	2026	$1,270,000	4.000%	3.500%*	03588H EM4
2015	1,265,000	5.000	0.500	03588H EA0	2027	1,270,000	4.000	3.720 *	03588H EN2
2016	1,265,000	5.000	0.740	03588H EB8	2028	1,270,000	4.000	3.940 *	03588H EP7
2017	1,265,000	5.000	1.110	03588H EC6	2029	1,270,000	4.000	4.050	03588H EQ5
2018	1,270,000	5.000	1.410	03588H ED4	2030	1,270,000	4.000	4.140	03588H ER3
2019	1,270,000	5.000	1.750	03588H EE2	2031	1,270,000	4.000	4.200	03588H ES1
2020	1,270,000	5.000	2.020	03588H EF9	2032	1,270,000	4.125	4.260	03588H ET9
2021	1,270,000	5.000	2.300	03588H EG7	2033	1,270,000	4.125	4.310	03588H EU6
2022	1,270,000	5.000	2.510	03588H EH5	2034	1,270,000	4.250	4.360	03588H EV4
2023	1,270,000	5.000	2.680	03588H EJ1	2035	1,270,000	4.250	4.400	03588H EW2
2024	1,270,000	4.000	2.820 *	03588H EK8	2036	1,270,000	4.250	4.440	03588H EX0
2025	1,270,000	4.000	2.960 *	03588H EL6	2037	1,270,000	4.250	4.456	03588H EY8

$3,810,000 4.500% Term Bonds due April 1, 2040 Price 99.377% to Yield 4.540%, CUSIP 03588H EZ5
$3,810,000 4.500% Term Bonds due April 1, 2043 Price 98.700% to Yield 4.580%, CUSIP 03558H FA9

The interest rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on June 20, 2013. The prices or yields shown above were furnished by the successful bidders for the Bonds. Other information concerning the terms of reoffering of the Bonds should be obtained from the successful bidders, and not from Anne Arundel County, Maryland. See "SALE AT COMPETITIVE BIDDING."

*** Priced to April 1, 2023 call date**

** CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by Standard & Poor's CUSIP Service Bureau, division of The McGraw-Hill Companies, Inc. that is not affiliated with the County and the County is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The County has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth above. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

ANNE ARUNDEL COUNTY, MARYLAND

Certain Elected Officials

COUNTY EXECUTIVE
Laura Neuman

COUNTY COUNCIL
Jerry Walker, Chairman
John J. Grasso, Vice Chairman
G. James Benoit, Jr.
Derek Fink
Richard B. Ladd
Peter Smith
Chris Trumbauer

Certain Appointed Officials

Chief Administrative Officer – Karen L. Cook, Esq.
Controller - Richard K. Drain
Budget Officer – John R. Hammond
County Attorney - David A. Plymyer
County Auditor-Teresa O. Sutherland (appointed by County Council)

BOND COUNSEL
McKennon Shelton & Henn LLP
Baltimore, Maryland

FINANCIAL ADVISOR
Public Resources Advisory Group
New York, New York

BOND REGISTRAR,
PAYING AGENT
U.S. Bank National Association
Richmond, Virginia

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No dealer, broker, salesman or other person has been authorized by the County or the successful bidders for the Bonds to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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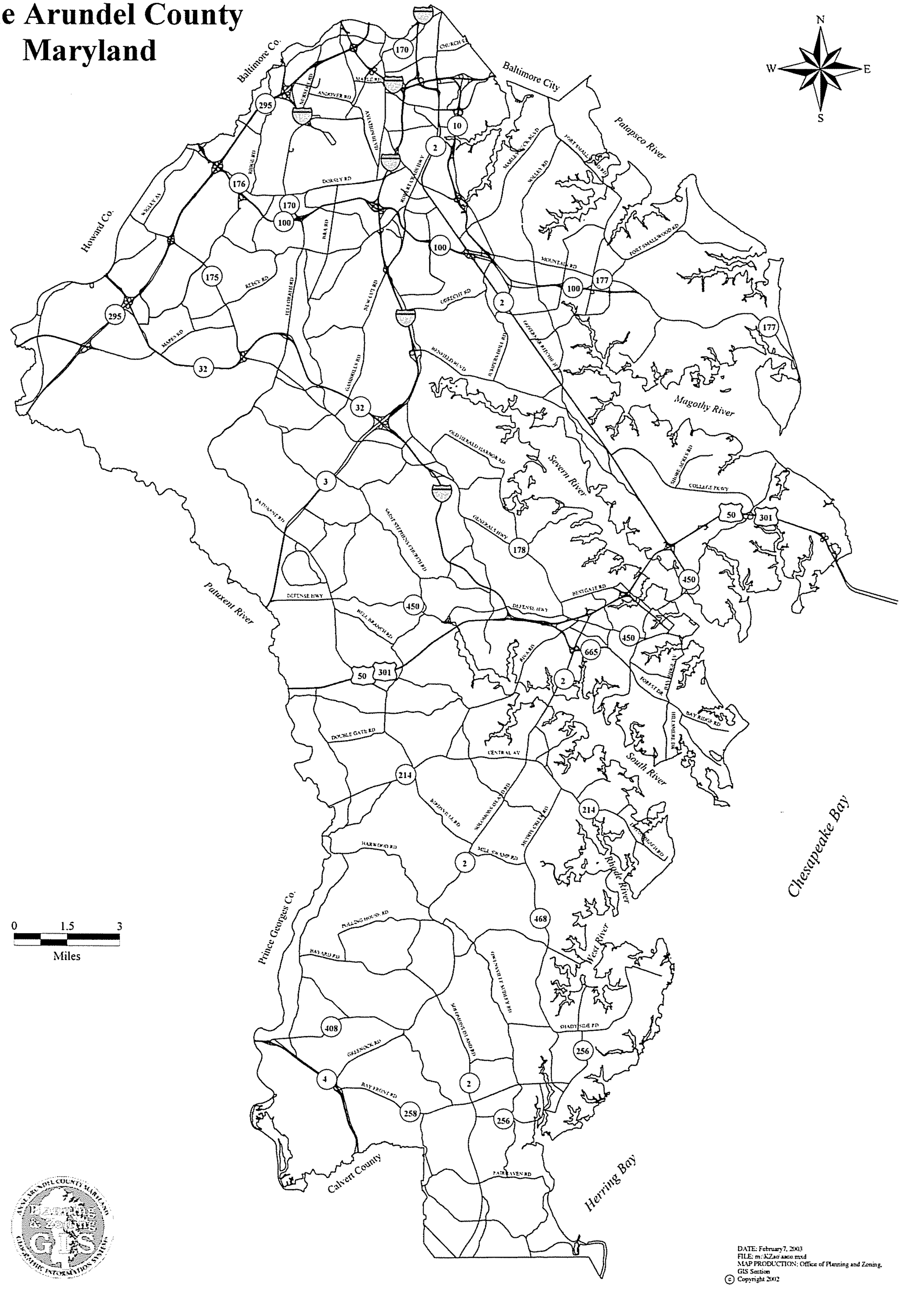
This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of these provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implications that there has been no change in the affairs of the County since the respective dates as of which information is given herein. The information set forth herein has been obtained from the County and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the successful bidder for the Bonds.

The Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the County and financial results could cause actual results to differ materially from those stated in the forward-looking statements. The County does not plan to issue any updates or revisions to the forward-looking statements.

Anne Arundel County
Maryland



ANNE ARUNDEL COUNTY, MARYLAND
OFFICIAL STATEMENT

$154,080,000
GENERAL OBLIGATION BONDS

$116,000,000 Consolidated General Improvements Series, 2013
$38,080,000 Consolidated Water and Sewer Series, 2013

SECTION ONE: INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance by Anne Arundel County, Maryland (the "County" or "Anne Arundel County") of its $154,080,000 aggregate principal amount of General Obligation Bonds, consisting of $116,000,000 Consolidated General Improvements Series, 2013 (the "Consolidated General Improvements Bonds") and $38,080,000 Consolidated Water and Sewer Series, 2013 (the "Consolidated Water and Sewer Bonds"). The Consolidated General Improvements Bonds and the Consolidated Water and Sewer Bonds are together referred to herein as the "Bonds".

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The County

The County is a political subdivision of the State of Maryland, located 13 miles east of Washington, D.C. with Baltimore City and Baltimore County as its northern boundary and the Chesapeake Bay as its entire eastern boundary. The County has been under home rule charter since 1965. For more complete information, see "ECONOMIC AND DEMOGRAPHIC INFORMATION — Description and Government" herein.

Sources of Payment of the Bonds

The Bonds are general obligations of the County for the payment of which the County's full faith and credit and taxing power are irrevocably pledged, subject to the limitation on the taxing power set forth in Section 710(d) of the County Charter (the "Charter" or the "County Charter"). See "THE BONDS — Security for and Sources of Payment of the Bonds" herein.

The maturing principal of and interest on the Consolidated General Improvements Bonds will be paid from time to time, as and when due, from the funds in the hands of the County realized from the collection of ad valorem taxes on real estate, tangible personal property and intangible personal property subject to taxation by the County. The County has covenanted that, to the extent that the required appropriation for debt service on the Consolidated General Improvements Bonds is not offset by funds from other sources, it will, subject to the limitation on the taxing power set forth in Section 710(d) of the County Charter, fund any such appropriation by the levy of ad valorem taxes on real estate, tangible personal property and intangible personal property subject to taxation by the County, and in addition, upon such other intangible property as may be subject to taxation by the County within the limitations prescribed by law.

The maturing principal of and interest on the Consolidated Water and Sewer Bonds will be paid from time to time, as and when due, from the funds in the hands of the County realized from the net revenues of the projects for which such bonds are issued, or the utilities for which these improvements are a part. The County has covenanted to fix and collect rates, charges and assessments sufficient to pay the cost of operations, maintenance, and debt service. In the event of a deficiency of such funds, the County has further covenanted that it will, subject to the limitation on the tax levy set out in Section 710(d) of the County Charter, fund any required appropriation by the levy of ad valorem taxes on real estate, tangible personal property and intangible personal property subject to taxation by the County, and in addition, upon such other intangible property as may be subject to taxation by the County within limitations prescribed by law. (See “THE BONDS — Security for and Sources of Payment of the Bonds” for more complete and detailed information).

Purpose of the Bonds

The proceeds of the Bonds will be used to retire the County's Bond Anticipation Notes, Series A (Consolidated General Improvement Series) in the amount of $65,040,000, and the County’s Bond Anticipation Notes, Series B (Water and Wastewater Series) in the amount of $10,680,000 as well as to provide additional new funding for general improvements in the amount of $50,960,000 and water and sewer improvements of $27,400,000. The proceeds of the Notes (defined herein) were used to pay a portion of the costs of certain general County capital projects, including general county, storm drains, education, police and fire, roads and bridges, community college, recreation and parks, waterway improvements, and water and wastewater improvements. The new funding will be used to pay for general county, storm drains, education, police and fire, roads and bridges, community college, and water and wastewater projects. For more complete information, see “THE BONDS Application of Proceeds” herein.

Denominations

The Bonds will be issued in denominations of $5,000 each or any multiple thereof.

Book-Entry Only System

The Depository Trust Company (“DTC”) will act as the securities depository for the Bonds. The Bonds will be issued on a book-entry only basis (See “THE BONDS Book-Entry Only System General”). Beneficial Owners (defined herein) will not receive certificates representing their ownership interest in the Bonds except in the event of termination of the book-entry only system (See “THE BONDS Termination of Book-Entry Only System”).

Payments

Principal and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Payments by Direct Participants and Indirect Participants (each as defined herein) to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in “street name.”

For a more complete description of the Bonds, see “THE BONDS,” herein.

Tax Matters

In the opinion of McKennon Shelton & Henn LLP Bond Counsel, under existing statutes, regulations and decisions, (i) the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale and exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon; and (ii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. As described herein under “THE BONDS Tax Matters”, interest earned on the Bonds, for federal income tax purposes, may be included in the calculation of a corporation’s alternative minimum taxable income and will be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Professionals Involved in the Offering

U.S. Bank National Association, Richmond, Virginia, will act as paying agent and bond registrar and Public Resources Advisory Group, New York, New York, will act as the County's Financial Advisor with respect to the Bonds. All proceedings in connection with the issuance of the Bonds are subject to the approval of McKennon Shelton & Henn LLP, Bond Counsel. The County's financial statements, included in APPENDIX A hereto, have been audited by CliftonLarsonAllen, LLP, independent public accountants, Baltimore, Maryland. For more information concerning the above mentioned professionals, see "THE BONDS — Approval of Legal Matters," "THE BONDS — Financial Advisor," and "THE BONDS — Independent Public Accountants" herein.

Authorization

The Bonds are issued pursuant to the authority of Article 25A of the Annotated Code of Maryland, the County Charter and in accordance with the Authorizing Ordinance (defined herein). For more complete information, see "THE BONDS — Authorization and Purpose" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. It is anticipated that the Bonds in definitive form will be available for delivery to DTC on or about June 27, 2013.

Continuing Disclosure

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. See "THE BONDS — Continuing Disclosure" herein.

Miscellaneous

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the County. No dealer, broker, salesperson or other person has been authorized by the County or the Underwriter to give any information or to make any representations, other than those contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. Neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of any party described herein subsequent to the date as of which such information is presented.

Questions related to this Official Statement, requests for the County's Comprehensive Annual Financial Report or any written notice described in the section entitled "Continuing Disclosure" should be directed to the Office of Finance, Arundel Center, P.O. Box 2700, Annapolis, Maryland 21404. The telephone number of the Office of Finance is (410) 222-1781.

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SECTION TWO: THE BONDS

General

The Bonds will be issued by the County in book-entry form as fully registered bonds without coupons in the denomination of $5,000 each or any integral multiple thereof. The Bonds will be dated the date of delivery, and will bear interest, as hereinafter set forth, payable on October 1 and April 1 of each year, commencing October 1, 2013, at the rates set forth on the inside front cover page of this Official Statement. Each Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of delivery. U.S. Bank National Association has been appointed paying agent for the Bonds.

Authorization and Purpose

The Bonds are issued pursuant to the authority of Article 25A of the Annotated Code of Maryland, the County Charter and in accordance with Bill No. 60-12, passed by the County Council of Anne Arundel County on August 6, 2012, approved by the County Executive on August 13, 2012, and effective on September 27, 2012 (the "Authorizing Ordinance").

The proceeds from the sale of the $154,080,000 aggregate principal amount of the Bonds will be used to repay the County's Bond Anticipation Notes, Series A (Consolidated General Improvement Series) in the amount of $65,040,000, and Series B (Consolidated Water and Wastewater) in the amount of $10,680,000 as well as to provide additional new funding of approximately $50,960,000 for general improvements and $27,400,000 for water and sewer improvements.

Commercial Paper

On December 12, 2012, the County sold $65,040,000 of general obligation bond anticipation notes and $10,680,000 of water wastewater bond anticipation notes. Under the County's commercial paper program, Notes are sold with an initial maturity of 1 to 270 days, and on refinancing at their maturity with additional Notes marketed at then current interest rates. This remarketing is backed for liquidity purposes by a line of credit issued by State Street Bank and Trust Company. Maturities of Notes between inception and January 31, 2013 have ranged from 54 to 105 days and interest rates ranged from .18% to .19%. The proceeds of the Bonds will be used to retire the entire outstanding principal balance of the Notes.

Application of Proceeds of Bonds

The sources of funds for the capital projects to be financed from the Consolidated General Improvements Bonds and the Consolidated Water and Sewer Bonds are summarized in the following tables:

GENERAL COUNTY IMPROVEMENT PROJECTS
Sources of Funds

	Estimated Costs of Designated Projects	Federal and State Grants, Pay-As-You-Go Funds, and Funds From Completed or Abandoned Projects	Prior Bond Issues	2013 Bond Issue: To Cover Additional Project Expenditures	2013 Bond Issue: To Payoff Bond Anticipation Notes	Subsequent Bond Issues
General County	$ 279,273,014	$ 212,755,107	$ 51,556,654	$ 3,000,000	$ 690,000	$ 11,271,253
Stormwater Runoff Controls	21,318,061	2,395,972	10,178,987	660,000	1,390,000	6,693,102
Education	843,611,597	336,256,457	334,616,447	39,400,000	35,500,000	97,838,693
Education Impact Fees	16,365,000	-	16,364,000	-	-	1,000
Police and Fire	22,631,831	6,225,641	3,521,496	490,000	1,235,000	11,159,694
Police and Fire Impact Fees	220,000	-	219,083	-	-	917
Roads and Bridges	182,174,642	58,641,962	72,180,050	5,860,000	14,165,000	31,327,630
Roads and Bridges Impact Fees	1,823,000	-	1,819,115	-	-	3,885
Community College	48,522,000	17,243,000	20,739,412	1,550,000	5,820,000	3,169,588
County Libraries	5,027,130	3,948,999	898,025	-	-	180,106
Recreation and Parks	81,669,598	52,834,122	22,992,938	-	1,990,000	3,852,538
Waterway Improvements	58,039,532	28,365,201	13,273,672	-	4,250,000	12,150,659
Waste Collection Projects	56,624,819	7,531,785	25,278,889	-	-	23,814,145
	$ 1,617,300,224	**$ 726,198,246**	**$ 573,638,768**	**$ 50,960,000**	**$ 65,040,000**	**$ 201,463,210**

WATER AND WASTEWATER IMPROVEMENT PROJECTS
Sources of Funds

	Estimated Costs of Designated Projects	Federal and State Grants, Pay-As-You-Go Funds, and Funds From Completed or Abandoned Projects	Prior Bond Issues	2013 Bond Issue: To Cover Additional Project Expenditures	2013 Bond Issue: To Payoff Bond Anticipation Notes	Subsequent Bond Issues
Wastewater	$772,709,159	$256,318,679	$131,774,197	$ 17,350,000	$ 7,690,000	$ 359,576,283
Water	380,666,391	43,128,650	114,983,197	10,050,000	2,990,000	209,514,544
	$ 1,153,375,550	**$ 299,447,329**	**$ 246,757,394**	**$ 27,400,000**	**$ 10,680,000**	**$ 569,090,827**

Source: Office of Finance.

Security for and Sources of Payment of the Bonds

The Bonds are general obligations of the County for the payment of which the County's full faith and credit and taxing power are irrevocably pledged, subject to the limitation on the taxing power set forth in Section 710(d) of the County Charter.

Section 710(d) of the County Charter provides that from and after July 1, 1993, revenues derived from taxes on properties existing on the County property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, more than the Consumer Price Index percentage of change, or 4.5 percent, whichever is the lesser (See "FINANCES - Charter Property Tax Revenue Limitation" and "INDEBTEDNESS - Charter Property Tax Revenue Limitation").

The maturing principal of and interest on the Consolidated General Improvements Bonds will be paid from time to time, as and when due, from the funds in the hands of the County realized from the collection of ad valorem taxes on real estate, tangible personal property and intangible personal property subject to taxation by the County. The County has covenanted that, to the extent that the required appropriation for debt service on the Consolidated

General Improvements Bonds is not offset by funds from other sources, it will, subject to the limitation on the tax levy set out in Section 710(d) of the County Charter, fund any such appropriation by the levy of ad valorem taxes on real estate, tangible personal property and intangible personal property subject to taxation by the County, and in addition, upon such other intangible property as may be subject to taxation by the County within limitations prescribed by law.

In each and every fiscal year that any of the Consolidated Water and Sewer Bonds are outstanding, the County shall impose and levy, or cause to be imposed and levied, charges, levies and assessments against all real property in the County that is or will be connected with, or that is benefited by, the water and wastewater facilities of the County, in accordance with the authority and in the manner prescribed by the Anne Arundel County Code (the "County Code").

The maturing principal of and interest on the Consolidated Water and Sewer Bonds will be paid from time to time, as and when due, from the funds in the hands of the County realized from the net revenues of the projects for which such bonds are issued, or the utilities of which these improvements are a part, for the use and benefit of which the County has covenanted to fix and collect rates, charges and assessments sufficient to pay the cost of operation, maintenance and debt service. In the event of a deficiency of such funds from the net revenues and receipts from such revenue producing projects, for the purpose of meeting the principal maturities and interest of the Bonds, the County has further covenanted that it will, subject to the limitation on the tax levy set out in Section 710(d) of the County Charter, fund any such appropriation by the levy of ad valorem taxes on real estate, tangible personal property and intangible personal property subject to taxation by the County and in addition, upon such other intangible property as may be subject to taxation by the County within limitations prescribed by law.

There will be deducted from the total gross proceeds received from the sale of the Bonds offered hereby, the amounts received by the County on account of accrued interest from the date of the Bonds to the date of delivery thereof. Such amounts will be set apart by the Controller of the County in separate accounts and applied to the first interest payment on the Bonds.

Bondholders' Remedies

In the event that it fails to perform its obligations under the Bonds to the registered owners thereof, the County may be sued, and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a registered owner of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law on this point, the appropriate courts of Maryland have jurisdiction to entertain proceedings and power to grant additional relief, such as the mandatory injunction, if necessary, to enforce the levy and collection of such taxes within the limitation on the tax levy set out in Section 710(d) of the County Charter and payment of the proceeds thereof to the holders of general obligation bonds, subject to the inherent constitutional limitations referred to below.

While remedies would be available to bondholders and while the general obligation bonds of the County are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or the interest on the Bonds could be made subject to the provisions of Chapter 9 of the Federal Bankruptcy Code or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

Redemption

Optional Redemption

The Bonds of each series maturing on or after April 1, 2024, are subject to redemption, at the option of the County, on or after April 1, 2023, as a whole or in part at any time, in any order of maturities, after at least 20 days' notice, at par (100% of principal), plus accrued and unpaid interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Consolidated Water and Sewer Bonds maturing on April 1, 2040, are subject to mandatory sinking fund redemption, at a price equal to the principal amount thereof plus accrued interest thereon, on April 1 each of the following years and in the following amounts:

Year	Sinking Fund Installments
2038	$1,270,000
2039	1,270,000
2040	1,270,000*

* Stated maturity

The Consolidated Water and Sewer Bonds maturing on April 1, 2043, are subject to mandatory sinking fund redemption, at a price equal to the principal amount thereof plus accrued interest thereon, on April 1 each of the following years and in the following amounts:

Year	Sinking Fund Installments
2041	$1,270,000
2042	1,270.000
2043	1,270,000*

* Stated maturity

If the County redeems or otherwise discharges the Consolidated Water and Sewer Bonds maturing on April 1, 2040 or the Consolidated Water and Sewer Bonds maturing on April 1, 2043, before the applicable scheduled maturity or payment date, an amount equal to the principal amount of such redeemed or discharged bonds shall be credited to the applicable sinking fund installment amounts in any manner determined by the County.

If less than all of the bonds of a series shall be called for redemption, the principal amount of Bonds so called for redemption shall be an integral multiple of $5,000 and the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar, except that so long as DTC or its nominee is the sole registered owner of the Bonds, the particular bond or portion thereof to be redeemed shall be selected by lot by DTC, in accordance with its normal and customary procedures (so long as the bonds are in book-entry form). When less than all of a Bond in a denomination in excess of $5,000 shall be so redeemed, then, upon the surrender thereof there shall be issued to the registered owner thereof, without charge, for the unredeemed balance of the principal amount of such Bond, at the option of such owner, Bonds in any of the authorized denomination the aggregate face amount of such Bonds not to exceed the unredeemed balance of the Bond so surrendered, and to bear the same interest rate and to mature on the same date as said unredeemed balance.

If the County elects to redeem all outstanding Bonds of a series, or less than all, it will give a redemption notice by letter mailed first class, postage prepaid, to the holders of such Bonds at least 20 days prior to the redemption date at the addresses of such holders appearing on the registration books kept by the Bond Registrar, provided, however, that the failure to mail such notice to any holder of such Bonds or any defect in the notice mailed or in the mailing thereof shall not affect the validity of the redemption proceedings relating to any other Bonds. Said notice shall state whether such Bonds are redeemed in whole or in part and, if in part, the maturities and numbers of the Bonds called, shall state that the interest on the Bonds called shall cease on the date fixed for redemption, shall state the redemption date and the redemption price, and shall require that the Bonds redeemed be then presented for redemption and payment at the principal corporate trust office of the Paying Agent. From and after the date fixed for redemption, if notice has been given as herein provided, and the funds sufficient for payment of the redemption price and accrued interest shall be available therefore on such date, the Bonds designated for redemption shall cease to bear interest. Upon presentation and surrender in compliance with such notices, the Bonds called for redemption shall be paid by the Paying Agent at the redemption price. If not paid on presentation thereof, said Bonds called shall continue to bear interest at the rates expressed therein until paid.

Book-Entry Only System — General

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate of the Bonds will be issued for each maturity of each series of the Bonds in a principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC or its agent.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, (as amended). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 foreign countries and territories that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Book-Entry Only System — Miscellaneous

The information in the section "THE BONDS — Book-Entry Only System — General" has been obtained by the County from DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County nor the Bond Registrar and Paying Agent (defined herein) will have any responsibility or obligations to Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the Direct Participants, or the Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that Direct Participants, Indirect Participants or others will distribute principal and interest payments to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Bond Registrar and such Bonds will be exchanged for Bonds registered in the names of the Direct or Indirect Participants or the Beneficial Owners identified to the Bond Registrar. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described below.

Interest on the Bonds will be payable by check mailed by U.S. Bank National Association, Richmond, Virginia (the "Paying Agent" and "Bond Registrar"), to the persons in whose names the Bonds are registered as of the close of business on the Regular Record Date (being the fifteenth day of the month next preceding each interest payment date) at the addresses shown on the registration books of the County maintained by the Bond Registrar; provided, however, that any such interest not punctually paid or duly provided for shall cease to be payable to the registered owner on such Regular Record Date, and may be paid to the persons in whose names such Bonds are registered as of the close of business on a date to be fixed by the Paying Agent for the payment of such defaulted interest (the "Special Record Date"), notice of which will be given by letter mailed first class, postage prepaid, to such persons, not less than 30 days prior to such Special Record Date, at the addresses of such persons appearing on the registration books of the County maintained by the Bond Registrar, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange. The principal of and premium, if any, on the Bonds will be payable at the designated corporate trust office of the Paying Agent in Richmond, Virginia. The County may designate another entity as Bond Registrar and Paying Agent upon twenty days prior written notice to the registered owners of the Bonds.

The Bonds in fully certificated form will be fully registered Bonds without coupons in the denomination of $5,000 each or any integral multiple thereof. Bonds will be transferable only upon the registration books kept at the principal corporate trust office of the Bond Registrar, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Bond Registrar and duly executed by the registered owner or a duly authorized attorney. The County may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

The Bonds may be transferred or exchanged at the principal corporate trust office of the Bond Registrar. Upon any such transfer or exchange, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds without coupons, of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Bond Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee, or other governmental charge, shipping charges, and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer. The Bond Registrar shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as hereinabove described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of $5,000 which is not being called for redemption.

Tax Matters

In rendering its opinion with respect to the Bonds, Bond Counsel will rely without investigation on certifications provided by the County with respect to certain material facts within the knowledge of the County relevant to the tax-exempt status of interest on the Bonds.

Maryland Income Taxation

In the opinion of Bond Counsel, under existing statutes, regulations and decisions, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale and exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

Federal Income Taxation

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds.

Further, under existing statutes, regulations, and decisions, interest on the Bonds is not included in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax may be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative net tax operating loss deduction). For such purposes, "adjusted current earnings" may include, among other items, interest income from the Bonds. In addition, interest income on the Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

Certain Other Federal Tax Consequences

There are other federal tax consequences of ownership of obligations such as the Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest income received or accrued and the deductible portion of dividends received by such companies; (iii) interest income that is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income tax purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, including interest on tax-exempt obligations such as the Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status and (v) net gain realized upon the sale or the other disposition of the Bonds must be taken into account when computing the 3.8% Medicare tax with respect to the investment income imposed on certain higher income individuals and specified trusts and estates.

Purchase, Sale and Retirement of Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Bond will be its cost. Upon the sale or retirement of a Bond, for federal income tax purposes, a holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Bond, determined by adding to the original cost basis in such Bond the amount of original issue discount that is treated as having accrued as described below under "THE BONDS — Tax Accounting Treatment of Discount Bonds." Such gain or loss will be a long-term capital gain or loss if at the time of the sale or retirement the Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rates applicable to ordinary income. For noncorporate taxpayers, however, short-term capital gains are taxed at the rates applicable to ordinary income, while net capital gains are taxed at lower rates. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses.

Market Discount

If a holder acquires a Bond after its original issuance at a discount below its principal amount (or in the case of a Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such bond was first issued), the holder will be deemed to have acquired the Bond at "market discount," unless the amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Bond with market discount subsequently realizes a gain upon the disposition of the Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the Bond's stated redemption price at maturity over the holder's cost of acquiring the Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. In the case of a Bond issued with original issue discount, market discount will be *de minimis* if the excess of the Bond's revised issue price over the holder's cost of acquiring the Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. For this purpose, a Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Bond during the period between its original issue date and the date of acquisition by the holder.

Amortizable Bond Premium

A Bond will be considered to have been purchased at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). Under tax regulations applicable to the Bonds, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on the Bonds. The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues, determined in the manner prescribed in the regulations. Generally, no deduction (or other tax benefit) is allocable in respect of any amount of amortizable bond premium on the Bonds.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Bonds may be issued at an initial public offering price which is less than the amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial offering price, at which a substantial amount of the Discount Bonds of each maturity was first sold, and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. The amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (a) any holder of a Discount Bond will recognize gain or loss upon the disposition of such Discount Bond (including sale, early redemption or payment at maturity) in an amount equal to the difference between (i) the amount received upon such disposition and (ii) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (b) the amount of the basis adjustment described in clause (a)(ii)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (a) the product of (i) the yield for such Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (ii) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (b) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under the tax regulations, the yield and maturity of Discount Bonds are determined without regard to commercially reasonable sinking fund payments, and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The yields (and related prices) furnished by the successful bidder for the Bonds as shown on the inside cover of this Official Statement may not reflect the initial issue prices for the purpose of determining the original issues discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Bonds under the alternative minimum tax or the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the alternative minimum tax or the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code) in their particular circumstances.

Legislative Developments

Legislative proposals recently under consideration or proposed after issuance and delivery of the Bonds could adversely affect the market value of the Bonds. Further, if enacted into law, any such proposal could cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation and could otherwise alter or amend one or more of the provisions of federal tax law described above or their consequences. Prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of proposed legislative proposals, as to which Bond Counsel expresses no opinion.

Ratings

The Bonds have been assigned the following ratings by the agencies indicated: Moody's Investor's Service (“Moody's”) **Aa1**; and Standard & Poor's Corporation (“S&P”) **AAA**. An explanation of the significance of such ratings may be obtained from the rating agencies. The County furnished to the rating agencies the information contained in a preliminary form of this Official Statement and other materials and information. Generally, rating agencies base ratings on such materials and information, as well as their own investigations, studies and assumptions. It should be noted that such ratings may be changed at any time and that no assurance can be given that the ratings will not be revised downward or withdrawn by the rating agencies, if in their judgment, circumstances should warrant such actions. Such circumstances may include, without limitation, changes in or unavailability of information relating to the County. Any such downward revision or withdrawal of such ratings could have an adverse effect on the market price of the Bonds.

Sale at Competitive Bidding

The Bonds were offered for sale by the County at competitive bidding on June 20, 2013, in accordance with the official Notice of Sale (the form of which is attached as part of Appendix B). The rates shown on the inside cover page of this Official Statement are the rates to the County resulting from the awards of the Bonds at the competitive bidding therefore. The yields or prices shown on the inside cover pages of this Official Statement are based on information supplied to the County by the successful bidders respecting the resale price (not including concessions) of the Bonds established on the date hereof. Any other information concerning the terms of reoffering of the Bonds, if any, including yields or prices, should be obtained from the successful bidders therefore and not from the County.

Litigation

The County is a party in various legal proceedings that normally occur in governmental operations, including various tort and contract suits, suits alleging violations of individual rights, and matters involving claims relating to land development, property damage, employee liability and workers compensation. With respect to such claims or matters for which reserves have not yet been funded, in the judgment of the County Attorney, the aggregate expected liability of the County will not exceed $500,000.

In addition, the County is a defendant in the following significant cases worthy of note:

1) Class action lawsuit on behalf of property owners challenges the County's impact fee legislation and are seeking refunds for impact fees paid from 1988 to 1996. The amount of those claims involves complex accounting procedures. On March 25, 2011 the Circuit Court issued an opinion and order requiring the County to refund certain current property owners on a pro rata basis the sum of $1,342,360 subject to an additional 5% interest per annum (total expected with interest to be around $3,000,000). Appeals have been noted and it remains uncertain when the County will pay refunds.

2) A Class Action complaint in assumpsit seeking return of impact fees allegedly illegally spent or not spent or encumbered within 6 fiscal years from the years 1997 to 2002. This is the same claim as in Dharmasena v. Anne Arundel County. This case is brought separately because counsel prosecuting case cannot represent the Dharmasenas. County's motion for summary judgment has been denied. Class action has not been certified by the court yet and this must occur before trial. Case is specially set before Judge Sweeney. If Judge denies class certification the case could be dismissed.

3) Board employee denied promotion to assistant principal asserts age discrimination.

4) Lawsuit against County and former County Executive contained claims of employment discrimination on basis of gender and retaliation under state and federal law, violation of Section 1983 and state wrongful discharge claims. On preliminary Motion to Dismiss all state claims were dismissed and other claims limited. Discovery is stayed and Motion for Summary Judgment is pending.

5) Hearing impaired person not hired for sign language teaching positions brings ADA action in federal court against the Board of Education.

6) Lawsuit filed in the Circuit Court for Howard County, Case No.: 13-C-12-090521 OC against Anne Arundel County and one of its police officers alleging constitutional violations in connection with police investigation and subsequent service of no-knock warrant upon residence.

7) Title VII and related tort claims action filed in federal court by former Detention Facilities Officer against the County and former supervisor. Officer was terminated for misconduct. The Complaint alleges race and sex discrimination. The answer and motion to dismiss have been filed.

Approval of Legal Matters

McKennon Shelton & Henn LLP, is acting as Bond Counsel in connection with the issuance of the Bonds. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of opinions substantially in the forms set forth in Appendix C of this Official Statement.

Financial Advisor

Public Resources Advisory Group, 40 Rector Street, Suite 1600, New York, New York, 10006-2908, serves as financial advisor to the County on debt management and capital financing matters.

Continuing Disclosure

In order to enable participating underwriters (as defined in SEC Rule 15c2-12) to comply with the requirements of paragraph (b)(5) of SEC Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Bonds. The form of the Continuing Disclosure Agreement is attached hereto as Appendix D.

The County has complied with its prior continuing disclosure undertakings.

Independent Public Accountants

The basic financial statements of Anne Arundel County, Maryland included in Appendix A of this Official Statement have been audited by CliftonLarsonAllen, LLP, Independent Public Accountants, for the period indicated in their report thereon.

Official Statement

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds.

SECTION THREE: FINANCES

This section summarizes the finances of the various departments, agencies and other organizations governed directly by the County Executive and the County Council of Anne Arundel County, Maryland. No information is included related to the component units included in the County's basic financial statements. For more information see "NOTES TO THE BASIC FINANCIAL STATEMENTS — Summary of Significant Accounting Policies," in Appendix A.

Accounting and Financial Operations

The County financial system is an integrated, centralized, and comprehensive base for all budgetary and accounting information. The system begins with the budget and progresses into the incurrence of all obligations and disbursement of all funds. An accounting is provided for all revenues, expenditures and expenses, regardless of source or charge.

Awards

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Anne Arundel County, Maryland for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2011. This was the 31st consecutive year that the County has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County believes its CAFR continues to conform to the Certificate of Achievement program requirements and has submitted its CAFR to GFOA for year ended June 30, 2012.

Basis of Accounting

Modified Accrual Basis of Accounting

The modified accrual basis of accounting and current financial resources measurement focus is followed in the Governmental funds for the fund level statements. Under the modified accrual basis of accounting:

1. Expenditures are recorded when goods and services are received and the actual liabilities are incurred, except for principal and interest on general long-term debt obligations and compensated absences and other long term obligations.

2. Revenues are recorded when collected by the County or its collecting agencies, except for general property taxes, local income taxes, state shared tax revenues, intergovernmental revenues and investment income which are susceptible to accrual because these revenues are both measurable and available. Available means expected to be collected within 90 days after year end in order to pay liabilities of the current period, except property taxes, which are deferred if not collected within 60 days.

3. Revenues not considered measurable or available are recorded as deferred revenues.

4. In applying the susceptible to accrual concept to intergovernmental revenues, the eligibility requirements of the programs are used as guidance. Revenues can be recognized as soon as all such requirements are met.

Implementation of GASB 34

In fiscal year 2002 the County implemented the Governmental Accounting Standards Board – Statement No. 34. This statement significantly changed the form and content of the Comprehensive Annual Financial Report. In addition to the statements discussed above, a set of government-wide financial statements are included that use the full accrual basis of accounting. These government-wide statements consolidate the operations of all County activities into two categories, governmental and business-type and eliminate all interfund activity. All non-current assets and liabilities are also included on the Statement of Net Assets. In addition, the "Management Discussion and Analysis" provides some review of the fiscal year results.

Accrual Basis of Accounting

The accrual basis of accounting and flow of economic resources measurement focus is followed in the Proprietary and Pension Trust Funds in the fund-level statements and in the government-wide financial statements. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Earned but unbilled Water and Wastewater Fund utility service charges are recorded as revenue at year-end.

Budget

The County Budget consists of the Current Expense Budget, the Capital Budget and Program, and the Budget Message. It represents a complete financial plan for the County including all revenues, all expenditures, encumbrances, and the fund balances of the General Fund and all other funds of the County government. See "Recent Developments" below for a brief description of the most recently passed Current Expense Budget, Capital Budget and Program.

Current Expense Budget

The Current Expense Budget, developed by the Chief Administrative Officer and the Budget Officer, is based on annual work programs setting forth the nature, volume, and cost of work to be performed as submitted by the head of each office, department, institution, board, commission, and other agency of the County government. The estimates of the revenues and expenditures of operations for the ensuing fiscal year are also included; estimated revenues are detailed as to source, and estimated expenditures are detailed as to program or project. After the data so submitted is reviewed by the Chief Administrative Officer and the Budget Officer, the Current Expense Budget is compiled for presentation to the County Executive. No later than 60 days prior to the end of the fiscal year, the County Executive submits to the County Council the proposed Current Expense Budget for the ensuing fiscal year, which by the County Charter, must be balanced.

Capital Budget and Program

The Capital Budget is the County plan to receive and expend funds during the ensuing fiscal year for physical public betterment or improvement and any related preliminary studies and surveys, the acquisition of property of a permanent nature for public use, and the purchase of equipment for any public betterment or improvement accompanying initial construction. The Capital Budget includes a statement of the receipts anticipated during the ensuing fiscal year from all borrowing and from other sources for capital projects. The Capital Program is the County plan to receive and expend funds for capital projects during the fiscal year covered by the Capital Budget and the succeeding five fiscal years.

Budget Message

The Budget Message contains supporting summary tables and explains the proposed Current Expense Budget and Capital Program both in fiscal terms and in terms of work to be performed. It outlines the proposed financial policies of the County for the ensuing fiscal year and describes the important features of the Current Expense Budget. It indicates any major changes in financial policies and in expenditures, appropriations and revenues as compared with the fiscal year currently ending, and sets forth the reasons for such changes. The Budget Message includes an explanation of changes in the Capital Program made by the County Executive insofar as the Program differs from that presented by the Office of Planning and Zoning. The Budget Message may also include such other material as the County Executive deems desirable.

Budget Adoption

The County Council may decrease or delete any items in the budget except for those required by the public general laws of Maryland and except for any provision for debt service on obligations then outstanding or for estimated cash deficits. The County Council has no power to change the form of the budget as submitted by the County Executive, to alter the revenue estimates except to correct mathematical errors, or to increase total expenditures recommended by the County Executive for current or capital purposes, except as permitted by the public general laws of Maryland. The adoption of the Budget is by the affirmative vote of not less than four members of the County Council in an ordinance to be known as the Annual Budget and Appropriation Ordinance of Anne Arundel County. The County Council may, at the same time or thereafter from time to time during the ensuing fiscal year, adopt bond issue authorization ordinances providing the means of financing such capital projects as are to be financed from borrowing in the ensuing fiscal year. All of such ordinances are exempt from the Executive veto. The Annual Budget and Appropriation Ordinance is to be adopted by the County Council on or before the first day of the last month of the fiscal year currently ending, and if the County Council fails to do so, the proposed budget submitted by the County Executive stands adopted, and funds for the expenditures proposed in the current expense budget stand appropriated as fully and to the same extent as if favorable action thereon had been taken by the County Council.

Budget Control

Unless the Controller first certifies that the funds for the designated purposes are available, no office, department, institution, board, commission or other agency of the County government may during any fiscal year expend, or contract to expend, any money or incur any liability, or enter into any contract, which by its terms involves the expenditure of money, for any purpose in excess of the amounts appropriated or allotted for the same general classification of expenditure in the budget or in any supplemental appropriation for such fiscal year, and no such payment may be made nor any obligation or liability incurred, except for small purchases in an amount less than twenty five hundred dollars ($2,500). The County Charter requires that this "general classification of expenditure" be classified by "agency, character and object," and leaves the specifics of this classification to the discretion of the County Executive. For appropriation control purposes, the current budget classifies department (i.e., agency) expenditures by sub-departments (i.e., character) and seven expense objects including personal services, contractual services, supplies & materials, business & travel, capital outlay, debt service, and grants, contributions & other.

Nothing prevents the making of contracts of lease or for service providing for the payment of funds at a time beyond the fiscal year in which such contracts are made, provided the nature of such transactions reasonably requires the making of such contracts. But any contract, lease, or other obligation requiring the payment of funds from the appropriations of a later fiscal year must be made or approved by ordinance. No contract for the purchase of real or leasehold property may be made unless the funds therefore are included in the Capital Budget.

No obligations of the County may be authorized in any fiscal year for or on account of any capital project not included in the County Budget as finally adopted for such year; provided, however, that upon receipt of a recommendation in writing from the County Executive and the Planning Advisory Board, the County Council may, by the affirmative vote of five members, amend the County Budget in accordance with such recommendation.

Source: Office of the Budget

Investment of Operating and Capital Funds

County funds held for operation and capital purposes are managed by the Office of Finance with strict guidelines as to investment vehicles. Investments are restricted by State of Maryland law, with which the County complies. The County does not invest in derivatives or in reverse repurchase agreements. It does no borrowing or lending of securities. It invests primarily in obligations of the United States Government, its agencies or instrumentalities, and repurchase agreements with primary dealers. The repurchase agreements are collateralized by United States Government treasuries, agencies, and instrumentalities, held by the County's custodian bank, and marked to market daily. For more detailed information see "NOTES TO THE BASIC FINANCIAL STATEMENTS — Cash and Investments" in Appendix A.

Fund Accounting

In accordance with generally accepted accounting principles in the United States (GAAP), the accounts of the County are organized on the basis of funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities or balances and changes thereon are recorded and segregated to carry on specific activities or obtain certain objectives. The various funds are summarized by type in the financial statements.

For more detailed information see "NOTES TO THE BASIC FINANCIAL STATEMENTS — Summary of Significant Accounting Policies," in Appendix A.

General Fund

The County's principal source of General Fund revenues is taxes, which comprised approximately 93.7% of total General Fund revenues (on a GAAP basis) in fiscal year 2012. Property tax revenues comprised approximately 50.0% of total General Fund revenues, and income tax comprised approximately 34.7% of total General Fund revenues. The schedules on the following pages reflect the results of operations for the last five fiscal years.

ANNE ARUNDEL COUNTY, MARYLAND
SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND (GAAP BASIS)
Last Five Fiscal Years (Unaudited)

	2008	2009	2010	2011	2012
REVENUES					
General property taxes	$482,514,483	$521,131,638	$537,711,462	$549,850,967	$567,829,147
Local income taxes	371,369,460	364,527,636	355,787,451	369,341,731	394,480,856
State shared taxes	36,757,373	33,038,198	9,575,679	10,637,730	11,720,894
Grants and aid	43,092,823	3,985,449	-	-	-
Recordation and transfer taxes	82,775,541	55,811,003	59,727,498	58,000,447	59,088,413
Local sales taxes	35,473,439	33,269,235	31,681,511	32,405,559	32,258,227
License and permit fees	17,178,944	15,034,858	15,482,651	17,589,449	15,215,772
Investment income	8,893,304	4,426,002	1,062,880	616,134	633,691
Fees for services and other revenue	36,039,912	45,132,872	50,983,924	55,778,546	55,443,620
Total revenues	$1,114,095,279	$1,076,356,891	$1,062,013,056	$1,094,220,563	$1,136,670,620
EXPENDITURES					
Education	546,824,627	585,161,575	587,846,200	596,174,741	584,662,000
Public safety	221,216,658	230,653,601	230,300,679	229,721,772	231,022,727
General government	78,255,695	88,226,355	75,375,037	79,281,182	76,043,945
Health and human services	67,364,066	42,850,804	42,273,009	42,157,247	42,337,165
Public works	34,427,676	35,232,220	47,818,942	35,685,235	34,633,953
Recreation and community services	36,404,338	35,845,381	33,667,932	32,190,599	34,766,573
Judicial	21,688,532	19,833,358	20,443,213	19,913,781	19,964,090
Code enforcement	12,307,157	12,342,856	12,006,795	11,360,912	11,507,403
Land use and development	8,612,271	8,454,202	8,484,076	8,133,765	8,094,961
Economic development	1,810,200	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Interest payments on debt	28,377,112	28,250,664	29,095,977	34,254,864	36,631,192
Principal payments on debt	51,876,668	53,145,667	57,571,968	54,514,056	66,924,808
Interest payments on leases	-	5,524	6,282	4,950	3,526
Principal payments on leases	24,451	18,651	23,807	25,140	26,563
Total Expenditures	1,109,189,451	1,140,020,858	1,144,913,917	1,143,418,244	1,146,618,906
Revenues over (under) expenditures	$4,905,828	($63,663,967)	($82,900,861)	($49,197,681)	($9,948,286)
OTHER FINANCING SOURCES (USES)					
Operating tranfers in	19,049,300	19,045,272	60,917,125	30,393,473	27,389,593
Operating transfers out	(89,373,400)	(97,750,145)	(115,603,751)	(59,044,728)	(31,228,020)
Proceeds of general obligation bonds	55,200,000	113,300,000	139,025,000	117,500,000	98,900,000
Proceeds of refunding bonds	-	-	32,610,000	-	73,085,000
Premiums (discounts) from sale of bonds	2,115,442	6,109,094	11,780,793	-	14,515,104
Proceeds from Capital Leases	-	-	29,575	-	-
Transfer from ISF to GF	-	-	30,700,000	18,625,000	5,300,000
Transfer to ISF to GF	-	-	-	-	(1,545,790)
Transfer from Component Units to GF	-	-	-	10,426,000	-
Transfer from Enterprise Fund to GF	-	-	-	1,115,000	-
Payment to escrow agent	-	-	(33,905,304)	-	(87,600,104)
Proceeds of lease financing	106,616	-	-	-	-
Payment of bond anticipation notes	(39,000,000)	(49,800,000)	(36,100,000)	(60,720,000)	(70,400,000)
Total other financing sources (uses)	($51,902,042)	($9,095,779)	$89,453,438	$58,294,745	$28,415,783
Net increase (decrease) in fund balances	(46,996,214)	(72,759,746)	6,552,577	9,097,064	18,467,497
Fund balances (deficit), July 1, as restated	164,719,949	117,723,735	44,963,989	51,944,672	61,041,736
Fund balances (deficit), June 30	$117,723,735	$44,963,989	$51,516,566	$61,041,736	$79,509,233
Fund balance as a % of revenues	10.57%	4.18%	4.85%	5.58%	6.99%

ANNE ARUNDEL COUNTY, MARYLAND
SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND (BUDGET BASIS)
Last Five Fiscal Years (Unaudited)

	2008		2009	
	Budget	Actual	Budget	Actual
REVENUES				
General property taxes	$474,036,000	$482,514,483	$516,584,000	$521,131,638
Local income taxes	368,700,000	371,369,460	389,000,000	372,441,155
State shared taxes	38,185,000	36,417,730	36,324,000	33,283,016
Grants and aid	52,163,600	45,647,816	-	-
Recordation and transfer taxes	100,800,000	82,775,541	83,000,000	55,811,003
Local sales taxes	34,710,000	35,473,439	35,463,000	33,269,235
Licenses and permit fees	16,498,800	17,178,944	17,964,300	15,034,858
Investment income	8,950,000	9,950,400	8,133,000	3,726,585
Inter-fund recoveries	31,102,000	31,284,197	36,704,000	55,772,401
Other revenue	36,980,400	37,495,691	50,458,100	48,390,210
Total revenues	$1,162,125,800	$1,150,107,701	$1,173,630,400	$1,138,860,101
EXPENDITURES				
Current				
Education	$546,974,900	$546,699,985	$584,642,800	$584,283,578
Higher education	36,049,900	35,941,680	37,849,900	37,608,534
Public safety	229,932,300	222,762,069	238,224,300	229,451,003
General government	101,235,800	92,229,495	114,021,300	103,475,819
Health and human services	71,967,400	67,517,680	46,917,400	43,677,164
Public works	37,520,800	36,975,443	37,264,900	37,264,441
Recreation and community services	38,726,800	38,428,043	39,249,700	37,911,970
Judicial	21,721,400	21,665,276	20,159,200	20,083,876
Land use and development	10,561,000	8,553,455	8,717,000	8,395,892
Code enforcement	12,729,300	12,329,699	12,956,100	12,321,328
Economic development	1,810,200	1,810,200	-	-
Debt service	40,873,000	39,968,819	43,382,000	42,466,752
Pay Go Funding - Capital Projects	72,903,400	72,903,400	32,913,000	32,913,000
Total expenditures	$1,223,006,200	$1,197,785,244	$1,216,297,600	$1,189,853,357
Revenues over (under) expenditures	(60,880,400)	(47,677,543)	(42,667,200)	(50,993,256)
Fund balances, budgetary, July 1	107,756,425	107,756,425	60,078,882	60,078,882
Fund balances, budgetary, June 30	$46,876,025	$60,078,882	$17,411,682	$9,085,626
Fund balances - Unreserved				
Undesignated - GAAP basis		$11,779,982		($2,092,456)
Street Lights - accrual		-		-
Effect of revenue deferrals		5,631,700		3,264,563
Effect of Rainy Day Fund		-		-
Effect of Self Insurance allocation entries		-		-
Budgetary Fund Balance - Inmate Benefits		-		-
State Income Tax Adjustment		-		7,913,519
Garage Fund deficit allocation		-		-
Undesignated - Non-GAAP basis		17,411,682		9,085,626
Designated for subsequent years		42,667,200		-
		$60,078,882		$9,085,626

2010		2011		2012	
Budget	Actual	Budget	Actual	Budget	Actual
$531,002,000	$537,711,462	$553,800,000	$549,850,967	$564,912,000	$567,829,147
356,850,000	353,417,002	363,000,000	363,798,661	366,588,200	394,480,856
17,119,000	8,883,064	9,305,000	10,637,730	10,585,000	11,720,894
-	-	-	-	-	-
60,000,000	59,727,498	60,000,000	58,000,447	65,000,000	59,088,413
33,328,000	31,681,511	31,795,000	32,405,559	32,190,000	32,258,227
15,549,600	15,482,651	16,071,900	17,589,449	16,259,600	15,215,772
3,891,000	604,244	850,000	383,525	550,000	212,484
110,748,000	127,091,520	81,724,700	79,509,397	53,439,700	52,768,005
64,170,800	62,344,381	51,723,000	54,826,560	51,036,200	54,952,378
$1,192,658,400	$1,196,943,333	$1,168,269,600	$1,167,002,295	$1,160,560,700	$1,188,526,176
$592,879,500	$591,453,897	$603,260,000	$603,260,000	$609,972,000	$609,382,939
37,978,700	37,924,623	37,822,700	37,822,700	33,051,600	33,031,455
233,747,400	231,020,497	233,027,500	229,338,102	232,632,600	230,482,188
114,927,300	102,756,935	96,811,600	94,290,720	108,590,900	102,732,315
45,144,600	43,678,605	45,091,500	43,332,762	43,741,500	43,289,209
49,984,200	49,985,252	37,605,800	37,075,569	35,395,700	35,342,198
36,942,400	35,510,702	35,089,100	34,175,023	37,072,300	36,786,862
21,007,400	20,810,316	20,396,100	20,243,611	20,756,100	20,282,303
8,573,200	8,484,077	8,421,900	8,306,006	8,272,200	8,180,811
12,142,700	12,031,621	11,407,100	11,338,874	11,604,200	11,510,128
-	-	-	-	-	-
39,331,000	39,251,102	45,400,200	42,682,043	45,135,100	44,718,483
-	-	-	-	-	-
$1,192,658,400	$1,172,907,627	$1,174,333,500	$1,161,865,410	$1,186,224,200	$1,175,738,891
-	24,035,706	(6,063,900)	5,136,885	(25,663,500)	12,787,285
9,085,626	9,085,626	33,121,332	33,121,332	38,258,217	38,258,217
$9,085,626	$33,121,332	$27,057,432	$38,258,217	$12,594,717	$51,045,502
	$22,607,262		$27,775,608		$46,035,927
	-		-		157,438
	-		-		-
	-		(17,212,100)		(22,526,083)
	-		2,410,256		(1,040,774)
	-		(379,047)		(449,296)
	5,543,070		-		-
	-		-		1,545,790
	28,150,332		12,594,717		23,723,002
	4,971,000.00		25,663,500		27,322,500
	$33,121,332		$38,258,217		$51,045,502

The County has historically used a planned approach in which the anticipated available fund balance in the current fiscal year is programmed for spending in the subsequent year's budget. As a result of the recession during fiscal years 2008 and 2009, the General Fund (GAAP) balance decreased significantly. At June 30, 2009, the GAAP fund balance was $44,963,989. This caused the Administration to implemented aggressive fiscal practices during fiscal years 2010 and 2011, including hiring and spending freezes, and concessions negotiated with employees (e.g., furloughs). These actions increased the fund balance to $51,944,672, restated, and $61,041,736, at June 30, 2010 and 2011, respectively. Fiscal restraint continued in fiscal year 2012, and with revenues significantly exceeding budgeted expectations, the GAAP fund balance increased to $79,509,233 at June 30, 2012.

Budget for Fiscal Year 2014

See "Recent Developments" below for a brief description of the status of the County's fiscal year 2014 Current Expense Budget and Capital Budget.

Budget for Fiscal Year 2013

The County's fiscal year 2013 General Fund Current Expense Budget, which includes the County's funding for the Board of Education, Libraries, Social Services and the Community College, amounts to $1,247,299,700 with a County property tax rate of $0.9410 per $100 of assessed value outside of Annapolis and $0.5640 per $100 of assessed value inside of Annapolis. (See "FINANCES – Property Taxes, Assessments and Collections").

The 2013 Capital Budget and Five Year Program total approximately $1,519,951,221 including $961,579,516 for general county improvements, $496,304,705 for water and wastewater projects, and $62,067,000 for solid waste collection projects. Support for the Capital Budget and Program primarily consists of Federal and State grants, County bonds, certain fees, and pay-as-you-go financing. (See "INDEBTEDNESS — Capital Appropriations and Funding Sources").

Interim General Fund Revenues and Expenditures for Fiscal Years 2013 and 2012

The Controller has prepared summary unaudited data with respect to revenues and expenditures of the General Fund for the nine months ended March 31, 2013 and March 31, 2012. The presentation of this data does not purport to be an interim statement of General Fund revenues, expenditures and fund balance as estimates for year end accruals are not included. However, these statements have been prepared on a comparable basis and reflect the actual collection of revenues and actual expenditures and encumbrances for the two periods. The General Fund's Statement of Revenue, Expenditures, and Changes in Fund Balance in the annual basic financial statements (See "APPENDIX A") are prepared on the modified accrual basis.

Operating results through March 2013 show an increase in revenues and an increase in expenditures compared to March 2012. Total revenues as of March 31, 2013 are approximately $62,518,000 higher than March 31, 2012, an increase of 6.7%. Inter-Fund recoveries increased by approximately $3,537,000. Revenues from property taxes are approximately $21,886,000 ahead of the prior year. Income taxes at March 2013 are approximately $2,833,000 ahead of March 2012 revenues. Total expenditures as of March 2013 are approximately $54,757,000 higher than March 2012, an increase of 6.3%.

The following presents a summary of General Fund revenues, expenditures and encumbrances for the nine months ended March 31, 2013 and March 31, 2012, as compared with the related total annual budgets as revised through these dates.

INTERIM GENERAL FUND STATEMENT
Budget and Actual
For the Nine Months Ended March 31
(Unaudited)

	2012		2013		
	Nine Month Actual	Actual As a % of Budget	Annual Budget	Nine Month Actual	Actual As a % of Budget
Revenues (1)					
General property taxes	$566,957,551	100.4%	$586,351,000	$588,843,269	100.4%
Local income taxes	219,011,555	59.7%	389,400,000	221,845,049	57.0%
State shared taxes	5,125,322	48.4%	26,357,000	17,857,811	67.8%
Recordation and transfer taxes	38,783,130	59.7%	60,000,000	58,964,319	98.3%
Local sales taxes	20,304,360	63.1%	32,700,000	20,607,433	63.0%
Licenses and permit fees	9,034,804	55.6%	15,206,800	9,580,508	63.0%
Investment income	340,321	61.9%	400,000	267,613	66.9%
Other revenues	39,049,631	76.5%	51,524,100	39,622,101	76.9%
Inter-Fund Recoveries	22,389,830	41.9%	58,038,300	25,926,511	44.7%
Total Revenues	$920,996,504	79.4%	$1,219,977,200	$983,514,614	80.6%
Expenditures					
Education	$422,782,578	69.3%	$579,564,200	$428,538,671	73.9%
Higher education	23,797,000	83.3%	32,047,700	26,714,417	83.4%
Public safety	174,241,341	75.0%	243,468,100	182,826,115	75.1%
General government	85,437,055	74.7%	169,877,300	110,013,890	64.8%
Health and human services	32,569,324	74.7%	44,458,000	31,382,272	70.6%
Public works	28,290,066	84.3%	35,444,600	28,298,635	79.8%
Recreation and community services	27,035,289	72.9%	38,408,800	27,980,995	72.9%
Judicial	14,834,937	72.4%	21,508,500	15,901,827	73.9%
Land use and development	6,252,116	75.6%	8,460,000	6,189,659	73.2%
Code enforcement	8,665,815	76.3%	11,919,900	8,567,453	71.9%
Debt service	32,634,540	69.8%	46,680,100	29,420,889	63.0%
Pay go funding - capital projects	-	0.0%	15,462,500	15,462,500	100.0%
Total Expenditures	$856,540,061	72.2%	$1,247,299,700	$911,297,323	73.1%

(1) General Fund revenues do not include appropriated surplus which is dedicated as a source for each subsequent year's budget.

Source: Office of Finance

Revenue Reserve Fund

This fund is intended as a revenue reserve and may only be used upon request of the County Executive with the approval of the County Council, to cover existing appropriations when revenues fall below budget expectations. In accordance with September 2002 legislation, the amount of annual appropriation to this fund may not cause the sum of the balance of the Revenue Reserve Fund plus the appropriation to exceed an amount equal to 10% of the estimated average aggregate annual revenue derived from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund in the three fiscal years preceding the fiscal year for which the appropriation is made. As a result of prior year transfers to the fund, the maximum balance of $47,818,429 was achieved in fiscal year 2008. However, during the recession of 2008 and 2009, the County obtained authorization from the County Council to transfer $16,750,000 and $16,000,000, to the General Fund for fiscal years 2009 and 2010, respectively. Accordingly, the balance in the fund at June 30, 2010 was $17,106,347. As a result of budgeted transfers to the fund during fiscal years 2012 and 2013, the fund balance has increased to approximately $23,700,000 as of March 31, 2013. See "Recent Developments" below for a brief description of an anticipated transfer to the Revenue Reserve Fund in fiscal year 2014.

General Fund Revenues

The County's principal General Fund revenues are property taxes, income taxes, recordation & transfer taxes, and state and federal assistance. These are detailed in the following paragraphs.

Property Taxes, Assessments and Collections

The assessment of all real and business tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessment and Taxation, an independent State agency. All real property is physically inspected once every three years and any increase in market value ("full cash value") arising from such inspection is to be phased in over the ensuing three taxable years in equal annual installments.

Tangible personal property of business entities is assessed at its full cash value. Personal property is assessed annually. The County does not currently levy any tax on commercial and manufacturing inventory and manufacturing machinery and equipment.

The following table sets forth the assessed value of all taxable property in the County for each of its five most recent fiscal years, the County and State tax rates applicable in each of those years, and the tax levy in each of those years. Tax exempt properties are not included in the following table.

ANNE ARUNDEL COUNTY
ASSESSED VALUES, TAX RATES, AND TAX LEVIES
($000's)

	(As of June 30)					As of December 31,
	2008	2009	2010	2011	2012	2012
Assessed Value:						
Real Property	$69,445,611	$79,621,385	$84,417,167	$82,238,131	$77,289,434	$74,050,328
Personal Property	40,249	36,844	31,339	29,188	28,914	16,486
Railroads and Public Utilities	838,623	843,174	837,342	854,380	861,574	695,101
Business Corporations	1,639,306	1,873,586	1,868,229	1,759,634	1,664,131	1,286,568
Total Base	$71,963,789	$82,374,989	$87,154,077	$84,881,333	$79,844,053	$76,048,483
Total estimated actual value—taxable property	$71,963,789	$82,374,989	$87,154,077	$84,881,333	$79,844,053	$76,048,483
County Tax Rate (per $100 of Assessed Value)	$0.891	$0.888	$0.876	$0.880	0.910	$0.941
County Tax Rate within the City of Annapolis (per $100 of Assessed Value)	$0.531	$0.530	$0.523	$0.525	$0.543	$0.564
Total County Tax Levy (1)	$649,349	$740,772	$772,914	$754,708	$734,114	$720,156
State Tax Rate (per $100 of Assessed Value)	$0.112	$0.112	$0.112	$0.112	$0.112	$0.112
State Tax Levy in the County	$77,665	$89,147	$94,460	$92,005	$86,567	$83,004

(1) Property tax levies before tax credits and adjustments.

Source: Office of Finance

See "Recent Developments" below for a brief description of the increase in the property tax rate which is anticipated to take effect on July 1, 2013.

County taxes are payable July 1 for the current year and become delinquent October 1. A penalty is charged for the non-payment of such taxes at the rate of 12% per annum beginning in October. Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland provides a semiannual payment schedule for owner occupied residential property. The first installment under the semiannual schedule is due on July 1 of the tax year and may be paid without interest on or before September 30. The second installment is due on December 1 of the tax year, except for the service charge, and may be paid without interest on or before December 31. It is also provided that if an escrow account is established for the payment of property taxes, it must pay taxes in the semiannual installments unless a written request from the property owner is received requesting annual payments.

The County does not levy taxes in excess of actual requirements to provide a margin against delinquencies. Uncollectible taxes are charged against allowances established therefore, by an annual reduction of revenues.

Charter Property Tax Revenue Limitation

In connection with a voter petition initiative, County voters approved an amendment to the County Charter at the November 1992 general election. The amendment, which became effective in December 1992, added Section 710(d) to the County Charter ("Section 710(d)"). Section 710(d) provides that from and after July 1, 1993, revenues derived from taxes on properties existing on the County property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, more than the Consumer Price Index percentage of change, or 4.5 percent, whichever is the lesser (See "INDEBTEDNESS — Charter Property Tax Revenue Limitation").

The County Attorney has advised, among other things, that Section 710(d) applies to revenues from County taxes on both real property and personal property and that only revenues from property on the tax rolls at the close of business on June 30th of a fiscal year are capped for the purposes of determining the maximum amount of capped revenue for the next fiscal year. Revenues from new construction and other property which come onto the tax rolls on or after July 1 are "*new*" and are not subject to the cap, but only for the year that the properties come onto the tax rolls.

Municipal Tax Rate Differential

In establishing the County tax rate applicable to assessed property within the City of Annapolis, the costs of certain services provided by the County are allocated in order to implement provisions of current law, which preclude the owners of property located in Annapolis from being taxed for services already provided by this municipality. Hence, owners of property located outside the City of Annapolis are taxed by the County for all services that the County provides, while owners of property located inside the City of Annapolis are taxed by the County only for those services that the County, and not the City of Annapolis, directly provides. The differential for fiscal year 2013 is $0.377 per $100 of assessed value for real property and $0.942 per $100 of assessed value for personal property.

Property Tax Collections

The following table sets forth certain information with respect to the County's tax levies and tax collections:

TAX LEVIES AND COLLECTIONS (1)

Fiscal Year Ended June 30	Total Tax Levy(1)	Current Year's Taxes Collected in Year of Levy		Total Taxes Collected (Current And Delinquent)		Accumulated Delinquent Taxes	Accumulated Delinquent Taxes as a % of Current Year's Tax Levy
		Amount	%	Amount	%		
2008…………	498,477,749	497,250,354	99.8	497,890,830	99.9	3,375,771	0.7
2009…………	542,257,507	540,376,837	99.7	540,627,386	99.7	3,726,451	07
2010…………	562,014,875	553,630,037	98.6	553,914,312	98.6	10,186,050	1.8
2011…………	577,037,468	563,622,256	98.5	571,337,716	99.0	15,844,568	2.8
2012…………	595,530,678	593,210,480	99.6	606,058,695	101.8	4,958,425	0.9
2013 as of Jan 1	606,523,356	580,305,834	95.7	581,194,579	95.8	29,217,008	4.8

(1) "Total Tax Levy" represents original tax levy, less real property tax credits for civic associations, elderly and disabled taxpayers, and other adjustments.

Source: Office of Finance

The table below, for the fiscal year 2011-2012, indicates the 10 largest taxpayers in the County and gives the assessed valuation of their property and taxes billed.

Name of Taxpayer	Type of Business		Assessed Valuation		County Taxes	Percentage of Valuation
Constellation Power Source Gen. Inc.	Utility	$	696,990,304	$	14,122,106	0.87%
Baltimore Gas & Electric Company	Utility		635,638,100		13,040,155	0.80%
Westfield Annapolis Mall	Retail		418,179,896		3,661,255	0.52%
Arundel Mills Limited Ptnshp	Retail		352,673,537		2,897,508	0.44%
Verizon	Utility		208,372,810		4,776,120	0.26%
Annapolis Towne Center	Retail		135,111,200		1,142,667	0.17%
Wal-Mart Stores Inc.	Retail		115,116,893		1,137,777	0.14%
Northrop Grumman Corp.	Electronics		111,835,763		1,020,125	0.14%
TKL East (Marley Station Mall)	Retail		95,044,670		1,367,389	0.12%
Annapolis Harbor Center Assoc., LLP	Retail		90,144,690		879,042	0.11%
		$	2,859,107,863	$	44,044,144	3.57%

Source:Office of Finance

Property Tax Credit Programs

Section 9-105 of the Tax-Property Article of the Annotated Code of Maryland provides a tax credit against local real property taxes on certain owner-occupied residential property. For taxable years beginning after June 30, 1991, the tax credit equals the County's tax rate multiplied by the amount by which the current year's assessment on residential property exceeds 110% of the previous year's taxable assessment (or such lesser percentage, but not less than 100%, of the previous year's taxable assessment as shall be established by the County). The County has adopted 102% as the rate to be used in calculating the tax credit.

State law also provides that a tax credit be given based on the ability of homeowners to pay property taxes. This credit is calculated by use of a scale which indicates a maximum tax liability for various income levels. This is supplemented by a County credit which uses a different scale to provide a maximum tax liability based on income.

In fiscal year 2012, the County provided $135,850,969 of tax credits based on assessments and $1,531,679 of tax credits based on income. Through December in fiscal year 2013, the County has provided $111,240,775 of tax credits based on assessment and $1,467,234 of tax credits based on income.

Income Taxes

The State imposes an income tax on the adjusted gross income of individuals as determined for federal income tax purposes, subject to certain adjustments. Pursuant to Chapter 493 of the 1999 Maryland Laws ("Chapter 493"), each county and Baltimore City is authorized to levy a local income tax at the rate of at least 1%, but not more than 3.2% of a taxpayer's taxable income as calculated for State income tax purposes. Chapter 493 also made the personal exemption amounts for calculating both state and local income taxes equal. Under Chapter 493's provisions, the local income tax rate on an Anne Arundel County taxpayer's total taxable income was adjusted to 2.56% for calendar year 2002 and thereafter, which is below the maximum rate of 3.2% authorized under state law. The County Council approved a one-time reduction in the income tax rate from 2.56% to 2.49% effective January 1, 2012. This change resulted in a loss of revenue in FY12 of approximately $4 million, and will result in a similar revenue loss in FY13. Effective January 1, 2013, the rate reverted to 2.56%. The County is not permitted to levy a local income tax on corporations.

Local Taxes

In addition to general property taxes and income taxes, the County is authorized to levy and collect other miscellaneous taxes, the largest of which are the recordation and transfer taxes on instruments conveying title to property.

Refund Procedures and Claims

The County is in receipt of various claims for refund of taxes, which are evaluated under administrative procedures mandated by applicable law. The resolution of such claims will not have a material adverse effect on the financial statements of the County.

State and Federal Assistance

During fiscal year 2012, the County recorded grant revenues and loan proceeds aggregating $52,827,290 primarily from the Federal government and the State of Maryland. This amount is exclusive of amounts received directly by the Board of Education, Department of Libraries, Department of Social Services, and Anne Arundel Community College from the State and Federal governments. Of this amount, $39,702,033 was received for general operating revenues and $13,125,257 for capital projects.

Water and Wastewater Funds

For financial reporting purposes, the County consolidates all funds related to water and wastewater activities into a single enterprise fund. However, underlying financial accounting records continue to be maintained on a non-GAAP basis for components for legal compliance purposes. Water and wastewater user charges and assessment charges are recorded as revenues on the accrual basis. Unpaid water and wastewater user charges and assessments are a lien on the real property and are collectible in the same manner as real property taxes at tax sale.

The following tables set forth revenues, expenses and changes in net assets of the Water and Wastewater Operating Fund and the Debt Service Fund for the County's most recent fiscal years.

ANNE ARUNDEL COUNTY, MARYLAND
SUMMARY OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WATER AND WASTEWATER OPERATING FUND Last Five Fiscal Years
(Unaudited)

	Year Ended June 30,				
	2008	2009	2010	2011	2012
OPERATING REVENUES					
Charges for services	$72,448,606	$71,621,589	$78,995,322	$81,554,794	$86,737,248
Other revenues	3,896,671	3,884,612	4,812,769	4,896,080	6,697,740
Total revenues	76,345,277	75,506,201	83,808,091	86,450,874	93,434,988
OPERATING EXPENSES					
Personal services	28,711,987	30,763,604	31,085,494	31,136,291	32,752,959
Contractual services	31,145,171	28,523,597	27,918,791	26,777,500	25,794,086
Supplies and materials	4,793,619	4,428,231	4,462,514	5,399,316	7,025,119
Business and travel	100,010	114,591	80,992	89,878	121,156
Depreciation	32,288,886	32,983,545	33,466,520	32,894,376	39,118,597
Other	8,165,091	10,371,350	8,450,000	8,198,614	9,194,376
Total operating expenses	105,204,764	107,184,918	105,464,311	104,495,975	114,006,293
Operating income (loss)	(28,859,487)	(31,678,717)	(21,656,220)	(18,045,101)	(20,571,305)
NONOPERATING REVENUES AND EXPENSES					
Investment income	280,911	15,893	(8,669)	(3,373)	26,229
Gain (loss) on the disposal of assets	120,228	29,389	80,350	35,500	64,303
Net loss before other revenues	(28,458,348)	(31,633,435)	(21,584,539)	(18,012,974)	(20,480,773)
OTHER					
Capital contributions and grants	12,867,832	7,861,635	4,909,011	5,635,757	4,512,771
Net equity transfers between funds	26,713,612	25,025,677	19,210,216	19,637,077	28,598,566
Change in net assets	11,123,096	1,253,877	2,534,688	7,259,860	12,630,564
Net assets, July 1 , as restated	739,301,538	750,424,634	740,990,403	743,525,091	750,784,951
Net assets, June 30	$750,424,634	$751,678,511	$743,525,091	$750,784,951	$763,415,515

Source: Anne Arundel County, Maryland Comprehensive Annual Financial Reports.

ANNE ARUNDEL COUNTY, MARYLAND
SUMMARY OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WATER AND WASTEWATER DEBT SERVICE FUND
Last Three Fiscal Years
(Unaudited)

	2010	2011	2012
REVENUES			
Interest earned on long-term receivables	$1,369,399	$1,218,606	$1,236,097
Investment income	2,984,086	1,515,706	935,872
Other revenues	928,337	2,077,857	2,434,000
Total revenues	5,281,822	4,812,169	4,605,969
EXPENSES			
Interest expense	6,293,940	7,433,026	7,439,630
Other expenses	739,793	750,508	813,878
Total expenses	7,033,733	8,183,534	8,253,508
OTHER			
Capital contributions, fees, and grants	33,837,504	41,700,302	63,088,622
Net equity transfers between funds	(26,441,139)	(27,339,658)	(33,037,990)
Increase (decrease) in net assets	5,644,454	10,989,279	26,403,093
Net assets/equity, July 1	$198,126,370	$203,770,824	$214,760,103
Net assets/equity, June 30	$203,770,824	$214,760,103	$241,163,196

Source: Anne Arundel County, Maryland Comprehensive Annual Financial Reports.

The Controller has prepared summary unaudited data for the Water and Wastewater Operating and Debt Service Funds for the nine months ended March 31, 2013 and March 31, 2012.

WATER AND WASTEWATER OPERATING FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
(Unaudited)

	For the Nine Months Ended March 31, 2012	2013
Revenues		
Water and wastewater service	$ 61,562,429	$ 61,728,041
Miscellaneous	4,854,583	4,334,980
Total Revenues	66,417,012	66,063,021
Expenses		
Water and wastewater operations	49,975,494	50,564,052
Depreciation	24,233,817	24,546,773
Total Expenses	74,209,311	75,110,825
Change in net assets	(7,792,299)	(9,047,804)
Net assets, July 1	750,784,951	763,415,515
Net assets, March 31	$ 742,992,652	$ 754,367,711

Source: Office of Finance.

WATER AND WASTEWATER DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENSES AND ENCUMBRANCES
(Unaudited)

	For the Nine Months Ended March 31, 2012	2013
Revenues		
Capital connection charges	$ 24,649,600	$ 18,347,407
Environmental protection fees	12,124,098	15,233,799
Miscellaneous (primarily interest)	1,306,875	1,851,055
Total revenues	38,080,573	35,432,261
Expenses		
Principal payments on debt	14,658,542	14,994,231
Interest payments on debt	8,000,095	7,500,075
Other	1,635,872	626,968
Total expenses	24,294,509	23,121,274
Increase in Net Assets	13,786,064	12,310,987
Net Assets, July 1	214,760,103	241,163,196
Net Assets, March 31	$ 228,546,167	$ 253,474,183

Source: Office of Finance.

The following schedules list the water and wastewater utility rates in effect.

WATER AND WASTEWATER UTILITY RATE SCHEDULE

Dedicated to Debt Service	**Present Rates**	
Front Foot Benefit Assessments:		
Water	**$ 7.79**	Maximum per front foot
Sewer	**$ 11.69**	Maximum per front foot
Capital Facility Connection Charges:		
Water	**$6,300.00**	
Sewer	**$7,600.00**	
Deferral Fee		
Water	8% of Capital Facility Connection Charge	
Wastewater	8% of Capital Facility Connection Charge	
Environmental Protection Fee:	20% Surcharge on Water and Wastewater Usage Bills	
	Charges under Capital Project	**Charges Done by Contractor New Construction**
User Connection Charges:(1)		
Water	$2,100.00	$2,650.00
Sewer	$3,400.00	$4,270.00
Operating Rates		
Water User Charges:		
Each 1,000 gallons	**$ 2.68**	
Sewer User Charges:(2)		
Each 1,000 gallons	$ **4.71**	
Account Maintenance Charge	$6.00/qtr metered service $3.00/qtr unmetered service	

(1) Connections have historically been funded with current revenue sources. This is the minimum charge. Actual may be higher.
(2) Based on water consumption.

Source: Department of Public Works

See "Recent Developments" below for a brief description of an increase in water and sewer rates that is anticipated to take effect on July 1, 2013..

In addition to the dedicated fees and charges for debt service as indicated above, the 1978 Maryland General Assembly passed enabling legislation authorizing the dedication of up to 50% of the transfer tax revenue for debt service of the Water and Wastewater Enterprise Fund. Subsequently the County Council passed legislation authorizing the use of 30% of the tax for this purpose. The expansion of the financial base is to provide non-user funds to cover the indirect benefits of the County's capital investment in environmental control facilities. No revenues are currently transferred from the General Fund and County management does not contemplate a transfer in the foreseeable future.

Solid Waste Fund

The County operated one landfill in 2012. The landfill has closed cells; an active cell, which is 86.7% full at June 30, 2012; and one additional cell to construct and use. The active and new cells have estimated lives to at least year 2016 and 2040, respectively. Two other landfills stopped accepting trash in 1983 and 1993. The County has estimated the cost to close these landfills under federal and state regulations at approximately $73,673,000 at the end of fiscal year 2012. The County also estimates the future post closure care for these facilities for 30 years thereafter at approximately $43,878,000. In addition, the County has reserved cash of approximately $20,758,000 to help pay for the closure and post-closure costs related to the active landfill cells.

The County had recorded an estimated liability of approximately $41,817,000 as of June 30, 2012 for the closed or partially filled areas of these three landfills. This estimate represents the County's best judgment of the minimum cost required to correct identified problems, close and remediate open cells, and provide for post-closure care of these sites. All estimates are based on current regulations and costs to perform the closure or remediation in the current year and are subject to periodic evaluation. Actual costs may be different due to inflation or deflation, changes in technology or changes in regulations.

The following table sets forth revenues, expenses and changes in net assets of the Solid Waste Fund for the County's five most recent fiscal years.

ANNE ARUNDEL COUNTY, MARYLAND
SUMMARY OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
SOLID WASTE FUND
Last Five Fiscal Years
(Unaudited)

		2008	2009	2010	2011	2012
REVENUES						
	Charges for services	$40,881,988	$40,783,555	$41,089,628	41,362,893	$47,798,826
	Landfill charges	2,825,726	2,497,447	2,127,905	2,742,934	2,880,768
	Other revenues	4,928,899	2,333,765	1,126,883	4,112,818	2,706,265
	Total revenues	48,636,613	45,614,767	44,344,416	48,218,645	53,385,859
EXPENSES						
	Solid waste operations	39,056,581	39,952,968	39,977,232	41,924,723	42,354,964
	Landfill closure and postclosu	(968,127)	1,829,166	506,334	322,463	490,626
	Depreciation	2,215,983	2,286,340	2,753,077	2,453,196	1,718,840
	Interest	993,942	806,397	302,136	253,171	206,273
	Other expenses	2,096,093	2,975,400	2,874,000	4,112,091	1,119,579
	Total expenses	43,394,472	47,850,271	46,412,779	49,065,644	45,890,282
	Change in net assets	5,242,141	(2,235,504)	(2,068,363)	(846,999)	7,495,577
	Net assets/equity, July 1	9,849,857	$15,091,998	$13,317,345	11,248,982	10,401,983
	Net assets/equity, June 30	$15,091,998	$12,856,494	$11,248,982	$10,401,983	$17,897,560

Source: Office of Finance.

The changes in net assets in the Solid Waste Fund have fluctuated over the past few years due to the annual adjustments to the landfill closure and post closure reserves. In addition, the Solid Waste operations increased it waste collection fee by 17% in fiscal year 2006, the first increase in several years. In fiscal years 2011 and 2012, the net assets decreased $846,999 and increased $7,495,577, respectively.

The Controller has prepared summary unaudited data for the Solid Waste Fund for the nine months ended March 31, 2012 and March 31, 2013.

SOLID WASTE OPERATING FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(Unaudited)

	For the Nine Months Ended March 31,	
	2012	**2013**
Revenues		
Service fees	$ 35,809,120	$ 34,169,320
Landfill charges	2,059,976	2,224,394
Investment Income	41,698	50,471
Miscellaneous	1,749,539	1,438,439
Total Revenues	39,660,333	37,882,624
Expenses		
Operating Expenses	27,081,213	26,985,626
Depreciation Expense	918,017	1,469,633
Interest Expense	969,103	961,477
Other	3,785,430	3,256,257
Landfill closing costs	1,374,933	1,478,753
Total Expenses	34,128,696	34,151,746
Increase in Net Assets	5,531,637	3,730,878
Net Assets, July 1	5,596,169	17,843,387
Net Assets, March 31	$ 11,127,806	$ 21,574,265

Source: Office of Finance.

Service fees declined due to the reduction in the trash disposal fee. Solid Waste operating expenses have fluctuated annually primarily due to adjustments to closure and post-closure reserves. The comparative nine month statements indicate that fiscal year 2013 operations are slightly less than the prior year.

The following schedules list the solid waste rates in effect since July 2012.

Solid Waste Landfill and Collection Rate Schedule

Landfill Charges	Current Charge
Solid waste delivered by a commercial business	$75 per ton
Solid waste delivered in a dump truck, flatbed truck, stake body truck, box truck, rental truck/trailer, or double axle trailer	$75 per ton
For large, unusually difficult to handle items or bulky compact items, such as house trailers, boats in excess of 20 feet in length, stumps, and concrete	$200 per ton
On-the-road vehicle tires from a vehicle other than a vehicle owned by the person delivering the tires	125% of the cost to the County to dispose of the tires ($112.50/ton), plus $7.00 for each tire mixed with other solid waste
On-the-road vehicle tires from a vehicle owned by the person delivering the tires	No charge for four or fewer tires, but for each tire in excess of four tires $7.00
Residential solid waste not covered by a listing above	No charge
Residential Collection Charge	
Service charge to each household or commercial unit for the curbside removal and disposal of trash, recyclables and yard waste	$298 annually per unit
Collection of bulk items from any household from which solid waste is collected by the County or its contractors	No charge

Source: Anne Arundel County Code, Article 13, Section 13-4-105, 106, and 107.

Pension Plans

County employees participate in four single-employer defined benefit pension plans administered by the County in separate trust funds and in two multi-employer pension plans administered by the State.

Information regarding the four County administered plans based on the actuarial valuation dated January 1, 2013 and contribution and valuation data as of the fiscal year ending June 30, 2012 follows:

	Employees Plan	**Police Service Plan**	**Fire Service Plan**	**Officers and Deputy Sheriffs Plan**
Actuarial accrued liability *	$693,580,675	$555,292,097	$510,470,652	$133,678,085
Actuarial value of net assets available for benefits*	508,232,321	420,675,703	426,659,036	92,617,788
Unfunded actuarial accrued liability **	185,348,354	134,616,394	83,811,616	41,060,297
Funded Ratio ***	73.3%	75.8%	83.6%	69.3%
Annual contribution for the year ended June 30, 2012	18,882,680	14,502,900	14,580,535	5,089,053
Market value of net assets available for benefits as of June 30, 2012	490,460,586	405,926,626	407,094,812	86,715,159

* Unaudited.

** Unfunded past service liabilities are amortized over 30 years.

*** Based on actuarial value of net assets available for benefits.

Source: Office of Finance (from annual actuarial reports submitted to the County by Bolton Partners, Inc.).

In December 1996, the County enacted legislation creating the Anne Arundel County Retirement and Pension System (the "System"), effective February 1, 1997. At that date, all net assets of pension trust funds were transferred to the System. The System is a legally separate entity and is managed by a Pension Board of Trustees.

Effective with the January 1, 1995 valuation, the County adopted an asset smoothing method, which spreads the difference between actual and expected investment returns over 5 years. The purpose of asset smoothing is to reduce the volatility in annual actuarial recommended contributions by reducing unexpected fluctuations in asset values. As of January 1, 2004 the County changed the funding methodology for all Plans to the Projected Unit Credit (PUC) method to attempt to stabilize future employer contribution amounts. In addition, the amortization period for the Unfunded Actuarial Accrued Liability was reset to 30 years. The amortization period is based on a closed period method.

Effective with the January 1, 2011 actuarial valuation, the actuarial value of assets is calculated by spreading the market value investment gains or losses in excess of the assumed rate of return over a five-year period. Previously, the actuarial value of assets was calculated by spreading the gains and losses over the actuarial returns, not the actual market value returns. This change results in a quicker recognition of losses and an increase in the County's contribution. While there is no long term impact on the County's contribution there will be short term increases.

The following table sets forth the unfunded past service liability of the County with respect to County employees for each of the pension plans for the most recent five calendar years for which data are available:

December 31,	Employees Plan	Police Service Plan	Fire Service Plan	Detention Officers' and Deputy Sheriffs' Plan
2008	$ 79,919,177	$ 55,419,694	$ 45,969,499	$ 21,959,305
2009	79,285,038	55,282,697	37,084,763 *	26,787,087 *
2010	105,104,442	66,110,544	38,659,452	31,856,070
2011	137,582,657	95,812,037	59,899,208	35,653,262
2012	185,348,354	134,616,394	83,811,615	41,060,297

* *Revised for increased employee contributions levels negotiated subsequent to initial reporting*

Note: In the fiscal year 2012 the County contributed $1,601,891 to the State Retirement and Pension Systems ("State plans") for government employees in the State plans and to amortize the unfunded past service liability over 33 years beginning June 30, 1988.

Source: Office of Finance (from annual actuarial reports submitted to the County by Bolton Partners, Inc.).

For more detailed information see "NOTES TO BASIC FINANCIAL STATEMENTS — Pension Plans," in Appendix A.

Funds held under pension plans administered by the System are invested by professional money managers (including insurance companies). Pension funds are invested in a variety of investments, including commercial paper, corporate bonds, common stocks and other investments. An immaterial amount of index futures are held in the portfolios managed by the insurance companies. For more detailed information see "NOTES TO BASIC FINANCIAL STATEMENTS — Cash and Investments" in Appendix A.

Other Post Employment Benefits

The primary government provides a group health plan for employees and retirees under the authority of § 6-1-308 of the County Code. This health plan may be extended to other component units under § 6-1-309 of the County Code. The Community College and the Library provide retiree health insurance through participation in the County's health plans. The County collects premiums from these entities to offset the related costs. The County Code requires the County to pay 80% of the health coverage cost for County retirees and the Library pays 80% for Library retirees. County and Library retirees have the option of retaining dental and vision coverage, but must pay the full premium for these benefits.

The County utilized the actuarial services of Bolton Partners and Aon Consulting to formulate its findings. According to this report, actuarial estimates of the County's and its component units' total actuarial accrued liability (AAL) is $2,590,098,000. The annual required contribution (ARC) is estimated at $202,764,000. The actuarial results noted herein are based on a 4% investment rate of return.

Neither the primary government nor the component units have established irrevocable trust funds and legally restricted any funds for these plans. The entities currently fund the retirees' healthcare costs on a pay-as-you-go basis. As of fiscal year 2013, the County's plan to fund the annual OPEB contribution was deferred. The County established a Collaborative Benefits Committee through resolution to review existing benefits, assess the impact of continued increases in the costs of these benefits on current and projected revenues and expenditures, determine the fair and equitable priorities in the reduction of the benefit costs and report to the County Executive and the County Council on these recommendations. The County anticipates utilizing a trust fund in the future to manage the retiree health care unfunded actuarial accrued liability.

A final report was issued by the Committee on February 14, 2012. The report contains a number of recommendations designed to address the cost of County benefits and bring them in line with surrounding counties and the private sector. Many of these recommendations will require action on the part of the County Council as changes to the County Code are required. Additionally, other changes will require agreements from various labor groups, as the changes are subject to collective bargaining. An amendment to the Charter of Anne Arundel County was passed by the citizens of the County in November 2012. This amendment requires the County to establish a fund for the purpose of reserving funds to pay for health insurance benefits provided to retired County employees and their spouses, dependents and survivors. It also allows the County to establish an irrevocable trust fund for the purpose of paying for health insurance benefits provided to this group.

The County's health plan operates on a calendar year basis. Beginning January 1, 2013, employees will have increased co-pays and a deductible to meet prior to the County providing coverage. The cost savings from these plan changes will be deposited into the reserve fund.

Recent Developments

Recent developments concerning the County include:

- On January 29, 2013, the former County Executive resigned from office effective February 1, 2013. On February 21, 2013 in accordance with the procedures set forth in Section 402 of the Charter of Anne Arundel County, Maryland, the County Council selected Laura Neuman of Annapolis as Anne Arundel County's new County Executive. Ms. Neuman was sworn into office on Friday, February 22, 2013.

- As the result of the State of Maryland budget decisions, a portion of the Board of Education teacher pension costs has been passed to the County. The proposed budget for fiscal year 2013 included funding for these additional pension costs. The State Board of Education will not allow debt service expenditures to be included to meet the State's maintenance of effort requirement. Accordingly, emergency legislation passed by the County Council in October 2012 transferred approximately $5,000,000 from the Chief Administrative Office Contingency account to the Board of Education. Accordingly, this action has resulted in an increase in the amount of County funds going to the Board of Education and has allowed the County to satisfy the maintenance of effort requirement.

- Legislation has also been enacted concerning the use of development impact fees. This legislation allows a portion of the impact fees to be transferred to the General Fund in fiscal year 2013 for the purpose of compensating the General Fund for a portion of the debt service costs previously paid by the General Fund in relation to impact fees eligible projects (capital projects that increased capacity for roads, schools, etc.).

- On June 4, 2013, the County Council passed the County Executive's $1.3 billion operating budget and $200.8 million capital budget for the fiscal year ending June 30, 2014. The County's local income tax rate remains at 2.56% and the property tax rate increases from .941 cents to .950 cents per hundred of assessed value, consistent with the County's property tax revenue cap. The budget included, among other items, (i) funding the Board of Education maintenance of effort at $596.5 million, (ii) a three percent merit increase for County employees, and (iii) a contribution of $20.3 million to the Revenue Reserve Fund.

- Other significant funds included in the County's FY2014 budget include the Water and Wastewater Fund, where water and sewer rates were increased 3%, and projected fund balance will be in excess of the two month operating expense specified in the County's financial policies. The Waste Collection Fund, which collects and disposes of solid waste, maintains a rate of $298 per household receiving County waste removal services. Finally, a new fund, the Watershed Protection and Restoration Fund (WPRF) will be funded in FY2014 in order to implement a state mandated program of capital projects, operating maintenance, and other required efforts to reduce the County's contribution of harmful pollutants associated with stormwater and poor water quality affecting local rivers and the Chesapeake Bay. This WPRF is a dedicated fund financed through a tax based upon a property's impervious surface and will be initially phased in over two years.

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SECTION FOUR: INDEBTEDNESS

General

Under applicable law, general obligation indebtedness of the County may not exceed 5.2% of the assessable basis of real property and 13% of the assessable basis of personal property and certain operating real property in the County. Under applicable law, bonds issued by the County for water or wastewater facilities may not exceed 5.6% of the assessable basis of real property in the Sanitary District of the County and 14% of the assessable basis of personal property and certain operating real property in the Sanitary District. The information hereinafter presented does not include the debt and debt service attributable to those portions of the County's various outstanding bond issues that have been refunded.

No Short-Term Operating Debt

The County intends to manage operations such that no short-term debt will be needed in the future. The Commercial Paper Program in place is only for Bond Anticipation Notes used in capital construction.

Tax Supported Debt

The following table sets forth the County's direct net tax supported debt as of June 30, 2012, not including Commercial Paper sold on December 12, 2012 consisting of $65,040,000 in general obligation bond anticipation notes and $10,680,000 in water wastewater bond anticipation notes as well as the Bonds offered hereby.

General Obligation Bonds		
General Improvements	$830,133,701 (1) (2)	
Water and Sewer	382,899,911 (3)	
Solid Waste	28,111,299 (1)	
Total General Obligation Bonds		$1,241,144,911
Tax Increment Financing Bonds		93,155,000
Installment Purchase Agreements		13,645,000
Loans from the State of Maryland and Federal		
General Improvements		4,215,062
Long Term Leases		
General Improvements		7,814
Commercial Paper		
General Improvements	-	
Solid Waste	-	
Water and Sewer	-	
Total Commercial paper		-
Total Direct Debt		1,352,167,787
Less: Self Supporting debt		
Water and Sewer Bonds	382,899,911	
Solid Waste Bonds	28,111,299 (4)	
Commercial Paper (Solid Waste/Water & Sewer)	-	
Total Self-Supporting Debt		411,011,210
Net Tax Supported Debt		$941,156,577

(1) Long-Term Serial Bonds, Consolidated General Improvements; applicable against the 5.2% of taxable County assessable real property base limit and 13% of personal/operating real property.
(2) Includes $24,530,000 of Compass Pointe Bonds.
(3) Long -Term Serial Bonds, Consolidated Water and Waste Water; applicable against the 5.6% of the total taxable Sanitary District assessable real property base and 14% of personal/operating real property.
(4) Historically issued as part of Consolidated General Improvement Series; bonds for this purpose are also supported by project rates or charges prescribed in bond authorization ordinances.

Source: Office of Finance (unaudited).

Charter Property Tax Revenue Limitation

Section 2D(c) of Article 31 of the Annotated Code of Maryland provides, in effect, that Section 710(d) of the County Charter shall not impair or be construed to impair the obligation of the County to levy and collect taxes to provide for the payment when due of principal of and interest on bonds of the County, or bonds guaranteed by the County, to which the County has pledged its unlimited taxing power, and which were outstanding on December 3, 1992, the effective date of such Charter provision.

Pursuant to the authority of Section 24(a)(3)(i) of Article 31 of the Annotated Code of Maryland, if County Bonds to be refunded are secured as unconditional general obligations with a pledge of the full faith and credit and unlimited taxing power of the County, the County may secure an issue of refunding bonds as unconditional general obligations with a pledge of the full faith and credit and unlimited taxing power of the County in the same manner and with the same force and effect as the original pledge.

Bonds Authorized and Unissued

The following schedule reflects the bonds authorized and unissued under the Authorizing Ordinance that establishes the authority to finance the capital projects in the fiscal year 2011-2012 budget and repeals and re-enacts by consolidation the unissued authority of previous bond authorizing ordinances:

SCHEDULE OF BONDS AUTHORIZED AND UNISSUED

Class of Projects	Authorized
General County	$ 14,961,253
Stormwater Runoff Controls	8,743,102
Education	172,738,693
Education Impact Fees	1,000
Police and Fire	12,884,694
Police and Fire Impact Fees	917
Roads and Bridges	51,352,630
Roads and Bridges Impact Fees	3,885
Community College	10,539,588
County Libraries	180,106
Recreation and Parks	5,842,538
Waterway Improvements	16,400,659
Consolidated General Improvements	**$ 293,649,065**
Consolidated Waste Collection	23,814,145
Consolidated Water and Sewer	607,170,827
Total	**$ 924,634,037**

Source: Office of Finance.

The County is planning to use $75,720,000 of the total authority shown above to payoff the current outstanding balance of short-term bond anticipation notes.

Overlapping Debt

The City of Annapolis is the only incorporated municipality in the County. As of June 30, 2011, the City of Annapolis had $86,590,529 in long-term, general obligation debt. The County is not obligated to pay such debt or the interest thereon and neither the full faith and credit nor the taxing power of the County is pledged to the payment of the principal of or interest on such indebtedness.

Maryland Water Quality Debt

The Maryland Water Quality Revolving Loan Fund is administered by the Maryland Water Quality Financing Administration. As of June 30, 2012, the County had $26,739,911 of outstanding debt under this program, which is not included in the County's net tax-supported debt position. The County's obligation to repay this amount is evidenced by County bonds, which are payable over a 20-year period at below-market interest rates. The source of repayment for these County obligations is the same as that for the County's Water and Sewer Bonds.

Special Tax District Financing

The County has passed legislation creating special taxing districts and authorizing the issuance of special obligation bonds for the purpose of financing projects in support of such districts. In each case, the bonding authority is for special obligation bonds payable solely from the proceeds of a special tax levied on taxable parcels within such special taxing district. Such special obligation bonds are not backed by the County's full faith and credit. The County has issued approximately $21,933,836 of special taxing district bonds of which approximately $19,810,727 is still outstanding as of January 31, 2013.

The County passed legislation in August 2010 which established a special taxing district in the northern quadrant of the County designated the "Cedar Hill Special Taxing District". The County also passed legislation in October 2010 which established a special taxing district in the western quadrant of the County designated the "Two Rivers Special Taxing District". The County has no active current plans to issue special taxing district bonds for Cedar Hill Special Taxing District but bonds for Two Rivers Special Taxing District were issued in the amount of $2,000,000 on May 30, 2013.

The County passed legislation in February 2012 which established a special taxing district in the western part of the County designated the "Arundel Gateway Special Taxing District". The County may issue up to $25,000,000 in special obligation bonds for the financing of infrastructure improvements, including water and sewer lines for a planned development and the modification of portions of Maryland Route 198 payable solely from the proceeds of a special tax levied on taxable parcels within the Arundel Gateway Special Taxing District.

Tax Increment Financing

The County has passed legislation creating separate tax increment districts which are each supported by special taxing districts created within, or coincident with, such tax increment districts. The County has also authorized the issuance of special obligation bonds for the purpose of financing projects in support of such districts. In each case, the bonding authority is for special obligation bonds secured by taxes levied on the tax increment and by special taxes levied on taxable property within the special taxing district. Such special obligation bonds may also be backed by the County's full faith and credit. As of January 31, 2013, approximately $90,815,000 in aggregate principal amount of such tax increment and special taxing bonds are outstanding of which approximately $44,815,000 are also guaranteed by the full faith and credit of the County.

Special Community Benefit District Debt

As of June 30, 2012, debt attributable to shore erosion control districts in the County totaled $3,239,899, debt attributable to waterways improvements districts in the County totaled $956,883 and debt attributable to special community benefit districts totaled $18,280. Ad valorem taxes or special benefit charges are levied on properties within the respective districts to provide for the payment of debt attributable to such districts. These items are included in the County's net tax supported debt position.

Revenue Authority

There is one active revenue authority within the County, which is presented as a component unit in the County's financial statements. This authority was created in February 1998 to acquire, construct, improve, equip, furnish, maintain and operate Tipton Airport. The United States Army as part of the Fort Meade operation had previously operated this airport. During fiscal year 2002, title to the land and improvements transferred to Anne Arundel County. The County provides some support to the Authority for operating costs and capital improvements. A second authority was created to construct and manage recreational facilities within the County. This recreational authority is currently inactive.

Public School Financing

State Assumption of Public School Capital Construction Costs

Legislation enacted by the Maryland General Assembly in 1971 provides for the assumption by the State, under certain conditions, of the costs of public school construction projects and public school capital improvements on a State-wide basis. This law provides that the State of Maryland will pay the costs in excess of available Federal funds of all public school construction projects and public school capital improvements in the counties and Baltimore City, which have been approved by the Board of Public Works and empowers the Board of Public Works to define by regulation what shall constitute an approved construction or capital improvement cost. On December 30, 1987, the Board of Public Works adopted revised "Rules, Regulations and Procedures for the Administration of the School Construction Program" (the "Revised Rules").

Under these rules, the Board shall establish a maximum State construction allocation which is the maximum State participation for each project when it is being considered for inclusion in an annual capital improvement program for construction funding as follows:

(a) The maximum State construction allocation shall be based on the product of the latest adjusted average statewide per square foot cost of construction for schools in the State and the approved area allowances for the project as limited by the Public School Construction Program capacity and space formula and these rules and regulations.

(b) The average per square foot cost of school construction based on the best cost experience of schools constructed in the prior year(s) shall be published at least annually. The per square foot construction cost shall include site work, and the per square foot building cost shall exclude site work.

(c) The maximum State construction allocation shall also include adjustments for inflation to time of bid, regional cost differences, and a percentage for contingency as determined by the Committee.

(d) The maximum State construction allocation shall be adjusted to reflect the State and local sharing of this expenditure for all projects approved for local planning on or after February 11, 1987. The State share, which represents the maximum State construction allocation for the eligible portion of a construction contract is computed by applying a factor of 50% for the County to the factors cited in sections (a), (b) and (c) above.

Economic Development Revenue Bonds

The County has encouraged industry to locate and remain in the County by, among other things, the issuance of industrial development revenue bonds and pollution control revenue bonds pursuant to the Maryland Economic Development Revenue Bond Act and earlier statutory authority and the Maryland Industrial Development Financing Authority Act. Economic development revenue bonds do not constitute indebtedness or a charge against the general credit or taxing powers of the County. For more detailed information see "NOTES TO THE BASIC FINANCIAL STATEMENTS – Conduit Debt " in Appendix A.

Statement of Legal Debt Margin

The following statement presents the County's Legal Debt Margins as of June 30, 2012:

STATEMENT OF LEGAL DEBT MARGINS
As of June 30, 2012

	General Bonded Debt		*Water & Wastewater Utility Bonded Debt*	
Assessed value of real property	$77,289,434,167		$70,428,482,612	
Bonded debt limit to assessed value	5.2%		5.6%	
Bonded debt limit of real property		$4,019,050,577		$3,943,995,026
Assessed value of personal/operating real property	$2,554,619,310		$2,406,163,930	
Bonded debt limit to assessed value	13%		14%	
Bonded debt limit of personal property		332,100,510		336,862,950
Legal limitation for the borrowing of funds and issuance of bonds		$4,351,151,087		$4,280,857,976
Bonded debt applicable to debt limit (1)(2)		830,133,701		382,899,911
Installment Purchase Agreements (1)		13,645,000		-
Tax Increment Bonds (1)		93,155,000		-
Bonded debt for solid waste projects (3)		28,111,299		-
Bond anticipation notes (3)		-		-
Legal debt margin		$3,386,106,087		$3,897,958,065

(1) See Note 8 of the Basic Financial Statements for explanations of the bonded debt limits.
(2) Includes $24,530,000 of Compass Pointe Bonds.
(3) This presentation of debt for self-liquidating solid waste projects and bond anticipation notes is made to provide a conservative statement of indebtedness that evidences compliance with the 5.2% and 5.6% debt limitation.

Source: Office of Finance.

Certain Debt Ratios

The following table sets forth the County's ratio of net tax supported debt per capita, ratio of net debt to the County estimated market value, and ratio of tax supported debt per capita to per capita income.

KEY DEBT RATIOS
Last Five Fiscal Years

Year Ended June 30,	Tax supported Debt (1)	Estimated Population (3)	Estimated Market Value (2)	Per Capita Personal Income	Tax Supported Debt Per capita	Tax Supported Debt to Estimated market Value
2008	$717,851,000	525,304	$71,963,789,000	$54,835	$1,367	1.00%
2009	764,543,000	532,395	82,374,989,000	53,303	1,436	0.93%
2010	809,849,000	539,241	87,154,077,000	54,506	1,502	0.93%
2011	919,361,000	544,403	84,881,333,000	58,532	1,689	1.08%
2012	941,157,000	546,581	79,844,053,000	60,065	1,722	1.18%

(1) Does not include the Bonds offered hereby.
(2) These figures represent the market value of all taxable property. (See "FINANCES – Property Taxes, Assessments and Collections")
(3) Population totals are estimates of the County Office of Planning and Zoning.

Source: Office of Finance (unaudited).

The following table sets forth the County's debt service expenditures for tax-supported debt as a percentage of General Fund Revenues, Expenditures and Encumbrances.

RATIO OF GAAP ANNUAL DEBT SERVICE FOR TAX-SUPPORTED DEBT TO TOTAL GENERAL FUND REVENUES AND EXPENDITURES (BUDGET BASIS)
Last Five Fiscal Years

Fiscal Year Ended June 30,	Debt Service*	Total General Fund Expenditures	as a Percentage of Total Expenditures	Total General Fund Revenues	as a Percentage of Total Revenues
2008......................	$84,602,916	$1,197,785,244	7.06	$1,150,107,701	7.36
2009......................	85,794,220	1,189,853,357	7.21	1,138,860,101	7.53
2010......................	91,182,178	1,172,907,627	7.77	1,194,389,855	7.63
2011......................	93,879,569	1,161,865,410	8.08	1,167,002,295	8.04
2012......................	109,156,174	1,175,738,991	9.28	1,188,526,176	9.18

***** includes all tax supported debt service recorded in all governmental funds including the General Fund, Tax Increment Districts, Installment Purchase Agreements, and loans to special taxing districts.

Source: Office of Finance.

Enterprise Funds Debt

The following table sets forth the County's Enterprise Funds bonded debt:

ENTERPRISE FUNDS BONDED DEBT
Last Five Fiscal Years

Fiscal Year Ended June 30,	Water and Wastewater Bonded Debt	Solid Waste Bonded Debt	Total Enterprise Funds Debt
2008..	$311,472,707	$17,975,745	$329,448,452
2009..	321,005,551	17,721,412	338,726,963
2010……………………………….	344,218,587	21,163,380	365,381,967
2011……………………………….	373,465,626	27,907,435	401,373,061
2012……………………………….	382,899,911	28,111,299	411,011,210

Source: Office of Finance.

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Schedule of Debt Service Requirements for Long-Term Obligations

The following table sets forth the principal and interest payments schedule for the County's direct and contingent long-term obligations, including General Public School Construction Loans.

Fiscal Year Ending	General County Bonds (a,b) Consolidated General Improvement							
	General Government		Bond Series 2013		Solid Waste		Tax Increment	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 66,908,703	$ 35,180,227	$ 6,960,000	$ 4,326,156	$ 2,106,292	$ 1,229,074	$ 1,430,000	$ 5,010,210
2015	62,791,657	32,234,431	6,960,000	5,405,600	2,118,338	1,128,527	1,580,000	4,942,383
2016	61,595,273	29,309,505	6,960,000	5,057,600	2,154,722	1,020,803	1,720,000	4,868,808
2017	59,790,585	26,331,756	6,960,000	4,709,600	2,559,415	912,327	2,020,000	4,784,394
2018	56,457,564	23,419,500	6,960,000	4,361,600	1,192,436	796,883	2,320,000	4,684,532
2019	53,575,592	20,699,545	6,960,000	4,013,600	1,224,408	738,388	2,685,000	4,560,485
2020	48,830,836	18,246,240	6,960,000	3,665,600	1,279,164	679,799	3,045,000	4,410,011
2021	46,832,733	16,040,906	6,960,000	3,317,600	1,437,267	622,570	3,325,000	4,242,032
2022	46,839,081	13,876,798	6,960,000	2,969,600	1,480,935	558,714	3,635,000	4,058,312
2023	41,348,329	11,687,274	6,960,000	2,621,600	1,436,673	487,981	3,960,000	3,857,635
2024	37,699,929	9,805,866	4,640,000	2,273,600	1,435,072	420,567	4,290,000	3,639,466
2025	35,715,669	8,073,545	4,640,000	2,041,600	1,384,332	351,904	4,660,000	3,402,577
2026	33,112,954	6,403,940	4,640,000	1,856,000	1,337,047	285,182	5,045,000	3,145,506
2027	29,767,160	4,885,000	4,640,000	1,624,000	1,217,841	225,449	5,445,000	2,865,756
2028	25,565,883	3,435,316	4,640,000	1,392,000	1,014,118	165,533	5,880,000	2,561,788
2029	21,530,883	2,260,025	4,640,000	1,160,000	1,014,118	116,750	4,940,000	2,269,428
2030	17,020,619	1,295,420	4,640,000	928,000	914,382	71,032	2,335,000	2,066,501
2031	9,731,763	521,568	4,640,000	696,000	598,236	29,344	1,915,000	1,939,119
2032	3,935,951	132,839	4,640,000	464,000	114,050	3,849	2,080,000	1,816,214
2033	-	-	4,640,000	232,000	-	-	2,265,000	1,682,570
2034	-	-	-	-	-	-	2,455,000	1,537,418
2035	-	-	-	-	-	-	2,660,000	1,380,143
2036	-	-	-	-	-	-	2,880,000	1,209,826
2037	-	-	-	-	-	-	3,115,000	1,025,550
2038	-	-	-	-	-	-	3,365,000	826,391
2039	-	-	-	-	-	-	3,635,000	611,275
2040	-	-	-	-	-	-	3,915,000	379,283
2041	-	-	-	-	-	-	4,215,000	129,495
2042	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-
	$ 759,051,164	$ 263,839,701	$ 116,000,000	$ 53,115,756	$ 26,018,846	$ 9,844,676	$ 90,815,000	$ 77,907,108

Notes: (a) *Bonded debt subject to 5.2% of taxable County assessable real property base limit and 13% of personal/operating real property.*
(b) *All debt service costs are as of June 15, 2013.*
(c) *Total debt service is reported gross of BABs rebate.*

Installment Purchase Agreements and Loans		Water and Sewer Bonds (b)		Consolidated Water and Sewer Bond Series 2013		Total (c)		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service Charge
$ 340,477	$ 728,301	$ 23,514,438	$ 15,772,087	$ 1,265,000	$ 1,287,286	$ 102,524,910	$ 63,533,341	$ 166,058,251
340,477	727,185	22,609,490	15,047,922	1,265,000	1,640,725	97,664,962	61,126,773	158,791,735
340,476	726,070	22,338,551	14,203,774	1,265,000	1,577,475	96,374,022	56,764,035	153,138,057
247,310	724,954	21,651,057	13,268,538	1,265,000	1,514,225	94,493,367	52,245,794	146,739,161
234,745	723,838	20,650,298	12,396,025	1,270,000	1,450,975	89,085,043	47,833,353	136,918,396
227,826	722,723	19,565,820	11,574,803	1,270,000	1,387,475	85,508,646	43,697,019	129,205,665
227,826	721,607	18,997,104	10,838,287	1,270,000	1,323,975	80,609,930	39,885,519	120,495,449
227,822	720,492	18,904,164	10,112,290	1,270,000	1,260,475	78,956,986	36,316,365	115,273,351
206,923	719,377	18,851,440	9,361,373	1,270,000	1,196,975	79,243,379	32,741,149	111,984,528
194,272	718,261	18,119,126	8,600,525	1,270,000	1,133,475	73,288,400	29,106,751	102,395,151
194,272	717,146	17,064,955	7,890,567	1,270,000	1,069,975	66,594,228	25,817,187	92,411,415
194,272	716,030	15,120,795	7,231,171	1,270,000	1,019,175	62,985,068	22,836,002	85,821,070
187,707	714,915	14,460,239	6,477,649	1,270,000	968,375	60,052,947	19,851,567	79,904,514
187,707	713,799	13,282,419	5,864,791	1,270,000	917,575	55,810,127	17,096,370	72,906,497
9,047,707	712,683	12,404,917	5,274,241	1,270,000	866,775	59,822,625	14,408,336	74,230,961
146,936	223,954	11,089,111	4,713,030	1,270,000	815,975	44,631,048	11,559,162	56,190,210
1,606,467	223,662	11,080,972	4,195,546	1,270,000	765,175	38,867,440	9,545,336	48,412,776
71,652	133,662	11,072,864	3,671,471	1,270,000	714,375	29,299,515	7,705,539	37,005,054
19,631	133,663	10,155,000	3,141,724	1,270,000	663,575	22,214,632	6,355,864	28,570,496
6,130	133,662	8,965,000	2,645,690	1,270,000	611,188	17,146,130	5,305,110	22,451,240
6,130	133,663	8,960,000	2,222,509	1,270,000	558,800	12,691,130	4,452,390	17,143,520
-	133,662	8,120,000	1,798,691	1,270,000	504,825	12,050,000	3,817,321	15,867,321
-	133,663	7,335,000	1,410,405	1,270,000	450,850	11,485,000	3,204,744	14,689,744
1,444,000	133,662	4,855,000	1,058,038	1,270,000	396,875	10,684,000	2,614,125	13,298,125
-	67,658	4,855,000	816,200	1,270,000	342,900	9,490,000	2,053,149	11,543,149
-	67,659	4,805,000	573,238	1,270,000	285,750	9,710,000	1,537,922	11,247,922
-	67,658	3,780,000	332,650	1,270,000	228,600	8,965,000	1,008,191	9,973,191
1,487,000	67,659	2,390,000	142,000	1,270,000	171,450	9,362,000	510,604	9,872,604
-	-	900,000	33,750	1,270,000	114,300	2,170,000	148,050	2,318,050
-	-	-	-	1,270,000	57,150	1,270,000	57,150	1,327,150
-	-	-	-	-	-	-	-	-
$ 17,187,765	$ 12,461,268	$ 375,897,760	$ 180,668,985	$ 38,080,000	$ 25,296,724	$ 1,423,050,535	$ 623,134,218	$ 2,046,184,753

County Debt Policies

Legal Debt Policy Statement

In passing the Authorizing Ordinance, the County Council adopted the policy statement given below for the purpose of indicating the County's intention and to guide the County Executive or Chief Administrative Officer, as the case may be, in the exercise of the authority conferred by the Authorizing Ordinance.

(1) It is essential that the County continue to provide, in timely fashion, the public facilities necessary to serve its population, which has increased significantly in recent years, while at the same time retaining and supporting substantial rural and agricultural elements of the County's economy which enable the County to enjoy the benefits of a balanced and diverse economy. All or a portion of the cost of such facilities will have to be financed through the borrowing of money by the County on a reasonably long-term basis in order that the burden of such cost may be equitably apportioned among present and future taxpayers. However, it is equally essential that the credit standing of the County, be preserved and, if possible, improved to the end that the cost of borrowing money by the County will not be unduly burdensome. To aid in achieving these basic objectives, the County Executive or the Chief Administrative Officer, as the case may be, shall, to the maximum extent possible, exercise the authority hereby conferred within the following guidelines as well as within the fixed limitations prescribed herein and in the County Charter.

(2) Sale of bonds hereunder shall be spaced at least six (6) months apart when practicable; provided, however, that bonds may be sold hereunder at such other intervals as the County Executive, or the Chief Administrative Officer, as the case may be, may deem advisable due to financial or market conditions prevailing at the time.

(3) To provide an adequate flow of funds for capital projects, to limit amounts borrowed to the costs incurred for such projects, and to facilitate the selection of the most advantageous times for the sale of bonds, bond anticipation notes may be sold for such projects from time to time, repayable from the proceeds of the appropriate series of such bonds, when issued.

(4) The authority hereby conferred shall be so exercised that the estimated maximum annual debt service obligation resulting there from plus current debt service payable by the County on outstanding obligations does not exceed an amount equal to twenty percent (20%) of the estimated net amount of all direct and indirect revenues of the County for the current fiscal year, including utility revenues, calculated by subtracting from gross revenues all debt service withheld or to be withheld by the State or any agency thereof during such fiscal year.

(5) In order to control water pollution and to provide water and wastewater service to certain established waterfront areas, presently in part being serviced by established public water and/or wastewater facilities, where the cost per front foot of assessment exceeds the $4.00 per front foot for water and $6.00 for wastewater, the Controller shall use pay-as-you-go funds from water and/or wastewater utility operations, as provided in the annual budget, to reduce the cost of interest per dollar spent for construction. On projects where pay-as-you-go funding is authorized, the front foot assessment will not be reduced below $4.00 per front foot for water and $6.00 per front foot for wastewater, provided the project construction cost is not lower than $4.00 per front foot for water and $6.00 per front foot for wastewater.

(6) All bonds issued and sold by the County hereunder shall be unconditional general obligation bonds of the County within the limitations of indebtedness set forth below as prescribed by the County Charter and the ordinances enacted pursuant thereto. Before any such bonds are issued for revenue producing projects of water or wastewater utilities, the County Executive, or the Chief Administrative Officer if authorized by the County Executive, shall determine that the estimated revenues of such projects, or the actual and estimated revenues of such projects and the utilities of which these projects are a part, are, or will be, sufficient to pay the cost of operation and maintenance of such projects and the maturing principal of and interest on all indebtedness incurred with respect thereto, including such bonds issued hereunder. The authorization herein of general obligation bonds of the County for revenue producing projects shall not be construed to preclude the County Council from authorizing in the future the issuance of bonds payable solely from the revenues of similar projects or utilities.

Spending Affordability Committee

The Charter established a Spending Affordability Committee for the County in fiscal year 1990. This committee is charged to make advisory recommendations to the Office of Budget, the County Executive and the County Council relating to spending affordability, including County spending levels to reflect the affordability of the taxpayers to finance County operations and service long-term debt.

The committee members are appointed by the County Executive and confirmed by the County Council. The committee is required to prepare a report every fiscal year. The committee is required to prepare an annual report by the end of January preceding each fiscal year.

Administrative Debt Management Policies

The County Administration has developed the following debt management policies to be used in planning future debt issuance levels. These policies, along with the debt affordability study described below, were developed in order to help the County maintain its creditworthiness while at the same time ensuring that necessary capital projects will be funded. These policies have been adopted as guidelines by the current County Administration with respect to the exercise of debt issuance authority granted to the administration in the Authorizing Ordinance.

The policies set out below consist of the County's current debt ratios and guidelines to be followed in future years. The guidelines apply to general obligation debt payable from the General Fund.

Current Debt Ratios and Future Guidelines
(Unaudited)

	Actual June 30, 2012	Actual June 30, 2011	Guidelines
Debt to Estimated Full Value	1.20%	1.10%	1.50%
Debt Per Capita	$1,755	$1,729	$2,000
Debt to Personal Income	2.92%	2.94%	3.00%
Debt Service to Revenues*	7.84%	7.44%	10.00%

*Includes General Fund principal and interest on General Obligation Debt.

Source: Office of Finance

The guidelines were established to allow the County some flexibility in the event that economic and demographic growth do not meet projections while still setting limits so that needs do not exceed resources and result in an excessive debt burden. In addition to the debt ratio guidelines, the County Administration intends to adhere to the following debt management guidelines:

• *The Administration will conservatively estimate revenues to maintain a positive General Fund balance.* This policy is designed to provide a cushion in the event that there is an economic downturn.

• *The Administration does not intend to issue tax or revenue anticipation notes to fund governmental operations.* The Administration intends to manage the County's cash in a fashion that will prevent any borrowing to meet working capital needs.

• *The Administration does not intend to have any bond anticipation notes outstanding for a period of longer than two years.* If the Administration issues a bond anticipation note for a capital project, the note will be converted to a long-term bond or redeemed at its expiration.

• *The Administration will recommend budget contributions to Pay-As-You-Go financing in each fiscal year.* In order to reduce the future debt service burden, each budget will include a recommended contribution to Pay-As-You-Go financing.

• *The Administration will update the County's debt affordability study each year in conjunction with the capital budget process.* This study will help the Administration monitor the County's debt position and ensure that the debt ratio policies are met.

• *The Administration will continue to examine alternative funding sources in order to provide long-term tax relief.* Funding sources used in the past have included tax increment districts, private sector partnerships, Pay-As-You-Go funding and developer impact fees.

• *In budget recommendations, the Administration will designate impact fees to be collected from developers to fund a portion of the costs associated with school and transportation facilities necessary as a result of new development.* In addition, the Administration will endeavor to assess other appropriate impact fees, where possible.

Financing Plans

The County expects to sell approximately $69,970,000 general obligation bond anticipation notes ("New Notes") in the form of commercial paper during 2013, consisting of General Improvement Notes in the amount of $57,280,000 and Water & Sewer Improvement Notes in the amount of $12,690,000. A portion of the proceeds of the Bonds to be sold will be applied to retire $75,720,000 of the Notes currently outstanding.

The 2014 to 2018 Capital Program includes $859,430,000 in projected bond authorizations of $555,024,000 which are projected for tax supported projects. During the course of the five-year period these projected bond authorizations are estimates and may or may not result in bond sales over this period. The County assesses its five-year Capital Program on an annual basis and appropriates funds for projects based on affordability.

Capital Appropriations and Funding Sources

The following presents the County's current and projected capital appropriations and funding sources approved for fiscal year 2013. Any activity related to the Bonds is not reflected in the schedule.

SCHEDULE OF CAPITAL PROJECTS APPROPRIATIONS AND FUNDING SOURCES
CURRENT AND PROJECTED

	Unexpended Appropriation As of June 30, 2012	County Council Approved Fiscal Year 2013	Projected Fiscal Year 2014	Projected Fiscal Year 2015	Projected Fiscal Year 2016	Projected Fiscal Year 2017	Projected Fiscal Year 2018
General County Projects	$ 115,055,540	$ 15,141,500	$ 18,825,000	$ 19,325,000	$ 19,325,000	$ 19,325,000	$ 19,325,000
Stormwater Runoff Controls	5,967,372	3,202,000	4,754,000	2,500,000	2,500,000	2,500,000	2,500,000
Education	283,700,058	123,730,016	114,344,000	111,062,000	82,507,000	85,516,000	65,214,000
Police and Fire	3,156,658	11,232,500	5,250,000	3,750,000	5,750,000	3,750,000	3,750,000
Roads and Bridges	64,308,492	21,035,000	23,863,000	19,299,000	19,349,000	19,374,000	19,085,000
Community College	11,279,057	6,938,000	2,118,000	3,600,000	2,280,000	6,100,000	2,546,000
County Libraries	379,632	400,000	350,000	350,000	350,000	350,000	350,000
Recreation and Parks	18,085,651	1,731,000	10,473,000	3,608,000	7,062,000	8,252,000	12,419,000
Waterway Improvements	25,967,029	4,244,500	5,860,000	4,170,000	3,600,000	3,745,000	3,600,000
Total General Improvements	527,899,489	187,654,516	185,837,000	167,664,000	142,723,000	148,912,000	128,789,000
Solid Waste	16,764,628	18,610,000	16,800,000	1,450,000	2,456,000	1,450,000	21,301,000
Water and Wastewater	705,381,579	114,586,705	165,953,000	112,254,000	35,027,000	34,995,000	33,489,000
Total	$ 1,250,045,696	$ 320,851,221	$ 368,590,000	$ 281,368,000	$ 180,206,000	$ 185,357,000	$ 183,579,000
FUNDING SOURCES							
General Improvements							
County bonds	$ 201,664,481	$ 109,540,000	$ 134,430,000	$ 122,172,000	$ 97,118,000	$ 111,545,000	$ 89,759,000
Impact Fee Bonds	32,885	(17,818,000)	-	-	-	-	-
Grant and aid	204,207,321	40,150,016	36,989,000	32,604,000	32,895,000	24,512,000	26,320,000
Developer impact fees	83,950,625	36,360,000	1,384,000	-	-	-	-
Pay-as-you-go	1,516,700	17,087,500	11,029,000	10,883,000	10,705,000	10,850,000	10,705,000
Cash balances	32,625,608	-	-	-	-	-	-
Other	3,901,869	2,335,000	2,005,000	2,005,000	2,005,000	2,005,000	2,005,000
Total General Improvements	$ 527,899,489	$ 187,654,516	$ 185,837,000	$ 167,664,000	$ 142,723,000	$ 148,912,000	$ 128,789,000
Water and Wastewater							
County bonds	$ 496,886,185	$ 87,900,205	$ 143,229,000	$ 90,774,000	$ 15,547,000	$ 15,515,000	$ 14,009,000
Grant and aid	148,923,259	6,206,500	-	-	-	-	-
Pay-as-you-go	(2)	20,480,000	22,724,000	21,480,000	19,480,000	19,480,000	19,480,000
Cash balances	30,279,973	-	-	-	-	-	-
Other	29,292,164	-	-	-	-	-	-
Total Water and Wastewater	$ 705,381,579	$ 114,586,705	$ 165,953,000	$ 112,254,000	$ 35,027,000	$ 34,995,000	$ 33,489,000
Solid Waste							
County bonds	6,745,145	17,069,000	895,000	895,000	1,901,000	895,000	20,746,000
Pay-as-you-go	-	1,541,000	15,905,000	555,000	555,000	555,000	555,000
Cash balances	9,269,483	-	-	-	-	-	-
Other	750,000	-	-	-	-	-	-
Total Solid Waste	$ 16,764,628	$ 18,610,000	$ 16,800,000	$ 1,450,000	$ 2,456,000	$ 1,450,000	$ 21,301,000
Total	$ 1,250,045,696	$ 320,851,221	$ 368,590,000	$ 281,368,000	$ 180,206,000	$ 185,357,000	$ 183,579,000

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SECTION FIVE: ECONOMIC AND DEMOGRAPHIC INFORMATION

Description and Government

Anne Arundel County is located approximately 13 miles east of Washington, D.C. with Baltimore City and Baltimore County as its northern boundary and the Chesapeake Bay as its entire eastern boundary. The County is also bordered by Howard County to the west, Prince George's County to the southwest and Calvert County at its southern tip. The County is situated within the Atlantic Coastal Plain and its terrain varies from flat plains to rolling hills. There is approximately 533 miles of shoreline along the Chesapeake Bay.

Over the past decade, the nature of land use in Anne Arundel County has changed and the County's population has significantly increased. During this period, the County's economy has diversified and continued to grow as a part of the Baltimore-Washington metropolitan region, although it retained much of its rural and agricultural character.

Under the home rule charter since 1965, Anne Arundel County is governed by an elected County Executive and a seven-member County Council (See "County Administration"). The government seat of Anne Arundel County is located within the corporate limits of the City of Annapolis. The County is authorized to issue debt, subject to certain indebtedness limitations, for the purpose of financing its capital projects and to incur other indebtedness having maturity not in excess of twelve months. (See "Indebtedness")

Population

With a current population of approximately 544,400, Anne Arundel County is the fifth largest jurisdiction in the state of Maryland. Approximately 9 percent of the state's total population resides in Anne Arundel County.

According to the U.S. Census population estimates program, the County grew by approximately 45,800 people (or 9.2 percent) between 2001 and 2011. In absolute numbers this population growth ranked fourth in Maryland. The majority of the population growth occurred in Odenton, Crofton, Severn, and Jessup/Maryland City, which is located in the western part of the County.

According to the U.S. Census Bureau's 2007-2011 American Community Survey 5-Year Estimates, 36.0% of the County's population has obtained a bachelor's degree or higher. Approximately 23.4% of the working population is employed by government agencies, whereas 76.5% is employed in the private sector or self-employed. The median age of persons in the County is 38 years old.

The following data table shows the total population and the rate of growth for Anne Arundel County, the State of Maryland, and United States from 1990 through 2011.

ANNE ARUNDEL COUNTY, MARYLAND AND UNITED STATES POPULATION

Year	Anne Arundel County	Percent Increase	State of Maryland	Percent Increase	United States	Percent Increase
1990 (Census)	427,239	---	4,780,753	---	248,709,873	---
July 1990	428,877	---	4,799,770	---	249,622,814	---
July 1991	434,344	1.27%	4,867,641	1.41%	252,980,941	1.35%
July 1992	440,836	1.49%	4,923,368	1.14%	256,514,224	1.40%
July 1993	448,583	1.76%	4,971,889	0.99%	259,918,588	1.33%
July 1994	456,499	1.76%	5,023,060	1.03%	263,125,821	1.23%
July 1995	463,022	1.43%	5,070,033	0.94%	266,278,393	1.20%
July 1996	467,286	0.92%	5,111,986	0.83%	269,394,284	1.17%
July 1997	472,356	1.08%	5,157,328	0.89%	272,646,925	1.21%
July 1998	477,749	1.14%	5,204,464	0.91%	275,854,104	1.18%
July 1999	484,800	1.48%	5,254,509	0.96%	279,040,168	1.15%
2000 (Census)	489,656	---	5,296,486	---	281,421,906	---
July 2000	491,372	1.36%	5,311,695	1.09%	282,194,308	1.13%
July 2001	496,975	1.14%	5,379,795	1.28%	285,112,030	1.03%
July 2002	501,954	1.00%	5,441,349	1.14%	287,888,021	0.97%
July 2003	504,449	0.50%	5,506,684	1.20%	290,447,644	0.89%
July 2004	507,735	0.65%	5,553,249	0.85%	293,191,511	0.94%
July 2005	509,397	0.33%	5,589,599	0.65%	295,895,897	0.92%
July 2006	509,300	-0.02%	5,615,727	0.47%	298,754,819	0.97%
July 2007	512,154	0.56%	5,640,000	0.43%	301,621,157	0.96%
July 2008	513,000	0.17%	5,633,597	-0.11%	304,059,724	0.81%
July 2009	521,209	1.60%	5,699,478	1.17%	307,006,550	0.97%
2010 (Census)	537,656	3.16%	5,773,552	1.30%	308,745,538	0.57%
July 2011	544,403	1.25%	5,828,289	0.95%	311,591,917	0.92%

Source: U.S. Census Bureau, Population Estimates Program.

Income

Personal Income

Personal Income, as defined by the U.S. Bureau of Economic Analysis, is presented for Anne Arundel County, the State of Maryland and the United States in the following table:

ANNE ARUNDEL COUNTY, MARYLAND, AND UNITED STATES
AVERAGE PER CAPITA PERSONAL INCOME

Calendar Year	Anne Arundel County	Maryland	United States	Anne Arundel as a Percentage of Maryland	Anne Arundel as a Percentage of U.S.
2004	$45,687	$40,530	$33,381	112.72%	134.85%
2005	48,384	42,480	35,424	113.90%	136.59%
2006	51,499	44,979	37,698	114.50%	136.61%
2007	53,870	46,998	39,461	114.62%	136.51%
2008	55,187	48,472	40,674	113.85%	135.68%
2009	54,608	48,247	39,635	113.18%	137.78%
2010	54,019	48,621	39,791	111.13%	135.76%
2011	56,270	50,656	41,560	111.08%	135.39%

Source: U.S. Department of Commerce, Bureau of Economic Analysis data – Updated September 25, 2012; Revised estimates for 2009-2011.

Median Household Income

The household median income divides the income distribution into two equal groups: households, one having incomes above the median and households having incomes below the median. According to the 2007-2011 ACS, the median household income of the County was $85,690, well above the median household income of the State of Maryland, $72,419, and the Country, $52,762. The following table compares household incomes of the County, State, and the Country for the years 2007 through 2011.

ANNE ARUNDEL COUNTY, MARYLAND, AND UNITED STATES
MEDIAN HOUSEHOLD INCOME

Geography	2007	2008	2009	2010	2011
Anne Arundel County	$79,294	$83,285	$81,824	$83,456	$85,690
State of Maryland	66,873	70,545	69,475	70,647	72,419
United States	50,007	52,059	51,425	51,914	52,762

Source: American Community Survey, U.S. Census Bureau

Total Wages

Total Wages is the sum of all compensation for services. This includes bonuses, commissions, tips and cash value of all compensation in any medium other than the value of meals and lodging. This is an indicator for evaluating the economic activity of a county. Total Wages in the County for calendar years 2001 through 2011 are as follows:

ANNE ARUNDEL COUNTY AND THE STATE OF MARYLAND
TOTAL WAGES

	Anne Arundel County		State of Maryland	
Year	Total Wages	Percent Increase	Total Wages	Percent Increase
2001…………………………	$1,823,064,559	---	$22,693,043,249	---
2002…………………………	1,880,269,197	3.14%	23,433,478,694	3.26%
2003…………………………	1,977,297,806	5.16%	24,217,793,027	3.35%
2004…………………………	2,129,799,277	7.71%	25,232,042,640	4.19%
2005…………………………	2,276,214,984	6.87%	26,666,783,818	5.69%
2006…………………………	2,439,159,402	7.16%	28,263,949,818	5.99%
2007…………………………	2,631,977,121	7.91%	29,802,593,335	5.44%
2008…………………………	2,737,643,938	4.01%	30,683,344,489	2.96%
2009…………………………	2,709,533,391	-1.03%	30,194,367,789	-1.59%
2010…………………………	2,806,101,182	3.56%	30,887,655,599	2.30%
2011…………………………	2,795,462,120	-0.38%	31,921,626,158	3.35%
2012…………………………	3,007,709,337	7.59%	32,616,155,346	2.18%

Source: Maryland Department of Labor, Licensing and Regulation, 2nd Quarter of each calendar year

Employment Base

Information on the employment base of a jurisdiction helps one to understand the diversity and health of the local economy. Job growth by industry and local unemployment rate provide insight into the strengths and weaknesses of the local economy as compared to the State and Country.

The chart below shows employment by industry profile for Anne Arundel County, the State of Maryland, and the United States using the North American Industry Classification System (NAICS), which was introduced as a standard in 2001. Included are all workers covered by the Unemployment Insurance (UI) Law of Maryland and the Unemployment Compensation for Federal Employees (UCFE) program.

EMPLOYMENT BY INDUSTRY PROFILE

	2002 Annual Averages						2011 Annual Averages					
	Anne Arundel		State of Maryland		United States		Anne Arundel		State of Maryland		United States	
	Number Employed	% of Total	Number Employed	% of Total	Number Employed	% of Total	Number Employed	% of Total	Number Employed	% of Total	Number Employed	% of Total
Private Sector												
Goods Producing:												
Nat. Resource and Mining	190	0%	6,247	0%	505,980	0%	147	0%	6,553	0%	784,000	1%
Construction	13,853	7%	165,725	7%	6,683,553	5%	13,912	6%	143,152	6%	5,504,000	4%
Manufacturing	14,440	7%	156,875	6%	15,209,192	12%	14,147	6%	113,049	5%	11,733,000	9%
Goods Producing	28,483	14%	328,847	14%	22,398,725	18%	28,206	12%	262,754	11%	18,021,000	14%
Service Providing:												
Trade, Transp. & Utilities	46,819	23%	461,501	19%	25,217,313	20%	50,606	22%	439,656	18%	25,019,000	19%
Information	4,176	2%	53,402	2%	3,364,485	3%	2,728	1%	41,713	2%	2,659,000	2%
Financial Activities	8,385	4%	151,187	6%	7,706,265	6%	9,318	4%	136,487	6%	7,681,000	6%
Professional & Business	29,510	15%	357,504	15%	15,939,596	13%	34,435	15%	397,247	16%	17,331,000	13%
Education & Health	19,360	10%	318,044	13%	15,346,718	12%	27,231	12%	391,842	16%	19,884,000	15%
Leisure & Hospitality	21,930	11%	215,106	9%	11,995,950	9%	27,600	12%	233,724	9%	13,320,000	10%
Other Services	7,403	4%	87,606	4%	4,246,011	3%	8,674	4%	87,771	4%	5,342,000	4%
Service Providing	137,583	68%	1,644,350	68%	83,816,338	66%	160,592	70%	1,728,440	70%	91,236,000	69%
Unclassified	107	0%	3,984	0%	0	0%	0	0%	9	0%	0	0%
Total Private Sector	166,173	83%	1,977,181	81%	106,215,063	84%	188,798	82%	1,991,203	80%	109,257,000	83%
Public Sector												
Local	17,781	9%	223,486	9%	13,412,941	11%	19,936	9%	241,039	10%	14,165,000	11%
State	9,608	5%	98,415	4%	4,485,071	4%	9,424	4%	102,367	4%	5,082,000	4%
Federal	7,855	4%	128,314	5%	2,758,627	2%	11,938	5%	144,513	6%	2,858,000	2%
Total Public Sector	35,244	17%	450,215	19%	20,656,639	16%	41,298	18%	487,919	20%	22,105,000	17%
Total Employment	201,417	100%	2,427,396	100%	126,871,702	100%	230,096	100%	2,479,122	100%	131,362,000	100%

Source: "Employment and Payrolls," 2002 and 2011 Annual Averages, Maryland Department of Labor, Licensing, and Regulation.
U.S. Department of Labor, Bureau of Labor Statistics, Employees on Nonfarm Payrolls by Industry, Annual Averages, 2002 and 2011 seasonally ajdusted.

Largest Employers

The employers listed below represent the largest employers within Anne Arundel County, Maryland as of June 30, 2012

Largest Employers	Business type	Approximate Number of Employees
Ft. George G. Meade	DoD intelligence training, 98 DoD and non DoD tenant organizations including National Security Agency, DISA , US Cyber Command	56,777
Anne Arundel County Public Schools	Education	14,000
State of Maryland	Government	9,424
Northrop Grumman	Defense electronics	6,500
Anne Arundel County General Government	Government	4,163
Southwest Airlines	East coast flight center	3,200
Anne Arundel Health System	Health care services & hospital	3,000
Baltimore Washington Medical Center	Health care services & hospital	2,650
U.S. Naval Academy	Federal naval education facility	2,340
Anne Arundel Community College	Public two-year college	2,132
Booz Allen & Hamilton Inc.	DoD contractor, IT services & signal intelligence solutions	2,100
Allegis Group	Headquarters, technical & administrative placement	1,500
Maryland Live! Casino	Casino	1,500
CSC	DoD contractor IT services	1,229
United States Coast Guard Yard	Government	1,200
Lockheed Martin	Defense contractor, advanced technology systems	925
Arinc	Headquarters, commercial aircraft electronics	900
CIENA	Headquarters, networking services and communications network equipment	683

Source: Anne Arundel Economic Development Corporation List of Major Employers.

Employment

In 2012, the County’s unemployment rate averaged 6.1%, compared with the State of Maryland averaging 6.8%, and the United States averaging 9.3%. Anne Arundel County maintained a job loss significantly less than state and national averages in 2012, averaging 279,989 jobs on the payrolls. The following table presents the County’s annual average labor force, employment and unemployment for the years 2003 through 2012.

Anne Arundel County's Resident Labor Force
Employment and Unemployment

	Labor Force	Employment	Unemployment	Unemployment Rate
2003 (1)	270,721	260,288	10,433	3.9
2004 (1)	271,335	261,130	10,205	3.8
2005 (1)	276,179	266,401	9,778	3.5
2006 (2)	282,053	272,789	9,264	3.3
2007 (2)	284,298	275,474	8,824	3.1
2008 (2)	286,150	274,906	11,244	3.9
2009 (2)	283,591	265,175	18,416	6.5
2010 (2)	281,237	262,039	19,198	6.8
2011 (2)	282,019	263,717	18,302	6.5
2012 (3)	298277	279989	18288	6.1

(1) Estimates are revised to the 2006 benchmark from the Current Population Survey. Published May 2007.
(2) Estimates are revised to the 2010 benchmark from the Current Population Survey. Published April 2011.
(3) Civilian Labor Force, Employment & Unemployment by Place of Residence (LAUS) – Anne Arundel county 2012, Maryland Department of Labor, Licensing and Regulation.
Source: Maryland Department of Licensing, Labor & Regulation. (Average per year.)

New Business Addition and Expansion Highlights FY 2012

In FY 2012 there were significant business openings and expansions that brought new jobs to the County and anticipated additional jobs in the near future. Openings of note include: Direct TV opened a 22,500 square foot facility in Hanover bringing 65 jobs to the County; Fabrication Designs Inc. opened a 146,104 square foot manufacturing and distribution facility in Hanover bringing 28 jobs to the County; ICON Development Solutions leased 15,000 square feet in Hanover bringing 30 jobs to the County; Maryland Live! Casino opened in June 2012 bringing 1,500 jobs to the County; CIENA expanded in Hanover by consolidating their operations while leasing 154,000 square feet for their headquarters location; and KeyW leased an additional 61,000 square feet in Hanover creating an additional 238 jobs in the County.

Source: Anne Arundel Economic Development Corporation.

Economic Development Projects

Chesapeake Innovation Center

The Chesapeake Innovation Center (CIC) is a public-private partnership initiated by the Anne Arundel Economic Development Corporation in 2003. The CIC's mission is to act as a business accelerator by nurturing emerging technology companies and creating connections among company technologies in the institutions of Department of Homeland Security and Department of Defense and private defense contractors/integrators. The CIC works to commercialize the products and services of its member and affiliate companies with its partners. To commercialize new technologies, the CIC currently has working and financial partnerships with ARINC, Lockheed Martin, Department of Defense Agencies and other government partners. State and local partners include the Chesapeake Regional Tech Council, Economic Alliance of Greater Baltimore, Fort Meade Alliance, Maryland Business Incubation Association, Maryland Department of Business and Economic Development, and Maryland Technology Development Corporation. Academic partners include Anne Arundel Community College and the University of Maryland Baltimore County.

The CIC continues a strong combination of programmatic activity, including TechBridge Showcases, Business-to-Government CEO Roundtables, and Synergy Meetings, as well as a robust offering of services to member companies. More than 220 technology companies have been reviewed by the CIC's signature TechBridge Program with participation by its public and private partners.

Since its opening, 47 companies have been provided support as members of the CIC. The CIC currently has five member companies in residence: Authentik Solutions, Kloudtrak, MKS Innovations, ES Net and OPTIConnectivity/OPTI Computer Intelligence. To date, six early stage resident companies and affiliate companies have graduated from the CIC to become successful companies. In June and November 2012 respectively, SemaConect, Inc., providing turn-key solutions for commercial vehicle charging needs, and iNovex Information Systems, Inc, providing critical technical support to government and private sectors, graduated from the CIC.

iNovex moved to Parkway Drive Business Park in Anne Arundel County. SemaConnect leased new space at the Melford Business Park in nearby Bowie, MD.

Source: Anne Arundel Economic Development Corporation.

Fort Meade Federal Campus/National Security Agency

Fort George G. Meade ("Fort Meade") is a 5,067-acre facility located midway between Routes 175 and 32 in western Anne Arundel County. Fort Meade provides support services to over 98 Department of Defense (DoD) and non DoD organizations representing all military branches and several federal agencies. Major tenants include National Security Agency ("NSA"), Defense Information Systems Agency ("DISA"), U.S. Cyber Command, the Defense Information School, Defense Courier Service, U.S. Army Central Personnel Security Clearance Facility and the U.S. Environmental Protection Agency Science Center. The installation has the third largest workforce of any Army installation in the United States and is the largest employer in Maryland when Fort Meade and NSA employees are combined. The estimated work force at Fort Meade is 56,777 with military and civilian employees. Fort Meade contributes over $18,000,000,000 a year to the state, regional and local economy.

The Base Realignment and Closure process (BRAC) was completed in 2011 adding 5,695 personnel to Fort Meade with the location of the Defense Information Systems Agency (DISA), Defense Media Activity and Defense Military Adjudication. Additional growth is anticipated on Fort Meade as U.S. Cyber Command expands with 1,225,000 square feet of new facilities to house 3,000 plus personnel by Fiscal Year 2016 and National Security Agency expands their facilities 5,800,000 square feet, adding 6,680 additional personnel by 2015.

Source: Fort Meade's web site, www.ftmeade.army.mil presentations by Ft. George G. Meade and Anne Arundel County BRAC Office

Arundel Preserve

Arundel Preserve is a 263-acre mixed-use project being developed by Somerset Construction Company, Corporate Office Properties Trust, Chesapeake Real Estate Services, Bozzuto and Toll Brothers. The project is located in western Anne Arundel County at Arundel Mills Boulevard and the Baltimore Washington Parkway in Hanover near Arundel Mills Mall. The project is composed of three developments which comprise 1,300,000 square feet of office space, a residential component, 300,000 square feet of retail space and a hotel. Corporate Office Properties Trust is building the office component which will include eleven office buildings across 63 acres. The Shops at Arundel Preserve are complete and Phase I of the Town Center at Arundel Preserve and Corporate Center are mostly complete. The hotel, one of the apartment complexes planned for the Town Center and restaurants have opened in the Town Center. The Palisades, a 317-unit luxury apartment project, is scheduled for completion in spring 2013. Overall time line for the project is 10 to 12 years.

Source: Anne Arundel Economic Development Corporation.

National Business Park

National Business Park is located in western Anne Arundel County on Routes 32 and 295 in Annapolis Junction. The park is being developed by Corporate Office Properties Trust (COPT) and is home to some of the larger defense contractors such as Northrop Grumman, L-3 Communications, CSC, General Dynamics and other Department of Defense tenants. Currently, National Business Park North is under construction adding an additional 2.0 million square feet to the park to accommodate the wave of defense contractors moving to Anne Arundel County as a result of BRAC and the location of U.S. Cyber Command at Fort George G. Meade. At completion National Business Park will have a total of 5,400,000 square feet of business space on over 485 acres.

The National Business Park North project received special tax-increment financing (TIF) to assist in the development of roads and other infrastructure. The TIF authorizes up to $30 million in bonds backed by revenue generated by the development of the site. Construction of the first segment of the roadway infrastructure has been completed and the second segment is scheduled for completion in spring 2013.

Source: Anne Arundel Economic Development Corporation.

Odenton Town Center

Independence Park at Odenton Town Center is a 128-acre site located off Route 175 at Route 32 in Odenton in western Anne Arundel County. The project is strategically located outside the gates of Fort Meade Federal Campus within walking distance to the Odenton MARC Rail/Amtrak Station. The developer is The Halle Companies, who is proposing a residential, retail and office complex mix. The project will provide up to 3.0 million square feet of high-tech office space that will meet Federal Government security requirements. In July 2010, a Developer Rights & Responsibilities Agreement was reached with Halle Companies for the construction of the $15,000,000 Odenton Town Center Boulevard which commenced in 2012. Additional progress has been made with the project during 2012 with the $3,500,000 water line capital project completed and a contract awarded for the $12,700,000 sewer upgrades project.

Other projects in the core area of the Odenton Town Center are completed or are in the construction phase. In 2012, The Dolben Company completed the $60,000,000, mixed-use Village at Odenton Station and leasing has begun. The project, located next to the Odenton MARC Station, consists of 60,000 square feet of retail and 235 apartments. Odenton Gateway has also begun leasing and is home to a new Community Health Center, a joint venture by Johns Hopkins and Anne Arundel Medical Center and the Havens, a 252 unit apartment complex. Additional projects in the construction phase are Town Center Commons which consists of a 106 room hotel and 104 townhomes; pre-development work continues on Odenton Town Square, a 24-acre Transit Oriented development to include residential, retail, office and hotel components; and the Flats 170 at Academy Yard which consists of 373 apartments, office space and a retail component.

Source: Anne Arundel Economic Development Corporation.

Economic Development Initiatives

Business Corridor Investment Loan Program

The Business Corridor Investment Loan Program (BCIP) encourages economic activity in four pilot project areas in Anne Arundel County and the City of Annapolis Revitalization Districts. The BCIP offers qualified business owners zero interest loans of up to $35,000 for improvements to the exterior and interior of their business. The four pilot program areas include: Route 2 Corridor in Brooklyn Park, the Route 2 Corridor and Glen Burnie Town Center in Glen Burnie, the Sun Valley/Mountain Road Corridors in Pasadena, and the West Street Revitalization District in the City of Annapolis. To date, Anne Arundel Economic Development Corporation has approved sixteen companies for loans totaling $511,000. These loans resulted in over $4.0 million in overall investment.

Source: Anne Arundel Economic Development Corporation.

Base Realignment and Closure Revitalization and Incentive Zones – BRAC Zone

In 2008, Maryland legislation was signed authorizing the creation of BRAC Zones in areas that will be impacted by BRAC growth. The BRAC Community Enhancement Act enables counties being impacted by BRAC growth to receive state money to offset the costs of improving roads and other infrastructure. The program provides an appropriation of funds, similar to enterprise zone rebates, to be provided to counties with approved BRAC Zones to defray the cost of infrastructure and other improvements within the area impacted by BRAC related growth. The Anne Arundel County zone includes 777 acres near the MARC Odenton station along Maryland Route 175 encompassing the Village of Odenton Station and Odenton Town Center projects. To date there have been seven projects completed that have generated $375,660 in payments to Anne Arundel County. There are an additional six near-term projects in the BRAC Zone that are under construction.

Source: Anne Arundel Economic Development Corporation.

Transportation

Light Rail

The light rail service is a 30-mile system linking Hunt Valley in Baltimore County to the Cromwell Station in Glen Burnie via downtown Baltimore. It operates seven days a week with runs every 17 minutes, carrying an average of 32,800 riders per day. The light rail system in Anne Arundel County connects Baltimore/Washington International Thurgood Marshall Airport ("BWI Thurgood Marshall") with Baltimore City and business and retail centers in Northern Anne Arundel County. Opportunities exist throughout the line to transfer to other means of public transportation. More than 90% of the 30-mile system consists of double tracking allowing for more frequent service, accommodating more passengers and improving the reliability and safety of the light rail program.

Source: Maryland Department of Transportation, www.mdot.state.md.us; American Public Transportation Association

Rail Service

Maryland Rail Commuter service ("MARC") is a state-owned, 187-mile, 3-line system operating between Washington, D.C., Baltimore, MD, Martinsburg, WV, and Perryville, MD. There are forty MARC system stations with parking available at most rail stops. The MARC Camden Line originates in downtown Baltimore and runs through the Anne Arundel County section of Laurel to Union Station in Washington, D.C. The MARC Penn Line runs through BWI Thurgood Marshall and Odenton to Union Station. An Odenton/MARC Shuttle Bus Service, operated by Central Maryland Regional Transit, offers a shuttle service from the Odenton station to Arundel Mills Mall and Waugh Chapel in West County with various stops. Other rail service offered includes the Amtrak Metroliner service from BWI Thurgood Marshall to New York City and weekend service to the Wilmington, Philadelphia, and Washington, DC areas.

Maryland offers businesses two class-one rail carriers, CSX Transportation and Norfolk Southern freight carriage service to the Port of Baltimore. Maryland's freight rail service offers shippers an efficient rail service to all U.S. interior points, Canada and Mexico.

Source: MD Department of Transportation, www.mdot.state.md.us; Central Maryland Regional Transit; www.corridortransit.com

Roadways

The County has a well-maintained and easily accessible highway system, facilitating the movement of goods and people throughout the region. There are three major north/south arteries (I-97, Rt. 2, and the Baltimore-Washington Parkway Rt. 295) and three major east/west highways (Rt. 50/301, Rt. 100, and Rt. 32). Trucks leaving the Port of Baltimore or BWI Thurgood Marshall Airport have access to a superior state and interstate highway system, including I-95, I-695, and I-70 that allow goods to reach one-third of U.S. consumer markets in an overnight drive.

The fiscal years 2013-2018 Maryland Department of Transportation Capital Transportation Program is $10.1 billion with half of that being allotted to the State Highway Administration for road projects. The Maryland Department of Transportation is committed to projects that will relieve Fort Meade growth-related traffic congestion on MD 295, MD 198, MD 170 and MD 175, as well as intersection improvements near Fort Meade. Improvements at the MD 175/Rockenbach Road/Disney Road intersections are under way and the MD 175 widening between the Baltimore Washington Parkway and Rockenbach Road was completed in 2012. The MD 175 widening project was financed by the developers of the Parkside project located off of MD 175 at MD 295. In the current budget, intersection improvements are scheduled for the Mapes/Charter Oaks Boulevard and Reece Road intersection.

Sources: Multiple sources gathered by Anne Arundel Economic Development Corporation; Maryland Consolidated Transportation Program FY 2013 to FY 2018.

Trucking Services

Maryland's strategic location midway along the East Coast allows overnight truck access to 32 percent of the nation's population and 34 percent of the country's manufacturing establishments. Over 5,000 private haulers and independent, common, and contact carriers operate within and from Maryland. These companies represent a collective fleet of more than 16,000 vehicles. The Port of Baltimore and BWI Thurgood Marshall are thriving hubs for freight forwarders, trucking companies, warehousing and distribution facilities, and intermodal transfer activity. Because the Port and Airport are located just minutes from I-95, the main north/south route on the East Coast, trucks can reach more than one-third of the U.S. markets within an overnight drive. Both conventional and specialized trucking services are available at the Port and BWI Thurgood Marshall.

Source: Maryland Distribution Council.

Bus Service

Anne Arundel County has a variety of public and private bus systems that service the City of Annapolis and many residential, shopping, and employment centers of not only Anne Arundel County but regionally. Services are provided by Maryland Transit Administration, Annapolis Transit Bus Service, Dillon Bus Service, Central Maryland Regional Transit (CMRT) and Washington Metropolitan Area Transit Authority. These bus services coordinate with Anne Arundel County to develop new bus service to business parks and other workplace centers as the need arises.

In an effort to grow and improve the transportation services available to federal workers, the Maryland Transit Administration has developed a bus transit plan for the Intercounty Connector (ICC). The express buses on the ICC connect Montgomery County to Greenbelt, Columbia, Fort Meade and Baltimore Washington International Thurgood Marshall Airport. The bus service plan is being launched in two phases as the ICC opens and then expands to full operation.

Source: Maryland Transit Administration, www.mtamaryland.com and various other sources.

Air Services

Baltimore/Washington International Thurgood Marshall Airport ("BWI Thurgood Marshall") is a 3,596-acre state operated facility that is part of the Maryland Aviation Administration under the authority of the state department of transportation. BWI Thurgood Marshall offers a 2.0 million square feet passenger terminal with five concourses, 69 jet gates and five gates dedicated to commuter aircraft. Thirty-six airlines (including commuter, charter, and cargo) serve BWI Thurgood Marshall with an average of 757 total daily operations. Light Rail, Amtrak, and MARC train service are available connecting the airport with many destinations in Washington and the Baltimore area.

The airport's annual economic impact includes $5,600,000,000 in business revenue for Maryland, employing an estimated 9,717 people directly and generating employment for some 93,791 people in the Baltimore-Washington region with direct, indirect, and induced jobs combined.

BWI Thurgood Marshall continues to break all-time passenger records serving 22,600,000 passengers in fiscal year 2012, a slight increase when compared to fiscal year 2011. In fiscal year 2012, BWI announced new flight offerings from Spirit Airlines, Condor Airlines, Southwest and Airtran Airways and air service to Cuba through Island Travel & Tours, Ltd.

Source: Baltimore/Washington International Thurgood Marshall Airport, www.bwiairport.com.

Tipton Airport

As a result of the BRAC Act of 1988, Tipton Army Airfield at Fort Meade was privatized for civilian use. The 366-acre airport reopened as a public facility in November 1999. Bordered by Fort Meade, the National Security Agency, and the Patuxent National Wildlife Refuge, Tipton is almost equal distance from Baltimore, Washington, Annapolis, and Columbia.

Tipton Airport is sited on MD Rt. 32 and minutes from the Baltimore-Washington Parkway, BWI Thurgood Marshall, I-95 and I-97. The airport accommodates sport, recreational, private, and business aircraft. No scheduled flights are planned. Available are a 3,000' x 75' runway; acres of concrete apron; 4 large hangers with more than 78,000 square feet of aircraft storage space and more than 34,000 square feet of aircraft maintenance and office space.

Source: Tipton Airport Authority, www.tiptonairport.org.

Port of Baltimore

The Port is located in Baltimore in the center of the Washington-Baltimore Common Market, the fourth largest consumer market in the nation. This location makes it the closest Atlantic seaport to major mid-western populations and manufacturing centers and within a day's reach to one-third of U.S. households.

The Port's role as an economic engine for Maryland cannot be underestimated. The estimated total economic value of the Port is $45,600,000,000 annually for the State of Maryland. The Port generates $304,000,000 in state, county and municipal tax revenues and $2,700,000,000 in business revenues and local purchases. The Port directly employs 14,630 workers in Maryland and supports another 25,410 indirect and induced jobs. These jobs are responsible for $3,000,000,000 in personal wages and salary income for Maryland residents.

The Port of Baltimore continues to be the leading Port in the U.S. for Roll On/RollOff cargo and handles approximately half of all Roll On/Roll Off cargo that crosses the docks of U.S. East Coast ports. The Port remains a leader in export/import of autos and is regarded as one of America's top container terminals. The Maryland Port Administration has extended a partnership with the Panama Canal that is intended to draw large cargo ships from Asia to the Port. The Port has expanded the Seagirt Marine Terminal making it one of only two ports on the east coast able to receive large ships.

Cruise activity at the Port supports 505 direct and indirect jobs and generates $91,200,000 in economic activity. In 2011, the Port of Baltimore had record 105 cruises offered by Carnival and Royal Caribbean Cruise Lines, serving an all-time record of 251,889 passengers.

Sources: Port of Baltimore Magazine; Port of Baltimore, www.mpa.state.md.us The Economic Impact of the Port of Baltimore (revised December 16, 2011).

Tourism

Anne Arundel County leads all other Maryland counties in generating economic impact through travel. In 2010, 5,590,700 travelers visited Anne Arundel Count to enjoy the many amenities such as the 534 miles of shoreline, the historic Annapolis area, the U.S. Naval Academy, the annual boat shows and festivals and Arundel Mills Mall. During their stay travelers spent an estimated $2,934,100,000 which is 22.4% of all travel expenditures in Maryland. The tourism industry in Anne Arundel County supports 18,773 direct jobs and another 8,321 indirect job. These tourism jobs generate $797,000,000 in direct payroll income and another $546,700,000 in income from jobs indirectly impacted by tourism. Tourism expenditures in the County account for $379,300,000 in state and local taxes. These revenues provide needed infrastructure monies for general fund projects and services.

Anne Arundel County generated $15,128,912 in hotel tax in fiscal year 2012, a 2.9% increase over fiscal year 2011. The County continues to experience new hotel growth in northern Anne Arundel County in the Arundel Mills Mall area with the opening of a 100-room Candlewood Suites in Hanover in 2012.

Maryland Live! Casinos, a 300,000 square foot gaming facility, opened in June 2012 at Arundel Mills Mall in northern Anne Arundel County. The facility is the largest gaming facility in Maryland with 4,750 slot machines, restaurants and entertainment venues. The project is estimated to generate $400,000,000 in annual revenue for the State of Maryland with $20,000,000 of that revenue going directly to Anne Arundel County. The project created 1,500 permanent jobs in the County. In December 2012, the casino began operating on a 24-hour basis and started offering table games in spring 2013.

Source: The Annapolis & Anne Arundel County Conference & Visitors Bureau; Anne Arundel Economic Development Corp.

Housing

According to the 2000 census, the County had 186,937 housing units. The 2011 American Community Survey (five-year estimate) estimates the County now has approximately 211,300 units; a growth of 24,400 units since the 2000 census. Single-family (detached and attached) units account for approximately 81 percent of total units.

Between 2000 - 2004, Anne Arundel County was second in new housing units authorized for construction in the Baltimore metropolitan region (defined as Anne Arundel County, Baltimore County, Carroll County, Harford County, Howard County, and Baltimore City) behind Baltimore County. In 2005, 2007, 2010 and 2011 Anne Arundel County led in new housing units for the metropolitan region. In 2006, the county ranked third behind Baltimore and Howard County and in 2008 was fourth in new housing units. In 2009, the County returned to second in number of housing units and in 2012 the County again ranked second to Howard County in the number of housing units authorized. The number of new housing units authorized for construction between 2000 and 2012 in the County was 26,391. About 68 percent (or 18,023 units) of the total units authorized for construction were single-family housing units (including both detached and attached). The number of multi-family housing units that were authorized for construction was 8,368 (or 32 percent) during the same time period.

The following table compares new housing units authorized for construction between 2001 and 2011 with the state.

ANNE ARUNDEL COUNTY AND MARYLAND
NEW HOUSING UNITS AUTHORIZED FOR CONSTRUCTION, 2001-2011

Anne Arundel County

Year	Total New Units	Single Family	% of Total New Units	Multi-Family	% of Total New Units
2001	2,622	2,324	88.63%	298	11.37%
2002	2,395	1,931	80.63%	464	19.37%
2003	2,804	2,015	71.86%	789	28.14%
2004	2,089	1,671	79.99%	418	20.01%
2005	2,191	1,480	67.55%	711	32.45%
2006	275	205	74.55%	70	25.45%
2007	1,378	699	50.73%	679	49.27%
2008	958	805	84.03%	153	15.97%
2009	1,146	807	70.42%	339	29.58%
2010	1,711	864	50.50%	847	49.50%
2011	2,360	829	35.13%	1,531	64.87%
Total	19,929	13,630		6,299	

State of Maryland

Year	Total New Units	Single Family	% of Total New Units	Multi-Family	% of Total New Units
2001	29,059	23,708	81.59%	5,351	18.41%
2002	29,293	24,004	81.94%	5,289	18.06%
2003	29,914	23,398	78.22%	6,516	21.78%
2004	29,515	23,258	78.80%	6,257	21.20%
2005	30,060	22,710	70.36%	7,350	24.45%
2006	23,262	17,858	76.77%	5,404	23.23%
2007	18,805	13,306	70.76%	5,499	29.24%
2008	13,309	8,235	61.88%	5,074	38.12%
2009	9,396	7,218	76.81%	2,178	23.19%
2010	11,931	8,489	71.15%	3,442	28.80%
2011	13,481	8,362	62.03%	5,119	37.97%
Total	238,025	180,546		57,479	

Source: Maryland Department of Planning, State Data Center 2012, Census Bureau.

According to the Census Bureau's 2011 American Community Survey 5-year estimates, the median home value in Anne Arundel County was $361,700 (margin of error +/-$2,291), which is $41,900 higher than the median value in the State of Maryland ($319,800 margin of error +/-$998). In the American Community Survey the median gross rent was $1,369 (margin of error +/-$19) per month in Anne Arundel County and $1,139 (margin of error +/-$4) per month in Maryland.

Construction Activity

In 2012, residential development in the County showed a large increase, led by apartment projects. Commercial development in the County continued to lag due to the economic cycle. Development is expected to increase within the County with a focus on the Odenton Town Center and other BRAC related projects. Building permit data is shown below for the past five fiscal years:

BUILDING PERMITS
($ in 000's)

	Residential				Commercial				Combined	
	New Construction		Other		New Construction		Other		Total All Permits	
Fiscal Year	Issued	Value	Issued	Value	Issued	Value	Issued	Value	Issued	Value
2008………………………………..	1,322	$227,813	5,529	$107,873	168	$241,782	2,560	$408,173	9,579	$985,136
2009………………………………..	779	133,987	4,606	122,397	131	39,710	2,045	304,612	7,561	600,706
2010………………………………..	1,556	182,853	4,329	99,256	103	158,858	2,168	339,127	8,156	780,094
2011………………………………..	1,272	142,272	4,577	89,110	95	235,229	2,402	391,722	8,346	858,334
2012...	3,068	360,452	4,490	99,826	74	95,777	2,949	195,543	10,581	751,598

Source: Data compiled by BOCA Building Evaluation Data. All values are exclusive of land.

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SECTION SIX: COUNTY ADMINISTRATION

General

Under its Charter, the County's executive functions are vested in the elected County Executive (the "County Executive") and the Chief Administrative Officer. The County Council (the "County Council") is the County legislative body and its seven members each represent one of the seven relatively equally populated councilmanic districts where the elected Council members must reside. Each current County Council member was elected by the district that he or she represents. Council members and the Executive (who is elected county-wide) serve four-year terms, with a two-term limit.

Each member of the County Council has one vote, and a simple majority of the County Council is sufficient to pass legislation in the absence of higher voting requirements. Emergency bills require the vote of five County Council members, as do County Council actions to override a veto by the County Executive. The County Council elects its own chairman annually. A chart of the County government organization may be found on the following page.

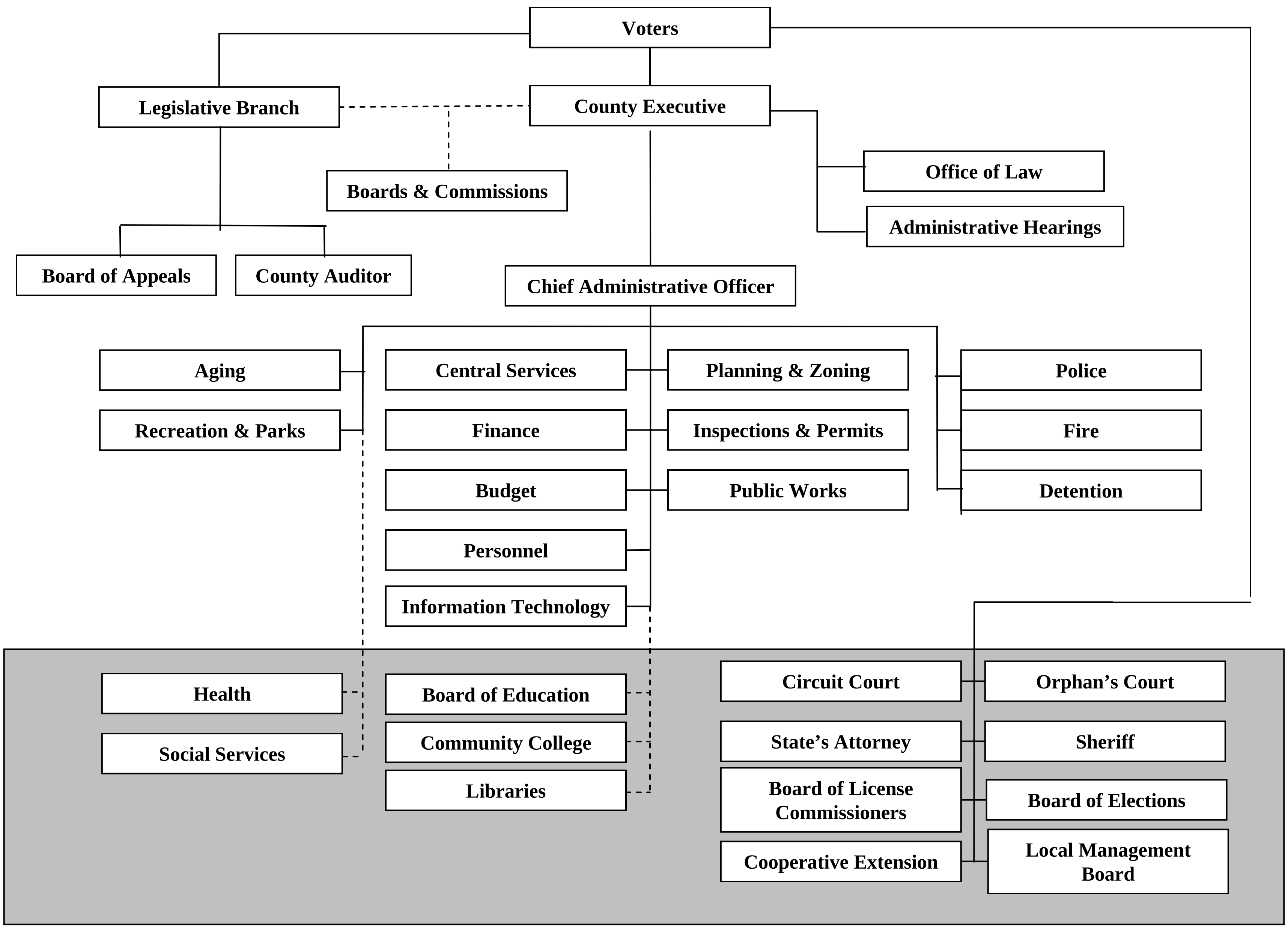
The County's financial matters are administered through the Office of Finance by the Controller of the County. The Controller is appointed by the Chief Administrative Officer on the basis of experience in financial administration and skill in public administration and governmental budgeting. The Controller is charged with the administration of the financial affairs of the County, which generally include: the collection of State and County taxes, special assessments, water and wastewater utility charges, fees and other revenues and funds of every kind due to the County; the enforcement of the collection of taxes in the manner provided by law; the custody and safe-keeping of all funds and securities belonging to or by law deposited with, distributed to, or handled by the County; managing the level of County debt and making required payments thereon; the disbursement of County funds; the keeping and supervision of all accounts; and such other functions as may be prescribed by the Chief Administrative Officer or by legislative act of the County Council not inconsistent with the Charter of the County.

With respect to budget matters, the Office of the Budget, headed by the Budget Officer is responsible for formulating the budget; studying the organization, methods, and procedures of each office, department, and agency of the County government; the submission to the Chief Administrative Officer of periodic reports on efficiency and economy; and such other duties and functions as may be assigned by the Chief Administrative Officer or by legislative act of the County Council not inconsistent with the County Charter.

Under the Charter, the County Executive has the power to appoint, without confirmation of the County Council, the Chief Administrative Officer, County Attorney, Planning and Zoning Officer, the Director of Inspection and Permits, Administrative Hearing Officer, Director of Public Works, Chief of Police, Fire Administrator, Director of Aging and Director of Recreation and Parks.

The current County Charter allows for flexibility in reorganizing the executive branch. On the recommendation of the County Executive, the County Council, by an ordinance known as a reorganization ordinance, may create new offices, departments, bureaus, divisions or other units of the executive branch; may reorganize, reassign or abolish existing officers, departments, bureaus, divisions or other units of the executive branch of the County government; and may provide for the unit of the executive branch to report directly to the County Executive.

Anne Arundel County, Maryland



County Executive, Certain Appointed and Legislative Officials

Executive

On January 29, 2013, the former County Executive resigned from office effective February 1, 2013. On February 21, 2013 in accordance with the procedures set forth in Section 402 of the Charter of Anne Arundel County, Maryland, the County Council selected Laura Neuman of Annapolis as Anne Arundel County's new County Executive. Ms. Neuman was sworn into office on Friday, February 22, 2013.

LAURA NEUMAN, County Executive, effective February 22, 2013. Ms. Neuman brings extensive business credentials as a CEO to county government. Prior to her appointment as Anne Arundel County Executive Ms. Neuman held positions with multiple companies, including T. Rowe Price, Digex, Global Payment Systems (previously National Data Corporation), and CAIS Internet. She also built a technology startup called Matrics from scratch, raising $17M in venture capital and established a successful company that eventually sold for $230M. Prior to her appointment, Ms. Neuman was President and Chief Executive Officer of the Howard County Economic Development Authority and also served as interim Executive Director of the Chesapeake Innovation Center in Anne Arundel County.

Ms. Neuman earned a Master's of Business Administration from Loyola University, Baltimore, MD, and completed the executive program at Stanford Business School.

Appointed

KAREN L. COOK, Esq., Chief Administrative Officer, was appointed effective, April 10, 2013. Prior to her appointment she worked in administration at Anne Arundel Community College as Director of the Legal Studies Institute and the college's Federal Compliance Officer. Prior to that she was an Assistant County Attorney and Special Assistant State's Attorney for Anne Arundel County and worked at the Anne Arundel County Council as a Legislative Aide. She has over 25 years of legal experience.

Ms. Cook holds a Bachelor's degree in English from Montclair State University, Montclair, NJ, and a Juris Doctor degree from California Western School of Law, San Diego, CA. She is a member of the bar of the State of Maryland.

JOHN R. HAMMOND, Budget Officer, was appointed effective, December 30, 1993. Prior to his appointment he served as an institutional money manager, capital manager, and a governmental affairs officer in the property/casualty insurance field. Also, prior to his appointment, he served four terms as an elected alderman for the City of Annapolis and chaired the City Council's Finance Committee for all 16 years of his service.

Mr. Hammond holds a Bachelor's degree in business and industrial management from The Johns Hopkins University and a Masters degree in business administration from the Wharton Graduate Division of the University of Pennsylvania.

RICHARD K. DRAIN, Controller, was appointed on January 1, 2009. Prior to his appointment, he served as Internal Auditor for Anne Arundel County government for two years. Prior to that, he worked for the Maryland Office of Legislative Audits for 31years, serving as an Audit Manager for the last 16 years.

Mr. Drain is a graduate of the University of Baltimore, Baltimore, MD, with a Bachelor of Science degree in Accounting. He is a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE). He is a member of the American Institute of Certified Public Accountants, the Government Finance Officers Association and the Association of Certified Fraud Examiners.

DAVID A. PLYMYER, County Attorney, was appointed effective February 26, 2013. He has served for 27 years as the Deputy County Attorney for Anne Arundel. Prior to that, he was an Assistant County Attorney and an Assistant State's Attorney for Anne Arundel County, and an officer in the United States Army.

Mr. Plymyer is a graduate of Dickinson College, the University of Pittsburgh, and the University of Baltimore School of Law. He also graduated from the United States Army Command and General Staff College.

He is a member of the bars of the State of Maryland, the United States District Court for the District of Maryland, the United States Court of Appeals for the Fourth Circuit, and the United States Supreme Court.

MARY A. BURKHOLDER is Acting President/Chief Executive Officer of the Anne Arundel Economic Development Corporation (AAEDC). Prior to this May, 2013 appointment, she served as Director of Community Reinvestment at AAEDC working to encourage investment in Anne Arundel County's older commercial areas. Prior to joining AAEDC, from 2006-2009, Ms. Burkholder was Senior Vice President for Housing and Economic Development for the Local Initiatives Support Corporation (LISC), one of the nation's largest non-profit Community Development Financing Intermediaries (CDFIs). Prior to this position Ms. Burkholder served in several senior management positions in economic and community development including Executive Director of the Maryland Community Development Administration (Maryland's housing financing agency), Senior Associate at ZHA, Inc. (a national consulting firm), Deputy Director of the Illinois Department of Commerce and Assistant Secretary for Marketing for the Maryland Department of Business and Economic Development. She is an active member and former president of the Maryland Economic Development Association.

Ms. Burkholder earned her Bachelor of Arts Degree from the University of Michigan and her Masters in City Planning from the University of Maryland. She resides in Annapolis, Maryland.

Legislative

PETER I. SMITH, Councilman, First District, is serving his first term on the Council. Mr. Smith currently serves as a Resource Manager for the Department of Defense. He has served in the United States Marine Corp for 14 years with 11 years of active duty service and is an Intelligence Officer in the Marine Corps Reserves. He has a Bachelor of Science degree in Information Technology and an Associates of Art degree in General Studies. He is also a Certified Defense Financial Manager, Contracting Officer Representative, and has attended the National Cryptologic School for Satellite and Network Fundamentals. He is a member of the Military Order of World Wars, the American Society of Military Comptrollers, Toastmasters International and the Marine Corps Association. Peter serves as the Toys for Tots Anne Arundel County coordinator, and is an alternate for the Anne Arundel County Democratic Central Committee. Peter resides in Severn and is married to Rebecca Smith. They have two children, Isabella and Tristan.

* * *

JOHN J. GRASSO, Councilman, Second District is serving his first term on the Council currently serving as Vice Chairman. He was born in Baltimore, Maryland on October 29. Mr. Grasso attended Glen Burnie High School and Anne Arundel Community College. He also attended the Teterboro School of Aeronautics and Frederick Community College, graduating with a Federal Aviation Administration Air Frame and Power Plant License. He is a small business owner who lives in Glen Burnie with his wife, Natalie. Mr. Grasso has one brother and one son.

* * *

DEREK FINK, Councilman, Third District, is serving his first term on the Council. Mr. Fink is a graduate of North Carolina State University with a B.A. Degree in Political Science. After graduating from college, Mr. Fink worked for Governor Robert L. Ehrlich, Jr. and then on Capitol Hill for Congressman Ed Whitfield. He currently serves on the Board of Directors for the Maryland Association of Counties and is a member of the Cox Creek Citizens Oversight Committee and the Pasadena Business Association. He is a former Board member of the 100 Club of Anne Arundel County. Mr. Fink is a small business owner who lives in Pasadena with his wife, Kristin and son, Owen.

* * *

G. JAMES ("JAMIE") BENOIT, Councilman, Fourth District, is serving his second term on the Council. He graduated from St. Mary's College of Maryland with a B.A. in History, received his Juris Doctor Degree with honors from the University Of Baltimore School Of Law and his LL.M from Georgetown University Law Center. Prior to entering private law practice, he served as an officer in the United States Army with the XVIIIth Airborne Corps and the 3D Infantry Division. During his service he was awarded the Joint Service Commendation Medal, the Army Commendation Medal, the Army Achievement Medal and the National Defense Service Medal. Mr. Benoit has been active in a number of professional, civic and community organizations including the Piney Orchard

Community Association, and as an appointed member of the Odenton Town Center Oversight Committee, the organization charged with implementing the Odenton Town Center Plan. Mr. Benoit currently lives in Crownsville with his wife, Kari and their daughters Isabelle, born in 2003, Iris born in 2006 and Tilly born in 2012.

* * *

RICHARD B. LADD, Councilman, Fifth District, is serving his first term on the Council. Mr. Ladd is a retired Army Officer with two combat tours in Vietnam. Upon his retirement, he served as a professional staff member on the Senate Appropriations Committee and then briefly as the Deputy Undersecretary of the Army. He has recently retired from his day-to-day involvement with a DC-based consulting firm which he owned and managed. Mr. Ladd earned an AB from Bowdoin College with a major in mathematics and an MBA from Tulane University in Operations Research. He is a former member of the Army Science Board and the Army Educational Advisory Committee; Board Member and past President of the Annapolis-based Hospice Cup, Inc; and Treasurer and Director of the Beacon Hill Homeowners Association. Mr. Ladd has two married daughters with his late wife and three grandchildren. He and his current wife, Sabra, are members of the Calvary United Methodist Church and live on the Broadneck Peninsula.

* * *

CHRIS TRUMBAUER, Councilman, Sixth District, is serving his first term on the Council. He grew up in Chestertown on Maryland's Eastern Shore and has lived in Anne Arundel County since 1997. He graduated from the University of Maryland in College Park and received a Bachelor of Science degree in Chemistry. After working several years for a small water treatment business in Baltimore, he took a job with the Department of Natural Resources (DNR) in 1999. At DNR he ran a water quality monitoring program which assessed the Chesapeake Bay and its numerous rivers and streams. From 2008 until today Mr. Trumbauer has served as the West Rhode Riverkeeper where he is a leading advocate for the health of Anne Arundel County rivers. Mr. Trumbauer is currently an Ex Officio Representative on the Anne Arundel County Disabilities Commission and is the Anne Arundel County Representative on the Critical Area Commission appointed by Governor O'Malley in March 2012. He served as Chair for Annapolis Mayor Josh Cohen's Environmental Transition Team and is also a graduate of the Leadership Anne Arundel Flagship program. Mr. Trumbauer lives in Annapolis with his wife Mary and two children, Johnny and Josephine.

* * *

JERRY WALKER, Councilman, Seventh District, is serving his first term on the Council and is currently Chairman. He was born on the 4th of July and raised in New York City. He holds a Bachelor of Science Degree in Business Economics and graduated summa cum laude. Mr. Walker is the Vice President of DCA Imaging Systems, a local office technology company headquartered in Lanham, Maryland. In 2006, he won his first election to the Anne Arundel Republican Central Committee (State District 33) and served in leadership roles including Chairman. He was an alternate Delegate representing his Congressional District at both the 2008 and 2012 Republican National Conventions. Mr. Walker's civic and community memberships include the Greater Crofton and South County Chambers of Commerce, the Maryland Farm Bureau, and formerly the Davidsonville Area Civic Association where he served on the Board of DACA and as their representative to the Greater Crofton Council. He has a fond appreciation for the arts, ethnic foods, and diverse people. Mr. Walker lives outside of Crofton with his wife Michelle, an elementary school teacher, and their son Andrew.

* * *

TERESA O. SUTHERLAND, appointed County Auditor on July 1, 1995, has been a legislative auditor for Anne Arundel County since 1987. She has a Bachelor's Degree in Accounting from Frostburg State University and a Master's Degree in General Administration, State and Local Government from the University of Maryland University College. She is a Certified Public Accountant and a Certified Fraud Examiner. She is active in various professional organizations and is a member of the American Institute of Certified Public Accountants, the Government Finance Officers Association, and the Association of Certified Fraud Examiners.

Labor Relations

For fiscal year 2013, the County Council authorized and approved 4,049 classified and non-classified employee positions for the County's operating budget and 671 authorized temporary full and part-time employees, exclusive of the Board of Education, library, and community college. As of December 19, 2012 (last pay period in calendar year 2012), 4,461 of these positions were filled.

Currently, there are thirteen recognized "exclusive representatives" (unions or bargaining units) that engage in collective bargaining with the County.

Local 582 of the American Federation of State, County and Municipal Employees **–** represents laborers, operators, technicians and crew leaders throughout the County, as well as certain communications employees in the public safety departments, with a total of 773 authorized positions. New contract will expire June 30, 2015;

Local 2563 of the American Federation of State, County and Municipal Employees **–** represents administrative, support and clerical employees throughout the County, as well as certain civilian employees in the Police Department, with a total of 320 authorized positions. New contract will expire June 30, 2015;

Lodge #70 of the Fraternal Order of Police **–** represents Police Officers below the rank of Sergeant in the Police Department, with a total of 552 authorized positions. New contract will expire June 30, 2015;

Local #355 of the Teamsters Union **–** represents Deputy Sheriffs below the rank of Deputy Sheriff II in the Sheriff's Office, with a total of 58 authorized positions. New contract will expire June 30, 2014;

Fraternal Order of Anne Arundel Detention Center Officers and Personnel, Inc. – represents Detention Officers below the rank of Sergeant in the Detention Center, with a total of 245 authorized positions. New contract will expire June 30, 2015;

Local #1563 of the International Association of Fire Fighters – represents Fire Fighters, Emergency Medical Technicians, Paramedics, Fire Lieutenants and Fire Captains in the Fire Department, with a total of 712 authorized positions. Contract currently in arbitration, however, regardless of outcome contract will expire on June 30, 2015;

Anne Arundel County Police Supervisors Association – represents Police Sergeants in the Police Department, with a total of 72 authorized positions. New contract will expire June 30, 2015;

Local #141 of the International Union of Police Associations **–** represents Detention Sergeants, with a total of 23 authorized positions. New contract will expire June 30, 2015;

Local #355 of the Teamsters Union **–** represents the Correctional Program Specialists at the Detention Center Facilities, with a total of 34 authorized positions. New contract will expire June 30, 2014;

Lodge #106 of the Fraternal Order of Police – represents the Sheriff's Sergeants, with a total of 8 authorized positions. New contract will expire June 30, 2014;

Anne Arundel County Police Lieutenants Association, International Brotherhood of Police Officers Local 802 **–** represents the Police Lieutenants, with a total of 31 authorized positions. New contract will expire June 30, 2015;

Anne Arundel County Battalion Chiefs Association – represents the Fire Battalion Chiefs, with a total of 17 authorized positions. New contract will expire June 30, 2015; and

Local #355 of the Teamsters Union – represents the Park Rangers, with a total of 14 authorized positions, . New contract will expire June 30, 2014.

As "exclusive representatives," these thirteen unions function as collective bargaining agents for all of the employees in the classifications the unions represent and negotiate with the County to determine the terms and conditions of employment (wages and premiums, hours of work, benefits, leave, promotions, discipline, etc.). Thirteen contracts expire on June 30, 2013 and the County is currently involved in contract negotiations with those units for fiscal year 2014. The County has not experienced a work stoppage due to labor relations and considers its relationship with represented employees to be satisfactory.

Source: Office of Personnel

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SECTION SEVEN: SERVICES AND FACILITIES

Education

The County Board of Education (the "Board") is responsible for the overall operation and policy decisions of the County's public school system. The Board is composed of eight members appointed by the Governor for a five-year term and one student member elected for a one-year term by the Chesapeake Regional Student Council. With the beginning of the 2010-2011 school year, the Board exercised responsibility for 78 elementary schools, 19 middle schools, 12 high schools, as well as 10 other education facilities, including applied technology centers, special education centers, an alternative high school, a middle school learning center, an early education center, and one charter school. With a student population of approximately 73,800 students, the teacher-for-student ratio ranges from 1-for-22 in grades 6-8 to 1-for-28 in grades 4-5. With a fiscal year 2011 operating budget of $939.3 million, the average annual per pupil expenditure is approximately $12,700. The Class of 2008 boasted 5,179 graduates, 78% of whom went on to two-year and four-year colleges/universities earning $47.7 million in scholarships. There are also 70 non-public schools in the County, with approximately 14,000 students enrolled.

Higher Education

The County is home to a wide range of higher education institutions. Among these are the following:

Anne Arundel Community College – The College is a fully accredited, comprehensive, public, two-year college offering credit programs leading to an associate degree, certificate or letter of recognition. The main campus, centrally located in the County five miles north of Annapolis in Arnold, is a modem facility of 23 buildings on 230 acres valued at over $150 million. Additionally, the College has academic centers totaling 130,000 gross square feet in Glen Burnie and Hanover, Maryland. In fiscal year 2008, the College employed 263 full-time and 718 part-time faculty while it enrolled approximately 56,640 students in approximately 2,760 credit and noncredit courses at locations both on and off campus. The College offers extensive lifelong learning opportunities and noncredit, continuing education to those seeking career training or retraining or pursuing new areas of interest.

The College and the Anne Arundel Economic Development Corporation have developed new approaches for training current and future employees who work for high tech companies. The College has several programs that are designed to teach the specific skills employers want. The two largest programs have been designed for major employers: Northrop Grumman and Johns Hopkins Health Care.

University of Maryland-University College – Offers classes at Anne Arundel Community College at Arundel Mills and Fort Meade Centers have a classroom and distance learning facility. The College has degree programs in management and information technology.

St. John's College in Annapolis – Offers Bachelor of Arts and Master of Arts in liberal arts programs based on the Great Books. St. John's College seeks to maintain a population of 450-475 students and a faculty-student ratio of 1 to 8.

Strayer University in Millersville – Offers undergraduate and graduate degree programs in accounting, business, education, health services administration, information technology, and public administration. Classes are held day and evening, seven days a week.

U.S. Naval Academy in Annapolis – Offers engineering and technical education for careers in U.S. Navy. The Naval Academy has a student enrollment of 4,450 and employs 560 full-time faculty.

Other educational institutions offering classes in the County are Loyola College, Central Michigan University, Troy State University of Alabama – Atlantic Region, University of Baltimore, McDaniel College, and the College of Notre Dame.

Public Safety

The County Police Department is charged with the responsibility for the safety of the citizens of the County. The Department is divided into four police districts, with headquarters located in Millersville. The Department maintains a firearms training center, a recruit training center, enhanced 911 Emergency Response

Center, as well as a fleet of 482 radio-equipped vehicles for use throughout the Police Department. The Department consists of 653 officers, 241 civilian employees, and 140 school crossing guards.

The County Fire Department is a combination career and volunteer force of 821 professional officers and firefighters, and approximately 500 response certified volunteers. There are 30 stations located in the County, with emergency calls handled through a modern central 911 dispatch center. In addition to fire fighting equipment, there are 15 ambulances and 17 paramedic units serving the County. The Emergency Medical Services Division has one of the most efficient and progressive advanced life support programs of any jurisdiction. In addition to Suppression and Emergency Medical Services, the County Fire Department operates the Fire Marshall's office, which provides fire investigation and prevention services, a Training Division for both professional and volunteer firefighters, and a Maintenance Division.

Utilities

Electricity and Gas

Maryland's major electric utilities are members of the Pennsylvania-New Jersey-Maryland ("PJM") Interconnection. Through this membership, PJM member utilities are insured a reliable and cost efficient power source. Maryland is now a competitive market, thus all electric customers of investor-owned utilities and major cooperatives in Maryland have the opportunity to choose their own electric supplier.

Baltimore Gas and Electric Company ("BGE") is the major utility company for the Baltimore region. Constellation Energy Group is the holding company for BGE and its affiliates. BGE service area covers 2,300 square-miles for electric and 800 square-miles for gas. The services area includes Baltimore City and Central Maryland counties. BGE serves over 1,200,000 million businesses and residential electric customers and 649,000 gas customers within this service area. BGE is a major employer in Anne Arundel County providing 415 jobs in the county and occupying seven facilities.

Source: BGE, www.bge.com.

Telecommunications

Anne Arundel County has benefited as a result of the State of Maryland being a focal point for telecommunications technology development and application for several decades. Much of the activity is attributable to the presence in the County of federal agencies such as the National Security Agency, which collectively have been an excellent source of systems integration and networking opportunities for the private sector.

Verizon Maryland is the largest provider of communications in the state. Verizon Maryland's fiber network infrastructure is very robust with over 14,296 fiber sheath miles and is valued at $5,500,000,000. More than 95 percent of access lines are served by digital technology and switching offices and are diversely linked by fiber-optic facilities. Among the services Verizon provides is residential and commercial telephone lines, long distance, Internet access, DSL, advanced calling services, telephones and accessories, video service and more. Additional providers of communication services in Maryland are Comcast, Level 3 Communications and XO Communications.

Source: Verizon Communications, www.verizon.com, Maryland Department of Business & Economic Development, www.choosemaryland.org.

Medical and Health Services

The County is fortunate to have the services of premier health care systems that offer the latest in patient care and preventive medicine. In addition, the County's proximity to Baltimore, Maryland and Washington, DC provides our residents with access to prestigious health care and medical research institutions. County residents are within driving distance to such facilities as Johns Hopkins Hospital, the National Institute of Health, the University of Maryland Medical Center and Shock Trauma Center, the Kennedy Krieger Institute and the Children's National Medical Center.

Anne Arundel Health System

Anne Arundel Health System, Inc., ("AAHS") is a not-for-profit corporation based in Annapolis, delivering medical services in Anne Arundel County and portions of Calvert, Prince George's, Queen Anne and Talbot Counties. AAHS affiliates include the Anne Arundel Medical Center, ("AAMC"), Pathways Drug and Alcohol Treatment Center, Anne Arundel Diagnostics, the ask AAMC 24-hour health line, and three satellite locations: AAMC Health Services in Bowie, the Village of Waugh Chapel in Gambrills and Kent Island Health Services. AAHS employs more than 3,000 employees and has a medical staff of 900 plus in Anne Arundel County.

AAHS acute care facility is located on 60 acres in the Carl A. Brunetto Medical Park on Jennifer Road in Annapolis. The medical center has 336 licensed beds including an 18-bed critical care unit, 12 surgical suites, and a state-of-the-art emergency department that services 76,288 patients per year. AAMC is adjacent to the Clatanoff Pavilion, which services women and children; an outpatient surgery center, the Edwards Pavilion; an Oncology Center, the Donner Pavilion; a medical office building, the Wayson Pavilion; and the Sajak Pavilion which houses the AAMC Breast Center, Anne Arundel Diagnostics, a diabetes center, and the Maryland Neurological Institute.

In 2012, Johns Hopkins Medicine and Anne Arundel Medical Center opened their new 60,000 square foot Odenton Medical Pavilion, which provides primary care and medical specialty services for the residents of West County.

Source: Anne Arundel Medical Center, www.aa-healthsystem.org.

Baltimore Washington Medical Center

The Baltimore Washington Medical Center ("BWMC"), in partnership with the University of Maryland Medical System, serves the health care needs of county residents in the northern and central parts of Anne Arundel County. This 321-bed hospital facility located in Glen Burnie employs 2,650 employees and 650 physicians. It houses one of the two busiest emergency rooms in the state, treating over 95,000 patients per year and features a 43,000 square foot, state-of-the-art facility.

The BWMC offers comprehensive in-house services including the Tate Cancer Center, the Center for Advanced Orthopedics, the Joslin Diabetes Center, the Aiello Breast Center, the Wound Healing Center, the Maryland Vascular Center, the Neurology/Sleep Center, Women's' and Children's Services and Geriatric Care. In addition, BWMC annually reaches an estimated 25,000 community residents through lectures, health fairs, walking programs and screenings.

BWMC continues to strive for excellence, resulting in being awarded the Quality Improvement Award for patient safety and quality improvement by the Delmarva Foundation for Medical Care in 2012.

Source: North Arundel Health System, www.northarundel.org.

Planning and Zoning

The County Office of Planning ("Office") and Zoning is responsible for planning the physical growth of the County, including the preparation and revision of the General Development Plan and its implementing tools: the zoning regulations and maps, the subdivision regulations and subdivision review process, and the master plans of water and sewer facilities and the Chesapeake Bay Critical Areas initiatives. The Office also implements the zoning regulations, assigns street names and address numbers, maintains computerized address maps, topographic maps, and several hundred other digital coverage's as a part of its Geographic Information Systems (GIS). Additionally, the Office coordinates transportation planning and performs analyses and forecasting of land use, demographic and economic data.

A revised General Development Plan ("GDP") for the County was adopted by the County Council in October 2009 and is part of an overall Growth Management Program. The 2009 General Development Plan establishes a vision for the future based on four core principles: balanced growth and sustainability, community preservation and enhancement, environmental stewardship, and quality public services. The 2009 GDP includes a Land Use Plan to guide future development patterns, and a Transportation Plan with recommendations for improving the County's road network, public transit options, and travel demand management. The GDP also includes a Priority Preservation Area in accordance with State requirements for agricultural preservation. In addition, the GDP includes a Water Resources Plan that assesses land use impacts on local water resources and lays out strategies to protect those resources. Finally, the GDP addresses the need for concurrency management to ensure that public facilities and services will be available to serve future needs.

The Planning Advisory Board, composed of seven qualified voters appointed by the County Executive, makes advisory recommendations to the Planning and Zoning Officer and the County Council relating to the master plan, zoning maps, and rules and regulations related to zoning. The Planning Advisory Board also reviews the Capital Budget and Program each year and provides recommendations to the Budget Officer through the Planning and Zoning Officer. The County Executive uses these recommendations to develop a Capital Budget and Program for adoption by the County Council.

Public Works

Anne Arundel County's Department of Public Works performs all public improvement functions, except for schools, in the County. Effective July 1, 1993, the Department of Utilities consolidated into Public Works which became the County's largest service department.

Besides Water and Wastewater, Public Works is responsible for administering all aspects of road maintenance including the engineering, design, repair and maintenance of all County roads as well as snow removal, stream clearance, maintenance of bridges and viaducts, storm drain maintenance, sidewalk construction and repair and mosquito control. Additional duties include inspection services and watershed and stormwater management.

Water and Wastewater

Under the County Charter, the Water and Wastewater Utility Fund was created as a separate and financially self-supporting public enterprise under the jurisdiction of the County for the purpose of supplying water and providing sewerage service to residents of the County. By ordinance, the County Council established the whole County, except for those portions of the County which are within the corporate limits of the City of Annapolis as the Sanitary District of the County.

Described below are the existing water and wastewater facilities in the County, as well as the planned expansions, and the related capacities of each.

Water Supply System

The County owns and operates water facilities that supply water to approximately 108,250 accounts. The county water system is groundwater oriented, producing drinking water at 11 treatment facilities and 3 independent wells. These facilities derive supplies from 55 production wells. The water system includes 21 booster stations and 21 elevated storage tanks with an effective storage capacity of 27.4 million gallons per day ("MGD"), and 7 ground storage tanks with a capacity of 13.67 MGD. The average daily demand in 2012 was 30.77 MGD. The combined design capacity of County production facilities is 53.73 MGD. Approximately 3.3 MGD was supplied by Baltimore City through 4 connections at the north end of the County. A supplemental source agreement between the County and Baltimore City allows up to 32.5 MGD.

Sewage Disposal System

The County is divided into eleven sewerage service areas. The County owns and operates sewerage treatment facilities and/or sewerage collection systems in eight of the service areas. The remaining three service areas all have conveyance systems that are operated and maintained by the County. One is a private treatment facility operated by MES, the Piney Orchard Wastewater Treatment Plant, and the other two have treatment facilities located in neighboring municipalities. These service areas include: Baltimore City (served by Patapsco Sewage Treatment Plant in Baltimore City) and Rose Haven/Holland Point (served by the Chesapeake Beach Wastewater Treatment Plant in Calvert County). The sewerage treatment facilities and/or sewerage collection systems in the County's eleven sewerage service areas provide treatment capacity of 53.5 MGD for approximately 116,300 accounts served by the County's wastewater facilities. The treatment facilities and capacities are as follows:

Treatment Facilities	Trend of 24 Month (MGD) Average Daily Flow as of December, 2012	(MGD) Existing Design Capacity	(MGD) Required Capacity to Year 2025
Cox Creek	11.97	15.00	14.46
Patuxent	5.56	8.00	7.63
Maryland City	1.10	2.50	2.29
Broadneck	5.31	6.00	6.19
Broadwater	1.24	2.00	1.50
Annapolis (Joint Facility)	8.54	13.00	9.23
Patapsco (Baltimore City)	4.26	6.40	5.99
Mayo Wastewater Management System	.57	0.64	.69
Total	38.55	53.54	47.98

Source: Department of Public Works.

There is presently under various stages of design and construction the upgrading and/or expansion of many existing wastewater treatment facilities.

Solid Waste Management

The Anne Arundel County Solid Waste Enterprise (the "Enterprise") was created in 1969. It operates as a self-supporting utility with responsibilities including solid waste collection, recycling, and disposal. The Enterprise owns and operates the only sanitary landfill in the County, three residential solid waste convenience centers, and a paper recovery center for processing corrugated cardboard and other paper products from the commercial and residential sector.

Waste Management Operations

Collection — The Enterprise contracts with private haulers for the collection of residential trash, recyclables and yard waste generated in all of the urban and suburban areas of the County and many of the rural areas. The County retains control of these residentially collected materials and presently directs all trash to its own facilities as well as private facilities. Recyclables are directed to private facilities. The Enterprise itself owns and operates a fleet of solid waste collection vehicles providing residential services such as bulky item collections for furniture or appliances and a community-based neighborhood cleanup program.

Disposal — The Enterprise owns and operates three municipal solid waste landfill facilities. The Millersville Landfill and Resource Recovery Facility hosts the only fully operational landfill. Convenience centers, which accept self-haul trash, recyclables, and yard waste from County residents, are located at the Glen Burnie landfill, the Sudley landfill, and the Millersville landfill. Post-closure care is provided at all three landfills. The Enterprise has completed the redesign of the Millersville landfill to maximize its disposal capacity and to incorporate state-of-the-art environmental controls such as multiple liners and cover systems, leachate collection systems including a pretreatment plant, and a gas management system. Landfill design elements being included exceed all present regulations and were selected to provide the necessary and required environmental safeguards. Disposal capacity development, in conjunction with waste reduction and recycling initiatives, is expected to provide the County with a solid waste disposal system that is projected to last at least until the year 2030. Future new disposal options will be studied, as outlined in the 2003 Solid Waste Management Plan as well as outlined in the County Executive's Solid Waste Strategy dated December 1995.

Recycling — The County achieved the Maryland Recycling Act goal of 20% by January 1, 1994. Recycling in the residential sector (which began with the start-up program for 6,300 homes in 1989) has the Enterprise providing curbside recyclables and yard waste collection to all single-family dwellings, County offices and some small businesses served by government contractual private haulers since October 1993. Materials recovered are paper, plastic, metal and glass and yard waste. The current County waste diversion rate is 43%.

The Enterprise has operated a commercial corrugated cardboard and paper processing operation since 1986. The facility can bale 1,500 tons of paper products annually. The Enterprise also conducts eight household hazardous waste collection days per year.

Regional Involvement — The County continues to explore and evaluate regional opportunities that deal with a variety of solid waste management activities. Cooperation with Baltimore City, Baltimore County, Carroll County, Hartford County and Howard County is ongoing through work conducted through the Baltimore Metropolitan Council and other organizations.

Financial Operation

The Enterprise operates as a utility, recovering its costs through service user fees. The main user charges are landfill tipping fees charged to commercial customers and customers with large loads, and waste collection customer fees charged to residential customers whose solid waste is collected by the Enterprise. User fee charges by the Enterprise are solely within the discretion of the County and are not subject to control by any state or federal agency. User fee ordinances must be approved by a majority of the County Council.

Historically, the County has adopted rates sufficient for the Enterprise to meet or exceed its expenditure obligations for operation, maintenance, and debt service costs. The County has ensured the financial stability of the Enterprise through periodic review and revision of rate levels and structures over time. The Enterprise has never required the supplement of its revenues from other sources to meet its obligations. Significant landfill closure cost accruals have been recorded, using engineering estimates of the closure costs in light of U.S. Environmental Protection Agency regulations concerning solid waste disposal sites, and the period of estimated use of current cells. Rate increases have been implemented which management believes will ensure the long-term financial self-sufficiency of the Enterprise in view of the regulatory requirements. (See “FINANCES — Solid Waste Fund”).

Recreation and Parks

The Department of Recreation and Parks is primarily responsible for the administration of a comprehensive system of recreational programs for County residents and the preservation of valuable land in the form of more than 170 parks and sanctuaries. Specialized recreational facilities, including two swim centers, two ice rinks, three golf courses, baseball stadium, softball complexes, and approximately 90 miles of multi-use trails; programs such as school-age childcare and therapeutic recreation. More than 12,000 acres of parkland fall under the Department's jurisdiction. The Department's open space includes small neighborhood parks, greenways, archaeological, environmental and historical preserves, and large regional facilities occupying several hundred acres of land. A professional staff of park rangers, environmental specialists and athletic and recreational supervisors and planners provide leisure activities for citizens of all ages including the senior and physically challenged populations. Extensive volunteer networks supply more than 1,000,000 staff hours per year to Department programs.

Source: Recreation & Parks

Insurance

It is the policy of the County to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and set aside assets for claims settlement in its internal service fund. The County purchases insurance for real and personal property, boiler and machinery, and faithful performance bonds, as well as school bus insurance for the bus contractors of the Board of Education and vehicle liability insurance for the contract operation of the Department of Aging and Disability Transportation Program.

The County maintains the self-insurance fund to provide workers' compensation and directors’ and officers’ coverage for the County Government, the Board of Education and the Community College and general liability and vehicle liability coverage for the County Government and the Board of Education.

The internal service fund, maintained to account for self-insurance activity, had no equity balance at June 30, 2009. (See “APPENDIX A, Basic Financial Statements,” Note 14).

Source: Risk Management

SECTION EIGHT: APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement have been approved by Anne Arundel County, Maryland.

ANNE ARUNDEL COUNTY, MARYLAND

By: /s/ Laura Neuman

LAURA NEUMAN
County Executive

and

By: /s/ Karen L. Cook, Esq.

KAREN L. COOK, Esq.
Chief Administrative Officer

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APPENDIX A

Anne Arundel County, Maryland

Basic
Financial
Statements

For the Fiscal Year Ended June 30, 2012

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

The Honorable County Executive and
the Honorable Members of the County Council
Anne Arundel 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, the budgetary comparison for the General Fund and the aggregate remaining fund information of Anne Arundel County, Maryland as of and for the year ended June 30, 2012, 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 component unit financial statements of the Anne Arundel Community College, the Anne Arundel Economic Development Corporation, the Tipton Airport Authority and the Anne Arundel Workforce Development Corporation, which represent 12 percent, 13 percent, and 12 percent, respectively, of the assets, net assets and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned component units, is based solely on the reports 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 the County as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 11 through 23 and 75 through 76 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining fund statements, budgetary statements, and other supporting schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements, budgetary statements, and other supporting schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Baltimore, Maryland
December 21, 2012

As Management of Anne Arundel County, Maryland (the County), we have prepared the following discussion and analysis to inform readers of the County's annual financial report about the financial information that the enclosed statements present. We encourage readers to consider the discussion and analysis along with the other information in this report, including the transmittal letter and notes to the basic financial statements. In this section we have provided an overview of the basic financial statements, selected condensed financial data and highlights, and analysis of the County's financial position and changes in financial position. Comparable amounts from the fiscal year ended June 30, 2011 have been provided.

Overview of Basic Financial Statements

The basic financial statements consist of the government-wide financial statements, fund financial statements, budgetary statements, and notes to the basic financial statements. Each component intends to provide a different perspective of the County's financial results. These components are discussed below.

Government-wide Financial Statements – These statements are designed to provide a broad, entity-wide perspective of the County's financial position and changes in financial position. These statements are prepared using a full-accrual accounting method that measures changes when the underlying economic activity occurs regardless of the timing of the related cash flows. This method is consistent with that used in the private sector.

The government-wide statements have consolidated the Primary government's operations into two columns, governmental activities and business-type activities. In addition, the component units' entity-wide statements are presented. The governmental activities are those functions of the Primary government principally supported by taxes and other general revenue sources. Such activities include education, public safety, general government, health and human services, public works, recreation and community services, judicial, code enforcement, and land use and development. The business-type activities include the Primary government's functions which are primarily supported by user-fees and charges, such as utility services, waste collection, and child care services.

Statement of Net Assets – The statement of net assets presents the components of the County's assets, liabilities, and net asset position at the end of the fiscal year. This statement includes long-term capital assets and long-term liabilities. In addition, capital assets are shown at their depreciated value. Net assets are divided into three components: capital assets, net of related debt; restricted net assets; and unrestricted net assets. These components highlight the composition of the County's net asset position. Changes in these net asset categories over time may indicate an improvement in, or deterioration of, the County's financial condition.

Statement of Activities - The statement of activities summarizes the transactions that resulted in changes to net assets during the fiscal year. The statement presents these results of operations in a net expense format. The total expenses are presented first and grouped on a functional basis. Program revenues, which represent charges for services, grants, and contributions from outside parties, are subtracted from the functional expenses to derive the County's net expenses. Finally, the general revenue sources, such as taxes, investment earnings, and other general revenues, are applied to net expenses to derive the change in net assets for the year.

Both statements include the Primary government's component units, including the Board of Education, Community College, Library, Economic Development Corporation, Tipton Airport, and Workforce Development. These entities are included because the County provides a substantial amount of their funding or the County Executive appoints a majority of the Board members, implying a substantial degree of control over their management. In addition, the County approves the budgets of these entities.

Fund Financial Statements – The Primary government segregates its financial operations into several funds to account separately for funding sources and activities that the government undertakes. This provides better control over resources designated for specific activities or objectives. These funds are grouped into three different types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – The governmental funds of the Primary government include the General Fund; the General County Capital Projects Fund, which is used to accumulate and spend resources to construct capital assets; the special revenue funds, which segregate revenue sources to ensure these funds are spent on the intended purpose;

and the debt service funds, which accumulate resources to pay certain long-term debt issued by the County or separate districts.

The perspective of these statements is narrower than the government-wide statements discussed previously. These statements present the financial position and changes in financial position resulting from currently available resources and currently due liabilities. Therefore, revenues are not recorded until available, and expenses are recorded primarily when the underlying economic activity occurs. In addition, because these statements focus on current resources, long-term assets and liabilities are not included.

The statements focus on the Primary government's major funds. Major governmental funds include the General Fund, the Impact Fee Fund and the General County Capital Projects Fund. Separate columns are presented for those funds considered major either by size or by importance. The other funds are aggregated into one column called "other nonmajor funds."

Proprietary Funds – The proprietary funds include those activities within the Primary government that are self-supporting. These funds include enterprise funds, which provide services to citizens in exchange for user fees, and internal service funds, which provide services to the Primary government and its component units, in exchange for fees. Transactions for these funds are recorded using the full-accrual basis of accounting whereby transactions are recorded when the underlying economic event takes place, regardless of the timing of cash flows. Moreover, long-term assets and liabilities are recorded on the statements.

The enterprise funds include the Water and Wastewater Utilities Fund, the Solid Waste Fund, and the Child Care Fund. Internal service funds include the Self Insurance, Health Insurance, Central Garage and Transportation, and Garage Replacement Funds. These statements also focus on major funds, therefore, include separate columns for the Water and Wastewater and Solid Waste Funds.

Fiduciary Funds – The fiduciary funds accumulate assets that are managed, but not owned, by the Primary government. The County's four defined benefit pension plans that form the Retirement System Pension Trust Fund are included in this category. In addition, this category includes agency funds used to accumulate temporary deposits and other funds collected from outside parties in order to be returned to the payer or passed on to a third party. The Pension Trust Fund follows the full-accrual method of accounting. The agency funds are presented as balances only and do not record revenues or expenses.

Budgetary Statements – A budgetary statement of revenue and expenditures for the General Fund has been presented in the basic financial statements. This statement provides the results of the County's General Fund operations compared to the legally adopted budget. The statement uses the budgetary method when accounting for transactions. Revenues are generally recognized when available, and expenditures are recognized when a commitment, in the form of a purchase order or contract, has been issued to a vendor.

Notes to the Basic Financial Statements - The notes follow the basic financial statements and provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information - There are two required supplementary schedules that provide trend data about the Pension Trust Fund and other post-employment benefits.

Financial Highlights

Overall Financial Position – During fiscal year 2012, the County's net assets resulting from governmental activities decreased by $40.5 million or 38.8%. This decline was related to a decrease in the unrestricted net assets of $63.3 million offset by increases in capital assets net of related debt of $11.6 million and restricted net assets of $11.2 million. In fiscal year 2012, results for the County's business-type activities increased by $60 million or 5.6%. This increase was primarily generated by additional restricted net assets of $30.2 million and increases in capital assets net of debt of $31.5 million.

Changes to the Statement of Net Assets' Components - In governmental activities, total assets increased by $14.2 million and total liabilities increased by $54.7 million. The current unrestricted assets decreased by $38.6 million or 10.1% and current restricted assets increased by $35 million or 40.6%, while the capital assets increased by $17.8 million or 1.7%. The decrease in the current asset categories was primarily in cash and temporary investments, taxes, and other receivables and prepaid assets. The current restricted assets increase was primarily due to an increase in cash and temporary investments..

While the assets increased by 0.9%, the liabilities also increased by 3.8%. Noncurrent liabilities increased by $62.8 million or 5.1% and current liabilities decreased by $9.1 million or 4.6%, respectively; restricted liabilities increased by $1 million or 7.9%. The increase in noncurrent liabilities was primarily caused by increases in recording the other post-employment benefits (OPEB) obligation and deferred revenue offset by declines in long term debt net of refunding gains and unpaid insurance claims. The current liabilities' decreases were the result of a decline in accrued liabilities and amounts due to the component units for capital project expenditures. The increase in restricted liabilities was caused by an increase in escrow and other deposits.

Net assets related to business-type activities increased $60 million or 5.6% in fiscal year 2012. Assets increased by $73.3 million and liabilities increased by $13.3 million. Increases were noted in current capital assets of $63.9 million and current restricted assets of $21.3 million offset by a reduction of current unrestricted assets of $12.9 million. This fluctuation is due primarily to an increase in capital assets of $63.9 million due to completion of capital projects that have resulted in the recording of these assets.

The $13.3 million increase in business-type liabilities was caused by increases in noncurrent liabilities of $14 .2 million and current liabilities of $1.4 million offset by a decline in current restricted liabilities of $2.3 million. The increase in noncurrent liabilities of 14.2 million was primarily caused by the issuance of additional net debt and recording of the OPEB obligation for 2012.

Significant changes in revenues and expenses – Fiscal year 2012 showed continuing growth in property taxes and local income taxes as significant Federal defense and intelligence presence help to support this growth. However, the slow recovery in the economy caused recordation and transfer taxes to only show minimal growth. General revenues in governmental activities increased $77.8 million or 7.3%, from fiscal year 2011. The majority of the increase is due to growth in property taxes of $16 million or 2.8%, increase in local income taxes of $29 million or 7.8%, and forgiveness by the State of Maryland of $32.7 million to replenish the local income tax reserve fund. Due to low interest rates, investment income only had a nominal increase.

During fiscal year 2012, the governmental activities' program revenues decreased by $3.8 million. Decreases in charges for services of $4.9 million offset by an increase in operating grants and contributions of $1.8 million, primarily accounted for this change.

The business-type activities show an increase in total program revenue of $34.7 million or 18.9%. Increases in charges for services of $12.2 million or 9.5% and capital grants and contributions of $22.4 million or 41.5%, respectively, contributed to this increase. General revenue sources have increased by $1.4 million, a 10.3% increase from 2011. Increases in other revenues of $1.3 million or 11.5% and County contribution to an energy project of $2 million were offset by declines in investment income of $1.8 million or 63%.

Business-type expenses increased by $7.7 million or 4.7% from the previous year primarily as a result of an increase in water and wastewater expenses.

Changes to debt **–** The County's total bonded debt balance increased by $32 million in fiscal year 2012. The County issued $98.9 million of bonds for governmental activities including education, public safety, infrastructure improvements, libraries, community college, recreation and parks, and general government improvements. The County also issued $29.2 million for business-type activities which will be used for utility and waste collection improvements. Of the issue of $128.1 million, $70.4 million was used to liquidate BANS issued in January 2011 and $2.2 million issued in November 2010.

Financial Data and Management's Analysis - Government-wide Statements

Below is a condensed statement of net assets with comparative amounts from the previous fiscal year. We have also provided an analysis of the contents and fluctuations noted in the schedule.

Anne Arundel County, Maryland
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current	$ 344,749,475	$ 383,389,416	$ 112,069,252	$ 124,972,591	$ 456,818,727	$ 508,362,007
Restricted - Current	121,192,393	86,191,481	234,067,121	212,741,295	355,259,514	298,932,776
Restricted - Noncurrent	-	-	55,267,470	54,280,149	55,267,470	54,280,149
Capital	1,089,196,483	1,071,381,597	1,261,481,083	1,197,627,804	2,350,677,566	2,269,009,401
Total	1,555,138,351	1,540,962,494	1,662,884,926	1,589,621,839	3,218,023,277	3,130,584,333
Liabilities:						
Current	189,433,225	198,570,063	54,365,906	53,015,326	243,799,131	251,585,389
Restricted - current	13,305,533	12,336,278	28,647,748	30,926,384	41,953,281	43,262,662
Noncurrent	1,288,433,061	1,225,596,901	451,365,678	437,174,430	1,739,798,739	1,662,771,331
Total	1,491,171,819	1,436,503,242	534,379,332	521,116,140	2,025,551,151	1,957,619,382
Net Assets:						
Invested in capital assets, net of related debt	633,818,542	622,238,204	853,676,904	822,218,634	1,487,495,446	1,444,456,838
Restricted	87,910,567	76,640,011	254,976,360	224,738,592	342,886,927	301,378,603
Unrestricted	(657,762,577)	(594,418,963)	19,852,330	21,548,473	(637,910,247)	(572,870,490)
Total	$ 63,966,532	$ 104,459,252	$ 1,128,505,594	$ 1,068,505,699	$ 1,192,472,126	1,172,964,951

Discussion of components – This statement condenses the statement of net assets into broad categories. Current assets are unrestricted assets that are readily convertible to cash and available to pay the liabilities of the County. Current restricted assets are those readily convertible to cash, but legally restricted for a specific use. Noncurrent restricted assets are also limited as to use, but are due to the County over several years. Restrictions can originate from Federal, State, grant agreements, or other contracts. Capital assets are those with an extended useful life that are not readily convertible to cash. These assets depreciate in value over the respective useful lives of the assets.

Current liabilities are those obligations that will be paid with currently available resources within a year, while the current restricted liabilities will be paid with restricted assets. Noncurrent liabilities are those not expected to be paid within a year, including long-term debt balances, OPEB, accrued liabilities for annual and sick leave, estimates for long-term insurance claims, long term escrow deposits, and revenue recorded but not yet earned.

Net assets represent equity remaining once amounts due are subtracted from assets available. There are three categories: capital assets, net of any related debt which are amounts related to construct or buy assets net of the related debt, restricted net assets which are the amounts remaining after restricted liabilities are covered by restricted assets, and unrestricted net assets.

Management's Analysis – Unrestricted current assets of governmental activities are $23.8 million less in fiscal year 2012 due primarily to decreases in cash and temporary investments of $15.3 million, taxes and State revenue receivables of $5 million, and prepaids and other receivables of $3.5 million. The business-type activities current assets decreased by $12.9 million primarily due to decreases in cash and temporary investments as additional cash related to bond issues were restricted.

Restricted assets in governmental activities increased by $35 million or 40.6% as restricted cash in the Impact Fee Fund and the Bond Premium Fund increased and the amounts due from other governments increased. The increase in current restricted assets in business-type activities of $21.3 million or 10% was due to the restriction of additional bond proceeds.

Restricted noncurrent assets in business-type activities increased by $1 million from fiscal year 2011 or 1.8%. These assets result from an increase in long-term receivables for front foot benefit charges and capital connection charges.

The governmental net capital assets balance increased by $17.8 million from the previous year or 1.7%. Capital assets in the business-type activities increased by $63.9 million or 5.3%. This increase is the result of the completion of certain capital projects.

Current unrestricted liabilities for governmental activities decreased by $9.1 million or 4.6%, from the previous fiscal year. This occurred primarily due to decreases in accrued liabilities and amounts due to component units of $7 million and $4.3 million, respectively offset by an increase in the current portion of non-current liabilities of $2.2 million. The current unrestricted liabilities in business-type activities increased by $1.4 million or 2.5%, from fiscal year 2011. This increase was primarily caused by an increase in accrued liabilities and the current portion of non-current liabilities of $2.4 million and $1.1 million, respectively offset by the payoff of outstanding BANS of $2.2 million.

Restricted current liabilities for governmental activities increased by $1 million or 7.9%, from fiscal year 2011. The change was primarily caused by increases in escrow and other deposits, and accrued liabilities. Restricted current liabilities for business-type activities decreased by $2.3 million or 7.4% primarily due to a decrease in deferred revenues as prepaid wastewater connection fees were recognized as revenue in the current fiscal year.

Noncurrent liabilities consist of bonded debt, OPEB obligation, self insurance reserves, loans, capital leases, and other liabilities. These liabilities increased $62.8 million or 5.1%, in governmental activities, and increased by $14.2 million or 3.2%, in business-type activities. For governmental activities the increase resulted from the recording of the annual OPEB obligation of $73.5 million and $25.5 million in deferred revenue offset by decreases in long term debt and unpaid insurance claims of $27.8 million and $8.3 million, respectively. The increase noted in the noncurrent liabilities in business-type activities for fiscal year 2012 was caused primarily by an increase in the net bonded debt of $6.3 million, and the recording of the OPEB obligation of $7.5 million.

The components of governmental and business-type net assets were discussed in the financial highlights above. It should be noted the negative unrestricted net assets in governmental activities have increased from a negative $594.4 million to a negative $657.8 million, an increase of 10.7%. It is important to note that although counties in the State of Maryland issue debt for the construction of schools, the schools are owned by the local Boards of Education. Ownership reverts to the County if the building is no longer needed. The County also funds projects for the Community College and others that do not result in County assets. Therefore, while the County's statements include this outstanding debt, there are no capital assets recorded on the Primary Government's statements. The negative unrestricted governmental activities fund balance of $657.8 million reflects this treatment. The Board of Education and Community College capital net assets of approximately $845.4 million and $89.9 million, respectively, are evidence of the significant level of capital assets constructed primarily from County incurred debt.

The table below shows the fluctuations in the unrestricted fund balance in the governmental activities over the past four years. The decrease is the result of excess net assets used for capital improvements classified in the capital assets and restricted net assets categories and the recording of the OPEB obligation.

Fiscal year	Balance (in millions)	Fiscal year	Balance (in millions)
2009	$ (380.7)	2011	(594.4)
2010	(482.0)	2012	(657.8)

The following schedule is a condensed version of the Statement of Activities; however, the revenues are listed first with the functional expenses presented last. The schedule includes comparative amounts from the previous fiscal year.

Anne Arundel County, Maryland
Statement of Activities

	Governmental Activities		Business type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	$ 106,344,741	$ 111,282,262	$ 141,448,505	$ 129,228,992	$ 247,793,246	$ 240,511,254
Operating grants & contributions	47,165,195	45,356,772	-	-	47,165,195	45,356,772
Capital grants & contributions	42,656,158	43,292,951	76,527,093	54,092,991	119,183,251	97,385,942
	196,166,094	199,931,985	217,975,598	183,321,983	414,141,692	383,253,968
General revenue:						
General property taxes	593,914,041	577,936,586	-	-	593,914,041	577,936,586
Local income taxes	400,465,253	371,490,759	-	-	400,465,253	371,490,759
State shared taxes	10,333,497	8,664,658	-	-	10,333,497	8,664,658
Recordation & transfer taxes	59,088,413	58,000,447	-	-	59,088,413	58,000,447
In County Contributions	-	-	2,000,000	-	2,000,000	-
Local sales taxes	32,258,227	32,405,559	-	-	32,258,227	32,405,559
Investment income	1,418,470	1,322,176	1,071,939	2,896,386	2,490,409	4,218,562
Other revenue	12,323,348	4,387,204	12,214,796	10,956,808	24,538,144	15,344,012
County Transfer	32,663,346	10,426,000	-	-	32,663,346	10,426,000
Extraordinary Item- Due to State	-	-	-	-	-	-
	1,142,464,595	1,064,633,389	15,286,735	13,853,194	1,157,751,330	1,078,486,583
Total revenues	1,338,630,689	1,264,565,374	233,262,333	197,175,177	1,571,893,022	1,461,740,551
Expenses:						
Education	669,191,184	697,647,300	-	-	669,191,184	697,647,300
Public safety	290,833,066	282,484,421	-	-	290,833,066	282,484,421
General government	116,145,906	115,262,229	-	-	116,145,906	115,262,229
Health & human services	72,906,731	72,095,603	-	-	72,906,731	72,095,603
Public works	80,934,525	66,553,279	-	-	80,934,525	66,553,279
Recreation & community services	56,129,078	61,004,602	-	-	56,129,078	61,004,602
Judicial	28,011,439	27,103,335	-	-	28,011,439	27,103,335
Code enforcement	13,787,761	13,304,845	-	-	13,787,761	13,304,845
Land use & development	11,471,808	14,428,483	-	-	11,471,808	14,428,483
Economic development	-	-	-	-	-	-
Interest expense on debt	39,711,911	38,565,622	-	-	39,711,911	38,565,622
Water & wastewater	-	-	121,553,106	112,708,927	121,553,106	112,708,927
Waste collection	-	-	47,932,547	49,078,454	47,932,547	49,078,454
Child care	-	-	3,776,785	3,771,601	3,776,785	3,771,601
Total expenses	1,379,123,409	1,388,449,719	173,262,438	165,558,982	1,552,385,847	1,554,008,701
Change in net assets	(40,492,720)	(123,884,345)	59,999,895	31,616,195	19,507,175	(92,268,150)
Net assets, beg of year	104,459,252	228,343,597	1,068,505,699	1,036,889,504	1,172,964,951	1,265,233,101
Net assets, end of year	$ 63,966,532	$ 104,459,252	$ 1,128,505,594	$ 1,068,505,699	$ 1,192,472,126	$ 1,172,964,951

The Statement of Activities presents some significant changes in revenues. These fluctuations were explained in the financial highlights section. Governmental activities' overall revenue has increased from fiscal year 2011 by $74.1 million or 5.9%. The majority of the increase is due to growth in property taxes of $16 million, local income taxes of $29 million, and forgiveness by the State of Maryland of $32.7 million to replenish the local income tax reserve fund. There were also nominal increases in other revenue categories and a reduction in charges for services of $4.9 million. The transfer from the Community College to the County's General Fund did not occur in 2012. Due to changes in the assessable property tax base, the Charter-imposed property tax cap calculation resulted in the property tax rates increasing by 3 cents for fiscal year 2012.

The governmental activities' expenses had a decrease of $9.3 million or 1% from fiscal year 2011. Certain functional categories of expenditures had significant fluctuations during fiscal year 2012. The more notable fluctuations were in education which decreased by $28.5 million or 4.1%. The decrease in education was a result of a decrease in the amount of funds spent on education related capital projects in fiscal year 2012. This decrease was offset primarily by increases in public works of $14.4 million or 21.6% and public safety of $8.3 million or 3%. .

In business-type activities there was an increase in charges for services of $12.2 million or 9.5% in fiscal year 2012. Capital grants and contributions increased by $22.4 million or 41.5% from the previous year. Additional water service utilization and a rate increase caused the increase in charges for services, and an increase in additional developer-built assets transferred to County ownership contributed to the capital grant increase**.** In general revenue, other revenue increased $1.3 million or 11.5% as a result of the County's efforts to encourage additional recycling. Investment income decreased $1.8 million or 63% from fiscal year 2011 to 2012 due to low interest rates. The County also contributed $2 million to an energy related solid waste project.

Business-type expenses had an overall increase of $7.7 million or 4.7% from the previous year which was primarily caused by increases in the water and waste water charges.

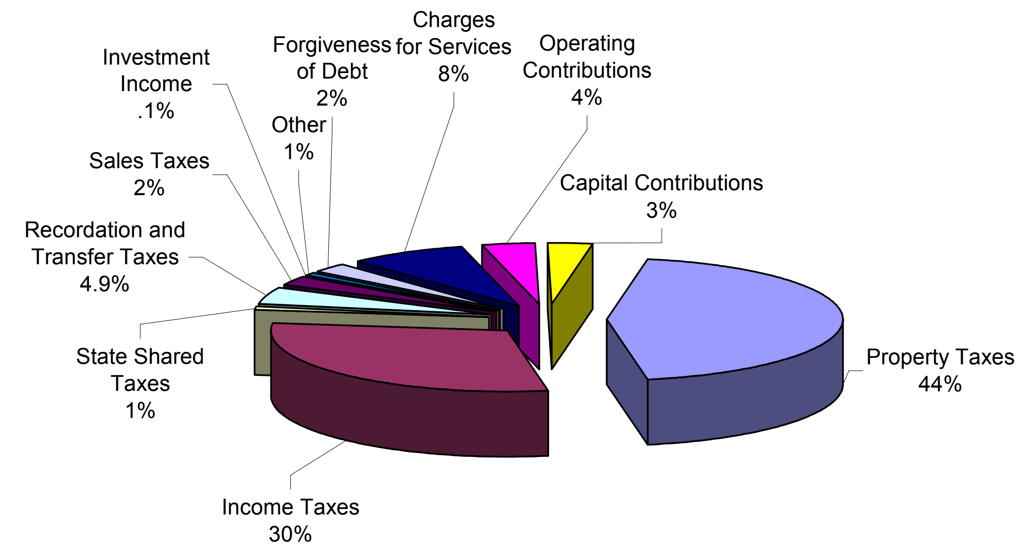
Distribution of Revenues and Expenses

The two charts on the next page show the percentage distribution of revenues from governmental activities and the percentage expended on each function, respectively. Discussion of the 2012 distribution and significant changes since 2011 follows.

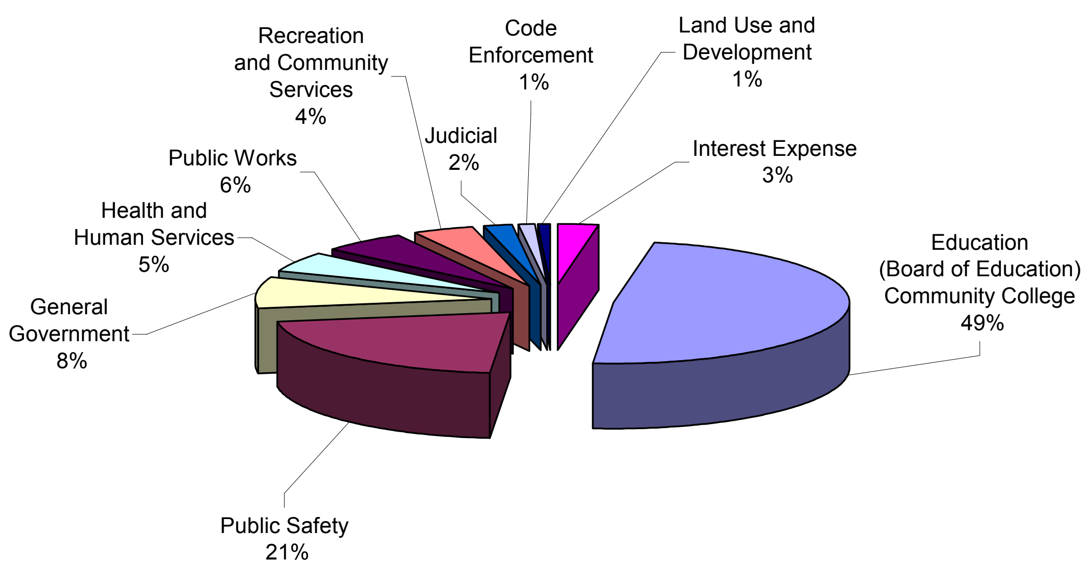
General revenue sources continue to provide the vast majority of the County's revenue. Tax revenues from property assessments, income, State shared sources, recordation and transfer, and sales of certain goods provided about 82% of our revenue base, which is consistent with prior fiscal years. Charges for services, paid to the County by the user, was 8% for fiscal year 2012, a small reduction from fiscal year 2011 which was 9%.

An analysis of the percentage distribution of expenses by function revealed that there was only one significant change in any of the functions as a percent of the total from 2011. General government decreased from 12% to 8%. The decrease is as a result of the budget being increased in the General Government, Office of Finance (non-departmental) category. Education expenses which represent those for the Anne Arundel County Board of Education and Anne Arundel Community College were 49% of total expenses.

Governmental Revenues Fiscal Year 2012



Governmental Expenses Fiscal Year 2012



Fund Statements

Although tables have not been included herein, certain elements of the major fund statements presented in the basic financial statements are discussed below.

Governmental Funds:

Total assets in the General Fund increased from $179.9 million to $196.2 million or $16.3 million, from fiscal year 2011. The increase primarily occurred in cash and investments of $14.2 million and a net increase in various receivables of $1.5 million. Total fund balance increased from $61 million to $79.5 million or an increase of $18.5 million. The increase in the fund balance resulted primarily from increases in cash and investments during 2012.

General Fund expenditures increased from $1,143.4 million to $1,146.6 million or $3.2 million. The expenditures outpaced the revenue; however, other sources and uses brought a net to the General Fund of $28.4 million in fiscal year 2012, compared to a net inflow of $58.3 million in 2011. This change was primarily caused by a net decrease in general obligation bonds issued of $42.8 million and a premium realized on the refunding bond sale of $14.5 million during fiscal year 2012.

The County has a Revenue Stabilization Fund (rainy day fund) which is included in the unassigned category of General fund balance. At the end of fiscal year 2012, a balance of $22.5 million remained in this Fund which had an increase from fiscal year 2011 due the fiscal year 2012 budget including $5 million appropriated to be returned to this Fund and investment earnings. This reserve may only be used when revenues fall below budget expectations and legislative action is required. This fund has been in existence since fiscal year 1994 and has only been drawn on by Management twice as a result of underperforming revenues during the recession of 2008 and 2009.

The Impact Fee Fund retains developer impact fees until needed for the construction of capital assets. The total assets within this fund have increased from $54.7 million in fiscal year 2011 to $60.5 million in 2012. The fund balance increased by $5.8 million as a result of an increase in cash and investments of $5.9 million. Impact fees recognized increased $10.6 million, from $9.5 million in fiscal year 2011 to $20.1 million in 2012. This fluctuation resulted from an increase in the impact fee rates. The transfers to other funds increased as $11.5 million was transferred in fiscal year 2012 compared to $3.7 million in 2011 as impact fees were used to support capital projects.

The General County Capital Projects Fund's total assets decreased from $93.9 million in fiscal year 2011 to $64.3 million in 2012, or $29.6 million. This decrease is primarily due to a decrease in cash and investments of $32.8 million in the fund at the end of the fiscal year which resulted from a decrease in the amount of funds received through the issuance of bonds in fiscal year 2012. Liabilities decreased by $6.2 million, primarily due to an decrease in the amount due to the Board of Education and Community College for its capital improvement projects of $4.9 million and a reduction in deferred revenue of $2.2 million. The decrease of the cash was offset by a decrease in liabilities. The net effect was a reduction in fund balance from $54.5 million in fiscal year 2011 to $31.1 million in 2012.

Revenues in the General County Capital Projects Fund increased from $14.7 million in fiscal year 2011 to $15.1 million in fiscal year 2012, or by $418,228. Expenditures in this fund decreased by $14.4 million which is attributed to a decrease of $18.3 million in amounts paid to the Board of Education and Community College and an increase in capital outlays in the amount of $4 million.

Proprietary Funds:

The Water and Wastewater Fund's assets, totaled $1.570 billion at the end of fiscal year 2012 increased by $66.2 million during fiscal year 2012. The increase primarily occurred as a result of a net increase of $55.6 million in capital assets and a net increase in cash and investments of $7.3 million. Capital assets increase each year as capital projects are completed and developer donated water and sewer facilities are added. The cash and investment increases were the result of increased connection charges and prepayment of these charges by developers prior to scheduled increases. Liabilities have increased by $13.8 million. The increase resulted primarily from additional long-term bonded debt of $6.2 million, the recording of the liability for OPEB benefits of $5.9 million, and increases in accounts payable and accrued liabilities, and current portion of long term debt of $3.9 million offset by a reduction in deferred revenue of $2.4 million. As a result of the changes in assets and liabilities, the Water and Wastewater Fund's net assets increased $52.4 million or 5%.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets shows an increase in operating revenues of $7 million or 8.1% due to rate increases that occurred in January 2012. For example, water rates increased from $2.56 per thousand gallons to $2.68 per thousand and wastewater rates increased from $4.49 per thousand gallons to $4.71 per thousand. Operating expenses increased by $9.5 million or 9.1%. Nonoperating components decreased from the previous year by $217,769 due to a decrease in investment income. Capital contributions, fees and grants, increased by $22.4 million due to the completion of capital projects. These contributions represent the capital assets built by developers and fees collected from properties connecting to the County's water and wastewater systems.

The Solid Waste Fund's assets increased by $7.2 million due primarily to an increase in net capital assets in the amount of $8.3 offset by reductions in cash and temporary investments of $1.6 million. Liabilities decreased by $311,844 or less than 1% from fiscal year 2011 to 2012. Payoff of BANS of $2.2 million was offset by increases in the OPEB obligation and estimated landfill closure and post-closure costs of $2 million and other modest decreases in other liability categories.

Operating revenue increased by $5.2 million as a result of an increase in recycling and an increase in the trash fee. The trash user fee for household pick-up increased to $315 from $275 in fiscal years 2011. Expenses decreased by $1.2.million or 2.7% due to decreased costs from normal operations and a decrease in the contribution to general county capital projects.

Fiduciary Funds:

Fiduciary funds include the Pension Trust Funds and the Agency Funds. The Pension Trust Funds are presented for the calendar year ended December 31, 2011. Investment growth increased slightly from calendar year 2010 to 2011 as net assets increased from $1.327 billion to $1.335 billion or $8.2 million. Contributions increased from $61.3 million in 2010 to $61.9 million during 2011 and investment activity declined significantly from 2010. Agency funds decreased from $16.9 million to $16 million. The decrease resulted from a refunding of tax sale escrow deposits received during fiscal year 2012 and Department of Aging funds being transferred to not for profit organizations.

Budgetary Variations

The budgetary statements of the General Fund show actual revenues of $1.189 billion compared to budgeted amounts of $1.161 billion, resulting in $28 million increase in revenue than anticipated. The most significant budgetary variation within components of revenue was local income taxes which exceeded budgetary expectation by $28 million or 7%.

Total expenditures on a budgetary basis were $1.176 billion compared to appropriation authority of $1.186 billion, resulting in $10.5 million or 1%, less than planned. Only modest variances were noted in the various expenditure categories which were attributed to a hiring and spending freeze that was continued during fiscal year 2012.

In reviewing the changes from the original budget to the final budget, budgeted revenue remained the same. The only expenditure categories with decreases from the original budget to the final budget were; general government and debt service. Nominal increases were noted for several categories. Management is not aware of any reasons why these and other budgetary variations would have a significant effect on future liquidity or services.

Capital Assets

The next table presents the asset values of the capital asset categories in governmental and business-type activities, net of accumulated depreciation. A discussion of the fluctuations follows.

Governmental capital assets - Total governmental capital assets show an increase from the prior year of $17.8 million or 1.7%. The table below shows an increase in land and easements and land improvements of $3.3 million (1.7%) and $11 million (9.1 %), respectively. Construction in progress has increased by $14.8 million or 9.4% and increases were also noted in sidewalks, curbs and gutters of $2.7 million or 11.5%. The continued progress on capital projects and the significant amount of expenditures related to those projects that reached substantial completion during fiscal year 2012 contributed to these increases. The primary declines were noted in buildings, automobiles and rolling stock, and furniture and equipment of $5.2 million, $3.6 million and $3.6 million, respectively, due to continued depreciation of these assets.

Business-type capital assets – The capital assets in business-type activities increased by $63.8 million or 5.3%, from fiscal year 2011. Construction in progress increased by $49.5 million or 18.1%. An increase was noted in furniture and equipment of $6.9 million or 113.3% and an increase in landfills of $3.4 million 40.3%. The major increases were from additions to landfill and the Landfill Gas Management System, and the completion of capital projects. The remaining categories of assets show modest variations since new additions are negated by the continued depreciation of existing assets.

Anne Arundel County, Maryland
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and easements	$ 203,497,852	$ 200,198,916	$ 12,109,239	$ 12,109,239	$ 215,607,091	$ 212,308,155
Historical property and works of art	4,166,465	4,166,465			4,166,465	4,166,465
Land improvements	131,842,580	120,873,290	11,750,695		143,593,275	120,873,290
Landfills	-	-	-	8,373,165	-	8,373,165
Buildings	211,264,900	216,502,386	22,963,510	23,167,400	234,228,410	239,669,786
Roads, bridges and signals	172,027,728	173,112,739	-	-	172,027,728	173,112,739
Sidewalks, curbs and gutters	26,528,655	23,792,160	-	-	26,528,655	23,792,160
Storm drains and culverts	119,807,087	120,483,380	-	-	119,807,087	120,483,380
Water and sewer plants and lines			876,860,885	874,139,949	876,860,885	874,139,949
Automobiles and rolling stock	17,044,182	20,598,937	2,505,335	1,559,210	19,549,517	22,158,147
Furniture and equipment	29,145,270	32,778,056	13,518,577	6,061,389	42,663,847	38,839,445
Software	1,432,089	1,212,340		-	1,432,089	1,212,340
Construction in progress	172,439,675	157,662,928	321,772,842	272,217,452	494,212,517	429,880,380
Total	$ 1,089,196,483	$ 1,071,381,597	$ 1,261,481,083	$ 1,197,627,804	$ 2,350,677,566	$ 2,269,009,401

The statement of net assets presents the gross asset balances and total accumulated depreciation. The following table summarizes this information for depreciable assets and presents accumulated depreciation as a percentage of the gross depreciable assets.

Anne Arundel County, Maryland
Analysis of Depreciable Assets

	Total depreciable capital assets	Accumulated depreciation	Net depreciable capital assets	Accumulated depreciation as a percent of total
Governmental				
2012	$ 1,386,454,990	$ (677,362,499)	$ 709,092,491	(49%)
2011	1,350,208,675	(640,855,387)	709,353,288	(47%)
2010	1,309,691,255	(603,437,179)	706,254,076	(46%)
2009	1,246,657,859	(563,355,211)	683,302,648	(45%)
2008	1,216,718,686	(526,660,068)	690,058,618	(43%)
2007	1,162,004,520	(498,221,156)	663,783,364	(43%)
Business-type				
2012	1,563,975,835	(636,376,833)	927,599,002	(41%)
2011	1,512,942,554	(599,641,441)	913,301,113	(40%)
2010	1,450,293,037	(564,824,823)	885,468,214	(39%)
2009	1,403,968,594	(529,293,347)	874,675,247	(38%)
2008	1,366,755,548	(483,446,657)	883,308,891	(35%)
2007	1,331,455,400	(450,402,593)	881,052,807	(34%)

This analysis shows that the governmental capital assets remained virtually the same percent depreciated in fiscal years 2007 and 2008; however, the percent has increased in recent years to 49% in fiscal year 2012. The business-type capital assets show a continual increase in the total depreciation as a percent of the asset values. The percent has increased from 34% in fiscal year 2007 to 41% in fiscal year 2012.

The comparison of these fiscal years does not provide any definite conclusion about the County's replacement of aging assets; however, an upward trend in accumulated depreciation as a percent of gross assets over several years might indicate that the asset base is aging. Management will continue to monitor these trends. Additional information about the County's capital assets and changes therein is provided in the Note 5 to the basic financial statements.

Debt Administration

The County's outstanding debt at the end of fiscal years 2012 and 2011 is presented in the table on the next page. The County had been using short-term BANS to fund capital project expenditures and converting this debt to long-term after the funds had been spent. The County issued general obligation bonds, not including the refunding issue, of $128.1 million in June 2012**,** including $98.9 million for governmental activities and $29.2 million for business-type activities. The proceeds were used to pay off $70.4 million of bond anticipation notes issued in January 2012 and $2.2 million issued in November 2010. The net amount of $68.7 million was used to fund $41.7 million of improvements for general county projects and $27 million for water and sewer and landfill capital projects. As a result of cash available for the capital projects from the bonds sold in June 2012, BANS will not be issued until fiscal year 2013 to fund capital project expenditures at that time.

The changes to the Federal and State loans were not significant as new State loans in fiscal year 2012 of $91,035 were offset by the principal payments of $679,566 on existing loans. The Federal HUD loan was paid off during fiscal year 2012. No new capital leases where added in 2012 and payments totaling $26,563 were made which resulted in a decrease in the capital lease balance to $7,814. The County did not initiate new agricultural easements through installment purchase agreements during fiscal year 2012. Other changes to debt balances resulted from principal payments during fiscal year 2012. Additional information about the County's debt and changes therein is provided in Note 8 to the basic financial statements.

Anne Arundel County, Maryland
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bond anticipation notes	$	$	$ -	$ 2,200,000	$ -	$ 2,200,000
General obligation bonds	823,494,997	805,196,897	406,802,481	399,234,000	1,230,297,478	1,204,430,897
Special assessment debt	93,155,000	95,330,000	-	-	93,155,000	95,330,000
HUD Section 108 Loan		410,000	-	-	-	410,000
State loans	4,215,062	4,393,593	-	-	4,215,062	4,393,593
Capital leases	7,814	34,377	-	-	7,814	34,377
Installment purchase agreements	13,645,000	13,665,000	-	-	13,645,000	13,665,000
Total	$ 934,517,873	$ 919,029,867	$ 406,802,481	$ 401,434,000	$ 1,341,320,354	$ 1,320,463,867

Fiscal Year 2012 and Beyond

Promulgations by the Governmental Accounting Standards Board (GASB) require Management to include descriptions of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, or other changes in net assets.) During the year ended June 30, 2012 the County did not adopt any new GASB statements. GASB has continued to issue various Statements and the County is analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

The County continues to see growth in certain revenue sources; such as property taxes and local income taxes, as new residents move into the area. Federal government and supporting industries are expected to expand over the next few years as current Base Realignment and Closure (BRAC) plans are implemented. However, the County expects certain revenue (recordation and transfer taxes) in fiscal year 2013 to be flat due to the slow recovering economy. Finally, the County's revenue base has expanded due to the opening of video lottery (slots) facility in June 2012. The facility is the largest gaming facility in the State and is projected to generate $20 million of revenues to the County for fiscal year 2013. Maryland voters approved the expansion of gambling (including table games) in the November 2012 election which should contribute to increased revenue to the County from the video lottery (slots) facility in future years.

This financial report is designed to provide a general overview of the County's finances for all those interested. Questions concerning any information provided in this report or requests for additional finance information should be addressed to the Office of Finance, 44 Calvert Street, Annapolis, Maryland 21401.

Anne Arundel County, Maryland

Statement of Net Assets

June 30, 2012

	Primary Government			Discretely Presented Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Other Nonmajor
ASSETS						
Current Assets						
Cash and temporary investments	$ 186,233,403	$ 83,094,239	$ 269,327,642	$ 146,132,931	$ 16,360,351	$ 4,486,416
Taxes and other revenue receivable	130,878,515	-	130,878,515	13,633,588	3,954,986	-
Service billings receivable	-	27,682,020	27,682,020	-	-	62,080
Prepaids and other assets	24,912,834	-	24,912,834	16,154,306	12,823,783	1,764,109
Inventories	2,712,477	1,292,993	4,005,470	1,873,721	1,277,028	48,468
Due from primary government	-	-	-	20,655,827	362,629	1,285,744
Due from component units	12,246	-	12,246	-	-	-
Restricted assets						
Cash and temporary investments	105,428,159	30,773,944	136,202,103	-	-	44,326
Investments	-	186,517,729	186,517,729	-	-	-
Receivables						
Due from other governmental agencies	15,331,315	4,578,740	19,910,055	-	-	-
Other, net	432,919	12,196,708	12,629,627	-	-	-
Total current assets	465,941,868	346,136,373	812,078,241	198,450,373	34,778,777	7,691,143
Noncurrent Assets						
Restricted assets						
Deferred assessment and connection charges	-	55,267,470	55,267,470	-	-	-
Total noncurrent restricted assets	-	55,267,470	55,267,470	-	-	-
Loans receivable and other assets	-	-	-	-	8,873,393	1,629,328
Capital assets not being depreciated	380,103,992	333,882,081	713,986,073	146,526,221	18,814,184	-
Capital assets being depreciated	1,386,454,990	1,563,975,835	2,950,430,825	1,304,970,713	151,960,065	28,270,417
Less accumulated depreciation	(677,362,499)	(636,376,833)	(1,313,739,332)	(606,132,918)	(70,931,466)	(12,358,184)
	709,092,491	927,599,002	1,636,691,493	698,837,795	81,028,599	15,912,233
Total capital assets	1,089,196,483	1,261,481,083	2,350,677,566	845,364,016	99,842,783	15,912,233
Total noncurrent assets	1,089,196,483	1,316,748,553	2,405,945,036	845,364,016	108,716,176	17,541,561
Total assets	1,555,138,351	1,662,884,926	3,218,023,277	1,043,814,389	143,494,953	25,232,704

Anne Arundel County, Maryland

Statement of Net Assets

June 30, 2012

	Primary Government			Discretely Presented Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Other Nonmajor
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	50,781,546	26,310,666	77,092,212	111,272,476	11,523,787	1,427,503
Current portion of non-current liabilities	114,947,788	27,789,030	142,736,818	20,009,355	-	897,880
Notes payable	-	-	-	-	460,735	1,677,924
Internal balances	505,875	(505,875)	-	-	-	-
Due to primary government	-	-	-	12,246	-	-
Due to component units	22,304,200	-	22,304,200	-	-	-
Escrow deposits	893,816	772,085	1,665,901	-	-	13,353
Unearned/deferred revenue	-	-	-	9,210,396	11,578,555	304,722
Liabilities related to restricted assets						
Accounts payable and accrued liabilities	6,646,612	4,539,185	11,185,797	-	-	743,148
Escrow and other deposits	5,522,125	-	5,522,125	-	-	-
Unearned revenue	1,136,796	24,108,563	25,245,359	-	-	-
Total current liabilities	202,738,758	83,013,654	285,752,412	140,504,473	23,563,077	5,064,530
Noncurrent liabilities						
Compensated absences and other obligations	14,709	170,975	185,684	20,146,081	1,813,755	-
Accrued liability for other post-employment benefits	312,909,315	29,511,260	342,420,575	247,143,000	21,743,000	11,691,061
Unpaid insurance claims	51,862,000	-	51,862,000	-	-	-
Estimated landfill closure and postclosure	-	35,505,226	35,505,226	-	-	-
Long-term debt, net of deferred refunding gain/loss	861,695,134	382,048,311	1,243,743,445	4,823,822	12,800,998	172,141
Unearned revenue	61,951,903	4,129,906	66,081,809	-	-	-
Total noncurrent liabilities	1,288,433,061	451,365,678	1,739,798,739	272,112,903	36,357,753	11,863,202
Total liabilities	1,491,171,819	534,379,332	2,025,551,151	412,617,376	59,920,830	16,927,732
NET ASSETS						
Invested in capital assets, net of related debt	633,818,542	853,676,904	1,487,495,446	845,364,016	89,944,652	15,646,256
Restricted for:						
Debt service	1,563,957	250,397,620	251,961,577	-	-	-
Capital improvements	76,820,358	-	76,820,358	-	-	-
Scholarships/endowments	-	-	-	-	5,894,903	-
Reforestation	6,823,655	-	6,823,655	-	-	-
Other purposes	2,702,597	4,578,740	7,281,337	14,270,319	-	43,945
Unrestricted	(657,762,577)	19,852,330	(637,910,247)	(228,437,322)	(12,265,432)	(7,385,229)
Total net assets	$ 63,966,532	$ 1,128,505,594	$ 1,192,472,126	$ 631,197,013	$ 83,574,123	$ 8,304,972

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

Anne Arundel County, Maryland

Statement of Activities

Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities				
Education	$ 669,191,184	$ -	$ -	$ 11,480,300
Public safety	290,833,066	17,843,006	3,716,355	2,333,934
General government	116,145,906	44,486,678	978,367	4,938,309
Health and human services	72,906,731	7,777,929	26,801,431	-
Public works	80,934,525	2,992,222	3,090,946	21,976,531
Recreation and community services	56,129,078	17,052,837	7,528,739	1,623,975
Judicial	28,011,439	3,009,242	1,948,519	-
Code enforcement	13,787,761	11,413,621	28,773	-
Land use and development	11,471,808	1,769,206	3,024,271	303,109
Interest on debt and leases	39,711,911	-	47,794	-
	1,379,123,409	106,344,741	47,165,195	42,656,158
Business-type activities				
Water and wastewater	121,553,106	86,737,248	-	76,527,093
Waste collection	47,932,547	50,679,594	-	-
Child care	3,776,785	4,031,663	-	-
	173,262,438	141,448,505	-	76,527,093
Total primary government	$ 1,552,385,847	$ 247,793,246	$ 47,165,195	$ 119,183,251
Component units				
Board of Education	$ 1,146,618,328	$ 14,749,807	$ 172,478,101	$ 109,163,032
Community College	147,720,450	50,405,601	22,296,053	16,547,026
Library System	22,515,334	812,857	3,803,376	109,278
Economic Development Corp	2,737,841	321,659	-	-
Tipton Airport Authority	2,530,965	1,711,082	-	614,195
Workforce Development	6,891,748	-	6,863,263	-
Total component units	$ 1,329,014,666	$ 68,001,006	$ 205,440,793	$ 126,433,531

General revenues
- General property taxes
- Local income taxes
- State shared taxes - unrestricted
- Recordation and transfer taxes
- Local sales taxes
- Unrestricted contributions
- In kind contributions of capital asset
- Investment income
- Other revenue
- Forgiveness of debt State of Maryland
- Total general revenues

Changes in net assets

Net assets, July 1

Net assets, June 30

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

Net (Expense) Revenues and Changes in Net Assets					
Primary Government			Discretely Presented Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Other Nonmajor
$ (657,710,884)	$ -	$ (657,710,884)	$ -	$ -	$ -
(266,939,771)	-	(266,939,771)	-	-	-
(65,742,552)	-	(65,742,552)	-	-	-
(38,327,371)	-	(38,327,371)	-	-	-
(52,874,826)	-	(52,874,826)	-	-	-
(29,923,527)	-	(29,923,527)	-	-	-
(23,053,678)	-	(23,053,678)	-	-	-
(2,345,367)	-	(2,345,367)	-	-	-
(6,375,222)	-	(6,375,222)	-	-	-
(39,664,117)	-	(39,664,117)	-	-	-
(1,182,957,315)	-	(1,182,957,315)	-	-	-
-	41,711,235	41,711,235	-	-	-
-	2,747,047	2,747,047	-	-	-
-	254,878	254,878	-	-	-
-	44,713,160	44,713,160	-	-	-
(1,182,957,315)	44,713,160	(1,138,244,155)	-	-	-
-	-	-	(850,227,388)	-	-
-	-	-	-	(58,471,770)	-
-	-	-	-	-	(17,789,823)
-	-	-	-	-	(2,416,182)
-	-	-	-	-	(205,688)
-	-	-	-	-	(28,485)
-	-	-	(850,227,388)	(58,471,770)	(20,440,178)
593,914,041	-	593,914,041	-	-	-
400,465,253	-	400,465,253	-	-	-
10,333,497	-	10,333,497	-	-	1,000,000
59,088,413	-	59,088,413	-	-	-
32,258,227	-	32,258,227	-	-	-
-	-	-	833,624,506	61,906,506	15,640,616
-	2,000,000	2,000,000	-	-	-
1,418,470	1,071,939	2,490,409	83,514	(51,067)	21,850
12,323,348	12,214,796	24,538,144	1,082,318	(936,017)	55,897
32,663,346	-	32,663,346	-	-	-
1,142,464,595	15,286,735	1,157,751,330	834,790,338	60,919,422	16,718,363
(40,492,720)	59,999,895	19,507,175	(15,437,050)	2,447,652	(3,721,815)
104,459,252	1,068,505,699	1,172,964,951	646,634,063	81,126,471	12,026,787
$ 63,966,532	$ 1,128,505,594	$ 1,192,472,126	$ 631,197,013	$ 83,574,123	$ 8,304,972

Anne Arundel County, Maryland

Balance Sheet

Governmental Funds

June 30, 2012

	Major Funds			Nonmajor	
	General	Impact Fees Capital Projects	General County Capital Projects	Governmental Funds	Totals
ASSETS					
Cash and investments	$ 46,345,336	$ 60,454,451	$ 54,146,403	$ 44,973,708	$ 205,919,898
Receivables					
Property taxes					
(net of $2,016,168 allowance)	2,767,600	-	-	-	2,767,600
Local sales taxes	4,108,084	-	-	-	4,108,084
State shared revenues	8,901,597	-	-	-	8,901,597
Due from other governmental agencies	1,929,111	-	3,800,402	9,601,802	15,331,315
Due from other funds	7,114,424	-	-	-	7,114,424
Due from Board of Education	12,246	-	-	-	12,246
Local income tax	115,101,234	-	-	-	115,101,234
Other, net	7,433,610	45,063	10,103	387,856	7,876,632
Inventories	2,081,977	-	-	-	2,081,977
Other assets	392,501	-	6,363,778	-	6,756,279
Total assets	$ 196,187,720	$ 60,499,514	$ 64,320,686	$ 54,963,366	$ 375,971,286
LIABILITIES					
Accounts payable and accrued liabilities	$ 27,496,221	$ 2,802,696	$ 10,858,175	$ 3,843,916	$ 45,001,008
Due to other funds	1,545,790	-	-	5,590,472	7,136,262
Due to component units					
Board of Education	171,059	-	20,150,256	-	20,321,315
Community College	-	-	362,629	-	362,629
Library	1,285,744	-	-	-	1,285,744
Escrow and other deposits	864,208	-	29,608	5,522,125	6,415,941
Deferred revenue	85,315,465	-	1,764,819	3,448,146	90,528,430
Total liabilities	116,678,487	2,802,696	33,165,487	18,404,659	171,051,329
FUND BALANCES					
Non spendable					
Inventories	2,081,977	-	-	-	2,081,977
Restricted					
Impact fees capital projects	-	57,696,818	-	-	57,696,818
Forfeiture and asset seizure team	-	-	-	956,549	956,549
Reforestation	-	-	-	6,823,655	6,823,655
Laurel racetrack community benefit	-	-	-	24,310	24,310
Grants	-	-	-	1,314,730	1,314,730
Bond Premium	-	-	-	15,708,764	15,708,764
Other purposes	-	-	-	220,667	220,667
Debt service	-	-	-	1,563,957	1,563,957
Committed					
Roads and special benefits	-	-	-	108,299	108,299
Storm drain fees	-	-	-	436,368	436,368
Erosion districts	-	-	-	665,868	665,868
Recreation and land fees	-	-	-	196,554	196,554
Assigned					
Street lights	-	-	-	2,781,854	2,781,854
Installment purchase agreements	-	-	-	9,082,760	9,082,760
General County capital projects	-	-	31,155,199	-	31,155,199
General County	31,391,329	-	-	-	31,391,329
Unassigned	46,035,927	-	-	(3,325,628)	42,710,299
Total fund balances	79,509,233	57,696,818	31,155,199	36,558,707	204,919,957
Total liabilities and fund balances	$ 196,187,720	$ 60,499,514	$ 64,320,686	$ 54,963,366	$ 375,971,286

Anne Arundel County, Maryland

Reconciliation of Governmental Fund Balance to Governmental Net Assets

Governmental Funds

June 30, 2012

Total fund balance for governmental funds as shown on the Balance Sheet	$	204,919,957
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on governmental funds balance sheet.		
Capital assets		1,703,014,524
Accumulated depreciation		(627,257,650)
Certain liabilities are not due and payable in the current period and, therefore, are not included on governmental funds balance sheet.		
Long-term bonded debt		(936,933,701)
Federal and state loans		(4,215,062)
Unamortized loss on refunding		6,638,704
Other post-employment benefits		(307,862,462)
Compensated absences		(22,448,977)
Long-term leases		(7,814)
Accrued interest payable on debt is recorded in governmental activities.		(12,010,631)
Deferred and unearned revenues:		
Revenues not available for use in the current fiscal year have been deferred until future periods on the governmental funds balance sheet.		89,818,086
Premiums received on certain bond issues have been deferred on the Statement of Net Assets.		(62,378,355)
The assets and liabilities recorded in the internal service funds have been added to governmental net assets because these funds are used to provide services to other funds.		
Net assets of the Internal Service Funds		26,897,851
Business-type activities allocation of Internal Service Funds net assets		(455,827)
Certain expenditures paid with current resources have been deferred to future periods on the Statement of Net Assets.		6,247,889
Total net assets for governmental activities as shown on Statement of Net Assets	$	63,966,532

Accompanying notes to financial statements are an integral part of this statement.

Anne Arundel County, Maryland

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2012

	Major Funds			Nonmajor	
	General	Impact Fees Capital Projects	General County Capital Projects	Governmental Funds	Totals
REVENUES					
General property taxes	$ 567,829,147	$ -	$ -	$ 27,878,749	$ 595,707,896
Local income taxes	394,480,856	-	-	-	394,480,856
State shared taxes	11,720,894	-	-	-	11,720,894
Grants and aid	-	-	13,125,257	39,702,033	52,827,290
Recordation and transfer taxes	59,088,413	-	-	-	59,088,413
Local sales taxes	32,258,227	-	-	-	32,258,227
License and permit fees	15,215,772	-	-	-	15,215,772
Impact fees	-	20,113,165	-	-	20,113,165
Special community benefit taxes	-	-	-	6,744,865	6,744,865
Investment income	633,691	195,230	-	2,615,442	3,444,363
Fees for services and other revenue	55,443,620	-	2,001,500	3,656,513	61,101,633
Total revenues	1,136,670,620	20,308,395	15,126,757	80,597,602	1,252,703,374
EXPENDITURES					
Current					
Education	584,662,000	55,645	83,146,103	-	667,863,748
Public safety	231,022,727	-	-	3,720,951	234,743,678
General government	76,043,945	-	105,600	2,583,344	78,732,889
Health and human services	42,337,165	-	-	27,046,667	69,383,832
Public works	34,633,953	2,882,816	-	571,565	38,088,334
Recreation and community services	34,766,573	-	-	14,829,130	49,595,703
Judicial	19,964,090	-	-	2,435,415	22,399,505
Code enforcement	11,507,403	-	-	28,774	11,536,177
Land use and development	8,094,961	-	-	1,225,059	9,320,020
Capital outlay	-	-	70,480,365	-	70,480,365
Debt service					
Interest payments on debt	36,631,192	-	-	3,105,520	39,736,712
Principal payments on debt	66,924,808	-	-	2,464,565	69,389,373
Interest payments on leases	3,526	-	-	-	3,526
Principal payments on leases	26,563	-	-	-	26,563
Total expenditures	1,146,618,906	2,938,461	153,732,068	58,010,990	1,361,300,425
Revenues over (under) expenditures	(9,948,286)	17,369,934	(138,605,311)	22,586,612	(108,597,051)
OTHER FINANCING SOURCES (USES)					
Transfers in	27,389,593	-	46,205,741	2,634,370	76,229,704
Transfers out	(31,228,020)	(11,522,824)	(1,465,000)	(32,013,860)	(76,229,704)
General obligation bonds issued	98,900,000	-	-	-	98,900,000
Bond anticipation notes issued	-	-	70,400,000	-	70,400,000
Payment of bond anticipation notes	(70,400,000)	-	-	-	(70,400,000)
Issuance of debt - Federal and State Loans	-	-	91,035	-	91,035
Refunding bonds issued	73,085,000	-	-	-	73,085,000
Payment to esrow agent	(87,600,104)	-	-	-	(87,600,104)
Premiums from sale of bonds	14,515,104	-	-	16,033,426	30,548,530
Transfers from internal service funds	5,300,000	-	-	-	5,300,000
Transfers to internal service funds	(1,545,790)	-	-	(460,000)	(2,005,790)
Increase in lawsuit liability	-	(67,118)	-	-	(67,118)
Total other financing sources (uses)	28,415,783	(11,589,942)	115,231,776	(13,806,064)	118,251,553
Net change in fund balances	18,467,497	5,779,992	(23,373,535)	8,780,548	9,654,502
Fund balances, July 1	61,041,736	51,916,826	54,528,734	27,778,159	195,265,455
Fund balances, June 30	$ 79,509,233	$ 57,696,818	$ 31,155,199	$ 36,558,707	$ 204,919,957

Accompanying notes to financial statements are an integral part of this statement.

Anne Arundel County, Maryland

Reconciliation of Changes in Fund Balances to Changes in Net Assets

Governmental Funds

Year Ended June 30, 2012

Changes in fund balances as shown on Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds	$	9,654,502
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over the estimated useful lives of those assets through an annual depreciation charge. The differences are as follows:		
Current year additions of capital assets		54,591,763
Current year donations of capital assets		8,100,899
Current year disposals of capital assets		(640,387)
Depreciation expense recorded in the Statement of Activities		(41,067,825)
Governmental funds report the additions and payments of long term liabilities in the period that current resources are provided or used. However, in the Statement of Activities, new debt is recorded as a liability and payments of principal are charged against that liability. In addition, interest payable must be accrued from the date of the last interest payment to the end of the fiscal year. Debt related differences are as follows:		
New debt issued in current year (including refunding debt)		(241,558,547)
Principal payments on debt		219,735,942
Forgiveness of State of Maryland debt		32,663,346
Decrease in amount due to Self Insurance Fund		7,230,767
Lease Payments		26,563
Change in accrued interest payable		28,327
Loss on refunding		6,736,048
Amortization of prior year refunding gain/loss		(428,012)
Accrual of compensated absences		(86,332)
Accrual of other post-employment benefit liability		(72,258,830)
Certain charges paid with current financial resources are deferred and amortized over one or more periods on the Statement of Activities. The differences are as follows:		
Expense was deferred to future periods		2,160,531
Amortization of expenditures deferred in previous years		(1,443,132)
Premiums received on bond issues have been deferred in the government-wide statements. The revenue will be recognized over the life of the related bonds. The differences are as follows:		
Deferred revenue		(30,548,530)
Amortization of amounts deferred		5,098,521
Certain revenue was deferred on the governmental fund statements because it was not available to pay expenditures of the current period. These deferred amounts are recognized as revenue in the Statement of Activities.		3,054,913
The current year activity in the internal service funds has been combined and eliminated against the governmental activities in the Statement of Activities. However, the net activity in the internal service funds that resulted from provision of services to business-type activities, component units, and outside agencies must be recognized in the Statement of Activities.		(1,543,247)
Changes in net assets as shown in governmental activities on the Statement of Activities	$	(40,492,720)

Accompanying notes to financial statements are an integral part of this statement.

Anne Arundel County, Maryland

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)

General Fund

Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	$ 564,912,000	$ 564,912,000	$ 567,829,147	$ 2,917,147
Local income taxes	366,588,200	366,588,200	394,480,856	27,892,656
State shared taxes	10,585,000	10,585,000	11,720,894	1,135,894
Recordation and transfer taxes	65,000,000	65,000,000	59,088,413	(5,911,587)
Local sales taxes	32,190,000	32,190,000	32,258,227	68,227
Licenses and permits	16,259,600	16,259,600	15,215,772	(1,043,828)
Investment income	550,000	550,000	212,484	(337,516)
Interfund recoveries	53,439,700	53,439,700	52,768,005	(671,695)
Fees for services and other revenues	51,036,200	51,036,200	54,952,378	3,916,178
Total revenues	1,160,560,700	1,160,560,700	1,188,526,176	27,965,476
EXPENDITURES				
Current				
Education	609,972,000	609,972,000	609,382,939	589,061
Higher education	33,051,600	33,051,600	33,031,455	20,145
Public safety	232,257,600	232,632,600	230,482,188	2,150,412
General government	111,440,900	108,590,900	102,732,315	5,858,585
Health and human services	43,591,500	43,741,500	43,289,209	452,291
Public works	33,545,700	35,395,700	35,342,198	53,502
Recreation and community services	37,072,300	37,072,300	36,786,862	285,438
Judicial	20,481,100	20,756,100	20,282,303	473,797
Land use and development	8,272,200	8,272,200	8,180,811	91,389
Code enforcement	11,354,200	11,604,200	11,510,128	94,072
Debt service	45,185,100	45,135,100	44,718,483	416,617
Total expenditures	1,186,224,200	1,186,224,200	1,175,738,891	10,485,309
Revenues over (under) expenditures	(25,663,500)	(25,663,500)	12,787,285	$ 38,450,785
Fund balances, budgetary, July 1	38,258,217	38,258,217	38,258,217	
Fund balances, budgetary, June 30	$ 12,594,717	$ 12,594,717	$ 51,045,502	

Fund balances - Unreserved	
Undesignated - GAAP basis	$ 46,035,927
Street Lights - accrual	157,438
Effect of Rainy Day Fund	(22,526,083)
Budgetary Fund Balance Inmate Benefits	(449,296)
Garage Fund deficit allocation	1,545,790
Self Insurance Fund surplus allocation	(1,040,774)
Undesignated - Non-GAAP basis	23,723,002
Designated for subsequent years	27,322,500
	$ 51,045,502

Accompanying notes to financial statements are an integral part of this statement.

Anne Arundel County, Maryland

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds		Nonmajor Fund		
	Water and Wastewater	Solid Waste	Child Care	Totals	Internal Service Funds
ASSETS					
Current assets					
Cash and temporary investments	$ 55,064,464	$ 26,822,576	$ 1,207,199	$ 83,094,239	$ 17,633,276
Investments	-	-	-	-	68,108,388
Service billings receivable, net	27,173,756	483,621	24,643	27,682,020	2,932,526
Due from other funds	41,760	7,050	1,238	50,048	1,545,790
Inventories	1,155,802	137,191	-	1,292,993	630,500
Other	-	-	-	-	1,532,427
Restricted assets					
Cash and temporary investments	10,015,767	20,758,177	-	30,773,944	-
Investments	186,517,729	-	-	186,517,729	-
Receivables					
Due from other governmental agencies	4,578,740	-	-	4,578,740	-
Other, net	12,196,708	-	-	12,196,708	-
Total current assets	296,744,726	48,208,615	1,233,080	346,186,421	92,382,907
Noncurrent assets					
Restricted assets					
Deferred connection and assessment charges	55,267,470	-	-	55,267,470	-
Capital assets	1,810,193,170	87,664,746	-	1,897,857,916	63,544,458
Less accumulated depreciation	(592,429,784)	(43,947,049)	-	(636,376,833)	(50,104,849)
Total capital assets, net of depreciation	1,217,763,386	43,717,697	-	1,261,481,083	13,439,609
Total noncurrent assets	1,273,030,856	43,717,697	-	1,316,748,553	13,439,609
Total assets	1,569,775,582	91,926,312	1,233,080	1,662,934,974	105,822,516
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	22,885,700	3,370,304	54,662	26,310,666	751,032
Current portion of long-term debt and obligations	24,320,905	3,439,081	29,044	27,789,030	19,679,978
Due to other funds	-	-	-	-	1,574,000
Escrow deposits	692,338	79,747	-	772,085	-
Liabilities related to restricted assets					
Accounts payable and accrued liabilities	4,539,185	-	-	4,539,185	-
Deferred revenue	24,108,563	-	-	24,108,563	-
Total current liabilities	76,546,691	6,889,132	83,706	83,519,529	22,005,010
Noncurrent liabilities					
Unpaid insurance claims	-	-	-	-	51,862,000
Accrued liability for compensated absences	107,012	55,656	8,307	170,975	10,802
Accrued liability for other post-employment benefits	23,597,521	5,563,636	350,103	29,511,260	5,046,853
Estimated landfill closure and postclosure	-	35,505,226	-	35,505,226	-
Long-term debt, net of deferred refunding gain/loss	356,033,209	26,015,102	-	382,048,311	-
Deferred revenue	3,912,613	-	217,293	4,129,906	-
Total noncurrent liabilities	383,650,355	67,139,620	575,703	451,365,678	56,919,655
Total liabilities	460,197,046	74,028,752	659,409	534,885,207	78,924,665
NET ASSETS					
Invested in capital assets, net of related debt	833,934,576	19,742,328	-	853,676,904	13,439,609
Restricted for debt service	250,397,620	-	-	250,397,620	-
Restricted for other purposes	4,578,740	-	-	4,578,740	-
Unrestricted	20,667,600	(1,844,768)	573,671	19,396,503	13,458,242
Total net assets	$ 1,109,578,536	$ 17,897,560	$ 573,671	$ 1,128,049,767	$ 26,897,851

Accompanying notes to financial statements are an integral part of this statement.

Anne Arundel County, Maryland

Reconciliation of Enterprise Funds Net Assets to Business-type Net Assets

Proprietary Funds

June 30, 2012

Net assets as shown on Statement of Net Assets - Proprietary Funds	$	1,128,049,767
The allocation of the net deficit in the Internal Service Funds to various activities, funds, etc. as it relates to business-type activities.		455,827
Net assets shown on government wide Statement of Net Assets	$	1,128,505,594

Accompanying notes to financial statements are an integral part of this statement.

Anne Arundel County, Maryland

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds		Nonmajor Fund		
	Water and Wastewater	Solid Waste	Child Care	Totals	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 86,737,248	$ 47,798,826	$ 4,031,663	$ 138,567,737	$ 28,293,836
Landfill charges	-	2,880,768	-	2,880,768	-
Medical premiums	-	-	-	-	91,095,889
Other revenues	6,697,740	2,434,549	107	9,132,396	48,683
Total operating revenues	93,434,988	53,114,143	4,031,770	150,580,901	119,438,408
OPERATING EXPENSES					
Personnel services	32,752,959	7,841,680	2,752,416	43,347,055	6,767,730
Contractual services	25,794,086	32,485,948	208,939	58,488,973	1,549,834
Supplies and materials	7,025,119	2,021,614	332,318	9,379,051	135,029
Business and travel	121,156	5,722	25,282	152,160	16,677
Cost of goods issued	-	-	-	-	9,312,658
Depreciation	39,118,597	1,718,840	-	40,837,437	4,840,589
Provision for claims and estimated losses	-	-	-	-	95,067,649
Landfill closure and postclosure costs	-	490,626	-	490,626	-
Other	9,194,376	2,908,250	454,500	12,557,126	1,366,100
Total operating expenses	114,006,293	47,472,680	3,773,455	165,252,428	119,056,266
Operating income (loss)	(20,571,305)	5,641,463	258,315	(14,671,527)	382,142
NONOPERATING REVENUES (EXPENSES)					
Investment income	962,101	109,838	-	1,071,939	1,204,361
Interest earned on long-term receivables	1,236,097	-	-	1,236,097	-
Other revenues (expenses)	1,620,122	(211,329)	-	1,408,793	-
Interest expense	(7,439,630)	(206,273)	-	(7,645,903)	-
Gain on disposal of assets	64,303	161,878	-	226,181	11,682
Income (loss) before contributions and transfers	(24,128,312)	5,495,577	258,315	(18,374,420)	1,598,185
Capital contributions, fees, and grants	76,527,093	2,000,000	-	78,527,093	-
Net equity transfers between funds	-	-	-	-	(3,294,210)
Change in net assets	52,398,781	7,495,577	258,315	60,152,673	(1,696,025)
Net assets, July 1	1,057,179,755	10,401,983	315,356	1,067,897,094	28,593,876
Net assets, June 30	$ 1,109,578,536	$ 17,897,560	$ 573,671	$ 1,128,049,767	$ 26,897,851

Reconciliation of changes in net assets per statement above to change in net assets business-type activities:

Change in net assets shown above	$ 60,152,673
The portion of internal service funds' current year activity related to enterprise funds has been allocated to the business-type activities on the government-wide statement of activities.	(152,778)
Increase in net assets as shown on the government-wide statement of activities	$ 59,999,895

Accompanying notes to financial statements are an integral part of this statement.

Anne Arundel County, Maryland

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds		Nonmajor Fund		
	Water and Wastewater	Solid Waste	Child Care	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received for services	$ 89,058,526	$ 53,447,489	$ 3,817,658	$ 146,323,673	$ 132,149,249
Cash received for expense reimbursement	-	-	-	-	320,643
Cash payments to suppliers for goods and services	(40,510,418)	(35,842,039)	(1,018,354)	(77,370,811)	(11,078,533)
Cash payments for insurance claims	-	-	-	-	(102,873,166)
Cash receipts for escrow deposits	-	-	-	-	36,345
Cash payments to employees for services	(27,682,730)	(6,539,506)	(2,816,381)	(37,038,617)	(5,704,216)
Contributions to other funds	-	(2,915,300)	-	(2,915,300)	-
Escrow deposits refunded	-	(36,035)	-	(36,035)	-
Other operating receipts	-	-	-	-	73,938
Other operating payments	-	-	-	-	(1,366,100)
Net cash provided by operating activities	20,865,378	8,114,609	(17,077)	28,962,910	11,558,160
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payments of long-term debt related to closure activities	-	(436,560)	-	(436,560)	-
Interest payments related to closure activities	-	(129,877)	-	(129,877)	-
Cash transfers between funds	-	-	-	-	(4,840,000)
Net cash used for noncapital financing activities	-	(566,437)	-	(566,437)	(4,840,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of bonds and bond anticipation notes	27,020,000	2,200,000	-	29,220,000	-
Proceeds from bonds refunded	24,670,000	-	-	24,670,000	-
Proceeds from grant funds	9,344,341	-	-	9,344,341	-
Proceeds from loan	6,463,062	-	-	6,463,062	-
Proceeds from developers' contributions	214,728	-	-	214,728	-
Refunds to developers	(181,935)	-	-	(181,935)	-
Assessments and connection charges	42,406,295	-	-	42,406,295	-
Environmental protection fees for capital assets	15,795,926	-	-	15,795,926	-
Escrow deposits	230,319	-	-	230,319	-
Payments of long-term debt	(21,788,777)	(1,563,632)	-	(23,352,409)	-
Payments of bond anticipation notes	-	(2,200,000)	-	(2,200,000)	-
Interest payments	(16,214,527)	(1,143,480)	-	(17,358,007)	-
Acquisition and construction of capital assets	(79,277,074)	(5,727,973)	-	(85,005,047)	(1,680,989)
Payments of debt issuance costs	(592,897)	-	-	(592,897)	-
Bond rebate	1,257,413	-	-	1,257,413	-
Premium on sale of bonds	6,206,549	-	-	6,206,549	-
Payments to escrow agent for refunded bonds	(29,359,048)	-	-	(29,359,048)	-
Proceeds from sale of equipment	-	-	-	-	52,247
Payment of capital related fees	(894,276)	-	-	(894,276)	-
Net cash provided by (used for) capital and related financing activities	(14,699,901)	(8,435,085)	-	(23,134,986)	(1,628,742)

Anne Arundel County, Maryland

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major Funds		Nonmajor Fund		
	Water and Wastewater	Solid Waste	Child Care	Totals	Internal Service Funds
CASH FLOW FROM INVESTING ACTIVITIES:					
Purchase of investment securities	(392,490,650)	-	-	(392,490,650)	(189,970,223)
Sale of investment securities	358,361,403	-	-	358,361,403	184,641,484
Interest on investments	313,628	109,838	-	423,466	1,291,038
Net cash provided by (used for) investing activities	(33,815,619)	109,838	-	(33,705,781)	(4,037,701)
Net increase (decrease) in cash and cash equivalents	(27,650,142)	(777,075)	(17,077)	(28,444,294)	1,051,717
Cash and temporary investments, July 1	92,730,373	48,357,828	1,224,276	142,312,477	16,581,559
Cash and temporary investments, June 30	$ 65,080,231	$ 47,580,753	$ 1,207,199	$ 113,868,183	$ 17,633,276
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	$ (20,571,305)	$ 5,641,463	$ 258,315	$ (14,671,527)	$ 382,142
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	39,118,597	1,718,840	-	40,837,437	4,840,589
Noncapital construction costs	552,008	-	-	552,008	-
Effect of changes in operating assets and liabilities:					
Accounts receivable	(4,386,149)	333,346	71,694	(3,981,109)	11,007,439
Due from other funds	(41,760)	-	-	(41,760)	-
Deposit with provider	-	-	-	-	36,345
Inventories	610,723	(13,008)	-	597,715	76,868
Accounts payable and accrued liabilities	(342,077)	(1,535,271)	(92,995)	(1,970,343)	(393,741)
Deferred revenue	-	-	(286,937)	(286,937)	-
Unpaid claims	-	-	-	-	(7,254,605)
Landfill closure and postclosure costs	-	490,626	-	490,626	-
Due to other funds	-	(7,050)	-	(7,050)	1,574,000
Escrow deposits	9,687	(36,035)	-	(26,348)	(4,450)
Accrued liability for compensated absences	12,663	(3,936)	5,811	14,538	15,302
Accrued liability for OPEB benefits	5,902,991	1,525,634	27,035	7,455,660	1,278,271
Net cash provided by operating activities	$ 20,865,378	$ 8,114,609	$ (17,077)	$ 28,962,910	$ 11,558,160
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of capital assets from developers	$ 3,691,814	$ -	$ -	$ 3,691,814	$ -
Increase (decrease) in fair value of investments	(942,375)	-	-	(942,375)	194,785
Amortization of refunding gains (losses)	(364,192)	-	-	(364,192)	-
	$ 2,385,247	$ -	$ -	$ 2,385,247	$ 194,785

Accompanying notes to financial statements are an integral part of this statement.

Anne Arundel County, Maryland

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Pension Trust Funds (December 31, 2011)	Agency Funds
ASSETS		
Investments, at fair value:		
Cash and temporary investments	$ 60,017,252	$ 15,979,279
U. S. government obligations	11,337,735	-
Corporate obligations	129,351,471	-
Domestic fixed income mutual funds	82,017,834	-
International fixed income mutual funds	76,349,255	-
Global asset pools	287,957,768	-
Domestic equity	225,288,143	-
International equity investment pools	169,130,058	-
Private markets	58,790,498	-
Portable Alpha	72,266,945	-
Real estate investment pools	51,563,187	-
Aetna insurance pooled fixed income	32,008,560	-
Absolute return funds	86,406,431	-
Total investments	1,342,485,137	15,979,279
Collateral from securities lending transactions	62,530,045	-
Receivables:		
Employer contributions	4,421,265	-
Participant contributions	1,238,046	-
Accrued interest and dividends	2,061,385	-
Investment sales proceeds	3,087,864	-
Total receivables	10,808,560	-
Deposits on hand	225,351	-
Total assets	1,416,049,093	15,979,279
LIABILITIES		
Accounts payable	1,528,538	-
Escrow and other deposits	-	15,979,279
Investment commitments payable	16,582,310	-
Obligation for collateral received under securities lending transactions	62,530,045	-
Total liabilities	80,640,893	15,979,279
Net asets held in trust for pension benefits	$ 1,335,408,200	$ -

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

Anne Arundel County, Maryland

Statement of Changes in Fiduciary Net Assets

Pension Trust Funds

Year Ended June 30, 2012

		Pension Trust Funds (December 31, 2011)
ADDITIONS		
Contributions:		
Employer	$	50,815,842
Participant		11,034,225
Total contributions		61,850,067
Investment income:		
Net appreciation in fair value of investments		3,910,507
Interest income		15,439,520
Dividend income		12,448,321
Total investment income		31,798,348
Less investment expense		(7,095,923)
Net income from investing activities		24,702,425
Securities lending activities:		
Securities lending income		314,772
Securities lending expenses:		
Borrower rebates		31,730
Management fees		84,975
Securities lending expense		116,705
Securities lending net income		198,067
Total net investment income		24,900,492
Total additions		86,750,559
DEDUCTIONS		
Participant benefit payments and refunds		77,259,760
Administrative expenses		1,340,439
Total deductions		78,600,199
Net increase		8,150,360
Net assets, beginning of year		1,327,257,840
Net assets, end of year	$	1,335,408,200

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

1 Summary of Significant Accounting Policies

The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). This note summarizes the significant accounting policies.

A Reporting Entity – The County's basic financial statements include various departments, agencies, and other organizational units governed directly by the County Executive and the County Council, herein referred to as the primary government. These statements also include other entities, which by the entities' relationships with the primary government are considered component units of the County. Accounting principles dictate that those entities that are financially accountable to the primary government or where exclusion would cause the financial statements to be misleading or incomplete should be included in the County's basic financial statements. The County's component units and the reasons for the entities' inclusion are as follows:

- **Anne Arundel County Board of Education** (Board of Education) - The Board of Education and the Anne Arundel County Public School System provide public education for the County's students in grades kindergarten through twelve.
- **Anne Arundel Community College** (Community College) – The Community College and its Foundation operate an institution of higher education within the County.
- **Public Library of Annapolis and Anne Arundel County** (Library) – The Library operates the public library system within the County.
- **Anne Arundel Economic Development Corporation** (Economic Development) – Economic Development provides services and programs that promote economic development within the County.
- **Tipton Airport Authority** (Tipton Airport) – Tipton Airport operates a general aviation airport in the western area of the County.
- **Anne Arundel Workforce Development Corporation** (Workforce Development) – Workforce Development provides jobs training and placement services to County citizens.

All of these entities are component units because the primary government approves the entities' respective budgets and/or provides a substantial amount of funding. In addition, the County Executive appoints a majority of the members of the governing bodies for Economic Development, Tipton Airport, and Workforce Development.

All of these entities are discretely presented in the government-wide statements. The Board of Education and the Community College are considered major component units and have been presented in separate columns on the face of the government-wide statements.

Separately issued financial statements for the Board of Education, the Community College, Economic Development, Tipton Airport, and Workforce Development may be obtained from the respective administrative offices. The addresses are provided as follows. The Library does not issue separate financial statements, and all of its required financial statements have been included in the County's comprehensive annual financial report.

Anne Arundel County Board of Education
2644 Riva Road
Annapolis, MD 21401

Anne Arundel Community College
101 College Parkway
Arnold, MD 21012

Anne Arundel Economic Development Corp.
2660 Riva Road, Suite 200
Annapolis, MD 21401

Tipton Airport Authority
P. O. Box 155
Odenton, MD 21113-0155

Anne Arundel Workforce Development Corp.
401 Headquarters Drive, Suite 205
Millersville, MD 21108

B Financial Statement Presentation, Measurement Focus, and Basis of Accounting – The basic financial statements are divided into three categories: government–wide financial statements, fund financial statements, and budgetary statements.

Government-Wide Financial Statements

The government-wide financial statements, consisting of the Statement of Net Assets and the Statement of Activities, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year levied, and grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met.

The government-wide statements present governmental activities, which are supported primarily by taxes and intergovernmental revenues, separately from business-type activities, which are funded primarily by user fees. In addition, the primary government's activity is presented separately from its discretely presented component units. The government-wide statements do not include the net assets or activities of the fiduciary funds, which include the pension trust funds and the agency funds, because these funds account for assets that are not owned by the County.

Interfund activity within the primary government's governmental activities and business-type activities has been eliminated from the government-wide statements. Residual balances between the governmental and business-type categories are presented on the Statement of Net Assets as "Internal balances." In addition, transactions between these activities and the internal service funds, which primarily serve the primary government, have been eliminated. Certain residual assets, liabilities, and net assets of the internal service funds have been added to governmental activities. In addition, transactions between the internal service funds and component units or other non-County agencies have been included in governmental activities.

Fund Financial Statements

The fund financial statements include statements for the governmental funds, the proprietary funds, and the fiduciary funds. Major funds within each category have been presented in separate columns, while all nonmajor funds are combined in one column.

Governmental fund financial statements - The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. Revenues are considered available if those revenues are collectible within the current period or shortly thereafter to pay liabilities of the current period. Expenditures are generally recorded when incurred; however, expenditures for debt service, compensated absences, claims, and judgments are recorded when payments are due.

The County considers revenue collected within ninety days of the end of the year as available, except for property taxes, which must be collected within sixty days. Therefore, property taxes, income taxes, certain shared taxes, and grants that have not been received within the availability period have been deferred to future periods.

The governmental fund financial statements separately present the following major funds:

- **General Fund** – This fund is the primary operating fund. It accounts for all financial resources of the primary government, except those accounted for in another fund.
- **Impact Fee Fund** – This special revenue fund accounts for impact fees collected from developers to pay a share of the cost of additional school capacity, road improvements, and public safety facilities necessitated by the development.
- **General County Capital Projects Fund** – This fund accounts for all financial resources that are received and used for the acquisition or development of major capital improvements. Resources received are applied in the following order: bonds, dedicated revenues such as developer contributions, pay-as-you-go, and grants.

Proprietary fund financial statements - The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of cash flows. These funds account for County services that operate as self-supporting activities. Those who benefit from these services bear the cost through the payment of user fees. The proprietary fund financial statements separately present the following major enterprise funds:

- **Water and Wastewater** – This fund accounts for the operating, debt service, and capital improvement activities of the water and wastewater utility services provided to County residents and businesses.
- **Solid Waste** – This fund accounts for the costs associated with the collection and disposal of refuse for County residents and businesses. This includes the cost of operations, debt service, capital improvements, and landfill restoration.

The proprietary fund statements also include a column that presents totals for internal service funds. These funds operate as self-supporting activities that primarily serve the primary government and its component units. The internal service funds of the County are:

- **Self Insurance** – The County is self-insured for workers' compensation, auto liability, and general liability insurance. This fund accounts for this self-insured activity and the purchase of policies from commercial insurers for certain specific exposures. These services, provided to the primary government and certain component units, are funded through charges to the users.
- **Health Insurance** – The County is self-insured for employee and retiree medical benefits. This fund accounts for this health insurance activity and the payment to outside administrators and medical service providers. These services are provided to the primary government and certain component units and other agencies and are funded through premiums charged to the users.
- **Central Garage and Transportation –** This fund accounts for activity in the County's Central Garage, which provides the primary government and certain component units with vehicle maintenance, fuel usage, and motor pool vehicles. Costs are recovered through fees to users for maintenance, fuel use, and vehicle lease charges.
- **Garage Vehicle Replacement –** This fund accounts for the collection of replacement fees from participating funds within the primary government and certain component units. The fees are used to replace motor pool vehicles as needed.

Fiduciary fund financial statements - The fiduciary fund statements include columns for the following:

- **Pension Trust Funds** – This column includes the activities of the Anne Arundel County Retirement and Pension System (Retirement System). The Retirement System accounts for the activity in the primary government's four defined-benefit pension plans and reports on a calendar-year basis. The Pension Trust Funds are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. These plans accumulate employer and employee contributions and invest these funds to provide guaranteed pension benefits after retirement. Employer contributions are based on actuarial recommendations.
- **Agency Funds** – This column includes the balances of assets and liabilities maintained in the primary government's agency funds. Since agency funds report only assets and liabilities, these funds do not use a measurement focus. Transactions in these funds are recorded using the accrual basis of accounting. These funds account for deposits that are collected and held on behalf of individuals, organizations, or other governments. These monies include escrow deposits for developer subdivisions, sediment control, recreation land, tax sale, and other miscellaneous purposes; monies held in trust on behalf of the Special Assessment Districts or other agreements; and taxes collected for other governments.

Budgetary Statements

The basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund. This statement is prepared using the budgetary basis of accounting in which revenues are recognized when available. This non-GAAP basis of accounting recognizes that the County's budget is adopted in accordance with legal requirements regarding appropriation authority and the certification of the availability of funds to support those appropriations. Pursuant to the County Charter, the capital and operating budgets are presented by the County Executive to the County Council during April. The County Council holds public hearings regarding the budget. The annual appropriation ordinance must be approved by June 1st and provides the spending authority at the department level for the operations of the County. Unexpended or unencumbered appropriations in the operating budget expire the following June 30th. The County also recognizes revenue collected within ninety days of the end of the fiscal year as available for the prior year's appropriation, except for property taxes, which must be collected within sixty days, and grant revenue when the County Controller has determined that sufficient documentation exists to support that revenues not yet collected within ninety days of the end of the year are available to support appropriations in that fiscal year. Budgetary expenditures are recognized when encumbered. The Impact Fee Fund, a major governmental fund, does not have a legally adopted budget as the fees are expended through the Capital Projects Fund. The General County Capital Projects Fund has a legally adopted budget and unspent appropriations at year-end carry forward to the subsequent year. All non-major governmental funds have legally adopted budgets except the Storm Drain Fees Fund and the Recreation Land Fees Fund, which are expended through the Capital Projects Fund.

Combining and Other Supplementary Schedules

For all columns in the basic financial statements that accumulate the data for nonmajor funds or component units, we have provided combining statements that present the individual funds included in these nonmajor categories. In addition, we have provided budgetary statements of revenue and expenditures for all primary government funds for which budgets are adopted. Separate financial statements for the Library, a nonmajor component unit, are also presented because the Library does not issue separate financial statements.

C ***Cash, Investments, and Related Income*** – Cash includes bank deposits in checking and savings accounts. Investments are external pools and fixed income issues which generally mature within one year. Investments may extend longer than one year to facilitate the specific purpose of a fund. Details on investment types and terms are displayed in Note 3, "Cash and Investments."

Investments are recorded at fair value. Available cash from the primary government and Library is pooled in the General Fund and invested in overnight or other investments. To facilitate the pooling, cash belonging to other funds is transferred to and from the General Fund. On the Statement of Cash Flows for the proprietary funds, cash and cash equivalents include bank deposits and liquid investments readily convertible to cash.

Investment income earned on investments is generally allocated to each fund based on its proportionate share of the average daily cash balance each month. However, investment income earned on the balances in certain special revenue funds, certain internal service funds, agency funds, and the Library Fund is retained in the General Fund. In addition, investment earnings recognized in the General County Capital Projects Fund are transferred to the General Fund.

Investments of the Retirement System are reported at fair value. Short-term investments 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. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on periodic independent appraisals. Investments that do not have an established market, such as Private Markets, are reported at estimated fair values. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in absence of readily ascertainable market values. There are no investments with parties or in entities related to the County.

D ***Inventories and Prepaid Expenses*** – Inventories of parts and supplies recorded in the General Fund and certain proprietary funds are valued at cost assuming a first-in, first-out consumption pattern. The government-wide and the fund statements record the cost of inventory as it is consumed, while the budgetary statements record the cost when the inventory is purchased. For the government-wide statements only, prepaid expenses are recognized as the services are consumed.

E ***Program Revenues*** – The government-wide Statement of Activities is presented using a net-cost format. Total costs are presented on a functional basis. Some of these functional activities are financed in whole or in part by program revenues received from parties outside the County government. These program revenues are subtracted from the functional costs to arrive at net costs. General County revenues are then applied against the net costs to arrive at changes in net assets for the fiscal year.

Program revenues include amounts received from those who purchase, use, or directly benefit from a program; amounts received from outside parties that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific purpose. Program revenues include user fees and charges, impact fees, fines, license and permit fees, special community benefit assessments, grants and contributions, and restricted investment income.

F ***Capital Assets*** – Capital assets of the primary government are recorded in the applicable governmental or business-type activities columns on the government-wide Statement of Net Assets. These asset balances include all constructed, purchased, or developer-donated public domain infrastructure (roads, bridges, and similar items). Infrastructure with an individual value of $50,000 or more, intangible assets and software with an individual value of $50,000 or more, and other assets with an individual value of $5,000 or more are capitalized. Capital assets are valued at historical cost or estimated historical cost. Donated assets are valued at the estimated fair value on the date donated. Depreciable assets are depreciated on a straight-line basis over the respective useful lives. The estimated useful lives of the capital assets are determined by the category. They are listed as follows:

Category	Years	Category	Years
Buildings, structures, sidewalks, curbs, gutters and water / sewer lines	50	Heavy machinery and other equipment	5 – 10
Water / sewer structures	35	Library collection	10
Land improvements	30	Furniture and fixtures	5 – 10
Culverts and storm drains	25 – 50	Office equipment, intangible assets, software, and telecommunications systems	5 – 7
Roads and bridges	17 – 30	Automobiles and small rolling stock	5
Landfills	15 – 20		

G ***Operating and Nonoperating Revenues and Expenses and Capital Contributions*** – The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds categorizes revenue sources into operating, nonoperating, and capital contributions. Operating revenues include charges for water, wastewater, landfill usage, child care and other revenue used to fund the ongoing provision of utility, waste collection, and child care services to citizens. The statement also presents combined totals for the internal service funds. These funds collect charges from other funds and component units for insurance and the primary government's motor pool maintenance and replacement. Nonoperating revenues include all other sources, such as interest earned and other revenue. Capital contributions include developer-contributed assets and grants, capital connection fees, capital facility assessments, and front foot benefit fees restricted for the construction of capital assets or the payment of debt issued for capital construction.

Operating expenses in the proprietary funds include the costs of operating the County's water and wastewater system, waste collection activities, and school-based child care services. Expenses consist of personnel and non-personnel services, cost of goods issued, depreciation, landfill closure and post-closure costs, indirect costs, and other miscellaneous allocated expenses. Nonoperating expenses include interest on debt and other miscellaneous expenses.

H ***Bond premiums and refunding gain or loss –*** The primary government typically receives premiums as a result of the sale of general obligation bonds. The treatment of the premiums differs depending on the basis of accounting used on the related statements. Premiums earned on debt in governmental activities are recognized as revenue in the year of the bond sale on the fund statement, amortized over the life of the bonds on the government-wide presentation, and applied against interest expense and the purchase of capital assets in the subsequent fiscal years on the budgetary statement. Premiums earned on the bonds in business-type activities are amortized over the life of the bonds in fund level and government-wide presentations; however, premiums are applied against interest expense in the current and subsequent years on the budgetary statements. The refunding gain or loss is applied against the shorter life of the old debt or the new debt.

I ***Capitalized interest*** – The primary government's Statement of Net Assets for business-type activities includes capitalized interest. Management estimates the fiscal year interest expensed on debt used for the construction of capital assets. This interest is added to the value of the capital assets and is depreciated over the life of the related water and sewer lines, structures and capital assets constructed for Solid Waste bond-funded projects.

J ***Indirect costs*** – Administrative costs of the primary government are generally included in the general government function on the government-wide Statement of Activities and the fund financial statements. However, some allocations of administrative costs are made through an indirect cost allocation plan, resulting in charges to the proprietary funds, Pension Trust Fund, and General County Capital Projects Fund. These allocated costs are included in the functional expenses of these other funds.

K ***Encumbrances*** – The governmental funds utilize encumbrance accounting under which purchase orders, contracts, and other commitments are recorded in order to reserve budget appropriations for that purpose. Open encumbrances at fiscal year-end are shown as part of the restricted, committed or assigned fund balance in the governmental fund statements and are recorded as expenditures on the budgetary statements. Encumbrances as of June 30, 2012 totaled $45,219,812 in the governmental fund types, of which $34,379,753 is for construction activity. The proprietary funds utilize encumbrance accounting for budgetary purposes. As of June 30, 2012, the proprietary funds had encumbrances totaling $116,005,756, of which $110,496,455 is for construction activity.

L ***Fund Balance Classification –*** The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable***: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Inventories, and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- ***Restricted***: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has classified Impact Fees for capital projects, Reforestation, Laurel Race Track Community Benefit and the Circuit Court fund as restricted based on State Enabling Legislation. Forfeitures are restricted since their use is restricted by Federal regulations for certain law enforcement activities. Debt service resources will be used for future servicing of General Obligation Bonds, Tax Increment Funds and Special Taxing Districts and are restricted through debt covenants. Grants are restricted based on various State and Federal laws and regulations which specify how funds will be spent.

- ***Committed***: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority through the passing of ordinances. These amounts cannot be used for any other purpose unless the County removes or changes the ordinance that was employed when the funds were initially committed. Erosion Control District, Recreation Land Fees, Strom Drain Fees, and Roads and Special Benefits are committed based on legislation in the County code.

- ***Assigned:*** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. The authority for assigning fund balance is expressed by the County Executive or their designee. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Capital Projects and Street Lights are assigned for the repair and replacement of equipment. The Installment Purchase Agreement fund is assigned for the purchase of agricultural and woodland preservation programs.

- ***Unassigned***: This classification includes the residual fund balance for the General Fund

The County typically uses Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

M ***Private sector guidance*** – As allowed by generally accepted accounting principles for business-type activities and enterprise funds, the County has chosen not to implement pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 unless those pronouncements are specifically adopted by GASB.

N ***Compensated absences -*** The primary government's Statements of Net Assets include an accrual for compensated absences. This accrual is an estimate of unused annual leave as of June 30, 2012. The annual leave accrual is calculated using unused annual leave hours as of June 30, 2012 and pay rates in place for each employee at fiscal year-end.

The compensated absences accrual also includes an estimate of sick leave payouts earned as of fiscal year-end. Certain employees are paid $25 per day for unused sick leave upon retirement. The estimate uses unused sick days at year-end multiplied by $25 per day. The accrual is then adjusted to reflect an estimate of the current employees that will ultimately retire with the primary government.

O ***New Pronouncements*** During the year ended June 30, 2012, GASB issued Statement No. 65, entitled Items Previously Reported as Assets and Liabilities; Statement No. 67, entitled Financial Reporting for Pension Plans; Statement No. 68, entitled Accounting and Financial Reporting for Pensions. The County is analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

P ***Use of Estimates -*** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes. Actual results could differ from those estimates.

2 Budgetary Information

A ***Supplemental Budgetary Appropriations -*** During the fiscal year, the County Council may adopt supplemental appropriations. For the year ended June 30, 2012, supplemental appropriations were adopted in the following funds: Grant Fund for $3,767,790; Workforce Development for $400,000; Arundel Community Development Service for $301,700; Bond Premium Fund for $6,290,000; Arundel Mill Tax Incremental Fund for $70,000; and the Central Garage and Transportation Fund for $1,000,000. During the year, the County Executive has the authority to approve various interdepartmental transfers which require the County Councils approval.

B ***Excess Expenditures over Appropriation and Fund Deficits -*** The County limits the spending of departments and funds by granting budgetary appropriation authority. These limits are established at the department level in the General Fund, separate funds are controlled at the fund level, and capital projects are controlled at the project level. Expenditures and encumbrances of the funds may not legally exceed appropriations at the department level. The Grants fund has a negative Fund Balance in the amount of ($2,010,898). This is as a result of funds being expended in the current fiscal year and not being reimbursed by the grantor within 90 days for the modified accrual basis of accounting. The Ethics Commission expenditures exceeded budgeted appropriations by $4,110 as of a result of exceeding personnel and contractual services. The Orphan's Court expenditures exceeded budgeted appropriations by $1,322 as of a result of exceeding personnel services and business & travel expenses. The Office of Administrative Hearings expenditures exceeded budgeted appropriations by $1,793 as of a result of exceeding personnel services. These expense budgets were not sufficiently increased in the fourth quarter transfer to match the actual costs. The Budget and Finance Offices will more closely monitor the fiscal year-end projections. The Library Fund has a negative fund balance of ($2,406,182) as a result of the OPEB accrual entry. The County is looking into setting up a trust fund for OPEB funding in the future.

C ***Reconciliation Between Fund Financial Statements and Budgetary Statements -*** Since the General Fund's Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual use different revenue and expenditure recognition policies, a reconciliation of these two statements is provided as follows:

Revenue (under) over expenditures - budgetary basis	$ 12,787,285
Net effect of encumbrances	(1,677,599)
Street Light Accrual - GAAP	(157,438)
Change in Revenue Reserve Fund Balance	5,313,983
OPEB Deficit Adjustment - GAAP Only	(1,545,790)
Change in Self Insurance Fund	3,451,030
Effects of Inmate Benefit Fund	166,411
Net inventory change	129,615
Change in fund balance - modified accrual basis	$ 18,467,497

3 Cash and Investments

The primary government pools available cash and centrally invests these funds to maximize earnings. The component units also pool available cash in this manner. The Retirement System cash is held separately. Significant accounting policies related to cash and investments are included in Note 1C.

A Policies – The primary government is authorized to invest available cash in obligations of the U.S. Government, its agencies and instrumentalities; repurchase agreements that are fully collateralized by direct U.S. Government obligations and U.S. Government agency and instrumentality obligations, including fixed rate Mortgage-Backed Securities; Bankers' Acceptances; mutual funds that are registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940 (the Act), are operating in accordance with Rule 2A-7 of the Act, and have received the highest possible rating from at least one Nationally Recognized Statistical Rating Organization as designated by the SEC; Certificates of Deposit; and Commercial Paper. In addition, the primary government can participate in the local government investment pool authorized and maintained by the State of Maryland. The fair value of the position in the pool is the same as the value of the shares. Finally, the primary government is authorized to invest bond proceeds that are subject to arbitrage rebate requirements in State and local government obligations.

Pooled cash is primarily used to purchase short-term investments. Policy requires that for repurchase agreement investments made by the County, the initial collateral securities underlying repurchase agreement investments have a market value of at least 102% of the cost of the repurchase agreement. The collateral is in the County's name and held by an independent third party or at the Federal Reserve. When the collateral falls under 101% or is $100,000 less than the 102%, additional collateral is required to bring the total to the required level.

The Retirement System is authorized to invest in U.S. Government securities, insurance company general accounts, commercial paper, money market mutual funds, corporate bonds, common and international stocks, limited partnerships, absolute return funds, private equity, mortgage participations, and real estate. The Retirement System lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Retirement System's custodian lends securities for collateral in the form of cash or other securities in an amount equal to 102% for domestic securities and 105% for international securities of the market value of the securities loaned.

Either the Retirement System or the borrower may terminate security loans on demand, although the average term of the loans is one week. Cash collateral is invested in the lending agent's money market mutual fund, which had a weighted average duration of 26 days at December 31, 2011, the year-end for the Retirement System. Because the loans were terminable at will, the loans' duration did not generally match the durations of the investments made with cash collateral. The Retirement System cannot pledge or sell collateral securities received unless the borrower defaults.

B Balances and Custodial Credit Risk – As of June 30, 2012, the carrying amount of the primary government's bank deposits was $353,589, bank balances were $2,952,322. All bank balances were fully secured by Federal Deposit insurance or fully collateralized.

Cash balances of the Board of Education are fully secured by Federal Deposit insurance and by collateral held in the Board's name at the Federal Reserve and by the financial institution's Trust Department. Deposits for

Anne Arundel Community College are secured and properly protected. The cash balances of the other nonmajor component units are insured or collateralized except $1,059,843, which is neither insured nor collateralized.

Custodial credit risk is the risk that the primary government will not be able to recover deposits in the event of the failure of a depository financial institution or will not be able to recover collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the primary government, and are held by either a counterparty or the counterparty's trust department or agent, but not in the primary government's name. The primary government's Investment Policy requires that the Controller maintain a list of financial institutions authorized to provide investment services, including custodial services and collateral requirements. Internal procedures establish the methods for evaluating eligible institutions. Custodial credit risk for deposits is not addressed in the policy.

C ***Interest Rate Risk –*** Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The fair market value of fixed income (debt) securities is affected by increases and declines in interest rates. These investments may also have embedded call features allowing the issuer to redeem part or all of the issue prior to maturity at a pre-set price. In addition, debt issues may have interest rates that vary according to a predetermined external index (such as the London Inter-Bank Offered Rate) or a predetermined step-up in the interest rate at a predetermined date(s). The primary government's Investment Policy does not specifically address interest rate risk. However, term limits are established for certain investments to minimize interest rate risk. The Retirement System's Investment Policy Statement (IPS) sets limits on floating rates for mortgage backed securities and establishes limits on the average duration of some investment types.

The table that follows uses the *Segmented Time Distribution* method to display debt investments by maturity for the primary government and the component units by term and investment type; excluding $48.0 million in certificates of deposit, which are treated as deposits, not investments. Market values for issues within the primary government's agency/instrumentalities category include $111,327,813 of callable issues and $22,090,000 for issues that have both callable and variable rate features. The component units' issues have no variable rate securities.

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**over 10**
Primary Government					
Repurchase agreements	$ 128,623,125	$ 128,000,000	$ -	$ -	$ 623,125
U.S. Government securities	8,376,491	-	-	-	8,376,491
Agency / instrumentalities	238,494,790	153,001,977	80,477,188	5,015,625	-
Bankers' acceptances	3,039,216	3,039,216	-	-	-
Money market pools	118,810,758	118,810,758	-	-	-
Tax exempt municipals bonds	62,324,642	27,002,600	35,322,042	-	
	$ 559,669,022	$ 429,854,551	$ 115,799,230	$ 5,015,625	$ 8,999,616
Board of Education					
Money market pools	112,777,395	112,777,395	-	-	-
	$ 112,777,395	$ 112,777,395	$ -	$	$
Community College					
Money market pools	$ 1,203,076	$ 1,203,076	$ -	$ -	$ -
Bond mutual funds	2,184,440	2,184,440	-	-	-
Guaranteed investment trusts	1,175,314	-	-	-	1,175,314
	$ 4,562,830	$ 3,387,516	$ -	$ -	$ 1,175,314
Other nonmajor component units					
Money market pools	10,295	10,295	-	-	-
	$ 10,295	$ 10,295	$ -	$ -	$ -

The following table uses *Segmented Time Distribution* to display the Retirement System's debt holdings by maturity term and investment type as of December 31, 2011. Some issues within the categories agencies/

instrumentalities, corporate bonds, collateralized mortgage obligations, and other asset-backed securities have variable rate features. The total fair value of these securities was $13,169,613 as of December 31, 2011.

The segmented time distribution table on the next page includes issues with call features and assumes that these issues will be held to maturity. The total fair market value of callable securities totals $73,796,865 with call dates ranging from January 1, 2012 for continuously callable issues to March 1, 2041. Stated call prices are generally at par. The callable holdings include issues with floating interest rates which have market value of $11,737,608.

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1 year**	**1 to 5**	**6 to 10**	**over 10**
U.S. Treasuries	$ 11,337,736	$ 3,560,338	$ -	$ 1,150,057	$ 6,627,341
Agency/Instrumentalities	29,937,728	-	326,554	898,850	28,712,324
Corporate Bonds	81,221,719	775,038	41,865,653	29,562,702	9,018,326
Bond Mutual Funds	158,367,089	-	79,169,261	79,197,828	-
Collateralized Mrtg Obligations	6,851,000	-	-	328,285	6,522,715
Other Asset-Backed Securities	4,613,347	-	432,039	-	4,181,308
Foreign and Yankee Bonds	6,727,677	113,650	3,122,979	2,874,014	617,034
Totals	$ 299,056,296	$ 4,449,026	$ 124,916,486	$ 114,011,736	$ 55,679,048

D ***Credit Risk*** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Debt securities are rated by Nationally Recognized Statistical Rating Organizations to provide purchasers with an opinion of the capability and willingness of a borrower to repay its debt. The primary government's Investment Policy does not address credit risk. The following table displays the County's debt holdings and quality ratings from Standard & Poor's and Moody's with the highest rating in each asset type listed first. Ratings for the component units and Retirement System are listed separately.

Investment Issuer or Type	**S&P**	**Moody's**	**%**	**Investment Type**	**S&P**	**Moody's**	**%**
Primary Government							
Federal Home Loan Bank	AA	Aaa	19.59	Certificates of Deposit	NR	NR	8.01
Federal Home Loan Mortgage	AA	Aaa	7.17	Tax Exempt Municipal	AAA	Aaa	2.97
Federal Nat'l. Mortgage Assoc.	AA	Aaa	8.78	Tax Exempt Municipal	AAA	Aa	0.55
Federal Farm Credit	AA	Aaa	4.17	Tax Exempt Municipal	AA	Aaa	0.43
Farmer Mac	NR	NR	0.09	Tax Exempt Municipal	AA	Aa	4.88
Bankers Acceptances	A-1	P-1	0.51	Tax Exempt Municipal	AA	A	0.83
Money market pool	AAAm	Aaa	5.68	Tax Exempt Municipal	A	A	0.23
Money market pool	AAAm	NR	10.87	Tax Exempt Municipal	AAA	NR	0.17
Money market pool	NR	NR	3.28	Tax Exempt Municipal	A	NR	0.20
Repurchase Agreements	NR	NR	21.46	Tax Exempt Municipal	NR	Aa	0.13
							100.00
Board of Education							
Money market pool	AAAm	NR	100.00				
			100.00				
Community College							
Money market pool	AAAm	NR	26.37	Bond Mutual Funds	NR	NR	47.87
				Guaranteed Invt Trust	NR	NR	25.76
							100.00
Nonmajor component units							
Money Market pool	AAAm	N/R	100.00				
			100.00				

The Retirement System's Investment Policy Statement (IPS) provides guidelines to all fixed income managers related to allowable quality ratings. Holdings as of December 31, 2011 are displayed next.

Investment Type	S&P	Moody's	%	Investment Type	S&P	Moody's	%
Agency/Instrumentalities	AA	Aaa	7.29	Yankee & Foreign Gov			
"	AA	NR	0.37	Issued Debt	AA	Aa	0.23
"	A	Aa	0.09	"	AA	A	0.03
"	A	NR	0.13	"	A	Aa	0.17
				"	A	A	0.42
Collateralized Mort. Oblig.	AAA	Aaa	0.1	"	A	Baa	0.04
"	AAA	Aa	0.01	"	BBB	A	0.03
"	AAA	Baa	0.03	"	BBB	Baa	0.24
"	AAA	Ba	0.04	"	BBB	Ba	0.04
"	AAA	Caa	0.04	"	BBB	NR	0.03
"	AAA	NR	0.16	"	BB	Ba	0.09
"	AA	Aaa	0.01	"	BB	B	0.07
"	AA	B	0.04	"	B	B	0.35
"	A	Aaa	0.04	"	C	B	0.01
"	BBB	Aa	0.11	"	NR	NR	0.03
"	BBB	Caa	0.015	Corporate Bonds	AA	Aa	0.32
"	NR	Baa	0.02	"	AA	A	0.13
"	B	B	0.12	"	A	Aa	0.25
"	B	Caa	0.1	"	A	A	1.62
"	CCC	Caa	0.58	"	A	Baa	0.45
"	CCC	C	0.07	"	BBB	A	0.23
"	CC	Ca	0.01	"	BBB	Baa	2.01
"	CC	NR	0.05	"	BBB	Ba	0.17
"	D	C	0.02	"	BBB	B	0.27
"	NR	Aaa	0.11	"	BBB	NR	0.14
"	NR	B	0.03	"	BB	Baa	0.28
"	NR	NR	0.12	"	BB	Ba	1.48
Other Asset-backed	AAA	Aaa	0.24	"	BB	B	2.30
Obligations	AAA	B	0.25	"	BB	NR	0.23
"	AA	Aa	0.02	"	B	Ba	0.67
"	AA	Baa	0.1	"	B	B	7.57
"	BBB	Baa	0.05	"	B	Caa	0.98
"	BB	Ba	0.11	"	B	NR	0.55
"	B	B	0.03	"	CCC	B	1.14
"	B	Ca	0.05	"	CCC	Caa	0.08
"	CCC	A	0.03	"	NR	A	0.12
"	CCC	Caa	0.13	"	NR	B	0.19
"	CCC	NR	0.10	"	NR	NR	0.20
"	CC	Ca	0.02	Mutual Funds	NR	NR	41.70
"	CC	NR	0.01	Guaranteed Invest Contracts	NR	NR	8.43
"	NR	Aaa	0.06	Short Term Investment Pools	NR	NR	15.80
							100.00

E ***Concentration Risk*** - Concentration risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. As of June 30, 2012, Federal Home Loan Bank represented 20.0% of the primary government's investments, Federal National Mortgage Association represented 9.0%, and Federal Home Loan Mortgage Bank represented 7.3%. Exposure to all other issuers was less than 5% each, excluding investment pools. The primary government's Investment Policy requires diversification of investments by security type and institution. Issuer limits are not addressed. There was no investment greater than 5% for the Board of Education or the Community College excluding pools. The Retirement System's IPS sets maximum concentration limits by asset type and manager style. As of December 31, 2011, there was no exposure to a single issuer greater than 5% of the Retirement System's plan net assets, excluding investment pools.

F ***Foreign Currency Risk*** – This risk relates to the potential, unfavorable fluctuation of exchange rates compared with the U.S. Dollar. Neither the primary government nor its component units had exposure to foreign currency as of June 30, 2012. The Retirement System recognizes the value of global diversification and retains six managers for global and international equity and fixed income investments. Global and international managers may also purchase or sell currency on a spot basis and may enter into forward exchange contracts on currency provided that the use of such contracts is designed to dampen portfolio volatility or to facilitate the settlement of securities transactions.

As of December 31, 2011, the Retirement System's had no direct exposure to fixed income foreign currency. International/global equities and fixed income assets totaled $533,437,081 in fair market value, managed in pooled funds as of December 31, 2011.

4 Receivables

A ***Property Taxes Receivable*** - The County's property tax is levied each July 1st based on values assessed and certified by the Maryland State Department of Assessments as of that date. Liens are placed on property at that time. A revaluation of each property is required to be completed every three years. For owner-occupied residential property, owners can choose to pay one payment due September 30th or two installments due on September 30th and December 31st. Property taxes are due from all other taxpayers on September 30th. After these dates, interest is charged each month on the unpaid balance. Property with delinquent taxes is sold at public auction each June.

B ***State Income Taxes Receivable*** – The State's distribution of the County's share of income taxes lags behind the County's fiscal year. Management estimates the amount of receivables for taxes earned in the fiscal year by analyzing the historical trends of distribution patterns and current year income tax activity.

C ***Long Term Receivables*** – The primary government has long-term receivables recorded in the Utility Fund consisting of deferred connection and assessment charges. The deferred charges are primarily for front foot benefit assessments, capital connections, and capital facility assessments. These receivables are collected over five to thirty years and include an interest charge that varies from 1.6% to 8.0%. The balance as of June 30, 2012 for the deferred charges is $55,267,470.

5 Capital Assets

The components of capital assets, changes in asset categories, and accumulated depreciation for the fiscal year ended June 30, 2012 are presented as follows.

Category	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	$ 200,198,916	$ 3,298,936	$ -	$ 203,497,852
Historical property/works of art	4,166,465	-	-	4,166,465
Construction in progress	157,662,928	59,930,771	(45,154,024)	172,439,675
Total assets not depreciated	362,028,309	63,229,707	(45,154,024)	380,103,992
Capital assets being depreciated:				
Land improvements	189,261,293	17,420,674	-	206,681,967
Buildings	309,098,479	963,920	-	310,062,399
Roads and bridges	351,780,340	10,848,971	(4,281,818)	358,347,493
Sidewalks, curbs, and gutters	39,569,545	3,765,457	(901,457)	42,433,545
Storm drains and culverts	282,477,170	9,001,468	(175,454)	291,303,184
Automobiles and rolling stock	81,383,969	2,438,797	(3,460,195)	80,362,571
Furniture, fixtures, and equipment	75,879,730	1,311,675	(969,285)	76,222,120
Software	20,758,149	707,108	(423,546)	21,041,711
Total assets depreciated	1,350,208,675	46,458,070	(10,211,755)	1,386,454,990

Category	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities (continued):				
Less accumulated depreciation for:				
Land improvements	(68,388,003)	(6,451,384)	-	(74,839,387)
Buildings	(92,596,093)	(6,201,406)	-	(98,797,499)
Roads and bridges	(178,667,601)	(11,670,797)	4,018,633	(186,319,765)
Sidewalks, curbs, and gutters	(15,777,385)	(866,700)	739,195	(15,904,890)
Storm drains and culverts	(161,993,790)	(9,654,367)	152,060	(171,496,097)
Automobiles and rolling stock	(60,785,032)	(5,913,491)	3,380,134	(63,318,389)
Furniture, fixtures, and equipment	(43,101,674)	(4,728,867)	753,691	(47,076,850)
Software	(19,545,809)	(432,448)	368,635	(19,609,622)
Total accumulated depreciation	(640,855,387)	(45,919,460)	9,412,348	(677,362,499)
Total capital assets being depreciated, net	709,353,288	538,610	(799,407)	709,092,491
Total governmental activities, net	$ 1,071,381,597	$ 63,768,317	$ (45,953,431)	$ 1,089,196,483
Business-type activities:				
Capital assets not being depreciated:				
Land and easements	$ 12,109,239	$ -	$ -	$ 12,109,239
Construction in progress	272,217,452	84,664,189	(35,108,799)	321,772,842
Total assets not depreciated	284,326,691	84,664,189	(35,108,799)	333,882,081
Capital assets being depreciated:				
Buildings	29,909,119	485,822	-	30,394,941
Landfills	41,954,932	3,743,851	-	45,698,783
Water and sewer plants and lines	1,416,824,206	41,220,144	-	1,458,044,350
Automobiles and rolling stock	8,390,147	1,668,803	(944,019)	9,114,931
Furniture, fixtures, and equipment	15,864,150	8,132,575	(3,273,895)	20,722,830
Total assets depreciated	1,512,942,554	55,251,195	(4,217,914)	1,563,975,835
Less accumulated depreciation for:				
Buildings	(6,741,719)	(689,712)	-	(7,431,431)
Landfills	(33,581,767)	(366,321)	-	(33,948,088)
Water and sewer plants and lines	(542,684,257)	(37,840,895)	(658,313)	(581,183,465)
Automobiles and rolling stock	(6,830,937)	(718,644)	939,985	(6,609,596)
Furniture, fixtures, and equipment	(9,802,761)	(1,221,865)	3,820,373	(7,204,253)
Total accumulated depreciation	(599,641,441)	(40,837,437)	4,102,045	(636,376,833)
Total capital assets being depreciated, net	913,301,113	14,413,758	(115,869)	927,599,002
Total business-type activities, net	$ 1,197,627,804	$ 99,077,947	$ (35,224,668)	$ 1,261,481,083
Board of Education:				
Capital assets not being depreciated:				
Land and improvements	$ 59,221,194	$ 1,808,000	$ -	$ 61,029,194
Construction in progress	98,388,606	85,758,352	(98,649,931)	85,497,027
Total assets not depreciated	157,609,800	87,566,352	(98,649,931)	146,526,221
Capital assets being depreciated:				
Buildings	1,155,969,038	99,137,915	-	1,255,106,953
Computer software	1,205,594	2,068,760	-	3,274,354
Furniture, fixtures, and equipment	45,909,575	1,302,634	(622,803)	46,589,406
Total assets depreciated	1,203,084,207	102,509,309	(622,803)	1,304,970,713
Less accumulated depreciation for:				
Buildings	(531,638,262)	(43,904,758)	-	(575,543,020)
Computer software	-	(327,435)	-	(327,435)
Furniture, fixtures, and equipment	(28,269,529)	(2,558,657)	565,723	(30,262,463)
Total accumulated depreciation	(559,907,791)	(46,790,850)	565,723	(606,132,918)
Total capital assets being depreciated, net	643,176,416	55,718,459	(57,080)	698,837,795
Total Board of Education, net	$ 800,786,216	$ 143,284,811	$ (98,707,011)	$ 845,364,016

Category	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Community College:				
Capital assets not being depreciated:				
Land	$ 2,377,178	$ -	$ -	$ 2,377,178
Construction in progress	5,163,972	17,981,480	(6,708,446)	16,437,006
Total assets not depreciated	7,541,150	17,981,480	(6,708,446)	18,814,184
Capital assets being depreciated:				
Land improvements	7,276,791	791,484	(33,821)	8,034,454
Buildings and improvements	117,326,502	3,704,058	(168,828)	120,861,732
Furniture, fixtures, and equipment	28,663,639	1,728,810	(7,328,570)	23,063,879
Total assets depreciated	153,266,932	6,224,352	(7,531,219)	151,960,065
Less accumulated depreciation for:				
Land improvements	(4,023,645)	(290,730)	17,363	(4,297,012)
Buildings and improvements	(46,400,491)	(3,761,943)	75,592	(50,086,842)
Furniture, fixtures, and equipment	(20,907,003)	(1,730,938)	6,090,329	(16,547,612)
Total accumulated depreciation	(71,331,139)	(5,783,611)	6,183,284	(70,931,466)
Total capital assets being depreciated, net	81,935,793	440,741	(1,347,935)	81,028,599
Total Community College, net	$ 89,476,943	$ 18,422,221	$ (8,056,381)	$ 99,842,783
Other non-major:				
Capital assets not being depreciated:				
Construction in progress	$ -	$ -	$ -	$ -
Capital assets being depreciated:				
Airport improvements	9,621,789	22,617	-	9,644,406
Library collection	14,879,743	2,892,134	(2,444,517)	15,327,360
Automobiles and rolling stock	31,915	-	-	31,915
Furniture, fixtures, and equipment	3,160,041	195,564	(88,869)	3,266,736
Total assets depreciated	27,693,488	3,110,315	(2,533,386)	28,270,417
Less accumulated depreciation for:				
Airport improvements	(3,176,268)	(481,460)	-	(3,657,728)
Library collection	(5,478,501)	(2,127,399)	1,388,648	(6,217,252)
Automobiles and rolling stock	(2,129)	(6,383)	-	(8,512)
Furniture, fixtures, and equipment	(2,376,087)	(181,820)	83,215	(2,474,692)
Total accumulated depreciation	(11,032,985)	(2,797,062)	1,471,863	(12,358,184)
Total capital assets being depreciated, net	16,660,503	313,253	(1,061,523)	15,912,233
Total other non-major, net	$ 16,660,503	$ 313,253	$ (1,061,523)	$ 15,912,233

The County has established tax increment and special taxing districts to aid in development efforts within certain geographical areas. The proceeds of debt issued on behalf of the districts are primarily used for capital improvements. Expenditures related to the improvements are recorded in the County's capital projects and are included as construction in progress until the projects are completed. Upon project completion, the amounts recorded in construction in progress are expensed, and the related assets are capitalized when developer construction agreements are finalized and the assets inspected. The assets are depreciated over their estimated useful lives.

Depreciation expense has been included in the functional categories on the Statement of Activities based on the governmental department, business-type activity, or component unit responsible for the asset. The table that follows shows the depreciation expense for each functional category.

Governmental activities:			*Business-type activities:*		
Education	$	46,488	Water and wastewater	$	39,118,597
Public Safety		8,010,406	Waste collection		1,718,840
General government		6,845,630		$	40,837,437
Health and human services		363,877	*Component units:*		
Public works		22,718,707	Board of Education	$	46,790,850
Recreation and community services		6,627,653	Community College		5,783,611
Judicial		1,306,699	Library System		2,221,935
	$	45,919,460	Economic Development Corp		38,822
			Tipton Airport Authority		487,175
			Workforce Development		49,130
				$	55,371,523

6 Restricted Assets and Liabilities

The following funds are shown as restricted on the Statement of Net Assets of the government wide financial statements; Impact Fees, Forfeiture and Asset Seizures, Roads and Special Benefits District, AA County Partnership for Children, Youth and Family, Reforestation, Laurel Racetrack, Workforce Development, Arundel Community Development Services, Grant Funds, Circuit Court, Street Lights, Erosion Districts, Storm Drain Fees, Recreation Land Fees, Bond Premium, Tax Increment Funds and Special Taxing Districts. In addition, fees collected by the Water and Wastewater proprietary fund, including capital connection, front foot benefit, and environmental protection fees are restricted for the payment of debt service incurred for the construction of capital facilities. Utilities capital grants are restricted and the Solid Waste Financial Assurance fund is restricted for the payment of closure and post-closure costs.

7 Interfund and Intra-Entity Balances and Transfers

The interfund balances of the primary government consist of the following as of June 30, 2012:

Fund With Receivable	Fund With Payable		Amount
General Fund	Special Revenue Funds	$	5,590,472
General Fund	Internal Service Funds		1,523,952
Enterprise Funds	Internal Service Funds		50,048
Internal Service Funds	General Fund		1,545,790
		$	8,710,262

Interfund balances between the General Fund and internal service funds have been eliminated on the government-wide Statement of Net Assets. The $5,590,472 balance represents special revenue funds' implicit borrowing from the General Fund as of June 30, 2012. The balance of $1,523,952 represents the Self Insurance Funds' surplus allocation and implicit borrowing from the General Fund as of June 30, 2012. The balance of $50,048 represents the Self Insurance Funds' surplus allocation to the Proprietary Funds as of June 30, 2012. The transfer of $1,545,790 represents transfers payable from the General Fund to the Central Garage fund as of June 30, 2012.

Transfers between the primary government's governmental funds presented as follows totaled $76,229,704 for fiscal year 2012. The purposes of these transfers are: bond proceeds transferred for capital projects; investment losses on capital project investments retained by the General Fund; transfers from the General Fund to the Grants fund and Arundel Community Development Services funds for grants, and to the Installment Purchase Agreements fund for land preservation; transfers from the Bond Premium Fund to the General Fund and General County Capital Projects fund for debt service payments and the purchase of capital assets, transfers from the Special Taxing Districts debt service fund to the Erosion Districts special revenue fund for project maintenance; transfers from the Erosion Districts special revenue fund to the Special Taxing Districts debt service fund; transfers from tax increment funds legally appropriated for transfer to the General Fund; transfers from the Street Light fund legally appropriated for transfer to the General Fund; transfers from the Storm Drain, Recreational Land Fees funds, and Reforestation funds for capital projects; impact fee funding for capital projects; impact fees transferred to the General Fund for debt service on impact fee bonds; and the return of capital projects pay-as-you-go funds to the General Fund.

Originating Fund	Recipient Fund	Amount
General	General County Capital Projects	$ 28,605,600
General	Nonmajor Governmental	2,622,420
Nonmajor Governmental	Nonmajor Governmental	11,950
Nonmajor Governmental	General	23,916,827
Nonmajor Governmental	General County Capital Projects	8,085,083
Impact Fees	General County Capital Projects	9,515,058
Impact Fees	General	2,007,766
General County Capital Projects	General	1,465,000
		$ 76,229,704

Transfers between the primary government's proprietary funds and governmental funds presented as follows totaled $7,305,790 for fiscal year 2012. The purposes of these transfers are transfers from the Health Insurance fund, and Garage Vehicle Replacement fund legally appropriated for transfer to the General Fund; transfers from the General Fund to the Central Garage fund to allocate the deficit fund balance; transfers from the Bond Premium Fund to the Garage Vehicle Replacement fund for the purchase of capital assets.

Originating Fund	Recipient Fund	Amount
Internal Service Funds	General	$ 5,300,000
General	Internal Service Funds	1,545,790
Nonmajor Governmental	Internal Service Funds	460,000
		$ 7,305,790

As of June 30, 2012, receivable and payable balances remained between the primary government and the discretely presented component units. These balances and transactions are a result of the primary government's ongoing funding of the component units' capital and operating costs and a return of funding. Those balances and the payments from the primary government to or on behalf of these parties are presented as follows:

Receivables/Payables

Entity with Receivable	Entity with Payable	Amount
Board of Education	Primary Government	$ 20,655,827
Community College	Primary Government	362,629
Other Nonmajor	Primary Government	1,285,744
Primary Government	Board of Education	12,246
		$ 22,316,446

Primary Government Expenditures

Originating Entity	Recipient Entity	Amount
Primary Government	Board of Education	$ 678,634,574
Board of Education (Full Accrual)	Primary Government	334,512
Primary Government	Community College	46,981,568
Primary Government	Other Nonmajor	17,702,710
		$ 743,653,364

8 Bonded Debt and Other Obligations

The primary government's Statement of Net Assets includes short and long-term debt and obligations comprised of bond anticipation notes, general obligation bonds, special assessment debt, leases, installment purchase agreements, and liabilities related to State loans, unpaid insurance claims, compensated absences, and claims and judgments. Descriptions of certain of these obligations and the respective balances, debt service requirements, and changes during fiscal year 2012 are provided as follows.

A ***Bond Anticipation Notes –*** The County periodically incurs short-term debt by issuing bond anticipation notes in the form of commercial paper for the purchase of capital related assets. Notes are sold with an initial maturity from 1 to 270 days, and, on refinancing, at the notes' maturities, with additional notes marketed at then-current interest rates. This remarketing is backed for liquidity purposes by a letter of credit, the terms of which provide that no principal repayments are due by the County (if there is a call on the letter of credit) until the termination of the agreement, which is maintained at two years at all times. The original maturity date of this liquidity arrangement was November 22, 2013. The maturities of notes outstanding during fiscal year 2012 ranged from 9 to 161 days, and interest rates ranged from 0.10% to 0.35%. The County issued $70,400,000 of bond anticipation notes in January, 2012. The County paid off $72,600,000 bond anticipation notes on June 15, 2012 of which $2,200,000 had been outstanding at June 30, 2011.

B ***General County Debt –*** Substantially all long-term bonded debt is issued as general obligation bonds for the purchase of capital related assets and guaranteed by the full faith and credit of the County, subject to limitations set forth in section 710 (d) of the County Charter, which restricts the growth of revenue derived from property taxes. The following Governmental Debt table includes General Obligation bonds but excludes the Tax Increment Bonds, Installment Purchase Agreements, and State loans which are listed in the following sections. Business Type Debt includes Solid Waste Bonds and Water Wastewater Bonds. The debt service requirements for the bonds outstanding as of June 30, 2012 are presented as follows:

General County Debt

Year ending June 30,	Governmental Principal	Governmental Interest	Business-type Principal	Business-type Interest
2013	$ 71,082,537	$ 37,030,886	$ 25,290,402	$ 17,401,686
2014	66,908,703	35,180,227	25,017,640	16,933,979
2015	62,791,657	32,234,431	23,941,159	15,951,767
2016	61,595,273	29,309,505	23,694,606	14,960,406
2017	59,790,585	26,331,756	22,999,672	13,928,890
2018-2022	252,535,806	92,282,989	95,827,921	56,666,389
2023-2027	177,644,041	40,855,625	79,647,300	37,443,609
2028-2032	77,785,099	7,645,167	59,627,510	21,382,520
2033-2037	-	-	38,235,000	9,135,333
2038-2042	-	-	16,730,000	1,897,837
	$ 830,133,701	$ 300,870,586	$ 411,011,210	$ 205,702,416

C ***Tax Increment and Other Debt -*** As of June 30, 2012, there was $93,155,000 of Special Obligation Tax Increment Bonds payable from property tax revenue generated from assessment increases occurring since the formation of the tax increment districts. This debt is included in the primary government's long-term debt on the Statement of Net Assets. Except for the Parole Town Center issue with $1,025,000 outstanding, the County has pledged its full faith and credit for these bonds. During the fiscal year ended June 30, 2012, $27,878,749 of incremental property tax revenue was collected and available for debt service purposes as reported on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for the Nonmajor Governmental Funds. The table that follows outlines the debt service requirements for these bonds.

Year ending June 30,	Principal	Interest	Year ending June 30,	Principal	Interest
2013	$ 2,340,000	$ 5,095,268	2018-2022	$ 15,010,000	$ 21,955,371
2014	1,430,000	5,010,210	2023-2027	23,400,000	16,910,940
2015	1,580,000	4,942,383	2028-2032	17,150,000	10,653,048
2016	1,720,000	4,868,808	2033-2037	13,375,000	6,835,504
2017	2,020,000	4,784,397	2038-2042	15,130,000	1,946,447
				$ 93,155,000	$ 83,002,376

In addition, there were $5,100,000 and $15,071,504 of special tax district bonds related to the Farmington Village Project and the Villages of Dorchester outstanding as of June 30, 2012, respectively. The proceeds of these bonds were used to finance infrastructure improvements within the special districts. These bonds are payable solely from the proceeds of a special tax levied on parcels within the districts and are not backed by the County's full faith and credit. This debt does not appear on the Statement of Net Assets. The County acts only as a fiduciary in collecting the taxes and servicing the debt.

D ***State Loans*** – The County has interest free loans outstanding as of June 30, 2012 of $4,215,062. These loans were received from the State for waterway improvements. During fiscal year 2012, the County paid $269,566 for principal. The table that follows outlines the debt service requirements:

Year ended June 30,		Principal	Year ended June 30,		Principal
2013	$	326,971	2018-2022	$	1,065,530
2014		325,325	2023-2027		877,446
2015		320,477	2028-2032		626,469
2016		320,477	2033-2037		31,891
2017		320,476			
				$	4,215,062

Federal Loans – As of June 30, 2012, the County had paid off the HUD Section 108 Loan for a community development capital improvement project.

E ***Leases*** – The County has entered into lease agreements for assets that qualify as a capital lease for accounting purposes. These agreements have resulted in capital assets totaling $105,083 for computer equipment and a postage inserter, all of which are used for governmental activities. The net present value of these minimum lease payments as of June 30, 2012 and the future minimum lease obligations were as follows:

Year ending June 30,		Present Value of Minimum Lease Payments		Interest		Total Minimum Payments
2013	$	3,907	$	2,008	$	5,915
2014		3,907		2,008		5,915
	$	7,814	$	4,016	$	11,830

The County has also entered into several operating lease arrangements for office space and equipment. All leases are cancelable at the option of the County. Many of the agreements contain renewal options, and some have rent escalation clauses. Total lease expenses for fiscal year 2012 were $2,627,910. Anne Arundel County has a fifty-year lease with the City of Annapolis for Eisenhower Golf Course. The lease terms state the rent shall be the sum of fifty percent (50%) of the annual net profits derived from the operation of the facilities. Because the amount varies, the future value of these lease payments is not included in the next table. The lease payments for fiscal year 2012 were $73,381. Minimum annual rental costs required by the leases are summarized as follows:

Year ending June 30,		Annual Rentals	Year ending June 30,		Annual Rentals
2013	$	2,293,580	2018-2022	$	1,646,705
2014		2,113,445	2023-2027		1,200,020
2015		1,756,023	2028-2032		1,200,015
2016		1,340,026	2033-2037		1,200,015
2017		585,940	2038-2042		140,144
				$	13,475,913

F Installment Purchase Agreements – The County has instituted an Installment Purchase Program to facilitate County purchases of real property easements to maintain farmland and other open space. Under this program, the County signs long-term debt agreements with property holders with a minimal down payment, typically $1,000. Interest and nominal principal payments are made over the life of the agreement, and a balloon payment is due at the end of the term to pay off the remaining principal balance. To pay the balloon payment, the County purchases and reserves a zero coupon U.S. Treasury Strip. This investment matures when the agreement expires and effectively earns the same interest rate that the County pays on the debt. The debt requirements as of June 30, 2012 are presented as follows:

Year ended June 30,	Principal	Interest
2013	$ 20,000	$ 729,416
2014	20,000	728,300
2015	20,000	727,185
2016	20,000	726,070
2017	20,000	724,954

Year ended June 30,	Principal	Interest
2018-2022	$ 100,000	$ 3,608,038
2023-2027	100,000	3,580,150
2028-2032	10,414,000	1,427,624
2033-2037	1,444,000	668,313
2038-2042	1,487,000	270,634
	$ 13,645,000	$ 13,190,684

G Year-end Balances, Debt Limitations, and Authorized Debt - A summary of the debt issues currently outstanding is provided as follows:

	Due Dates	Interest Rates	Amount of Original Issue	Amount Outstanding
Governmental activities:				
General obligation bonds	2012-2032	1.00% to 5.375%	$ 1,260,992,664	$ 830,133,701
Tax increment district bonds	2012-2041	2.00% to 6.25%	102,875,000	93,155,000
Installment purchase agreements	2012-2041	4.55% to 6.00%	13,819,916	13,645,000
Loans payable	2012-2038	0%	8,869,556	4,215,062
Total governmental activities			1,386,557,136	941,148,763
Business-type activities:				
Water and wastewater serial bonds	2012-2042	1.00% to 6.00%	600,068,106	382,899,911
Solid waste serial bonds	2012-2032	1.50% to 6.00%	46,067,488	28,111,299
Total business-type activities			646,135,594	411,011,210
			$ 2,032,692,730	$ 1,352,159,973

The County Charter authorizes the County Council to approve the issuance of general obligation bonds and to set limits on bonds issued through ordinance. Based on the effective ordinance, bonds (other than water and sewer) are limited at 5.2% of the assessable base of real property and 13% of the assessable base of personal property and certain operating real property of the County. In addition, general obligation water and sewer bonds are limited at 5.6% of the assessable base of real property and 14% of the assessable base of personal property and certain operating real property within the County's sanitary district. As of June 30, 2012, a review of the legal debt limitations reveals the following:

	General Bonds (5.2%/13% Limitations)		Water and Wastewater (5.6%/14% Limitations)	
Charter imposed limitation	$	4,351,151,087	$	4,280,857,976
Bonded debt outstanding				
Installment purchase agreements		13,645,000		-
General obligation-serial bonds		830,133,701		382,899,911
General obligation-serial bonds, Solid Waste		28,111,299		-
Tax increment bonds		93,155,000		-
		965,045,000		382,899,911
Legal debt margin	$	3,386,106,087	$	3,897,958,065

As of June 30, 2012, the County had the authority to issue bonds in the amount of $739,161,660 more than bonds already issued, including $528,047,753 of water and wastewater series bonds and $6,836,398 of solid waste series bonds. This unused authority will be used to fund existing capital projects and those appropriated through the budgetary process.

H ***Loans Payable –*** On April 15, 2002, the Anne Arundel Community College Foundation finalized an agreement between Anne Arundel County, Maryland and The Bank of New York whereby the Foundation borrowed $16,090,000 from the issuance of revenue bonds by the County. The proceeds of the loan were used to finance the cost of the construction of educational facilities. Interest only payments were due semi-annually on September 1 and March 1 through March 2005. Principal payments began on September 1, 2005 with the final principal payment due on September 1, 2028. Interest on the bonds varies from 3.15% to 5.25%. The loan balance as of June 30, 2012 was $13,280,000. Scheduled principal payments due on the bonds payable for future years ending June 30 are shown as follows:

Year Ending June 30,	Principal Payments		Year Ending June 30,	Principal Payments		Year Ending June 30,	Principal Payments	
2013	$	470,000	2016	$	-	2023-2027	$	3,460,000
2014		-	2017		-	2028-2032		6,645,000
2015		-	2018-2022		2,705,000			
							$	13,280,000

I ***State Of Maryland Liability*** –Local income tax revenue over distribution in the amount of $32,663,346 has been forgiven as a result of the State of Maryland repealing the replenishment of the local income tax reserve fund as part of Senate Bill 152.

J ***General County Due to Self insurance –*** The Government wide financial statements have eliminated the prior year liability in the amount of $9,641,023 that was due to the Self Insurance Fund as a result of increases in the rates charged and a lower than anticipated claims expense for fiscal year 2012. The surplus generated was allocated to the various funds to offset the outstanding liability.

K ***Changes in Debt and Obligations*** –The changes in the primary government's long-term liabilities are presented as follows:

	Balance June 30,2011	Additions	Reductions	Balance June 30,2012	Due Within One Year
Governmental activities:					
Bond anticipation notes	$ -	$ 70,400,000	$ 70,400,000	$ -	$ -
Bonds payable:					
General obligation bonds	805,527,565	171,067,512	146,461,376	830,133,701	71,082,537
Deferred refunding loss	(330,668)	(6,736,048)	(428,012)	(6,638,704)	(954,583)
Tax incremental and other debt	95,330,000	-	2,175,000	93,155,000	2,340,000
Total bonds payable	900,526,897	164,331,464	148,208,364	916,649,997	72,467,954
Federal and State loans	4,803,593	91,035	679,566	4,215,062	326,971
Capital leases	34,377	-	26,563	7,814	3,907
Installment purchase agreements	13,665,000	-	20,000	13,645,000	20,000
Unpaid insurance claims	78,401,360	95,502,801	102,757,406	71,146,755	19,284,755
OPEB obligation	239,372,214	73,537,101	-	312,909,315	-
State of Maryland liability	32,663,346	-	32,663,346	-	-
General County due to Self Insurance	9,641,023	-	9,641,023	-	-
Compensated absences	22,753,369	24,760,484	24,658,850	22,855,003	22,844,201
Total long-term	1,301,861,179	358,222,885	318,655,118	1,341,428,946	114,947,788
Total governmental activities	$ 1,301,861,179	$ 428,622,885	$ 389,055,118	$ 1,341,428,946	$ 114,947,788
Business-type activities:					
Bond anticipation notes	$ 2,200,000	$ -	$ 2,200,000	$ -	$ -
Bonds payable:					
General obligation bonds	401,373,061	61,270,550	51,632,401	411,011,210	25,290,402
Deferred refunding loss	(2,139,817)	(2,433,104)	(364,192)	(4,208,729)	539,350
Total bonds payable	399,233,244	58,837,446	51,268,209	406,802,481	25,829,752
OPEB obligation	22,055,600	7,455,660	-	29,511,260	-
Compensated absences	2,194,356	2,039,481	2,024,944	2,208,893	2,037,918
Total long-term	423,483,200	68,332,587	53,293,153	438,522,634	27,867,670
Total business-type activities	$ 425,683,200	$ 68,332,587	$ 55,493,153	$ 438,522,634	$ 27,867,670

L ***Advance Refundings*** – In fiscal year 2012, the County defeased the callable portion of certain series of General Obligation Bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. On August 18, 2011 the County issued $44.7 million in General Obligation Bonds ($35.8 million in General County and $8.9 million in Water Wastewater) with an average interest rate of 4 percent to advance refund $50.3 million of outstanding 2003 bonds (General County $40.4 million and $9.9 million in Water Wastewater) with an average interest rate of 3 percent. The net proceeds were used to purchase U.S. securities and were deposited in an irrevocable trust account with an escrow agent who will pay the debt as it becomes due. The advance refunding resulted in a difference between the reacquisition price and the net carry value of $2,608,992 for General County and $643,070 for Water Wastewater. There was a net present value savings of $4.7 million.

On June 5, 2012 the County issued $53.0 million in General Obligation Bonds ($37.2 million in General County and $15.8 million in Water Wastewater) with an average interest rate of 4 percent to advance refund $57.4 million of outstanding 2004 and 2005 bonds (General County $40.5 million and $16.9 million in Water Wastewater) with an average interest rate of 4 percent. The net proceeds were used to purchase U.S. securities and were deposited in an irrevocable trust account with an escrow agent who will pay the debt when it becomes due. The advance refunding resulted in a difference between the reacquisition price and the net carry value of $4,131,112 for General County and $1,785,979 for Water Wastewater. There was a net present value savings of $5 million.

In prior years, the County in-substance defeased certain general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2012, $109,695,000 of governmental debt and $47,805,000 of business-type debt outstanding from prior years is considered defeased.

9 Governmental Fund Balance

The details of the fund balances are included in the Governmental Funds Balance Sheet. As discussed in Note 1, the County typically uses Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

General Fund

The General Fund has Unassigned Fund Balance of $46,035,927 and an Assigned Fund Balance of $31,391,329 as of June 30, 2012. The Nonspendable Fund Balance of $2,081,977 is for inventory items. The Grants fund has a negative Unassigned Fund Balance in the amount of ($3,325,628). This is as a result of funds being expended in the current fiscal year and not being reimbursed by the grantor within 90 days for the modified accrual basis of accounting.

Other Major Funds

The Capital Projects Fund has Assigned Funds of $31,155,199 at June 30, 2012, consisting primarily of unspent bond funds. The Impact Fee Fund has Restricted Funds of $57,696,818 to be used for the construction of additional school capacity, road improvements and public safety facilities.

Other Funds

The following non-major funds have a Restricted Fund Balance designated for specific purposes:

Forfeiture and Asset Seizure Team: Law enforcement activities $956,549

Reforestation: Reforestation of County Properties $6,823,655

Laurel Racetrack Community benefit: Benefits services and facilities within three miles of Laurel Race Course $24,310

Circuit Court: Court House operations $78,054

The remaining Special Revenue Funds Restricted Fund Balances of $1,457,343; 15,708,764 and $1,563,957 relate to grants, capital projects and debt service, respectively. The restricted grant balance is comprised of the Grant Fund and Anne Arundel County Partnership for Children, Youth and Family. Committed Funds of $108,299 relates to Roads and Special Benefits; $436,368 relates to Storm Drain Fees: $665,868 relates to Erosion Districts; and $196,554 relates to Recreation and Land Fees.

The following funds have assigned fund balances; $2,781,854 relates to Street Lights and $9,082,760 relates to Installment Purchase Agreements.

Encumbrances

Encumbrance accounting is employed as part of the budgetary integration for the General Fund, special revenue funds, and capital projects funds. As of June 30, 2012, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances included in: Restricted Fund Balance	Encumbrances included in: Assigned Fund Balance
General Fund	$ -	$ 4,068,829
FAST Fund	19,845	-
Grants Fund	4,307,854	-
Reforestation Fund	35,285	-
Street Light Fund	-	2,398,246
General County Capital Projects Fund	-	34,379,753
Intallment Purchase Agreements	-	10,000
Total	$ 4,362,984	$ 40,856,828

10 Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and governmental activities defer revenue recognition in connection with resources that have been received, but unearned. At the end of the current fiscal year, the components of unavailable revenue and unearned revenue were reported as follows:

Deferred Revenue Governmental Funds	Unavailable	Unearned	Total
General Fund			
Property Taxes	$ 1,345,263	$ -	$ 1,345,263
State Income Taxes	82,996,258	-	82,996,258
911 Fees	973,944	-	973,944
Grants			
General County Grants	2,737,802	-	2,737,802
Grant Drawdown's in excess of Expenditures	-	710,344	710,344
General Capital Projects Fund	1,764,819	-	1,764,819
Total	$ 89,818,086	$ 710,344	$ 90,528,430

11 Conduit Debt

The County has issued Industrial Revenue Bonds to provide financial assistance to third parties for the acquisition or construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on underlying mortgage loans. Upon repayment of the bonds, ownership of the facilities transfers to the private entity served by the bond issuance.

As of June 30, 2012, 154 Industrial Revenue Bonds series had been issued. The aggregate principal amounts payable for the six series issued after July 1, 1996 that are still outstanding was $19,857,833. The aggregate principal amounts payable for the 145 issued prior to July 1, 1996, could not be determined; however, the original issues totaled $582,700,000. The County is not obligated in any manner for payment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

12 Pension Plan

Most County employees participate in one of four single-employer defined benefit pension plans, which are in separate trust funds and administered by the Anne Arundel County Retirement and Pension System (Retirement System). The Retirement System issues a separate financial report for these plans. A copy of this report can be obtained from Anne Arundel County on the Personnel page of the County website at www.aacounty.org. Some County employees participate in two multi-employer cost sharing pension plans administered by the State. The County plans were established under authority created by County Charter and legislation, while the State plans were created by State legislation.

A Single Employer Defined Benefit Pension Plans - The Retirement System administers the Anne Arundel County Employees' Retirement Plan (Employees Plan), Anne Arundel County Police Service Retirement Plan (Police Plan), Anne Arundel County Fire Service Retirement Plan (Fire Plan), and Anne Arundel County Detention Officers' and Deputy Sheriffs' Pension Plan (Detention Plan). Although the assets of the plans are commingled for investment purposes, each plan's assets must be used for the payment of benefits to the participants within that plan, in accordance with the terms of the plan. All benefit provisions are established by County legislation. Each of the plans provides for cost of living adjustments to annual benefit payments.

Membership in each plan consisted of the following as of January 1, 2012, the date of the latest actuarial valuation:

	Employees Plan	Police Plan	Fire Plan	Detention Plan	Total
Retirees and beneficiaries receiving payments	1,393	600	439	179	2,611
Terminated plan members entitled to but not yet receiving payments	260	-	-	9	269
Deferred Retirement Option Program (DROP)	-	60	121	-	181
Active plan members	2,209	576	631	347	3,763
	3,862	1,236	1,191	535	6,824

Employees Plan - All permanent County employees not included in another pension plan and employees of Economic Development are eligible to participate in the Employees Plan. Benefits vest after five years of service. The normal retirement age is age 60 or when the employee has completed 30 years of service. Employees may elect one of two benefit structures. Tier One employees contribute 4% of their base salary to the plan. Tier Two employees make no employee contributions. At normal retirement, Tier One employees receive 2% of final average basic pay (defined as the participant's highest three annual basic pays out of the last five years) times the years and months of credited service, and 2% for unused disability leave and up to three years of pre-employment military service. The maximum benefit is 60% of final average basic pay, except participants may accrue benefits in excess of the 60% cap for credited disability leave and pre-employment military service. Tier Two employees receive 1% of final average earnings times the years and months of credited service. The plan also provides death and disability benefits.

Police Plan - Permanent County employees in police service are eligible to participate in the Police Plan. Benefits vest at 20 years of service or normal retirement age of 50 with five years of service for those hired on or after February 25, 2002, and 20 years of service or age 50 for those hired before that date. Employees who retire are entitled to an annual benefit in an amount equal to 2.5% of final basic pay (defined as the participant's highest three annual basic pays out of the last five years) for each year of service up to 20 years, plus 2% for each year of service between 20 and 30 years, and 2% for unused disability leave and up to three years of pre-employment military service. The maximum benefit is 70% of final average basic pay, except participants may accrue benefits in excess of the 70% cap for credited disability leave and pre-employment military service. Participants with 20 years service may elect normal retirement, regardless of age. The plan also provides death and disability benefits.

Participants in the Police Plan may participate in the deferred retirement option program (DROP) if they were actively employed by the County in a position covered by the plan and have completed 20 years of actual Plan service. The participant's initial DROP term is three years, but he or she may extend participation for two additional one-year terms. A DROP participant continues as an active employee of the County, but the participant no longer makes employee contributions to the plan and accrues no additional pension benefit. During the term of DROP participation, the participant's annual retirement benefit as of the date DROP participation begins is credited to the participant in an account earning 8% interest annually. Participants entering the DROP program subsequent to June 30, 2009 earn 4.25% annually. When the DROP participation ends and the employee terminates service to the County, the account balance is distributed to the participant.

Fire Plan - Permanent County employees in fire service are eligible to participate in the Fire Plan. Benefits vest at normal retirement age. Participants may retire when they have 20 years of service, regardless of age, or at age 50 with 5 years of actual service. Employees who retire are entitled to an annual benefit in an amount equal to 2.5% of final average basic pay (defined as the participant's highest three annual basic pays out of the last five years) for each year of service up to 20 years, plus 2% for each year of service between 20 and 30 years, and 2% for unused disability leave and up to three years of pre-employment military service. The maximum benefit is 70% of final earnings, except participants may accrue benefits in excess of the 70% cap for credited disability leave and pre-employment military service. The plan also provides death and disability benefits.

Through June 30, 2002, participants with 20 years of County service who are at least age 50 may participate in a DPOP with provisions similar to those described for the Police Plan, except that participants earn 8% on their account regardless of date of entry into the program. After June 30, 2002, any participant with 20 years of service may participate, regardless of age.

Detention Plan - Permanent County detention center officers and personnel and sheriff deputies are eligible to participate in the Detention Plan. Uniformed detention officers and deputy sheriffs are Category I participants, and other eligible employees are Category II participants. Category I participants hired on or after August 9, 2004 vest after 20 years of service. Category I participants hired before August 9, 2004 and Category II participants vest after five years of service. The normal retirement age for Category I participants is age 50 with five years of credited service or 20 years of credited service, regardless of age. The normal retirement age for Category II participants is age 50 with five years of credited service. Members are entitled to an annual benefit in the amount of 2.5% of final average basic pay (defined as the participant's highest three annual basic pays out of the last five years) for each year of service up to 20 years, plus 2% of final average basic pay for each additional year, and 2% for unused disability leave and up to three years of pre-employment military service. The maximum benefit is 70% of final earnings, except participants may accrue benefits in excess of the 70% cap for credited disability leave and pre-employment military service. The plan also provides death and disability benefits.

***B Multiple-Employer Pension Plans* -** Primary government employees hired prior to July 1, 1969 who elected not to transfer to the Employees Plan and substantially all employees of the Board of Education, Library and Community College participate in plans of the State Retirement and Pension Systems of Maryland, which are multi-employer cost sharing defined benefit pension plans. The system plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The State Retirement and Pension System of Maryland issues a financial report that includes financial statements and required supplementary information. That report may be obtained by writing to State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, MD 21202.

***C Funding Policy and Annual Pension Costs* –** The employee contribution requirements for each defined benefit plan in the Retirement System are set by County legislation. The County's annual contribution is based on annual actuarial valuations. The Required Supplementary Information following these notes presents multi-year trend information about whether the actuarial value of each plan's assets is increasing or decreasing relative to the actuarial accrued liability for benefits year to year over a three year period. It also discloses the funded status and funding progress of the defined benefit plans for the most recent valuation date. The following table provides the actuarial assumptions, funding methods and contributions related to the fiscal year 2012 financial statements.

	Employees Plan	Police Plan	Fire Plan	Detention Plan
Contribution rates:				
County	Legislated amount	Legislated amount	Legislated amount	Legislated amount
Plan members:				
Tier One	4.00%	5.00% to 7.25%	5.00% to 7.25%	5.00% to 6.75%
Tier Two	-	Not applicable	Not applicable	Not applicable
Annual Pension Cost (APC)	$18,882,680	$14,502,900	$14,580,535	$5,089,053
Contributions made	$18,882,680	$14,502,900	$14,580,535	$5,089,053
Actuarial valuation date	January 1, 2011	January 1, 2011	January 1, 2011	January 1, 2011
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll	Level % of payroll
Remaining amortization period	Range 24-30 yrs Average 27 yrs Closed	Range 24-30 yrs Average 27 yrs Closed	Range 23-30 yrs Average 27 yrs Closed	Range 24-30 yrs Average 27 yrs Closed
Asset valuation method	5-yr smoothed market	5-yr smoothed market	5-yr smoothed market	5-yr smoothed market
Actuarial assumptions:				
Investment rate of return	4.50%	4.50%	4.50%	4.50%
Inflation rate	3.50%	3.50%	3.50%	3.50%
Projected salary increases	Varies by age 4.0% to 7.0%	Varies by age 4.5% to 6.5%	Varies by age 4.5% to 7.0%	Varies by age 4.5% to 6.5%
Cost of living adjustments	3.0% pre 2/97 2.1% post 2/97	3.5% pre 2/97 2.1% post 2/97	3.5% pre 2/97 2.1% post 2/97	3.5% pre 2/97 2.1% post 2/97

The next table provides five-year trend data for contributions.

Five Year Trend Information - Schedule of Employer Contributions
Fiscal Year Ended June 30,

	2008	2009	2010	2011	2012
Employees Plan					
Annual Pension Cost (APC)	$ 12,399,400	$ 13,414,470	$ 17,078,045	$ 17,490,119	$ 18,882,680
Percentage of APC Contributed	100.0%	100.0%	100.0%	100.0%	100.0%
Net Pension Obligation	$ -	$ -	$ -	$ -	$ -
Police Plan					
Annual Pension Cost (APC)	$ 9,777,042	$ 11,268,277	$ 13,588,002	$ 13,803,470	$ 14,502,900
Percentage of APC Contributed	100.0%	100.0%	100.0%	100.0%	100.0%
Net Pension Obligation	$ -	$ -	$ -	$ -	$ -
Fire Plan					
Annual Pension Cost (APC)	$ 11,194,123	$ 11,185,312	$ 14,217,007	$ 14,209,656	$ 14,580,535
Percentage of APC Contributed	100.0%	100.0%	100.0%	100.0%	100.0%
Net Pension Obligation	$ -	$ -	$ -	$ -	$ -
Detention Plan					
Annual Pension Cost (APC)	$ 3,557,116	$ 4,019,403	$ 4,678,430	$ 4,899,725	$ 5,089,053
Percentage of APC Contributed	100.0%	100.0%	100.0%	100.0%	100.0%
Net Pension Obligation	$ -	$ -	$ -	$ -	$ -

Certain participants in the State Retirement and Pension Systems (State plans) are required to contribute 2% to 7% of compensation to the plans. The County is required to contribute the remaining amounts necessary to fund the plans, except that the State pays the employer's share of retirement costs on behalf of certain teachers, professional librarians, and related positions for the Board of Education, Library, and Community College, in accordance with State law. These amounts are shown as grant revenue and current expenses in the financial statements of these component units. County expenditures for those employees in the State plans for the years ended June 30, 2011, 2010, and 2009 equal the required contributions and are summarized as follows along with the State's contribution on behalf on the employees discussed previously.

	Fiscal Year Ended June 30, 2012	2011	2010
County contributions:			
Primary Government	$ 1,601,891	$ 1,525,610	$ 1,452,962
Board of Education	9,462,169	8,676,048	7,154,856
Community College	365,384	334,674	316,825
State contributions on behalf of:			
Board of Education	70,640,804	71,593,291	62,628,729
Community College	3,511,596	3,619,650	3,105,354
Library	1,211,713	1,308,229	1,146,176
	$ 86,793,557	$ 87,057,502	$ 75,804,902

D ***Funded Status and Funding Progress*** **-** The funded status of each plan as of January 1, 2011, the actuarial valuation date related to the fiscal year 2012 contributions and financial statements, is as follows:

	(A) Actuarial Value of Assets	*(B) Actuarial Accrued Liability (AAL)*	*(B-A) Unfunded AAL (UAAL)*	(A/B) *Funded Ratio*	*(C) Covered Payroll*	*((A-B)/C) UAAL as a percentage of Covered Payroll*
Employee's Plan	$522,165,145	$627,269,587	$105,104,442	83.2%	$123,498,129	85.1%
Police Service Plan	435,891,125	502,001,669	66,110,544	86.8%	42,449,204	155.7%
Fire Service Plan	425,830,155	464,489,607	38,659,452	91.7%	47,840,812	80.8%
Det.Officers'& Sheriffs Plan	87,911,133	119,767,203	31,856,070	73.4%	19,310,216	165.0%

The schedules of funding progress, included as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

E ***Exposure to Derivatives*** - Derivative instruments are securities that derive value from another asset and are in the form of a contract between two or more parties. Common derivatives are futures contracts, forwards contracts, options, and swaps. The System has no direct exposure to derivative securities. There are, however, mutual funds, commingled funds, and other investment vehicles in which the System has a percentage ownership that have exposure to futures, currency forward contracts, commodity forward contracts, and total return swap contracts. These funds enter into derivative contracts as part of their investment strategies to mitigate risk and volatility.

A derivative policy statement is included in the Investment Policy Statement (IPS). Prohibited instruments include options, commodities, uncovered options or futures, uncovered short positions, short selling, and use of financial leverage. The derivative exposure as of 12/31/2011 within the mutual funds is comprised of allowable instruments based on the IPS.

F ***Commitments*** **-** The System has committed to fund various private equity investments totaling $115 million at December 31, 2011, of which $49.3 million remains unfunded. The expected funding dates for these commitments extend through 2017.

G ***Teacher pension funding shift*** - Legislation enacted by the Maryland General Assembly during 2012 requires County Boards of Education to pay a certain portion of certain employer contributions for certain members of the Teachers' Retirement System or the Teachers' Pension System beginning in fiscal year 2013. Anne Arundel County's contribution for fiscal year 2013 is almost $11.5 million and increases to about $21.9 million by fiscal year 2015. Beginning in fiscal year 2016, each local Board will pay its local share equal to the normal contribution rate for the Teachers' Retirement System and the Teachers' Pension System multiplied by the aggregate annual earnable compensation of the local employees of that local employer.

13 Other Post-employment Benefits

The primary government, the Board of Education, the Community College, and the Library administer single-employer defined benefit healthcare plans for retirees. The following provides a summary of the plans' descriptions and eligibility, funding policies and sources of authorization, annual cost and net obligations, and the actuarial methods and assumptions used in determining costs and liabilities. In addition, required supplementary information includes trend data about these plans. The Supplementary Information following these notes presents multi-year trend information about whether the actuarial value of each plan's assets is increasing or decreasing relative to the actuarial accrued liability for benefits year to year over a four year period. There is not a separate audited postemployment benefit report available.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

A Plan Description, Eligibility, Authorization, and Funding Policy - The primary government provides a group health plan for employees and retirees under the authority of § 6-1-308 of the County Code. This health plan may be extended to other component units under § 6-1-309 of the County Code. The Community College and the Library provide retiree health insurance through participation in the County's health plans. The County collects premiums from these entities to offset the related costs. The County Code requires the County to pay 80% of the health coverage cost for County retirees and the Library pays 80% for Library retirees. County and Library retirees have the option of retaining dental and vision coverage, but must pay the full premium for these benefits.

Anne Arundel County Public Schools (AACPS) employees eligible to retire and receive Maryland State Retirement Agency (MSRA) benefits may be eligible for retiree healthcare benefits based on service criteria. In FY 2012, the Board funded 75% of the premiums for medical, prescription drug, and dental plans for employees hired on or before September 15, 2002. For employees hired after September 15, 2002, the Board funds a portion of the medical premium ranging from 25% with 10 years of service to 75% with 20 or more years of service, but no dental funding is available. No Board funding is provided for vision coverage regardless of service date. Active employees and retirees have the same medical, dental, and vision plans while retirees over 65 have three Medicare Supplemental Plans available. The retiree and active prescription plan co-payments differ. The retiree plan is evaluated separately based on claims experience however, a blended percentage increase has been applied to the retiree rates.

The Community College (the College) provides medical, dental, and vision benefits to eligible retirees who are enrolled in medical coverage at the time of retirement. The benefit levels, employee contributions, and employer contributions are governed by and may be amended by the College Board of Trustees. Retirees are eligible for these benefits if they have a minimum of 10 years of service and meet the eligibility requirement of their retirement plan, (Maryland State Retirement System or Optional plan). The College contributes to the cost of retirees' benefits at a rate of 2.5% for each year of service, and employees must have at least 10 years of service to qualify. The maximum paid by the College is 75%. Retirees have no vested rights to these benefits.

The number of participates eligible to participate in the plans as of July 1, 2010 are presented as follows. Inactive individuals include both retirees and those who are terminated and vested.

	Active	Inactive	Total
Primary Government	3,996	2,236	6,232
Board of Education	8,489	3,924	12,413
College	263	272	535
Library	184	129	313
Total	12,932	6,561	19,493

B ***Funding Policy*** - Neither the primary government nor the component units have established irrevocable trust funds and legally restricted any funds for these plans. The entities currently fund the retirees' healthcare costs on a pay-as-you-go basis. The County has established a Benefits Collaborative Study Group through resolution to review existing benefits, assess the impact of continued increases in the costs of these benefits on current and projected revenues and expenditures, determine the fair and equitable priorities in the reduction of the benefit costs and report to the County Executive and the County Council on these recommendations. The County anticipates utilizing a trust fund in the future to manage the retiree health care unfunded actuarial accrued liability.

C ***Annual OPEB Costs and Net OPEB Obligation*** – The annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined using the projected unit credit cost method in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over an open period of thirty years. The net OPEB obligation has been recognized as a liability on the County's government-wide financial statements. The following table shows the primary government and the component units annual OPEB cost for the year and the amount actually contributed.

(Amounts shown in thousands)

	Primary Government	Board of Education	College	Library	Total
Actuarial accrued liability (AAL)	$ 1,187,938	$ 1,304,189	$ 60,287	$ 37,684	$ 2,590,098
Actuarial value of plan assets	-	-	-	-	-
Unfunded actuarial accrued liability (end of year)	$ 1,187,938	$ 1,304,189	$ 60,287	$ 37,684	$ 2,590,098
Annual Required Contribution	$ 102,777	$ 91,080	$ 5,468	$ 3,439	$ 202,764
Interset on Net OPEB Obligations	10,455	3,643	683	357	15,138
Adjustment to ARC	(10,353)	795	(676)	(353)	(10,587)
Total Annual OPEB Cost	102,879	95,518	5,475	3,443	207,315
Less: Pay-As-You-Go Contribuitions	(21,886)	(33,893)	(1,154)	(763)	(57,696)
Increase in Net OPEB obligation	80,993	61,625	4,321	2,680	149,619
Net OPEB obligation beginning of year	261,428	185,518	17,422	9,011	473,379
Net OPEB obligation end of year	$ 342,421	$ 247,143	$ 21,743	$ 11,691	$ 622,998
Percent of Annual OPEB Cost contributed	21.27%	35.48%	21.08%	22.16%	27.83%
Covered payroll	$ 215,209	$ 572,923	$ 89,955	$ 9,819	$ 887,906
UALL as a % of Covered Payroll	551.99%	227.64%	67.02%	383.79%	291.71%

D ***Actuarial Methods and Assumptions*** - Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employers and plan members) and include the types of benefits provided at the time of the valuations and the historical pattern of sharing of benefit cost between the employer and plan member to that point. The actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Assumptions for Primary Government

Actuarial Cost Method	Projected Unit Cost
Amortization Method	Closed
Amortization Period	30 (as of July 1, 2009)
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	4.00 %
Payroll Increase	3.50%
Medical Trend	Based on Society of Actuaries Long Term Medical Trend Model, the initial rate was 8 percent which is decreasing gradually. The rate in 2050 is 4.9 percent.
Inflation Rate	3.2 %

14 Risk Management

The County retains the risk of loss for workers' compensation and Directors and Officers coverage for the primary government, the Library, the Board of Education, and the Community College; general liability and vehicle liability coverage for the primary government, Library and the Board of Education; and health coverage for the primary government. The County purchases insurance coverage for real and personal property and money and security coverage, as well as school bus insurance for the bus contractors of the Board of Education. All insurance activities are recorded in the Self Insurance Fund, except for health activity, which is recorded in the Health Insurance Fund.

The Self Insurance Fund has recognized a liability at fiscal year-end for those claims where a loss has occurred and the amount of loss can be reasonably estimated. This estimate includes reserves for non-incremental claims adjustment expense. An actuarial review of all claims is used as the basis for determining the liability at the end of the year. Management, with the assistance of claims administrators, estimates the liabilities for the Health Insurance Fund. Both funds include estimated liabilities for claims that have been incurred but not reported. Claims are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. As of June 30, 2012 the Self Insurance Fund liability of $65,742,000 is discounted since discounting is more reflective of the nature of the claims. The Health Insurance Fund liability of $5,404,755 is undiscounted since claims will be paid within one year of the date incurred. Settlements have not exceeded coverage for each of the past three years. Changes in the balances of claims liabilities during fiscal years 2012 and 2011 were as follows:

	2012	2011
Liability balance, July 1	$ 78,401,360	$ 79,648,857
Current year claims and changes in estimates:		
Changes in estimates - prior periods	(8,607,000)	27,000
Changes in estimates - current year	104,109,801	99,395,935
Claims payments	(102,757,406)	(100,670,432)
Liability balance, June 30	$ 71,146,755	$ 78,401,360

15 Landfill Closure, Postclosure, and Remediation

The primary government has utilized three landfill sites; however, only one site, the Millersville Landfill, is still accepting trash. The others, Glen Burnie and Sudley, ceased accepting solid waste in 1983 and 1993, respectively. The Millersville site consists of nine individual cells. Cells 1 through 7 are closed, cell 8 is active and 86.7% full, and cell 9 has not yet opened. Cells 8 and 9 have useful lives to at least 2016 and 2040, respectively. The table that follows presents the costs and liabilities related to all sites. The costs for cells 8 and 9 at the Millersville Landfill are determined by applying the percent of capacity used to the total estimated closure and postclosure costs.

	Millersville	Closed Sites	Total
Total costs:			
Closure	$ 55,509,047	$ 18,163,719	$ 73,672,766
Post closure	39,888,520	3,989,765	43,878,285
	95,397,567	22,153,484	117,551,051
Less:			
Amount recognized thru June 30, 2012	53,580,374	22,153,484	75,733,858
Costs remaining to be recognized	$ 41,817,193	$ -	$ 41,817,193
Liability recorded at June 30, 2012			
Closure	$ 11,696,761	$ -	$ 11,696,761
Current portion post closure	754,946	241,994	996,940
Post closure	20,060,694	3,747,771	23,808,465
	$ 32,512,401	$ 3,989,765	$ 36,502,166

The primary government accounts for landfill activities in the Solid Waste Fund. Management uses Federal and State regulations to estimate the costs of closure, remediation, and monitoring the landfills. These estimates are recorded at current costs and are management's best judgment of the minimum cost required to correct identified problems and close and remediate open cells. These estimates are subject to periodic reevaluation, and actual costs may differ due to inflation or deflation, changes in technology, or changes in applicable laws and regulations. The closure reserves increased in the amount of $1,094,454 and post closure reserves decreased by $603,625 in FY12. These amounts include changes to the estimates in the reserves, payments, and other adjustments.

The Financial Assurance fund has reserved $20,758,177 for post closure care as of June 30, 2012.

16 Contingent Liabilities

A ***Impact Fees*** – As of June 30, 2012, the primary government held impact fees accumulated for construction of schools and roads in designated districts of the County. County legislation authorizes the collection of such fees. As of June 30, 2012, the County held $60,499,514 in impact fees. In addition, the County has entered into impact fee agreements with developers who provide offsite improvements designed to lessen the impact of development on the immediate community. Unredeemed impact fee credits totaled $16,527,193 as of June 30, 2012.

B ***Lawsuits –*** Certain current owners of property on which impact fees were paid in fiscal years 1988 through 1996 have pursued a class action suit against the County seeking refunds of development impact fees paid to the County during these fiscal years on grounds that they were not expended or encumbered in a timely manner under the County Code. The case was originally dismissed by the Circuit Court on July 26, 2001 but following an appeal, the Court of Special Appeals remanded the case to Circuit Court August 21, 2002. On December 15, 2006, the Circuit Court issued a judgment, finding that, without the consideration of encumbrances, impact fee refunds of $4,719,359, plus statutory interest, were due to the current owners of certain specified impact fee paying properties. On February 7, 2008, the Court of Special Appeals issued an opinion agreeing with the County's position regarding the use of encumbrances. After a clarifying opinion of the intermediate appellate court was issued on May 7, 2008 and a Court of Appeals decision on other issues was issued on May 6, 2009, the Court of Special Appeals remanded the case to the Circuit Court for a new determination of the amount of impact fee refunds with consideration of encumbrances. The Circuit Court held evidentiary hearings on various dates throughout 2010 and early 2011. On July 24, 2012, the Circuit Court issued a revised judgment finding that with consideration of encumbrance's impact fee refunds of $1,342,360 (subject to 5% interest from the date of payment of each impact fee) are due to the current owners of certain specified impact fee paying properties. At this time the County estimates that the interest will be approximately $1,470,000. This estimate was based on the assumptions that (1) every fee or portion of a fee that will be refunded was paid on January 1 of the fiscal year in which the fee was paid, and (2) the refunds will be paid on January 1, 2013. The actual dates of payment of the fees and the refunds have not yet been determined. Because of the significant reduction on remand of the award of impact fee refunds it is anticipated that the class plaintiffs will file another appeal.

In the opinion of the County Attorney, it is probable that the July 24, 2012 Circuit Court judgment will be affirmed, but the possibility that the loss might exceed $1,342,360 plus 5% interest from the date of payment of each impact fee as a result of an appeal by the class plaintiffs is remote. The County believes that its position is on solid legal grounds.

On November 14, 2011, four individuals served a new class action complaint on the County seeking refunds of impact fees paid to the County in FYs subsequent to 1996 on grounds that they were not expended or encumbered in a timely manner under the County Code. The County believes that these individuals do not have standing to pursue an assumpsit claim or proceed as representatives of a putative class because they are not the current owners of property on which impact fees were paid subsequent to FY 1996 that are available for refund. At this juncture, however, the likelihood of a loss in any specified amount cannot be characterized as either probable or remote.

The County is a party to other legal proceedings that normally occur in governmental operations. Such proceedings include developer's claims, property damage, employee liability, and workers compensation. These proceedings are not, in the opinion of the County Attorney, likely to have a material, adverse impact on the financial position of the County as a whole, as reserves for losses have been established in the Self Insurance Fund.

C ***Federal Financial Assistance*** - The County receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits. Any disallowances as a result of these audits become a liability of the fund that received the grants. As of June 30, 2012, the County estimates that no material liabilities will result from such audits.

The information below is intended to help users assess pension plan funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Schedule of Funding Progress

		(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL (UAAL)	(A/B) Funded Ratio	(C) Covered Payroll	((A-B)/C) UAAL as a Percentage of Covered Payroll
Employees Retirement Plan:							
January 1,	2010	519,556,093	598,841,131	79,285,038	86.8%	126,030,706	62.9%
	2011	522,165,145	627,269,587	105,104,442	83.2%	123,498,129	85.1%
	2012	516,070,401	653,653,058	137,582,657	79.0%	120,415,534	114.3%
Police Service Retirement Plan:							
January 1,	2010	432,176,036	487,458,733	55,282,697	88.7%	42,499,380	130.1%
	2011	435,891,125	502,001,669	66,110,544	86.8%	42,449,204	155.7%
	2012	430,342,941	526,154,978	95,812,037	81.8%	41,334,580	231.8%
Fire Service Retirement Plan:							
January 1,	2010	418,191,046	455,275,809 [1]	37,084,763	91.9%	49,064,454	75.6%
	2011	425,830,155	464,489,607	38,659,452	91.7%	47,840,812	80.8%
	2012	426,196,539	486,095,747	59,899,208	87.7%	45,673,006	131.1%
Detention Officers' and Deputy Sheriffs' Pension Plan:							
January 1,	2010	84,490,610	111,255,025 [1]	26,764,415	75.9%	20,203,895	132.5%
	2011	87,911,133	119,767,203	31,856,070	73.4%	19,310,216	165.0%
	2012	90,334,022	125,987,284	35,653,262	71.7%	18,760,664	190.0%
State Retirement and Pension System of Maryland *(dollar amounts in thousands):*							
June 30,	2009	34,284,569	52,729,171	18,444,603	65.0%	10,714,168	172.2%
	2010	34,688,345	54,085,081	19,396,735	64.1%	10,657,944	182.0%
	2011	36,177,656	55,917,543	19,739,887	64.7%	10,478,800	188.4%

Note 1 Revised for increased employee contribution levels negotiated subsequent to initial reporting.

Notes to Required Supplementary Information

A. Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of pension plan funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the pension plan.

B. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of pension plan progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the pension plan.

C. The actuarial value of assets is determined by spreading the asset gain or loss over a five year period and the results of prior year investment gains or losses could have an impact on the funding ratio for the current and future years.

The information below is intended to help users assess other post-retirement benefits funding status on a going-concern basis, and assess progress made in accumulating assets to pay benefits when due.

Schedule of Funding Progress

(Amounts shown in thousands)

		(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B - A) Unfunded AAL (UAAL)	(A / B) Funded Ratio	(C) Covered Payroll	(B - A/ C) UAAL as a % of Covered Payroll
Primary Government:							
June 30,	2009	$ -	$ 1,284,474	$ 1,284,474	0.0%	$ 233,637	550%
	2010	-	990,107	990,107	0.0%	233,947	423%
	2011	-	1,068,536	1,068,536	0.0%	227,115	470%
	2012	-	1,187,938	1,187,938	0.0%	215,209	552%
Board of Education:							
June 30,	2009	-	1,054,803	1,054,803	0.0%	577,427	183%
	2010	-	1,096,678	1,096,678	0.0%	578,530	190%
	2011	-	1,241,299	1,241,299	0.0%	578,559	215%
	2012	-	1,304,189	1,304,189	0.0%	572,923	228%
College:							
June 30,	2009	-	65,995	65,995	0.0%	83,530	79%
	2010	-	50,843	50,843	0.0%	84,569	60%
	2011	-	54,322	54,322	0.0%	87,780	62%
	2012	-	60,287	60,897	0.0%	89,955	67%
Library:							
June 30,	2009	-	45,426	45,426	0.0%	10,910	416%
	2010	-	32,999	32,999	0.0%	10,540	313%
	2011	-	35,741	35,741	0.0%	10,374	345%
	2012	-	37,684	37,684	0.0%	9,819	384%

Anne Arundel County, Maryland

Combining Statement of Net Assets

Water and Wastewater Fund

June 30, 2012

	Operating	Debt Service	Capital Projects	Total
ASSETS				
Current assets				
Cash and investments	$ 11,848,791	$ -	$ 43,215,673	$ 55,064,464
Service billings receivable	27,173,756	-	-	27,173,756
Receivables				
Due from other funds	41,760	-	-	41,760
Inventories	1,155,802	-	-	1,155,802
Restricted for debt service and capital projects				
Cash and temporary investments	-	10,015,767	-	10,015,767
Investments	-	186,517,729	-	186,517,729
Receivables				
Due from other governmental agencies	-	-	4,578,740	4,578,740
Other, net	-	12,196,708	-	12,196,708
Total current assets	40,220,109	208,730,204	47,794,413	296,744,726
Noncurrent assets				
Restricted assets				
Deferred connection and assessment charges	-	55,267,470	-	55,267,470
Capital assets				
Land and buildings	22,920,336	-	-	22,920,336
Water and sewer plants	534,418,557	-	-	534,418,557
Water and sewer lines	923,468,906	-	-	923,468,906
Machinery and equipment	10,593,411	-	-	10,593,411
	1,491,401,210	-	-	1,491,401,210
Less accumulated depreciation	(592,429,784)	-	-	(592,429,784)
	898,971,426	-	-	898,971,426
Construction work in progress	17,245,474	-	301,546,486	318,791,960
Total capital assets, net of depreciation	916,216,900	-	301,546,486	1,217,763,386
Total noncurrent assets	916,216,900	55,267,470	301,546,486	1,273,030,856
Total assets	956,437,009	263,997,674	349,340,899	1,569,775,582
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	5,640,812	-	17,244,888	22,885,700
Current portion of long-term debt and obligations	24,856,823	(535,918)	-	24,320,905
Escrow deposits	168,132	-	524,206	692,338
Liabilities related to restricted assets				
Accounts payable and accrued liabilities	-	4,539,185	-	4,539,185
Deferred revenue	-	22,499,966	1,608,597	24,108,563
Total current liabilities	30,665,767	26,503,233	19,377,691	76,546,691
Noncurrent liabilities				
Accrued liability for compensated absences	107,012	-	-	107,012
Accrued liability for other post-employment benefits	23,597,521	-	-	23,597,521
Long-term debt, net of deferred refunding loss	134,738,581	(3,668,755)	224,963,383	356,033,209
Deferred revenue	3,912,613	-	-	3,912,613
Total noncurrent liabilities	162,355,727	(3,668,755)	224,963,383	383,650,355
Total liabilities	193,021,494	22,834,478	244,341,074	460,197,046
NET ASSETS				
Invested in capital assets, net of related debt	758,280,370	(9,234,424)	84,888,630	833,934,576
Restricted	-	250,397,620	4,578,740	254,976,360
Unrestricted	5,135,145	-	15,532,455	20,667,600
Total net assets	$ 763,415,515	$ 241,163,196	$ 104,999,825	$ 1,109,578,536

Anne Arundel County, Maryland

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Water and Wastewater Fund

Year Ended June 30, 2012

	Operating	Debt Service	Capital Projects	Total
OPERATING REVENUES				
Charges for services	$ 86,737,248	$ -	$ -	$ 86,737,248
Other revenues	6,697,740	-	-	6,697,740
Total operating revenues	93,434,988	-	-	93,434,988
OPERATING EXPENSES				
Personnel services	32,752,959	-	-	32,752,959
Contractual services	25,794,086	-	-	25,794,086
Supplies and materials	7,025,119	-	-	7,025,119
Business and travel	121,156	-	-	121,156
Depreciation	39,118,597	-	-	39,118,597
Other	9,194,376	-	-	9,194,376
Total operating expenses	114,006,293	-	-	114,006,293
Operating loss	(20,571,305)	-	-	(20,571,305)
NONOPERATING REVENUES (EXPENSES)				
Investment income	26,229	935,872	-	962,101
Interest on long-term receivables	-	1,236,097	-	1,236,097
Other revenues (expenses)	-	1,620,122	-	1,620,122
Interest expense	-	(7,439,630)	-	(7,439,630)
Gain on the disposal of assets	64,303	-	-	64,303
Loss before contributions and transfers	(20,480,773)	(3,647,539)	-	(24,128,312)
Capital contributions and grants	4,512,771	47,122,143	8,925,700	60,560,614
Environmental protection fees	-	15,966,479	-	15,966,479
Net equity transfers between funds	28,598,566	(33,037,990)	4,439,424	-
Change in net assets	12,630,564	26,403,093	13,365,124	52,398,781
Net assets, July 1	750,784,951	214,760,103	91,634,701	1,057,179,755
Net assets, June 30	$ 763,415,515	$ 241,163,196	$ 104,999,825	$ 1,109,578,536

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Anne Arundel County, Maryland

Combining Statement of Cash Flows

Water and Wastewater Fund

Year Ended June 30, 2012

	Operating	Debt Service	Capital Projects	Total Water and Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for services	$ 89,058,526	$ -	$ -	$ 89,058,526
Cash payments to suppliers for goods and services	(40,510,418)	-	-	(40,510,418)
Cash payments to employees for services	(27,682,730)	-	-	(27,682,730)
Net cash provided by operating activities	20,865,378	-	-	20,865,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of County bonds and bond anticipation notes	-	-	27,020,000	27,020,000
Proceeds from bonds refunded	-	24,670,000	-	24,670,000
Proceeds from grant funds	-	-	9,344,341	9,344,341
Proceeds from loan	-	-	6,463,062	6,463,062
Proceeds from developers' contributions	-	-	214,728	214,728
Refunds to developers	-	-	(181,935)	(181,935)
Assessment and connection charges	820,957	41,585,338	-	42,406,295
Environmental protection fees for capital assets	-	15,795,926	-	15,795,926
Escrow deposits	-	230,319	-	230,319
Payments of long-term debt	-	(21,788,777)	-	(21,788,777)
Interest payments	-	(16,214,527)	-	(16,214,527)
Operating funds used in construction	(14,634,000)	-	14,634,000	-
Acquisition and construction of capital assets	(1,229,088)	-	(78,047,986)	(79,277,074)
Payments of debt issuance costs	-	(592,897)	-	(592,897)
Bond rebate	-	1,257,413	-	1,257,413
Premium on sale of bonds	-	6,206,549	-	6,206,549
Payments to escrow agent for refunded bonds	-	(29,359,048)	-	(29,359,048)
Payment of capital related fees	-	(894,276)	-	(894,276)
Net cash provided by (used for) capital and related financing activities	(15,042,131)	20,896,020	(20,553,790)	(14,699,901)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of investment securities	-	(392,490,650)	-	(392,490,650)
Sale of investment securities	-	358,361,403	-	358,361,403
Interest on investments	26,229	287,399	-	313,628
Net cash used for investing activities	26,229	(33,841,848)	-	(33,815,619)
Net increase in cash and cash equivalents	5,849,476	(12,945,828)	(20,553,790)	(27,650,142)
Cash and temporary investments, July 1	5,999,315	22,961,595	63,769,463	92,730,373
Cash and temporary investments, June 30	$ 11,848,791	$ 10,015,767	$ 43,215,673	$ 65,080,231

Anne Arundel County, Maryland

Combining Statement of Cash Flows

Water and Wastewater Fund

Year Ended June 30, 2012

	Operating	Debt Service	Capital Projects	Total Water and Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating loss	$ (20,571,305)	$ -	$ -	$ (20,571,305)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	39,118,597	-	-	39,118,597
Noncapital construction costs	552,008	-	-	552,008
Effect of changes in assets and liabilities:				
Accounts receivable	(4,386,149)	-	-	(4,386,149)
Due from other funds	(41,760)	-	-	(41,760)
Inventories	610,723	-	-	610,723
Accounts payable and accrued liabilities	(342,077)	-	-	(342,077)
Escrow deposits	9,687	-	-	9,687
Accrued liability for compensated absences	12,663	-	-	12,663
Accrued liability for OPEB benefits	5,902,991	-	-	5,902,991
Net cash provided by operating activities	$ 20,865,378	$ -	$ -	$ 20,865,378
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets from developers	$ 3,691,814	$ -	$ -	3,691,814
Decrease in fair value of investments	-	(942,375)	-	(942,375)
Amortization of refunding losses	-	(364,192)	-	(364,192)
Total Noncash investing, capital, and financing activates	$ 3,691,814	$ (1,306,567)	$ -	$ 2,385,247

Anne Arundel County, Maryland

Combining Statement of Plan Net Assets

Pension Trust Funds

June 30, 2012

	Defined Benefit Pension Plans (December 31, 2011)				
	Employees' Retirement	Police Service Retirement	Fire Service Retirement	Detention Officers' & Deputy Sheriffs' Retirement	Totals
ASSETS					
Investments, at fair value:					
Cash and temporary investments	$ 21,233,731	$ 17,591,104	$ 17,497,736	$ 3,694,681	$ 60,017,252
U. S. Government obligations	4,011,031	3,324,399	3,305,287	697,018	11,337,735
Corporate obligations	45,761,588	37,927,845	37,709,801	7,952,237	129,351,471
Domestic fixed income mutual funds	29,016,032	24,048,893	23,910,638	5,042,271	82,017,834
International fixed income mutual funds	27,010,618	22,386,778	22,258,079	4,693,780	76,349,255
Global assets and pools	101,872,864	84,433,656	83,948,254	17,702,994	287,957,768
Domestic equity	79,701,786	66,057,956	65,678,194	13,850,207	225,288,143
International equity investment pools	59,834,342	49,591,540	49,306,442	10,397,734	169,130,058
Private markets	20,798,732	17,238,280	17,139,179	3,614,307	58,790,498
Portable Alpha	25,566,390	21,189,782	21,067,964	4,442,809	72,266,945
Real estate investment pools	18,241,875	15,119,121	15,032,203	3,169,988	51,563,187
Aetna insurance pooled fixed income	11,323,896	9,385,403	9,331,447	1,967,814	32,008,560
Absolute return funds	30,568,617	25,335,697	25,190,045	5,312,072	86,406,431
Total investments	474,941,502	393,630,454	391,375,269	82,537,912	1,342,485,137
Collateral from securities lending transactions	22,121,698	18,334,773	18,229,368	3,844,206	62,530,045
Receivables:					
Employer contributions	1,573,557	1,208,575	1,215,045	424,088	4,421,265
Participant contributions	508,008	302,755	293,844	133,439	1,238,046
Accrued interest and dividends	729,265	604,428	600,960	126,732	2,061,385
Investment sales proceeds	1,092,416	905,409	900,204	189,835	3,087,864
Total receivables	3,903,246	3,021,167	3,010,053	874,094	10,808,560
Deposits on hand	14,522	147,653	63,176	-	225,351
Total assets	500,980,968	415,134,047	412,677,866	87,256,212	1,416,049,093
LIABILITIES					
Accounts payable	537,928	446,063	451,104	93,443	1,528,538
Investment commitments payable	5,866,442	4,862,189	4,834,236	1,019,443	16,582,310
Obligation for collateral received under securities lending transactions	22,121,698	18,334,773	18,229,368	3,844,206	62,530,045
Total liabilities	28,526,068	23,643,025	23,514,708	4,957,092	80,640,893
Net assets held in trust for pension benefits	$ 472,454,900	$ 391,491,022	$ 389,163,158	$ 82,299,120	$ 1,335,408,200

Anne Arundel County, Maryland

Combining Statement of Changes in Net Assets

Pension Trust Funds

Year Ended June 30, 2012

	Defined Benefit Pension Trust (December 31, 2011)				
	Employees' Retirement	Police Service Retirement	Fire Service Retirement	Detention Officers' & Deputy Sheriffs' Retirement	Totals
ADDITIONS					
Contributions:					
Employer	$ 18,186,402	$ 13,793,256	$ 13,959,852	$ 4,876,332	$ 50,815,842
Participant	4,562,145	2,637,833	2,659,114	1,175,133	11,034,225
Total contributions	22,748,547	16,431,089	16,618,966	6,051,465	61,850,067
Investment income:					
Net appreciation (depreciation) in fair value of investments	1,451,870	1,212,849	1,060,130	185,658	3,910,507
Interest income	6,415,167	3,901,560	4,320,996	801,797	15,439,520
Dividend income	4,410,484	3,664,821	3,618,843	754,173	12,448,321
Total investment income	12,277,521	8,779,230	8,999,969	1,741,628	31,798,348
Less investment expense	(2,522,322)	(2,105,958)	(2,044,006)	(423,637)	(7,095,923)
Net income from investing activities	9,755,199	6,673,272	6,955,963	1,317,991	24,702,425
Securities lending activities:					
Securities lending income	111,478	92,599	91,563	19,132	314,772
Securities lending expenses:					
Borrower rebates	11,237	9,334	9,230	1,929	31,730
Management fees	30,094	24,998	24,718	5,165	84,975
Securities lending expense	41,331	34,332	33,948	7,094	116,705
Securities lending net income	70,147	58,267	57,615	12,038	198,067
Total net investment income	9,825,346	6,731,539	7,013,578	1,330,029	24,900,492
Total additions	32,573,893	23,162,628	23,632,544	7,381,494	86,750,559
DEDUCTIONS					
Participant benefit payments and refunds	31,480,607	23,479,998	18,091,220	4,207,935	77,259,760
Administrative expenses	481,210	391,458	388,157	79,614	1,340,439
Total deductions	31,961,817	23,871,456	18,479,377	4,287,549	78,600,199
Net increases	612,076	(708,828)	5,153,167	3,093,945	8,150,360
Net assets, beginning of year	471,842,824	392,199,850	384,009,991	79,205,175	1,327,257,840
Net assets, end of year	$ 472,454,900	$ 391,491,022	$ 389,163,158	$ 82,299,120	$ 1,335,408,200

Anne Arundel County, Maryland

Details of Long-term Debt and Interest

(Long-term Debt Applicable to 5.6% and 14% Debt Limitations)

June 30, 2012

	Issued	*Maturing Serially*	*Rate of Interest*	*Issued*	*Redeemed F/Y 12*	*06/30/12 Outstanding*	*Total Due to Maturity*
Water and Wastewater Bonds							
Series 87 (Refunding)	02/15/87	1988-14	3.50 to 5.75	$ 21,880,000	$ 225,000	$ 645,000	$ 700,056
Maryland Water Quality Bond	11/27/90	1991-11	4.89 to 4.89	8,778,874	133,725	278,800	292,435
Series 1992 Refunding	05/01/92	1994-13	4.40 to 6.00	8,795,000	35,000	35,000	37,100
Maryland Water Quality Bond	06/30/92	1993-13	4.39 to 4.39	4,971,195	352,503	254,949	266,154
Maryland Water Quality Bond	06/01/93	1995-14	3.25 to 3.25	11,868,564	677,175	1,421,090	1,455,528
Maryland Water Quality Bond	03/28/96	1997-16	3.99 to 3.99	468,937	23,447	93,787	103,142
Maryland Water Quality Bond	03/28/01	2003-31	1.50 to 1.50	3,033,715	96,357	2,131,769	2,465,797
Series 02	03/01/02	2003-31	3.00 to 5.375	23,500,000	810,000	-	-
Series 03	03/01/03	2004-32	1.00 to 5.00	24,000,000	825,000	6,635,000	11,197,675
Series 03 Refunding	03/01/03	2004-23	1.00 to 5.00	65,085,000	4,545,000	29,420,000	35,029,118
Maryland Water Quality Bond	06/27/03	2005-24	1.00 to 1.00	19,362,500	942,787	12,076,462	12,875,749
Series 04	04/01/04	2005-33	2.00 to 5.00	11,750,000	405,000	810,000	870,750
Series 05	03/01/05	2006-34	3.00 to 5.00	24,500,000	845,000	9,290,000	14,624,532
Series 05 Refunding	03/01/05	2006-28	3.00 to 5.00	26,480,000	1,345,000	20,240,000	27,453,969
Series 06	03/21/06	2007-35	4.125 to 5.0	19,000,000	655,000	15,065,000	22,965,447
Series 06 Refunding	03/21/06	2007-31	4.00 to 5.00	34,060,000	1,045,000	30,785,000	42,964,970
Series 07	03/29/07	2008-36	4.25 to 5.00	42,500,000	1,470,000	35,150,000	54,270,725
Maryland Water Quality Bond	04/07/07	2008-27	1.00 to 1.00	5,854,341	338,324	4,186,111	4,452,551
Series 08	04/01/08	2009-36	3.50 to 5.00	32,000,000	1,145,000	27,420,000	43,340,746
Maryland Water Quality Bond	06/17/08	2009-28	1.10 to 1.10	1,200,475	61,135	1,018,058	1,120,191
Series 09	04/01/09	2010-39	2.50 to 4.75	29,200,000	975,000	26,275,000	42,398,314
Series 10 Refunding	07/22/09	2010-25	3.00 to 4.00	20,730,000	1,760,000	17,870,000	22,041,050
Maryland Water Quality Bond	12/01/09	2011-30	0.00 to 0.00	1,749,147	98,324	1,552,500	1,552,500
Series 10	04/08/10	2011-20	2.00 to 5.00	13,900,000	1,390,000	11,120,000	13,038,200
Series 10	04/08/10	2021-30	4.80 to 5.55	27,700,000	-	27,700,000	57,331,515
Series 11	04/20/11	2012-41	2.00 to 5.00	47,600,000	1,590,000	46,010,000	79,644,550
Maryland Water Quality Bond	05/31/11	2013-32	2.20 to 2.20	17,836,000	-	3,152,027	7,340,768
Series 11 Refunding	09/01/11	2013-25	3.00 to 5.00	8,860,000	-	8,860,000	12,186,300
Maryland Water Quality Bond	05/31/12	2014-33	1.80 to 1.80	574,358	-	574,358	574,811
Series 12	06/14/12	2013-42	2.00 to 4.00	27,020,000	-	27,020,000	41,567,982
Series 12 Refunding	06/14/12	2013-32	2.00 to 5.00	15,810,000	-	15,810,000	23,295,354
Total applicable to 5.6% and 14% debt limitations				600,068,106	21,788,777	382,899,911	577,457,979

(continued)

DETAILS OF GENERAL LONG-TERM DEBT AND INTEREST (continued)

LONG-TERM DEBT APPLICABLE TO 5.2% AND 13% DEBT LIMITATIONS

June 30, 2012

	Issued	*Maturing Serially*	*Rate of Interest*	*Issued*	*Redeemed F/Y 12*	*06/30/12 Outstanding*	*Total Due to Maturity*
Consolidated General Improvements	03/01/02	2003-22	3.00 to 5.375	91,500,000	5,490,000	-	-
Bonds	03/01/03	2004-23	1.00 to 5.00	101,000,000	6,060,000	6,060,000	6,363,000
	03/01/03	2005-14	1.00 to 5.00	21,510,000	2,685,000	5,325,000	5,724,000
	04/01/04	2005-24	2.00 to 5.00	49,500,000	2,970,000	5,940,000	6,385,500
	03/01/05	2006-25	3.00 to 5.00	55,000,000	3,305,066	12,084,476	13,510,804
	03/01/05	2006-26	3.00 to 5.00	46,625,000	4,130,000	27,570,000	32,886,613
	06/30/05	2007-28	3.00 to 5.00	24,530,000	780,000	21,395,000	30,389,713
	03/21/06	2007-26	4.00 to 5.00	64,000,000	3,213,284	44,628,637	59,460,109
	03/21/06	2007-27	4.00 to 5.00	87,115,000	4,630,000	73,895,000	92,129,869
	03/29/07	2008-27	4.25 to 5.00	91,600,000	5,502,929	63,798,953	84,976,955
	04/01/08	2009-28	3.50 to 5.00	55,200,000	3,310,000	41,960,000	57,032,850
	04/01/09	2010-29	4.00 to 5.00	113,300,000	6,831,174	92,806,478	123,990,602
	07/20/09	2010-25	1.50 to 4.00	32,520,152	4,590,000	20,185,000	23,722,637
	04/08/10	2011-20	2.00 to 5.00	66,136,440	7,031,914	59,014,526	72,248,247
	04/08/10	2021-30	4.80 to 5.55	72,888,560	-	72,888,560	124,901,836
	04/20/11	2012-31	3.00 to 5.00	117,500,000	5,985,441	111,514,559	162,400,548
	09/01/11	2013-25	3.00 to 5.00	35,835,000	-	35,835,000	47,486,550
	06/14/12	2013-32	3.00 to 4.00	98,900,000	-	98,900,000	137,934,623
	06/14/12	2013-32	2.00 to 5.00	36,332,512	-	36,332,512	49,459,831
				1,260,992,664	66,514,808	830,133,701	1,131,004,287
Solid Waste Bonds	03/01/96	1997-16	5.00 to 5.50	12,000,000	600,000	3,000,000	3,409,500
	05/01/98	1999-17	4.65 to 6.00	7,000,000	350,000	2,100,000	2,470,300
	04/01/04	2005-24	2.00 to 5.00	1,250,000	75,000	150,000	161,250
	03/01/05	2006-24	3.00 to 5.00	1,000,000	54,934	235,524	265,196
	03/21/06	2007-26	4.00 to 5.00	2,000,000	86,716	1,571,363	2,117,067
	03/29/07	2008-27	4.25 to 5.00	4,300,000	252,071	3,326,047	4,479,208
	04/01/09	2010-29	4.00 to 5.00	2,100,000	98,826	1,803,522	2,457,323
	04/08/10	2011-20	3.00 to 5.00	1,938,560	178,086	1,750,474	2,169,004
	04/08/10	2011-30	4.80 to 5.55	3,161,440	-	3,161,440	5,417,443
	04/20/11	2012-31	3.00 to 5.00	8,200,000	304,559	7,895,441	11,869,352
	06/14/12	2013-32	3.00 to 4.00	2,200,000	-	2,200,000	3,191,017
	06/14/12	2013-25	2.00 to 5.00	917,488	-	917,488	1,248,987
Total Waste Collection Enterprise Fund				46,067,488	2,000,192	28,111,299	39,255,647
Total applicable to 5.2% and 13% debt limitations				1,307,060,152	68,515,000	858,245,000	1,170,259,934

DETAILS OF GENERAL LONG-TERM DEBT AND INTEREST (continued)

NOT APPLICABLE TO DEBT LIMITATIONS

June 30, 2012

	Issued	*Maturing Serially*	*Rate of Interest*	*Issued*	*Redeemed F/Y 12*	*06/30/12 Outstanding*	*Total Due to Maturity*
Installment Purchase Agreements - Agricultural Easement Program							
Adelaide F. Colhoun Trust	09/19/00	2002-30	5.85 to 5.85	401,000	1,000	390,000	791,721
Ellen H. Shepard Trust	09/22/00	2002-30	5.85 to 5.85	161,000	1,000	150,000	299,001
Harold & Jean Touchette	09/19/00	2002-30	5.85 to 5.85	378,000	1,000	367,000	744,499
Farm of the Four Winds, LLC	11/13/00	2002-30	6.00 to 6.00	587,000	1,000	576,000	1,188,900
Kenneth P. Franklin, Trustee	12/28/00	2002-30	5.60 to 5.60	142,055	1,000	131,000	254,480
Richard F. Moreland	07/18/01	2003-28	5.90 to 5.90	274,000	1,000	264,000	506,136
Mary M. Smith	07/18/01	2003-28	5.90 to 5.90	831,000	1,000	821,000	1,588,944
Francis R. Windsor	07/26/01	2003-28	5.90 to 5.90	411,174	1,000	401,000	772,464
Anita Froe/Rian LLC	03/06/02	2003-28	5.90 to 5.90	657,000	1,000	647,000	1,250,688
Lauer & Company	09/20/02	2004-28	5.25 to 5.25	197,000	1,000	188,000	339,620
Weeems Dodd Ltd	10/17/02	2004-28	5.45 to 5.45	1,521,000	1,000	1,512,000	2,823,923
Edward Hall III	12/19/02	2004-28	5.55 to 5.55	180,000	1,000	171,000	316,187
Bristol Farms LLC	01/28/03	2004-28	5.50 to 5.50	700,000	1,000	691,000	1,287,012
Shearman Talbott	05/22/03	2005-28	4.95 to 4.95	263,948	1,000	256,000	452,812
Anne Brice	06/23/04	2006-28	5.80 to 5.80	316,000	1,000	309,000	588,792
Thackray Seznec	06/30/04	2006-28	5.80 to 5.80	1,405,000	1,000	1,398,000	2,688,384
James Parks	07/07/04	2006-28	5.60 to 5.60	295,000	1,000	288,000	539,328
Dorothy Horky	12/05/05	2006-28	4.90 to 4.90	368,814	1,000	363,000	641,712
Virginia Tucker	10/05/06	2007-28	4.90 to 4.90	926,000	1,000	921,000	1,637,184
Jennifer Wade	07/26/07	2008-28	5.30 to 5.30	873,925	1,000	870,000	1,580,699
Ford/Addis	12/20/07	2008-37	4.60 to 4.60	604,000	-	604,000	1,298,600
Francis Talbott III	07/16/08	2009-37	4.55 to 4.55	840,000	-	840,000	1,795,502
Thompson Lumber	06/21/11	2012-41	4.55 to 4.55	1,487,000	-	1,487,000	3,449,096
				13,819,916	20,000	13,645,000	26,835,684
Tax Increment Bonds							
Parole Town Center	07/12/02	2003-12	5.00 to 5.00	8,300,000	975,000	1,025,000	1,050,625
Arundel Mills Refunding	05/11/04	2010-29	3.00 to 5.125	30,350,000	705,000	29,345,000	45,023,890
National Business Park Ref	05/11/04	2009-28	3.00 to 5.125	15,655,000	415,000	14,670,000	21,927,964
West Nursery Road	05/11/04	2006-29	2.00 to 4.70	2,570,000	80,000	2,115,000	3,076,837
National Business Park North A	8/10/10	2011-25	5.625 to 5.625	4,000,000	-	4,000,000	6,304,281
National Business Park North B	08/10/10	2011-41	6.10 to 6.10	26,000,000	-	26,000,000	62,687,841
Village South at Waugh Chapel	11/18/10	2011-41	6.25 to 6.25	16,000,000	-	16,000,000	36,085,938
				102,875,000	2,175,000	93,155,000	176,157,376

LONG TERM DEBT NOT APPLICABLE TO DEBT LIMITATIONS

	Issued	*Maturing Serially*	*Rate of Interest*	*Issued*	*Redeemed F/Y 12*	*06/30/12 Outstanding*	*Total Due to Maturity*
Federal Loans							
Section 108	09/14/06	2007-12	4.96 to 5.77	1,640,000	410,000	-	-
State Loans							
Department of Natural Resources							
Amberly	11/01/08	2008-33	0.00	135,000	5,400	113,400	113,400
Annapolis Cove	09/16/88	1989-13	0.00	121,220	4,849	9,698	9,698
Annapolis Landing	07/01/92	1993-17	0.00	78,570	3,143	18,857	18,857
Arundel on the Bay	04/28/92	1993-17	0.00	74,220	2,969	17,813	17,813
Bay Ridge	11/19/90	1992-16	0.00	669,275	26,771	133,855	133,855
Bay Ridge #2	07/01/08	2009-28	0.00	500,000	25,771	438,107	438,107
Brown's Pond	11/25/91	1992-16	0.00	185,128	7,405	37,025	37,025
Buckingham Cove	04/07/97	1997-21	0.00	217,570	8,703	87,023	87,023
Camp Wabanna SECD	04/26/05	2011-31	0.00	174,857	9,203	165,654	165,654
Cape Anne SECD	11/30/06	2009-34	0.00	190,308	8,101	170,121	170,121
Cattail Creek	04/03/98	1998-22	0.00	127,628	5,105	56,156	56,156
Columbia Beach	06/12/08	2013-38	0.00	1,042,027	-	1,042,027	1,042,027
Elizabeth's Landing	09/26/91	1993-17	0.00	161,310	6,452	38,715	38,715
Elizabeth's Landing III	01/22/10	2012-37	0.00	153,262	6,130	140,990	140,990
John's Creek	12/15/93	1994-19	0.00	173,206	6,920	48,440	48,440
Holland Point SECD	10/11/04	2011-31	0.00	1,050,054	55,266	994,788	994,788
Lake Hillsmere II	04/03/98	1998-22	0.00	188,660	7,546	83,006	83,006
Mason's Beach	06/03/96	1997-06	0.00	277,098	13,855	69,274	69,274
Romar Estates	03/27/97	1997-21	0.00	304,987	12,199	121,995	121,995
Snug Harbor	11/21/91	1992-16	0.00	738,599	29,544	147,720	147,720
Snug Harbor Pier	04/13/92	1992-16	0.00	91,443	3,656	18,280	18,280
Snug Harbor SECD	10/11/04	2012-31	0.00	112,600	2,077	110,523	110,523
Spriggs Pond	02/28/92	1993-17	0.00	298,400	11,936	59,680	59,680
Whitehall Cove	12/19/01	2001-25	0.00	164,134	6,565	91,915	91,915
Total not applicable to debt limitations				8,869,556	679,566	4,215,062	4,215,062
Total long-term debt				$ 2,032,692,730	$ 93,178,343	$ 1,352,159,973	$ 1,954,926,035

APPENDIX B

ANNE ARUNDEL COUNTY, MARYLAND

NOTICE OF SALE OF

$154,080,000*
GENERAL OBLIGATION BONDS

Consisting of

$116,000,000* Consolidated General Improvements Series, 2013
$38,080,000*Consolidated Water and Sewer Series, 2013

Dated Date of Delivery

ELECTRONIC BIDS, via BiDCOMP/PARITY Competitive Bidding System (BiDCOMP/Parity) only, will be received until **11:00 A.M., LOCAL BALTIMORE, MARYLAND, TIME ON JUNE 20, 2013,** by the Chief Administrative Officer of Anne Arundel County, Maryland, or other officer of the County designated by the County Executive (either such officer being the "Designated Officer"), for the purchase of the above described general obligation bonds of the County, aggregating $154,080,000*, all dated the date of delivery, and bearing interest payable October 1, 2013, and semiannually thereafter on each April 1 and October 1 until maturity or prior redemption as hereinafter set forth.

The Consolidated General Improvements Series, 2013 (the "Consolidated General Improvements Bonds") and the Consolidated Water and Sewer Series, 2013 (the "Consolidated Water and Sewer Bonds") (collectively, the "Bonds") will mature, subject to prior redemption as hereinafter set forth, on April 1 in the following years and in the following aggregate amounts, subject to aggregation of two or more consecutive serial maturities as a term bond, as provided below in "Bid Specifications":

Years of Maturity	Consolidated General Improvements*	Consolidated Water and Sewer*	Years of Maturity	Consolidated General Improvements*	Consolidated Water and Sewer*
2014	$6,960,000	$1,265,000	2029	$4,640,000	$1,270,000
2015	6,960,000	1,265,000	2030	4,640,000	1,270,000
2016	6,960,000	1,265,000	2031	4,640,000	1,270,000
2017	6,960,000	1,265,000	2032	4,640,000	1,270,000
2018	6,960,000	1,270,000	2033	4,640,000	1,270,000
2019	6,960,000	1,270,000	2034	-	1,270,000
2020	6,960,000	1,270,000	2035	-	1,270,000
2021	6,960,000	1,270,000	2036	-	1,270,000
2022	6,960,000	1,270,000	2037	-	1,270,000
2023	6,960,000	1,270,000	2038	-	1,270,000
2024	4,640,000	1,270,000	2039	-	1,270,000
2025	4,640,000	1,270,000	2040	-	1,270,000
2026	4,640,000	1,270,000	2041	-	1,270,000
2027	4,640,000	1,270,000	2042	-	1,270,000
2028	4,640,000	1,270,000	2043	-	1,270,000

The Bonds shall be issued only in fully registered form without coupons. One bond representing each maturity of each series will be issued to and registered in the name of Cede & Co., as

* Preliminary, subject to change.

nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the bonds. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder of the Bonds, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity of each series with DTC.

General Information

The Bonds are authorized by Article 25A of the Annotated Code of Maryland, as amended, the Charter of Anne Arundel County, Maryland (the "County Charter"), and Bill No. 60-12, enacted by the County Council of the County on August 6, 2012, approved by the County Executive of the County on August 13, 2012, and effective on September 27, 2012 (as amended and supplemented, the "Authorizing Ordinance").

The proceeds of the Consolidated General Improvements Bonds will be used to retire the County's Bond Anticipation Notes, Series A (Consolidated General Improvement Series) in the amount of $50,960,000*, as well as to provide additional new funding for general improvements in the amount of $65,040,000*. The proceeds of the Consolidated Water and Sewer Bonds will be used to retire the County's Bond Anticipation Notes, Series B (Consolidated Water and Wastewater) in the amount of $10,680,000*, as well as to provide new funding for water and sewer improvements in the amount of $27,400,000*.

The full faith and credit and taxing power of the County are pledged to the payment of the above-described Bonds and of the interest to accrue thereon. Such taxing power is subject, however, to the limitation set forth in Section 710(d) of the County Charter which provides, in part that "[f]rom and after July 1, 1993, revenues derived from taxes on properties existing on the County property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, more than the Consumer Price Index percentage of change, or 4.5 percent, whichever is the lesser."

The sources of revenue for the payment of the principal and interest on the above-described bonds are as described herein. The Consolidated General Improvements Bonds are payable from annual appropriations of the proceeds of ad valorem taxes which the County is empowered to levy on real and personal property and certain intangible personal property subject to assessment for County taxation subject to the limitations set forth in Section 710(d) of the County Charter. The Consolidated Water and Sewer Bonds are likewise payable from such appropriations in the event of any deficiency in their primary sources of payment. The primary sources of payment for the Consolidated Water and Sewer Bonds are the net revenues of the projects for which such bonds are to be issued, or the utilities of which they are a part, for the use and benefit of which the County has covenanted to fix and collect rates, charges and assessments sufficient to pay the costs of operation, maintenance and debt service.

Optional Redemption

The Bonds of each series maturing on or after April 1, 2024*, are subject to redemption, at the option of the County, on or after April 1, 2023*, as a whole or in part at any time, in any order of maturities, after at least 20 days' notice, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption

If two or more consecutive serial maturities are designated as a term bond, as provided below in "Bid Specifications", such term bond shall be subject to mandatory redemption in each year on the principal payment date and in the entire amount of each serial maturity designated for inclusion in such term bond.

Electronic Bids

Notice is hereby given that proposals will be received via BiDCOMP/Parity Competitive Bidding System, in the manner described below, until 11:00 a.m., local Baltimore, Maryland time, on Thursday, June 20, 2013, but no bid will be received after the time for receiving bids specified above.

All prospective bidders must be contracted customers of BiDCOMP/Parity Competitive Bidding System. If you do not have a contract with BiDCOMP, call (212) 849-5021 to become a customer. By submitting a bid for the Bonds, a prospective bidder represents and warrants to the County that such bidder's bid for the purchase of the Bonds (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

If any provisions of this Notice of Sale shall conflict with information provided by BiDCOMP/Parity as approved provider of electronic bidding services, this Notice of Sale shall control. Further information about BiDCOMP/Parity, including any fee charged, may be obtained from BiDCOMP/Parity at (212) 849-5021.

Disclaimer

Each prospective bidder shall be solely responsible to register to bid via BiDCOMP/Parity. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access BiDCOMP/Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the County nor BiDCOMP/Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the County nor BiDCOMP/Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by BiDCOMP/Parity. The County is using BiDCOMP/Parity as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of BiDCOMP/Parity to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via BiDCOMP/Parity are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, it should telephone BiDCOMP/Parity and notify the County's Financial Advisor, Public Resources Advisory Group, by facsimile at (212) 566-7816.

Bidding Procedures

Bids must be submitted for the purchase of the Bonds (all or none) via BiDCOMP/Parity. Bids will be communicated electronically to the County at 11:00 a.m., local Baltimore, Maryland time, on Thursday, June 20, 2013. Prior to that time, a prospective bidder may input and save proposed terms of its bid in BiDCOMP. Once the final bid has been saved in BiDCOMP, the bidder may select the final bid button in BiDCOMP to submit the bid to BiCOMP/Parity. Once the bids are communicated electronically via BiDCOMP/Parity to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the bidding process, the time as maintained on BiDCOMP shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the County, as described under "Award of Bonds" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by via BiDCOMP. No bid will be received after the time for receiving such bids specified above.

Good Faith Deposit

A good faith deposit in the amount of $1,540,800* (the "Deposit") is required in connection with the sale and bid for the Bonds. The Deposit shall be provided for by a federal funds wire transfer to be submitted to the County by the successful bidder not later than 4:00 p.m. (local Baltimore, Maryland time) on the date of sale (the "Wire Transfer Deadline") as set forth below. The Deposit of the successful bidder will be collected and the proceeds thereof retained by the County to be applied in partial payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of the respective bid, the proceeds thereof will be retained as and for full liquidated damages.

The County will distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Wire Transfer Deadline. If the Deposit is not received by the Wire Transfer Deadline, the award of the sale of the Bonds to the successful bidder may be cancelled by the County in its discretion without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

Bid Specifications

Bidders shall state in their proposals a price for the Bonds that is not less than 100% of the aggregate par value of the Bonds. Bidders shall also state in their proposals the rate or rates of interest to be paid on all the Bonds, on which rate or rates their proposals are based and submitted. The rates so named must be in multiples of $^1/_8$ or $^1/_{20}$ of 1% and may not exceed 5.0% for any single maturity. Each bidder must specify in its bid a single interest rate for each maturity of the Consolidated General Improvements Bonds and a single interest rate for each maturity of the Consolidated Water and Sewer Bonds. A zero rate cannot be named for any maturity. The minimum reoffering price of any single maturity shall not be less than 97% of par value of such maturity. Bidders may designate in their proposal two or more consecutive annual principal payments as a term bond, in either the Consolidated General Improvements Bonds or Consolidated Water and Sewer Bonds, which matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal payment designated for inclusion in such term bond. There is no limitation on number of term bonds in either the Consolidated General Improvements Bonds or Consolidated Water and Sewer Bonds.

Procedures for Principal Amount Changes and Other Changes to Notice of Sale

The preliminary aggregate principal amount of the Bonds and the preliminary principal amount of each annual payment on the Bonds as set forth in this Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Annual Principal Amount", respectively; collectively

* Preliminary, subject to change.

the "Preliminary Amounts") may be revised before the receipt and opening of the bids for their purchase. **ANY SUCH REVISIONS** (the "Revised Aggregate Principal Amount" and the "Revised Annual Principal Amount", respectively; collectively, the "Revised Amounts") **WILL BE PUBLISHED ON THOMPSON MUNICIPAL MARKET MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 9:30 A.M. (LOCAL BALTIMORE, MARYLAND TIME) ON THE ANNOUNCED DATE FOR RECEIPT OF BIDS.** In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

Award of Bonds

As promptly as reasonably possible after the bids are received, the Designated Officer will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the Designated Officer of the initial reoffering prices to the public of each maturity of the Bonds (the "Initial Reoffering Prices"). Such Initial Reoffering Prices, among other things, will be used by the County to calculate the final aggregate principal amount of the Bonds and the final principal amount of each annual payment on the Bonds (the "Final Aggregate Principal Amount" and the "Final Annual Principal Amount", respectively; collectively, the "Final Amounts"). In determining the Final Amounts, the County expects that the Revised Amounts will be changed as necessary to effect the greatest economic advantage, or to accommodate other objectives of the County, but the County will not reduce or increase the Revised Aggregate Principal Amount by more than 10% from the amount bid upon. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount/premium, if any, but will not change the underwriters' discount per $1,000 of par amount of bonds from the underwriters' discount that would have been received based on the purchase price in the winning bid and the initial public offering prices. The interest rates specified by the successful bidder for each maturity in its bid for the Bonds will not change. **ALL BIDS SHALL REMAIN FIRM FOR FIVE (5) HOURS AFTER THE TIME SPECIFIED FOR THE OPENING OF THE BIDS.** An award of the bonds, if made, will be made by the Designated Officer within such five (5) hour period of time. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 3:00 p.m. the day after awarding the bond.

The award, if made, will be made as promptly as possible after the bids are opened to the bidder naming the lowest true interest cost for all the Bonds in any legally acceptable proposal. The lowest true interest cost will be determined with respect to each proposal by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments to the date of the Bonds and to the price bid. Each bidder shall include in its bid a statement of the true interest cost offered in its bid, but this statement shall not be deemed to be part of the bid. Where the proposals of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable to the County, the Designated Officer shall have the right to award all of such bonds to one bidder. **THE RIGHT IS RESERVED TO THE DESIGNATED OFFICER TO REJECT ANY OR ALL PROPOSALS AND TO WAIVE ANY IRREGULARITIES IN ANY OF THE PROPOSALS.** The judgment of the Designated Officer shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. **THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS OF EACH SERIES AT THE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW. THE SUCCESSFUL BIDDER MUST REASONABLY EXPECT TO SELL TO THE PUBLIC 10%**

OR MORE IN PAR AMOUNT OF THE BONDS FROM EACH MATURITY OF EACH SERIES AT THE INITIAL REOFFERING PRICES.

Legal Opinions

The bonds of each series described above will be issued and sold subject to approval as to legality by McKennon Shelton & Henn LLP of Baltimore, Maryland, Bond Counsel. Copies of the approving opinions of McKennon Shelton & Henn LLP will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge. Such opinions shall be substantially in the form included in Appendix C to the Preliminary Official Statement referred to below.

Continuing Disclosure

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the bonds pursuant to which it will undertake to provide or cause to be provided certain information annually and notices of certain events. A form of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

Delivery of the Bonds

When delivered, one bond representing each maturity of each series of bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of bonds.

CUSIP identification numbers will be applied for by the successful bidder with respect to the Bonds, but the County will assume no obligation for the assignment or printing of such numbers on the Bonds or the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale. **THE CONSOLIDATED GENERAL IMPROVEMENTS BONDS AND THE CONSOLIDATED WATER AND SEWER BONDS WILL REQUIRE A SEPARATE SERIES OF CUSIP NUMBERS.**

Not later than seven business days after the date of sale, the County will deliver to the successful bidder an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the County will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the County and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with copies of the Official Statement (and any amendments or supplements thereto) in such quantities as shall reasonably be requested by the successful bidder to allow the successful bidder to comply with the application rules of the Municipal Securities Rulemaking Board.

Delivery of the bonds, without expense, will be made by the Designated Officer to DTC on or about June 27, 2013, or as soon as practicable thereafter, and, thereupon, the purchaser or purchasers will be required to accept delivery of the bonds purchased and pay, in Federal funds, the balance of the purchase price due. Such bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of the bonds in this issue. It shall be a condition to the obligation of such purchaser or purchasers to accept delivery of and pay for the bonds that, simultaneously with or before delivery and payment for the bonds, such purchaser or purchasers shall be furnished a certificate or certificates of authorized officers of the County to the effect that, to the best of their knowledge and belief, the Official Statement and any amendment or supplement thereto (except for the Reoffering Information provided by the purchaser and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed), as of the date of sale and as of the date of delivery of the bonds, does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that between the date of sale and the date of delivery of the bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE COUNTY A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF THE BONDS OF EACH SERIES AT THE INITIAL REOFFERING PRICES, (II) AS OF THE DATE OF THE SALE OF BONDS, THE SUCCESSFUL BIDDER REASONABLY EXPECTED TO SELL A SUBSTANTIAL AMOUNT OF THE BONDS OF EACH SERIES TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES, AND (III) A SUBSTANTIAL AMOUNT OF THE BONDS OF EACH SERIES WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES OR SUCH OTHER FACTS REGARDING THE ACTUAL SALE OF THE BONDS AS BOND COUNSEL SHALL REQUEST, AS DESCRIBED BELOW. Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the bonds of each maturity of each series at the initial reoffering prices would be sufficient to certify as to the sale of a substantial amount of the bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

Postponement of Sale

The County reserves the right to postpone the date established for the receipt of bids at anytime before the bids are open. In the event of a postponement, the new date and time of sale will be announced on TM3. Prospective bidders may request notification by facsimile transmission of any such changes in the date or time for the receipt of bids by so advising, and furnishing their telecopier numbers to Public Resources Advisory Group at (212) 566-7800 by 12 Noon, Baltimore, Maryland time, on the day prior to the announced date for receipt of bids. Any new date and time of sale will be announced at least 24 hours prior to the time proposals are to be submitted. On any such alternative sale date, bidders may submit bids for the purchase of the Bonds in conformity with the provisions of this Notice of Sale, except for any changes to this Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of Bonds also may be postponed; if the sale is postponed to a later date, then the date of the Bonds, the dates of the semiannual interest payments and annual principal payments, and the optional redemption dates also may be changed. Such changes, if any, will be announced via TM3 at the time any alternative sale date is announced.

The Preliminary Official Statement, together with this Notice of Sale, may be obtained from the Office of Finance, Anne Arundel County, Arundel Center, 44 West Calvert Street, Annapolis, Maryland 21404 (410-222-1781) or from the County's financial advisor, Public Resources Advisory Group, 40 Rector Street, Suite 1600, New York, New York 10006 (212-566-7800). Such Preliminary Official Statement is deemed final by the County as of its date for purposes of SEC Rule 15c2-12, but is subject to revision, amendment and completion in the Official Statement referred to above.

ANNE ARUNDEL COUNTY, MARYLAND
By: Laura Neuman
County Executive

FORMS OF OPINIONS OF BOND COUNSEL

Consolidated General Improvements Series, 2013

[Closing Date]

County Executive and County Council
of Anne Arundel County, Maryland
Annapolis, Maryland

Dear County Executive and Council Members:

We have examined a record of proceedings relating to the issuance by Anne Arundel County, Maryland (the "County"), of $___________ general obligation bonds designated "Consolidated General Improvements Series, 2013" (the "Bonds"), which are described below.

The Bonds are dated the date of delivery, with interest payable April 1 and October 1, commencing October 1, 2013; are fully registered in form in the denomination of $5,000 each or any integral multiple thereof; are issued under the authority of Article 25A of the Annotated Code of Maryland (2011 Replacement Volume) (the "Enabling Law"), The Anne Arundel County Charter (the "Charter") and Bill No. 60-12, passed by the County Council of the County on August 6, 2012, approved by the County Executive of the County on August 13, 2012 and effective on September 27, 2012 (the "Ordinance"); and mature, on April 1 in each of the years 2014 to 2033, inclusive, and bear interest as follows:

Years of Maturity	Interest Rate	Principal Amount	Years of Maturity	Principal Amount	Interest Rate

Bonds are subject to redemption in the manner and upon the terms and conditions set forth in the Bonds. [The Term Bonds maturing on ___________ are subject to mandatory sinking fund redemption as set forth in the Bonds.]

In rendering this opinion, we have relied without investigation on the County's Tax and Section 148 Certificate dated this date made on behalf of the County by officers thereof with respect to certain material facts within the knowledge of the County relevant to the tax-exempt status of interest on the Bonds.

With respect to the executed and authenticated bond of the issue of Bonds that we have examined, and Bonds similarly executed and authenticated and identical thereto in form except for numbers, interest rates, denominations, maturities, and under existing statutes, regulations and decisions, we are of the opinion that:

(a) The County is a validly created and existing body politic and corporate of the State of Maryland, possessing authority under the Enabling Law, the Charter and the Ordinance to issue the Bonds.

(b) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit and taxing power are pledged, and for the payment of which the County is empowered and directed to levy ad valorem taxes upon all real and tangible personal property and certain intangible personal property subject to assessment for County taxation; such tax levy is subject, however, to the limitation set forth in Section 710(d) of the Charter which provides, in part, that "[f]rom and after July 1, 1993, revenues derived from taxes on properties existing on the County property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, more than the Consumer Price Index percentage of change, or by 4.5 percent, whichever is the lesser."

(c) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Ordinance, has covenanted, subject to said Section 710(d) limitation, to levy such ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(d) The Bonds, their transfer, the interest payable on them and any income derived from them, including any profit realized from their sale and exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

(e) Assuming compliance with certain covenants described herein, interest on the Bonds is excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the bonds of the issue of bonds of which the Bonds are a part, in order that the interest thereon be excludable from gross income. These include (i) a requirement that certain investment earnings received from the investment of the proceeds of the bonds of the issue of bonds of which the Bonds are a part be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances; (ii) other requirements applicable to the investment of the proceeds of the bonds of the issue of bonds of which the Bonds are a part; and (iii) requirements applicable to the use of the proceeds of the bonds of the issue of bonds of which the Bonds are part and the use of the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the bonds of the issue of bonds of which the Bonds are a part and to take such other actions as may be required to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(f) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. For purposes of calculating the corporate alternative minimum tax, however, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, “adjusted current earnings” would include, among other items, interest income from the Bonds. In addition, interest income on the Bonds will be includable in the applicable taxable base for the purposes of determining the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

The opinion expressed above is limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,

Consolidated Water and Sewer Series, 2013

[Closing Date]

County Executive and County Council
of Anne Arundel County, Maryland
Annapolis, Maryland

Dear County Executive and Council Members:

We have examined a record of proceedings relating to the issuance by Anne Arundel County, Maryland (the "County"), of $____________ general obligation bonds designated "Consolidated Water and Sewer Series, 2013" (the "Bonds"), which are described below.

The Bonds are dated the date of delivery, with interest payable April 1 and October 1, commencing October 1, 2013; are fully registered in form in the denomination of $5,000 each or any integral multiple thereof; are issued under the authority of Article 25A of the Annotated Code of Maryland (2011 Replacement Volume) (the "Enabling Law"), The Anne Arundel County Charter (the "Charter") and Bill No. 60-12, passed by the County Council of the County on August 6, 2012, approved by the County Executive of the County on August 13, 2012 and effective on September 27, 2012 (the "Ordinance"); and mature, on April 1 in each of the years 2014 to 2043, inclusive, and bear interest as follows:

Years of Maturity	Principal Amount	Interest Rate	Years of Maturity	Principal Amount	Interest Rate

Bonds are subject to redemption in the manner and upon the terms and conditions set forth in the Bonds. [The Term Bonds maturing on ___________ are subject to mandatory sinking fund redemption as set forth in the Bonds.]

In rendering this opinion, we have relied without investigation on the County's Tax and Section 148 Certificate dated this date made on behalf of the County by officers thereof with respect to certain material facts within the knowledge of the County relevant to the tax-exempt status of interest on the Bonds.

With respect to the executed and authenticated bond of the issue of Bonds that we have examined, and Bonds similarly executed and authenticated and identical thereto in form except for numbers, interest rates, denominations, maturities, and under existing statutes, regulations and decisions, we are of the opinion that:

(a) The County is a validly created and existing body politic and corporate of the State of Maryland, possessing authority under the Enabling Law, the Charter and the Ordinance to issue the Bonds.

(b) The Bonds are valid and legally binding general obligations of the County to which its full faith and credit and taxing power are pledged, payable primarily from the net revenues and receipts of certain of its water and wastewater projects, or utilities of which they form a part, but if not so paid, are payable as to both principal and interest ultimately from ad valorem taxes, which the County is empowered to levy upon all real and tangible personal property and certain intangible personal property subject to assessment for County taxation; such tax levy is subject, however, to the limitation set forth in Section 710(d) of the Charter which provides, in part, that "[f]rom and after July 1, 1993, revenues derived from taxes on properties existing on the County property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, more than the Consumer Price Index percentage of change, or by 4.5 percent, whichever is the lesser."

(c) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Ordinance, has covenanted, subject to the above-described Section 710(d) limitation, to levy such ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(d) The Bonds, their transfer, the interest payable on them and any income derived from them, including any profit realized from their sale and exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

(e) Assuming compliance with certain covenants described herein, interest on the Bonds is excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the bonds of the issue of bonds of which the Bonds are a part, in order that the interest thereon be excludable from gross income. These include (i) a requirement that certain investment earnings received from the investment of the proceeds of the bonds of the issue of bonds of which the Bonds are a part be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances; (ii) other requirements applicable to the investment of the proceeds of the bonds of the issue of bonds of which the Bonds are a part; and (iii) requirements applicable to the use of the proceeds of the bonds of the issue of bonds of which the Bonds are part and the use of the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the bonds of the issue of bonds of which the Bonds are a part and to take such other actions as may be required to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(f) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. For purposes of calculating the corporate alternative minimum tax, however, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, “adjusted current earnings” would include, among other items, interest income from the Bonds. In addition, interest income on the Bonds will be includable in the applicable taxable base for the purposes of determining the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

The opinion expressed above is limited to the matters set forth above, and no other opinions should be inferred beyond the matter expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,

FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement") is executed and delivered by Anne Arundel County, Maryland, a body corporate and politic of the State of Maryland (the "County") in connection with the issuance of its $116,000,000 Consolidated General Improvements Series, 2013, its $38,080,000 Consolidated Water and Sewer Series, 2013. The Bonds are being issued pursuant to Bill No. 60-12, passed by the County Council of the County on August 6, 2012, approved by the County Executive of the County on August 13, 2012 and effective on September 27, 2012, as amended. The County, intending to be legally bound hereby and in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the County for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (b) (5).

Section 2. Definitions.

In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"**Listed Events**" shall mean any of the events listed in Section 4(a) herein.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)1 of the Securities Exchange Act of 1934, as amended.

"**National Repository**" shall mean the continuing disclosure service established by the MSRB known as the Electronic Municipal Market Access System (EMMA).

"**Participating Underwriter**" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"**Rule**" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Financial Information, Operating Data and Audited Information.

(a) The County shall provide to the National Repository annual financial information and operating data regarding (i) revenues, expenditures and changes in fund balance for the County's General Fund, (ii) revenues, expenses and changes in fund net assets for the County's Water and Wastewater Operations Fund, (iii) revenues, expenses and net assets for the County's Water and Wastewater Debt Service Fund, (iv) revenues, expenses and changes in net assets for the County's Solid Waste Fund, (v) assessed values of taxable property in the County and County property tax rates and property tax levies, (vi) County Water and Wastewater utility system rates and (vii) the County solid waste system rate schedule, such information to be made available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ended June 30, 2013).

(b) The County shall provide to the National Repository annual audited financial statements for the County, such information to be made available within 275 days after the end of the County's fiscal year, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County's fiscal year, the County will provide unaudited financial statements within said time period (commencing with the fiscal year ended June 30, 2013).

(c) The presentation of the financial information referred to in clauses (i), (ii), (iii) and (iv) of paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds, provided that the County may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 6 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the County, shall not require the County to amend this Disclosure Agreement.

(d) If the County is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the County shall send in a timely manner a notice of such failure to the National Repository.

Section 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the County shall provide notice of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to rights of Bondholders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the County;

(13) consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of the definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) In a timely manner, not in excess of 10 business days after the occurrence of an event listed in Section 4(a), the County shall file a notice of such occurrence of such event with EMMA.

Section 5. Termination of Reporting Obligation.

The County's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

Section 6. Amendment.

The County may provide further or additional assurances that will become part of the County's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion provided that (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County as the obligated person with respect to the Bonds, or type of business conducted; (ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, as determined by counsel selected by the County that is expert in federal securities law matters; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined either by counsel selected by the County that is expert in federal securities law matters, or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of Bonds. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the additional or amended operating data or financial information.

Section 7. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event.

Section 8. Law of Maryland.

This Disclosure Agreement, and any claim made with respect to the performance by the County of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland.

Section 9. Limitation of Forum.

Any suit or other proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Anne Arundel County, Maryland.

Section 10. Limitation on Remedies.

The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the Office of Finance, Arundel Center, P.O. Box 2700, Annapolis, Maryland 21404, or at such alternate address as shall be specified by the County with disclosures made pursuant to Section 4(a) or 4(b) hereof or a notice of occurrence of a Listed Event.

Section 11. Relationship to Bonds.

This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds; any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

Section 12. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF this Continuing Disclosure Agreement is being executed on behalf of Anne Arundel County, Maryland and the seal of the County is being impressed hereon attested to by the Administrative Officer to the County Council, as of this ___ day of _____, 2013.

(SEAL) ANNE ARUNDEL COUNTY, MARYLAND

ATTEST:

By________________________________

LAURA NEUMAN
County Executive

____
ELIZABETH E. JONES
Administrative Officer to the County Council