NEW ISSUES

Moody's Investors Service: Aa1
S&P Global Ratings: AAA

$237,435,000
ANNE ARUNDEL COUNTY, MARYLAND

General Obligation Bonds
$108,385,000 Consolidated General Improvements Series, 2017
$63,175,000 Consolidated Water and Sewer Series, 2017
$45,360,000 Consolidated General Improvements Series, 2017 Refunding Series
$20,515,000 Consolidated Water and Sewer Series, 2017 Refunding Series

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

The Consolidated General Improvements Series, 2017 and the Consolidated Water and Sewer Series, 2017 (collectively, the "Construction Bonds") and the Consolidated General Improvements Series, 2017 Refunding Series and the Consolidated Water and Sewer Series, 2017 Refunding Series (collectively, the "Refunding Bonds" and together with the Construction Bonds, 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 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, 2017. The Bonds will mature on October 1 in the years and in the amounts set forth on the inside cover of this Official Statement.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as set forth in "THE BONDS - Redemption" herein.

In the opinion of McKennon Shelton & Henn LLP, Bond Counsel, (i) under existing statutes, regulations and decisions, the Construction 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 from taxation of any kind by the State of Maryland, any of its political subdivisions, or any other public entity; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Construction Bonds or the interest thereon; (ii) under existing statutes, regulations, and decisions, interest on the Refunding Bonds and profit realized from the sale or exchange of the Refunding Bonds will be exempt from State of Maryland income taxation; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Refunding Bonds or the interest thereon and (iii) 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.

The Bonds are offered when, as and if issued, subject to the delivery of the Bonds and the approving opinions of McKennon Shelton & Henn LLP, Bond Counsel, and other conditions specified in the Official Notices 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 April 12, 2017, 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 March 29, 2017.

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

$108,385,000 Consolidated General Improvements Series, 2017

Maturing October 1	Principal Amount	Interest Rate	Yield	CUSIP**	Maturing October 1	Principal Amount	Interest Rate	Yield	CUSIP**
2017	$3,615,000	5.000%	0.83%	03588H QG4	2029	$3,615,000	5.000%	2.53%*	03588H QU3
2018	3,615,000	5.000	0.97	03588H QH2	2030	3,615,000	5.000	2.60*	03588H QV1
2019	3,615,000	5.000	1.12	03588H QJ8	2031	3,615,000	5.000	2.67*	03588H QW9
2020	3,615,000	5.000	1.30	03588H QK5	2032	3,615,000	5.000	2.75*	03588H QX7
2021	3,615,000	5.000	1.51	03588H QL3	2033	3,615,000	5.000	2.82*	03588H QY5
2022	3,615,000	5.000	1.71	03588H QM1	2034	3,610,000	5.000	2.88*	03588H QZ2
2023	3,615,000	5.000	1.87	03588H QN9	2035	3,610,000	5.000	2.93*	03588H RA6
2024	3,615,000	5.000	2.01	03588H QP4	2036	3,610,000	5.000	2.97*	03588H RB4
2025	3,615,000	5.000	2.13	03588H QQ2	2037	3,610,000	5.000	2.99*	03588H RC2
2026	3,615,000	5.000	2.25	03588H QR0	2038	3,610,000	5.000	3.00*	03588H RD0
2027	3,615,000	5.000	2.33*	03588H QS8	2039	3,610,000	5.000	3.01*	03588H RE8
2028	3,615,000	5.000	2.42*	03588H QT6	2040	3,610,000	5.000	3.02*	03588H RF5

$10,830,000 5.00% Term Bonds Due October 1, 2043 Price 115.932% to Yield 3.050%*, CUSIP ** 03588H RG3
$10,830,000 5.00% Term Bonds Due October 1, 2046 Price 115.665% to Yield 3.080%*, CUSIP ** 03588H RH1

$63,175,000 Consolidated Water and Sewer Series, 2017

Maturing October 1	Principal Amount	Interest Rate	Yield	CUSIP**	Maturing October 1	Principal Amount	Interest Rate	Yield	CUSIP**
2017	$1,545,000	5.000%	0.83%	03588H RJ7	2029	$2,125,000	5.000%	2.53%*	03588H RW8
2018	2,130,000	5.000	0.97	03588H RK4	2030	2,125,000	5.000	2.60*	03588H RX6
2019	2,125,000	5.000	1.12	03588H RL2	2031	2,125,000	5.000	2.67*	03588H RY4
2020	2,125,000	5.000	1.30	03588H RM0	2032	2,125,000	5.000	2.75*	03588H RZ1
2021	2,125,000	5.000	1.51	03588H RN8	2033	2,125,000	5.000	2.82*	03588H SA5
2022	2,125,000	5.000	1.71	03588H RP3	2034	2,125,000	5.000	2.88*	03588H SB3
2023	2,125,000	5.000	1.87	03588H RQ1	2035	2,125,000	5.000	2.93*	03588H SC1
2024	2,125,000	5.000	2.01	03588H RR9	2036	2,125,000	5.000	2.97*	03588H SD9
2025	2,125,000	5.000	2.13	03588H RS7	2037	2,125,000	5.000	2.99*	03588H SE7
2026	2,125,000	5.000	2.25	03588H RT5	2038	2,125,000	5.000	3.00*	03588H SF4
2027	2,125,000	5.000	2.33*	03588H RU2	2039	2,125,000	5.000	3.01*	03588H SG2
2028	2,125,000	5.000	2.42*	03588H RV0	2040	2,125,000	5.000	3.02*	03588H SH0

$6,375,000 5.00% Term Bonds Due October 1, 2043 Price 115.932% to Yield 3.050%*, CUSIP ** 03588H SJ6
$6,375,000 5.00% Term Bonds Due October 1, 2046 Price 115.665% to Yield 3.080%*, CUSIP ** 03588H SK3

$45,360,000 Consolidated General Improvements Series, 2017 Refunding Series

Maturing October 1	Principal Amount	Interest Rate	Yield	CUSIP**	Maturing October 1	Principal Amount	Interest Rate	Yield	CUSIP**
2017	$5,000	3.000%	0.85%	03588H SL1	2023	$4,285,000	5.000%	1.83%	03588H SS6
2018	2,215,000	3.000	0.92	03588H SM9	2024	4,320,000	5.000	2.00	03588H ST4
2019	4,340,000	3.000	1.08	03588H SN7	2025	4,350,000	5.000	2.13	03588H SU1
2020	4,285,000	3.000	1.25	03588H SP2	2026	4,385,000	5.000	2.24	03588H SV9
2021	4,250,000	4.000	1.44	03588H SQ0	2027	4,365,000	3.000	2.42*	03588H SW7
2022	4,260,000	5.000	1.65	03588H SR8	2028	4,300,000	3.000	2.57*	03588H SX5

$20,515,000 Consolidated Water and Sewer Series, 2017 Refunding Series

Maturing October 1	Principal Amount	Interest Rate	Yield	CUSIP**	Maturing October 1	Principal Amount	Interest Rate	Yield	CUSIP**
2017	$5,000	3.000%	0.85%	03588H SY3	2028	$1,015,000	4.000%	2.50%*	03588H TK2
2018	1,155,000	3.000	0.92	03588H SZ0	2029	1,015,000	4.000	2.65*	03588H TL0
2019	985,000	3.000	1.08	03588H TA4	2030	1,005,000	3.000	3.05	03588H TM8
2020	975,000	3.000	1.25	03588H TB2	2031	990,000	3.000	3.09	03588H TN6
2021	970,000	4.000	1.44	03588H TC0	2032	970,000	3.000	3.17	03588H TP1
2022	975,000	5.000	1.65	03588H TD8	2033	955,000	3.000	3.24	03588H TQ9
2023	985,000	5.000	1.83	03588H TE6	2034	940,000	3.125	3.30	03588H TR7
2024	995,000	5.000	2.00	03588H TF3	2035	925,000	3.250	3.35	03588H TS5
2025	1,005,000	5.000	2.13	03588H TG1	2036	905,000	3.250	3.39	03588H TT3
2026	1,015,000	5.000	2.24	03588H TH9	2037	890,000	3.250	3.41	03588H TU0
2027	1,020,000	4.000	2.37*	03588H TJ5	2038	820,000	3.250	3.42	03588H TV8

The interest rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on March 29, 2017. The 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 October 1, 2026 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
Steven R. Schuh

COUNTY COUNCIL
John J. Grasso, Chairman
Jerry Walker, Vice Chairman
Derek Fink
Michael A. Peroutka
Andrew C. Pruski
Peter Smith
Chris Trumbauer

Certain Appointed Officials

Chief Administrative Officer – Mark D. Hartzell
Controller – Karin McQuade
Budget Officer - John R. Hammond
County Attorney - Nancy Duden
County Auditor – Joanna D. Dickinson (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,
ESCROW DEPOSIT 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

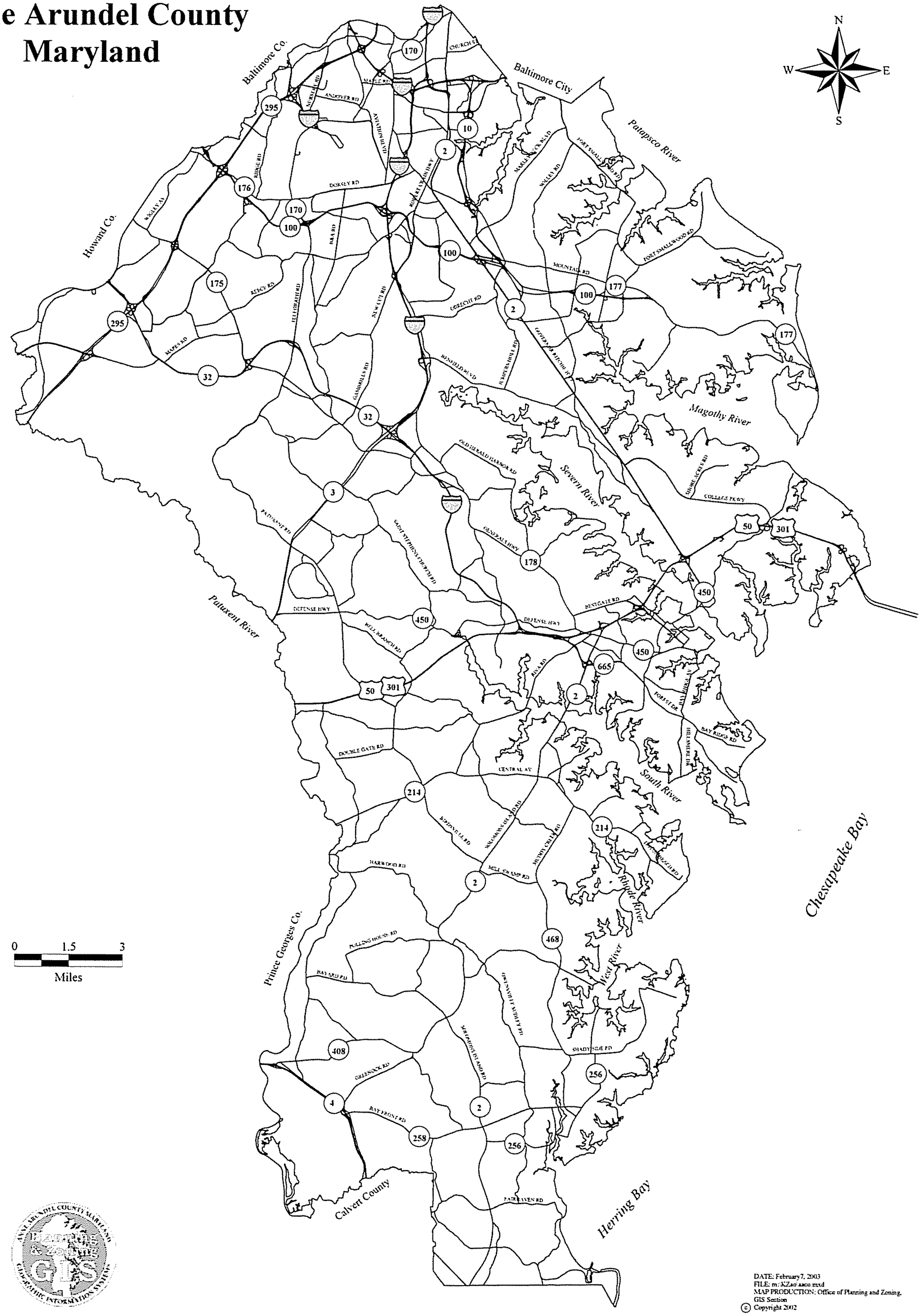
This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

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 bidders 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.

The order and placement of materials in this Official Statement, including the appendices hereto and the information incorporated herein by reference, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices and the information incorporated herein by reference, must be considered in its entirety. The offering of Bonds is made only by means of this entire Official Statement.

Anne Arundel County
Maryland



ANNE ARUNDEL COUNTY, MARYLAND
OFFICIAL STATEMENT

$237,435,000
GENERAL OBLIGATION BONDS

$108,385,000 Consolidated General Improvements Series, 2017
$63,175,000 Consolidated Water and Sewer Series, 2017
$45,360,000 Consolidated General Improvements Series, 2017 Refunding Series
$20,515,000 Consolidated Water and Sewer Series, 2017 Refunding Series

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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 $237,435,000 aggregate principal amount of General Obligation Bonds, consisting of $108,385,000 Consolidated General Improvements Series, 2017 (the "Consolidated General Improvements Construction Bonds"), $45,360,000 Consolidated General Improvements Series, 2017 Refunding Series (the "Consolidated General Improvements Refunding Bonds" and together with the Consolidated General Improvements Construction Bonds, the "Consolidated General Improvements Bonds"), $63,175,000 Consolidated Water and Sewer Series, 2017 (the "Consolidated Water and Sewer Construction Bonds"), and $20,515,000 Consolidated Water and Sewer Series, 2017 Refunding Series (the "Consolidated Water and Sewer Refunding Bonds" and together with the Consolidated Water and Sewer Construction Bonds, 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". The Consolidated General Improvements Refunding Bonds and the Consolidated Water and Sewer Refunding Bonds are together referred to herein as the "Refunding Bonds". The Consolidated General Improvements Construction Bonds and the Consolidated Water and Sewer Construction Bonds are together referred to herein as the "Construction Bonds".

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, the Official Statement, 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 thirteen 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.

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."

Purpose of the Bonds

Construction Program

The proceeds of the Construction Bonds, together with the original issue premium, will be used to provide new funding for general improvements in the amount of $126,300,000 and water and sewer improvements in the amount of $73,700,000. The proceeds of the new funding will be used to pay for general county, storm drains, education, police and fire, roads and bridges, community college, waterway improvements, waste management and water and wastewater improvements. For more complete information, see "THE BONDS - Application of Proceeds of Construction Bonds" herein.

Refunding Program

The Refunding Bonds are being issued for the purpose of refunding certain outstanding bonds of the County. For more complete information regarding the refunding of such bonds, see "THE BONDS - Refunding Program" herein.

Denominations

The Bonds will be issued in denominations of $5,000 each or any integral 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, (i) under existing statutes, regulations and decisions, the Construction Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt from taxation of any kind by the State of Maryland, any of its political subdivisions, or any other public entity; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Construction Bonds or interest thereon; (ii) under existing law, interest on the Refunding Bonds and profit realized from the sale or exchange of the Refunding Bonds will be exempt from State of Maryland income taxation; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Refunding Bonds or the interest thereon; and (iii) 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.

Professionals Involved in the Offering

U.S. Bank National Association, Richmond, Virginia, will act as paying agent, bond registrar and escrow deposit agent 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 attached hereto, have been audited by CliftonLarsonAllen, LLP, independent public accountants, Baltimore, Maryland. The mathematical accuracy of certain computations relating to the Refunded Bonds (as defined herein) was verified by Samuel Klein and Company, Certified Public Accountants. For more information concerning the above mentioned professionals, see “THE BONDS - Approval of Legal Matters,” “THE BONDS - Financial Advisor,” “THE BONDS - Independent Public Accountants” and “THE BONDS - Verification of Mathematical Computations” herein.

Authorization

The Construction Bonds are issued pursuant to the authority of Section 10-203 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement) and the Refunding Bonds are issued pursuant to the authority of Sections 10-203 and 19-207, respectively, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement). The Construction Bonds and the Refunding Bonds are also issued pursuant to 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 April 12, 2017.

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 successful bidders for the Bonds 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 the 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.

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 denominations 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, 2017, 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 Construction Bonds are issued pursuant to the authority of Section 10-203 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement) and the Refunding Bonds are issued pursuant to the authority of Sections 10-203 and 19-207, respectively, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement). The Construction Bonds and Refunding Bonds are also issued pursuant to the County Charter and in accordance with Bill No. 46-16, passed by the County Council of Anne Arundel County (the "County Council") on July 18, 2016, approved by the County Executive of the County (the "County Executive") on July 19, 2016, and effective on September 2, 2016 (the "Authorizing Ordinance").

The proceeds from the sale of the $171,560,000 aggregate principal amount of the Construction Bonds, together with the original issue premium, will be used to provide additional new funding of approximately $126,300,000 for general improvements and $73,700,000 for water and sewer improvements. The proceeds from the sale of the $65,875,000 aggregate principal amount of the Refunding Bonds, together with the original issue premium, will be used to refund certain bonds of (i) Anne Arundel County Consolidated General Improvements Series and (ii) Anne Arundel County Consolidated Water and Sewer Series.

Application of Proceeds of Construction 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	Bond Issue To Cover Additional Project Expenditures (1)	Subsequent Bond Issues
General County	$359,208,111	$261,073,433	$57,039,708	$16,300,000	$24,794,970
Stormwater Runoff Controls	10,261,556	526,444	7,938,687	800,000	996,425
Stormwater Runoff Controls WPRF	281,000	-	280,000	-	1,000
Education	1,125,026,529	538,146,876	451,324,832	71,800,000	63,754,821
Police and Fire	83,953,319	13,016,453	12,446,103	12,000,000	46,490,763
Police and Fire Impact Fees	220,000	-	219,083	-	917
Roads and Bridges	217,630,502	130,197,062	40,265,165	14,900,000	32,268,275
Roads and Bridges Impact Fees	810,000	-	808,270	-	1,730
Community College	53,635,000	16,229,000	32,354,369	3,400,000	1,651,631
County Libraries	34,949,652	5,279,521	923,767	-	28,746,364
Recreation and Parks	110,744,679	64,541,687	27,468,603	-	18,734,389
Waterway Improvements	45,545,665	16,695,927	17,565,826	2,000,000	9,283,912
Waterway Improvements WPRF	261,000	-	260,000	-	1,000
Solid Waste	64,371,781	26,374,243	21,858,302	5,100,000	11,039,236
Watershed Protection & Restor.	256,749,301	7,933,000	48,689,600	-	200,126,701
	$ 2,363,648,095	**$ 1,080,013,646**	**$ 719,442,315**	**$ 126,300,000**	**$ 437,892,134**

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	Bond Issue To Cover Additional Project Expenditures (1)	Subsequent Bond Issues
Wastewater	$835,510,965	$215,824,192	$319,667,266	$59,300,000	$240,719,507
Water	384,905,235	45,160,753	174,154,244	14,400,000	151,190,238
	$ 1,220,416,200	**$ 260,984,945**	**$ 493,821,510**	**$ 73,700,000**	**$ 391,909,745**

(1) - Proposed amounts provided include an allocation of the estimated original issue premium.

Source: Office of Finance

Refunding Program

The County is issuing the Refunding Bonds to refund certain bonds in order to realize savings on debt service costs. The bonds to be refunded are set out below with the redemption date and redemption price.

The Refunding Bonds are being issued for the purpose of refunding the following outstanding bonds of the County (the "Outstanding Consolidated General Improvements Series" and the "Outstanding Consolidated Water and Sewer Series", collectively the "Refunded Bonds"). The specific bonds and maturities to be refunded are subject to change based on market conditions.

Issue Name	Maturities to be Refunded	Amount	Redemption Date	Redemption Price
Consolidated General Improvements Series, 2008	2019	$2,210,000	4/1/2018	100%
Consolidated Water and Sewer Series, 2008	2019	1,145,000	4/1/2018	100
Consolidated General Improvements Series, 2009	2020-2029	46,100,000	4/1/2019	100
Consolidated Water and Sewer Series, 2009	2020-2026, 2029, 2034, & 2039	19,450,000	4/1/2019	100

Sources and Uses of Funds

The following table outlines the estimated sources and uses of funds with respect to the Bonds.

Sources of Funds:	
Par amount of Bonds	$237,435,000
Plus net original issue premium	35,944,662
Total	$273,379,662
Uses of Funds:	
Construction Program Funds	$200,000,000
Escrow Deposit Funds	72,794,205
Underwriter's Discount	474,644
Costs of Issuance*	110,813
Total	$273,379,662

*Estimate includes legal, rating agency, financial advisor and printer costs.

Deposits to Escrow Deposit Fund

The proceeds of the Refunding Bonds will be applied to the purchase of direct obligations of, or obligations the timely payment of principal and interest upon which is unconditionally guaranteed by, the United States of America (the "Federal Securities") and which will be held by U.S. Bank, National Association, Richmond, Virginia (the "Escrow Deposit Agent") in the Escrow Deposit Fund established under an Escrow Deposit Agreement by and between the County and the Escrow Deposit Agent (the "Escrow Deposit Agreement"). The Federal Securities on deposit in the Escrow Deposit Fund will mature at stated fixed amounts as to principal and interest at such times as will be sufficient to pay interest when due on the bonds listed in the chart set forth above under "Refunding Program", as applicable and to redeem the principal amount and pay the redemption premium thereon, if any, on the anticipated call dates set forth in such chart, as applicable. The Federal Securities will be pledged only to the payment of the Outstanding Consolidated General Improvements Series and the Outstanding Consolidated Water and Sewer Series, as applicable, and are not available for the payment of principal, premium, if any, or interest on the Bonds.

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 deficiency 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.

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 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 a 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 October 1, 2027, are subject to redemption, at the option of the County, on or after October 1, 2026, 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 General Improvements Construction Bonds maturing on October 1, 2043, are subject to mandatory sinking fund redemption, at a price equal to the principal amount thereof plus accrued interest thereon, on October 1 each of the following years and in the following amounts:

Year	Sinking Fund Installments
2041	$3,610,000
2042	3,610,000
2043*	3,610,000

*Stated maturity.

The Consolidated General Improvements Construction Bonds maturing on October 1, 2046, are subject to mandatory sinking fund redemption, at a price equal to the principal amount thereof plus accrued interest thereon, on October 1 each of the following years and in the following amounts:

Year	Sinking Fund Installments
2044	$3,610,000
2045	3,610,000
2046*	3,610,000

*Stated maturity.

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

Year	Sinking Fund Installments
2041	$2,125,000
2042	2,125,000
2043*	2,125,000

*Stated maturity.

The Consolidated Water and Sewer Construction Bonds maturing on October 1, 2046, are subject to mandatory sinking fund redemption, at a price equal to the principal amount thereof plus accrued interest thereon, on October 1 each of the following years and in the following amounts:

Year	Sinking Fund Installments
2044	$2,125,000
2045	2,125,000
2046*	2,125,000

*Stated maturity.

If the County redeems or otherwise discharges the Consolidated General Improvements Construction Bonds maturing on October 1, 2043 and October 1, 2046, respectively, or the Consolidated Water and Sewer Construction Bonds maturing on October 1, 2043 and October 1, 2046, respectively, 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 in denominations of $5,000 or any integral multiple thereof 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

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 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 (respectively, NSCC, FICC and EMCC, each 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"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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-Construction Bonds

In the opinion of Bond Counsel, under existing statutes, regulations and decisions, the Construction 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 from taxation of any kind by the State of Maryland, any of its political subdivisions, or any other public entity. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Construction Bonds or the interest thereon.

Maryland Income Taxation-Refunding Bonds

In the opinion of Bond Counsel, under existing statutes, regulations and decisions, interest on the Refunding Bonds and profit realized from the sale or exchange of Refunding Bonds will be exempt from State of Maryland income taxation. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Refunding 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 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 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 certain 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 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, which includes 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 non-corporate 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) that 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 (including accrued interest, if any), 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 a Discount Bond is 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 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 currently 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 Investors Service ("Moody's") **Aa1** and S&P Global Ratings ("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 March 29, 2017, in accordance with the Official Notices of Sale (the forms of which are attached hereto as 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 shown on the inside cover page 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, not including the cases set forth below.

The County is a defendant in the following significant cases worthy of note:

1) A class action lawsuit on behalf of property owners challenged the County's impact fee legislation and requested refunds for impact fees paid from 1988 to 1996. The amount of those claims involves complex accounting procedures. On July 24, 2012, the Circuit Court issued a judgment finding that impact fee refunds, subject to an additional 5% interest per annum, were due to the current owners of certain specified impact-fee-paying properties. The amount of refunds and interest due totals $2,839,317. On November 7, 2016, the County mailed checks to individual property owners totaling $1,231,212 in payment of impact fee refunds and related interest. The County withheld $572,526 in tax payable to the Internal Revenue Service from the payments to the individual property owners. The total refunds and interest in the amount of $1,035,579 was paid by the County directly to the attorneys for the individual property owners. It is possible that the County will be assessed a penalty by the Internal Revenue Service for payments made pursuant to the Court Order to property owners who failed to provide their social security number or tax identification number to the County despite its request for the same. In the event of such a penalty, the County will request that it be abated. The attorney representing the named plaintiffs noted an appeal to the Court of Special Appeals on September 1, 2016, which challenges the Circuit Court's decisions regarding a

number of issues that have already been litigated to their conclusion in addition to an issue regarding interest calculations. In the opinion of the County Attorney, it is probable that the County will prevail on this appeal and that the County will not incur additional liability as a result of this appeal.

2) A complaint was filed on March 27, 2015, in the Circuit Court for Anne Arundel County against the County asserting a claim for over $9 million based upon a contract to audit the County's health care expenses paid to third-party providers. Claimant asserts that the County failed to pay its fees which were based upon a percentage of the health care expense savings to the County as a result of its efforts. The County contends that the claimant's actions resulted in a very small amount of health care expense savings. The case is being vigorously defended.

3) A complaint was filed on December 15, 2015, in the Circuit Court for Anne Arundel County by several Board of Education bus drivers and driver's aides alleging that the Board of Education violated the Maryland Wiretap and Electronic Surveillance Law by utilizing cameras in school buses without disclosing that the cameras also recorded audio. The Board of Education participates in the County's Self-Insurance Fund. The claimants purport to be representatives of an unnamed class of similarly situated individuals. A jury trial is scheduled for June 5, 2017. If successful, the claimants may be entitled to recover their attorneys' fees. The case is being vigorously defended.

4) In the case of <u>Comptroller v. Wynne</u>, 135 S.Ct. 1787 (2015), the United States Supreme Court ruled in May 2015 that Maryland residents who paid income taxes to another state on income earned in the other state are entitled to a credit against the county portion of the Maryland income tax owed. Although the County is not a party to the case, the ruling means that each county in Maryland will experience a slight reduction in income tax revenue and amended returns requesting refunds may be filed. The amount of County income taxes and interest to be refunded as of July 2016 is approximately $16.7 million. The State of Maryland will reduce the quarterly local income tax distributions to the County by approximately $835,000 per quarter for 20 quarters beginning May 2019 and ending February 2024. A pending class-action lawsuit is challenging the portion of a bill passed by the Maryland General Assembly that lowered the interest rate to be applied to refunds associated with the <u>Wynne</u> decision for periods prior to June 1, 2014. If the class- action lawsuit is successful the County's interest expense for <u>Wynne</u> refunds for periods prior to June 1, 2014 will increase.

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 <u>Appendix C</u> of this Official Statement.

Financial Advisor

Public Resources Advisory Group, 39 Broadway, 12th Floor, New York, New York, 10006, serves as financial advisor to the County on debt management and capital financing matters.

Verification of Mathematical Computations

The arithmetical accuracy of certain computations included in the schedules provided by Public Resources Advisory Group and Anne Arundel County, Maryland relating to (a) computation of forecasted receipts of principal and interest on the acquired obligations and the forecasted payments of principal and interest to redeem the Refunded Bonds, and (b) computation of the yields on the Bonds and the Federal Securities was examined by Samuel Klein and Company, Certified Public Accountants. Such computations were based solely on assumptions and information supplied by Anne Arundel County, Maryland. Samuel Klein and Company, Certified Public Accountants has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

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 timely filed complete information required by its continuing disclosure obligations for each of the past five years. When filing information with the Municipal Securities Rulemaking Board through Electronic Municipal Market Access ("EMMA") system, the County submits the filings in a manner intended to display such information with each relevant outstanding debt issue. To the extent a filing is made by the County without all of the associated CUSIP numbers, the filing can be found on EMMA associated with another County debt issue or on the County's issuer homepage on EMMA.

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.

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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 for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2015. This was the 35th 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 it has submitted its CAFR to GFOA for year ended June 30, 2016.

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.

Accrual Basis of Accounting

A set of government-wide financial statements are included that use the full accrual basis of accounting. These 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 Position. 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.

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 sixty 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's 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's 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 County Executive veto. The Annual Budget and Appropriation Ordinance is to be adopted by the County Council on or before the fifteenth 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 invests primarily in obligations of the United States Government, its agencies or instrumentalities, and the Maryland Local Government Investment Pool. 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 93.4% of total General Fund revenues (on a GAAP basis) in fiscal year 2016. Property tax revenues comprised approximately 47.5% of total General Fund revenues, and income tax revenues comprised approximately 34.5% of total General Fund revenues. The schedules on the following pages reflect the results of operations for the last five fiscal years.

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

	2012	2013	2014	2015	2016
REVENUES					
General property taxes	$567,829,147	$589,899,231	$603,178,340	$623,935,919	$629,091,742
Local income taxes	394,480,856	407,582,398	435,870,098	444,302,777	456,192,055
State shared taxes	11,720,894	30,436,273	12,163,216	11,270,543	12,092,354
Recordation and transfer taxes	59,088,413	81,036,685	77,535,100	89,697,633	105,668,592
Local sales taxes	32,258,227	32,689,945	31,516,775	32,830,881	33,070,498
License and permit fees	15,215,772	15,306,284	16,536,662	17,333,180	18,617,749
Investment income	633,691	(197,940)	1,247,957	1,241,607	2,620,723
Fees for services and other revenue	55,443,620	58,328,306	58,176,557	71,573,876	65,955,835
Total revenues	$1,136,670,620	$1,215,081,182	$1,236,224,705	$1,292,186,416	$1,323,309,548
EXPENDITURES					
Education	584,662,000	616,627,400	627,892,300	639,421,000	657,263,600
Public safety	231,022,727	242,280,879	253,105,745	265,910,391	270,889,952
General government	76,043,945	77,475,809	82,040,034	74,791,474	65,746,984
Health and human services	42,337,165	40,865,031	43,408,695	45,634,204	46,850,603
Public works	34,633,953	37,457,212	39,511,945	37,094,820	37,107,410
Recreation and community services	34,766,573	35,786,424	37,437,824	40,154,635	40,459,956
Judicial	19,964,090	21,023,465	22,854,405	23,305,058	24,396,396
Code enforcement	11,507,403	11,583,462	11,506,107	11,857,395	11,930,543
Land use and development	8,094,961	7,796,934	8,378,832	8,632,155	8,134,275
Debt service					
Interest payments on debt	36,631,192	37,111,936	39,511,003	42,748,394	46,803,954
Principal payments on debt	66,924,808	71,091,984	73,837,430	97,409,634	126,951,132
Interest payments on leases	3,526	2,008	13,662	11,654	13,619
Principal payments on leases	26,563	3,907	16,211	12,304	22,347
Total Expenditures	1,146,618,906	1,199,106,451	1,239,514,193	1,286,983,118	1,336,570,771
Revenues over (under) expenditures	($9,948,286)	$15,974,731	($3,289,488)	$5,203,298	($13,261,223)
OTHER FINANCING SOURCES (USES)					
Operating tranfers in	27,389,593	35,517,352	28,997,104	31,671,701	36,289,340
Operating transfers out	(31,228,020)	(67,767,891)	(104,293,589)	(180,625,496)	(96,878,798)
Proceeds of general obligation bonds	98,900,000	116,000,000	115,000,000	154,920,000	77,410,000
Proceeds of refunding bonds	73,085,000	-	-	75,715,900	69,384,271
Premium on refunding of bonds	14,515,104	-	-	13,844,497	8,553,598
COI on refunding bonds	-	-	-	(201,982)	(153,835)
Proceeds from Capital Leases	-	-	119,790	-	60,038
Transfer from ISF to GF	5,300,000	-	-	-	-
Transfer to ISF to GF	(1,545,790)	1,545,790	-	-	-
Transfer from Component Units to GF	-	-	-	-	-
Transfer from Enterprise Fund to GF	-	-	-	-	-
Transfer to OPEB Trust	-	-	5,000,000	10,700,000	(70,877,624)
Payment to escrow agent	(87,600,104)	-	-	(68,730,094)	(25,679,034)
Payment of bond anticipation notes	(70,400,000)	(65,040,000)	(37,800,000)	-	-
Total other financing sources (uses)	$28,415,783	$20,255,251	$7,023,305	$37,294,526	($1,892,044)
Net increase (decrease) in fund balances	18,467,497	36,229,982	3,733,817	42,497,824	(15,153,267)
Fund balances (deficit), July 1, as restated	61,041,736	79,509,233	115,739,215	119,473,032	161,970,856
Fund balances (deficit), June 30	$79,509,233	$115,739,215	$119,473,032	$161,970,856	$146,817,589
Fund balance as a % of revenues	6.99%	9.53%	9.66%	12.53%	11.09%

Source: Office of Finance

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

	2012		2013	
	Budget	Actual	Budget	Actual
REVENUES				
General property taxes	$564,912,000	$567,829,147	$586,351,000	$589,899,231
Local income taxes	366,588,200	394,480,856	389,400,000	407,582,398
State shared taxes	10,585,000	11,720,894	26,357,000	30,436,273
Recordation and transfer taxes	65,000,000	59,088,413	60,000,000	81,036,685
Local sales taxes	32,190,000	32,258,227	32,700,000	32,689,945
Licenses and permit fees	16,259,600	15,215,772	15,206,800	15,306,284
Investment income	550,000	212,484	400,000	189,172
Inter-fund recoveries	53,439,700	52,768,005	58,038,300	61,518,784
Other revenue	51,036,200	54,952,378	51,524,100	57,142,988
Total revenues	$1,160,560,700	$1,188,526,176	$1,219,977,200	$1,275,801,760
EXPENDITURES				
Current				
Education	$609,972,000	$609,382,939	$643,998,800	$643,179,582
Higher education	33,051,600	33,031,455	37,371,400	37,159,926
Public safety	232,632,600	230,482,188	247,530,100	243,635,879
General government	108,590,900	102,732,315	101,521,600	100,284,604
Health and human services	43,741,500	43,289,209	46,078,000	43,391,255
Public works	35,395,700	35,342,198	36,444,600	36,325,759
Recreation and community services	37,072,300	36,786,862	38,408,800	37,864,130
Judicial	20,756,100	20,282,303	21,575,000	21,366,544
Land use and development	8,272,200	8,180,811	8,460,000	7,969,926
Code enforcement	11,604,200	11,510,128	11,934,900	11,564,151
Debt service	45,135,100	44,718,483	44,914,000	43,287,233
Pay Go Funding - Capital Projects	-	-	15,462,500	15,462,500
Total expenditures	$1,186,224,200	$1,175,738,891	$1,253,699,700	$1,241,491,489
Revenues over (under) expenditures	($25,663,500)	12,787,285	(33,722,500)	34,310,271
Fund balances, budgetary, July 1	38,258,217	38,258,217	51,045,502	51,045,502
Fund balances, budgetary, June 30	$12,594,717	$51,045,502	$17,323,002	$85,355,773
Fund balances - Unassigned				
Unassigned - GAAP basis		$46,035,927		$44,312,026
Effects of:				
Street Lights - accrual		157,438		-
County Parking Garage Fund		-		-
Health Encumbrance adjustment		-		175,006
Video lottery local impact aid		-		-
Revenue reserve allocation		(22,526,083)		(23,000,203)
Self Insurance Fund allocation		(1,040,774)		2,973,539
Inmate Benefits and Morale Fund		(449,296)		(537,376)
Bond Refunding Premium		-		-
Base realignment and closure		-		302,017
Central Garage Fund allocation		1,545,790		2,064
Unassigned - Non-GAAP basis		23,723,002		24,227,073
Assigned for subsequent years		27,322,500		61,128,700
Fund balance - Budgetary Basis		$51,045,502		$85,355,773

Source: Office of Finance

2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual
$602,719,000	$603,178,340	$622,502,000	$623,935,919	$633,420,000	$629,091,742
417,300,000	435,870,098	437,600,000	444,302,777	450,560,000	456,192,055
12,302,000	12,163,216	11,822,000	11,270,543	11,807,000	12,092,354
73,000,000	77,535,100	78,000,000	89,697,633	80,000,000	105,668,592
32,370,000	31,516,775	31,804,000	32,830,881	33,602,000	33,070,498
15,060,100	16,536,662	15,517,500	17,333,180	17,000,000	18,617,749
400,000	92,853	400,000	37,396	200,000	1,212,362
52,649,700	52,743,393	57,245,700	59,817,705	59,632,000	62,157,459
54,201,900	58,041,129	58,134,500	70,343,120	62,273,000	65,238,677
$1,260,002,700	$1,287,677,566	$1,313,025,700	$1,349,569,154	$1,348,494,000	$1,383,341,488
$658,843,100	$658,697,704	$671,175,100	$671,114,163	$620,575,900	$620,575,900
37,083,500	37,191,058	41,616,200	41,615,188	36,687,700	36,687,700
253,860,100	252,456,134	266,481,300	266,836,449	273,305,100	270,671,067
133,822,800	132,647,365	124,651,600	121,654,513	137,488,951	135,097,620
45,897,700	44,440,667	48,937,600	46,957,951	49,899,400	48,474,231
39,480,300	39,273,446	41,021,600	39,750,764	37,803,600	37,065,661
39,576,500	39,310,442	41,926,900	41,812,225	43,078,100	42,533,861
23,125,200	22,987,240	23,966,200	23,776,470	25,330,900	24,947,469
8,379,100	8,342,806	8,980,100	8,652,276	8,981,600	8,759,076
11,576,600	11,547,287	12,202,600	11,861,471	11,983,800	11,923,923
44,309,500	44,274,685	45,441,000	45,462,628	120,887,400	120,443,662
25,177,000	25,177,000	23,016,500	23,016,500	15,638,000	15,418,000
$1,321,131,400	$1,316,345,834	$1,349,416,700	$1,342,510,598	$1,381,660,451	$1,372,598,170
(61,128,700)	(28,668,268)	(36,391,000)	7,058,556	(33,166,451)	10,743,318
85,355,773	85,355,773	56,687,505	56,687,505	63,746,061	63,746,061
$24,227,073	$56,687,505	$20,296,505	$63,746,061	$30,579,610	$74,489,379
	$57,724,388		$78,436,997		$76,778,332
	-		-		-
	25,629		42,846		13,566
	-		135,792		236,110
	1,237,151		1,237,151		-
	(44,183,320)		(48,619,876)		(57,217,457)
	2,952,574		(3,613,475)		(6,451,317)
	(611,867)		(610,260)		(711,283)
	-		(201,982)		-
	689,518		1,064,099		1,372,139
	2,462,432		1,814,558		4,666,124
	20,296,505		29,685,850		18,686,214
	36,391,000		34,060,211		55,803,165
	$56,687,505		$63,746,061		$74,489,379

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. Due to fiscal restraint and higher revenues in fiscal years 2013, 2014, 2015 and 2016, with revenues exceeding budgeted expectations, the GAAP fund balance increased from $79,509,233 at June 30, 2012 to $146,817,589 at June 30, 2016.

Budget for Fiscal Year 2017

The County's fiscal year 2017 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 $1,477,804,100 with a County property tax rate of $0.9150 per $100 of assessed value outside of Annapolis and $0.5480 per $100 of assessed value inside of Annapolis. (See "FINANCES - Property Taxes, Assessments and Collections").

The 2017 Capital Budget and Five-Year Program total approximately $1,959,338,050 including $1,683,625,050 for general county improvements and $275,713,000 for water and wastewater 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 2017 and 2016

The Controller has prepared summary unaudited data with respect to revenues and expenditures of the General Fund for the six months ended December 31, 2016 and December 31, 2015. 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 December 2016 show an increase in revenues and an increase in expenditures compared to December 2015. Total revenues as of December 31, 2016 are approximately $56,344,000 higher than December 31, 2015, an increase of 6.4%. Licenses and Permits decreased by approximately $1,209,000. Revenues from property taxes are approximately $19,055,000 ahead of the prior year. Income taxes at December 2016 are approximately $30,753,000 above that of December 2015 revenues due to an increase in the collection of taxes by the State of Maryland. Total expenditures as of December 2016 are approximately $74,075,000 higher than December 2015, an increase of 10.8%, which is the result of an increase in appropriations for the Board of Education as well as an increase in the retiree health insurance contribution and the restructuring of the due date for debt service principal payments.

The following presents a summary of General Fund revenues, expenditures and encumbrances for the six months ended December 31, 2016 and December 31, 2015, as compared with the related total annual budgets as revised through these dates.

INTERIM GENERAL FUND STATEMENT
Budget and Actual
For the Six Months Ended December 31
(Unaudited)

	2015		2016		
	Six Month Actual	Actual As a % of Annual Budget	Annual Budget	Six Month Actual	Actual As a % of Annual Budget
Revenues (1)					
General property taxes	$623,405,924	98.4%	$648,906,000	$642,461,003	99.0%
Local income taxes	128,572,752	28.5%	463,000,000	159,325,280	34.4%
State shared taxes	3,488,842	29.6%	15,969,400	3,645,350	22.8%
Recordation and transfer taxes	52,952,601	66.2%	95,000,000	52,312,221	55.1%
Local sales taxes	13,855,096	41.2%	34,114,000	13,920,973	40.8%
Licenses and permit fees	7,282,105	42.8%	18,000,000	6,073,340	33.7%
Investment income	500,561	250.3%	100,000	554,713	554.7%
Other revenues	25,625,814	41.2%	67,249,200	33,503,502	49.8%
Inter-Fund Recoveries	12,994,358	21.8%	66,666,400	13,225,445	19.8%
Total Revenues	$868,678,053	64.4%	$1,409,005,000	$925,021,827	65.7%
Expenditures					
Education	$314,550,623	50.7%	$643,224,500	$329,986,530	51.3%
Higher education	17,493,850	47.7%	38,687,700	18,493,851	47.8%
Public safety	138,750,979	51.4%	277,786,000	143,493,152	51.7%
General government	83,798,907	63.2%	145,150,400	101,202,510	69.7%
Health and human services	25,401,966	50.9%	51,323,700	26,048,468	50.8%
Public works	17,926,553	56.4%	33,815,400	18,666,828	55.2%
Recreation and community services	21,934,656	52.0%	44,317,400	23,364,501	52.7%
Judicial	12,730,865	52.2%	25,483,300	13,247,335	52.0%
Land use and development	4,537,177	50.5%	8,620,000	4,163,488	48.3%
Code enforcement	5,903,637	49.4%	13,223,400	6,567,564	49.7%
Debt service	24,993,177	20.4%	134,042,300	39,851,162	29.7%
Pay go funding - capital projects	15,383,000	98.6%	32,435,000	32,395,000	99.9%
Total Expenditures	$683,405,390	50.0%	$1,448,109,100	$757,480,389	52.3%

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

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 Bill No. 70-15, passed by the County Council on July 20, 2015, approved by the County Executive on July 27, 2015 and effective on September 10, 2015, 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 5% of the estimated general fund revenues for the upcoming fiscal year. The balance in the fund at June 30, 2011 was $17,212,100. As a result of budgeted transfers to the fund and interest income, the fund balance has increased to approximately $59,507,000 as of December 31, 2016.

General Fund Revenues

The County's principal General Fund revenues are property taxes, income taxes, recordation & transfer taxes, local share of state taxes, and fees for services which consists primarily of ambulance fees, cable fees, recreation and park fees, and police aid. 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 Assessments and Taxation, an independent State agency. All real property is assessed 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)
(unaudited)

	(As of June 30)					As of December 31,
	2012	2013	2014	2015	2016	2016
Assessed Value						
Real Property	$ 77,289,434	$ 74,265,956	$ 74,302,152	$ 75,746,986	$ 78,154,218	$ 80,898,264
Personal Property	28,914	32,071	32,323	36,774	37,938	18,095
Railroads and Public Utilities	847,270	914,522	739,450	884,377	941,588	989,637
Business Corporations	1,678,435	1,635,425	1,419,447	1,263,426	1,298,603	1,276,560
Total Base	$ 79,844,053	$ 76,847,974	$ 76,493,372	$ 77,931,563	$ 80,432,347	$ 83,182,556
Total estimated actual value-taxable property	$ 79,844,053	$ 76,847,974	$ 76,493,372	$ 77,931,563	$ 80,432,347	$ 83,182,556
County Tax Rate (per $100 of Assessed Value)	$ 0.910	$ 0.941	$ 0.950	$ 0.943	$ 0.923	$ 0.915
County Tax Rate within the City of Annapolis (per $100 of Assessed Value)	$ 0.543	$ 0.564	$ 0.569	$ 0.564	$ 0.552	$ 0.548
Total County Tax Levy (1)	$ 734,114	$ 733,915	$ 730,909	$ 739,106	$ 747,461	$ 767,257
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	$ 86,566	$ 83,091	$ 83,045	$ 84,663	$ 87,418	$ 90,727

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

Source: Office of Finance

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 tax differential for fiscal year 2017 is $0.367 per $100 of assessed value for real property and $0.917 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)
(unaudited)

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	%		
2012	$595,530,678	$593,210,480	99.6%	$606,058,695	101.8%	$15,844,568	2.7%
2013	619,955,595	618,157,426	99.7%	618,157,426	99.7%	4,958,425	0.8%
2014	638,043,608	628,011,846	98.4%	635,555,858	99.6%	4,822,062	0.8%
2015	660,178,876	651,873,246	98.7%	659,903,929	100.0%	4,061,937	0.6%
2016	664,554,243	662,752,803	99.7%	664,814,844	100.0%	3,271,870	0.5%

(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 2015-2016, indicates the ten 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
Baltimore Gas & Electric	Utility	$ 729,614,703	$ 16,420,338	0.91%
Annapolis Mall Ltd Ptnshp	Retail	476,846,300	4,401,291	0.59%
Arundel Mills Limited Ptnshp	Retail	398,218,753	3,692,933	0.50%
PPE Casino Resorts Maryland LLC	Casino	289,057,033	2,898,928	0.36%
Annapolis Towne Center at Parole LLC	Retail	187,513,931	986,834	0.23%
Raven FS Property Holdings LLC	Real Estate	175,040,000	1,615,619	0.22%
Verizon	Utility	160,615,250	3,521,241	0.20%
Northrop Grumman Corp.	Electronics	126,577,221	1,049,026	0.16%
Wal-Mart Stores Inc	Retail	122,443,086	1,232,165	0.15%
Dorsey Villas LLC	Real Estate	101,789,334	943,691	0.13%
		$ 2,767,715,611	$ 36,762,066	3.45%

Source:Office of Finance

Property Tax Credit Programs

Section 9-105 of the Tax-Property Article of the Annotated Code of Maryland (2012 Replacement Volume and 2016 Supplement), as amended 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 2016, the County provided $77,651,107 of tax credits based on assessments and $1,399,336 of tax credits based on income. Through December in fiscal year 2017, the County has provided $78,292,248 of tax credits based on assessment and $1,365,083 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. Effective January 1, 2013, the rate reverted to 2.56%. The County Council reduced the income tax rate to 2.50% effective January 1, 2016. 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.

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 position of the Water and Wastewater Operating Fund and the Debt Service Fund for the County's most recent fiscal years.

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

	Year Ended June 30,					
	2012	2013	2014	2015	2016	
OPERATING REVENUES						
Charges for services	$86,737,248	$84,555,353	$86,023,267	$85,367,358	$85,177,926	
Other revenues	6,697,740	5,141,149	8,971,429	6,496,059	5,897,948	
Total revenues	93,434,988	89,696,502	94,994,696	91,863,417	91,075,874	
OPERATING EXPENSES						
Personal services	32,752,959	34,029,594	34,639,556	31,804,134	30,767,333	
Contractual services	25,794,086	26,339,748	29,005,674	29,136,913	45,818,677	*1*
Supplies and materials	7,025,119	6,061,145	6,955,163	6,953,734	8,348,107	
Business and travel	121,156	109,143	114,485	191,970	198,289	
Depreciation	39,118,597	35,224,618	35,301,619	42,276,078	45,566,683	
Other	9,194,376	9,134,430	9,906,639	9,997,707	11,320,155	
Total operating expenses	114,006,293	110,898,678	115,923,136	120,360,536	142,019,244	
Operating income (loss)	(20,571,305)	(21,202,176)	(20,928,440)	(28,497,119)	(50,943,370)	
NONOPERATING REVENUES AND EXPENSES						
Investment income	26,229	38,449	45,818	37,137	185,208	
Gain (loss) on the disposal of assets	64,303	10,006	12,500	-	(535,431)	
Net loss before other revenues	(20,480,773)	(21,153,721)	(20,870,122)	(28,459,982)	(51,293,593)	
OTHER						
Capital contributions and grants	4,512,771	9,018,561	10,390,485	9,523,877	18,583,242	
Net equity transfers between funds	28,598,566	27,649,289	34,876,343	55,516,013	88,078,387	
Change in net position	12,630,564	15,514,129	24,396,706	36,579,908	55,368,036	
Net position, July 1 (as restated)	750,784,951	763,415,515	778,929,644	768,055,669	804,635,577	
Net position, June 30	$763,415,515	$778,929,644	$803,326,350	$804,635,577	$860,003,613	

1. Analysis of water & wastewater capital projects determined there to be $19.1 million of expenses that did not result in capital assets resulting in those expenditures being expensed in the operating fund.

Source: Anne Arundel County, Maryland Comprehensive Annual Financial Reports

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

	2014	2015	2016
REVENUES			
Interest earned on long-term receivables	$1,043,064	$967,631	$846,637
Investment income	1,003,069	1,035,630	1,246,918
Other revenues	3,381,240	3,324,460	4,054,276
Total revenues	5,427,373	5,327,721	6,147,831
EXPENSES			
Interest expense	7,690,787	8,121,656	10,103,571
Other expenses	1,291,499	1,151,187	1,107,345
Total expenses	8,982,286	9,272,843	11,210,916
OTHER			
Capital contributions, fees, and grants	55,601,473	86,142,676	41,816,962
Net equity transfers between funds	(35,732,823)	(49,377,849)	(63,833,716)
Increase (decrease) in net position	16,313,737	32,819,705	(27,079,839)
Net position, July 1 (as restated)	$247,991,260	$264,304,997	$297,124,702
Net position, June 30	$264,304,997	$297,124,702	$270,044,863

Source: Anne Arundel County, Comprehensive Annual Financial Reports

The Controller has prepared summary unaudited data for the Water and Wastewater Operating and Debt Service Funds for the six months ended December 31, 2015 and December 31, 2016.

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

	For the Six Months Ended December 31, 2015	For the Six Months Ended December 31, 2016
Revenues		
Water and wastewater service	$ 45,094,277	$ 44,547,205
Miscellaneous	13,928,486	6,556,831
Total Revenues	59,022,763	51,104,036
Expenses		
Water and wastewater operations	37,877,753	40,325,292
Depreciation	16,611,812	20,317,261
Total Expenses	54,489,565	60,642,553
Change in net position	4,533,198	(9,538,517)
Net position, July 1	804,635,577	860,003,613
Net position, December 31	$ 809,168,775	$ 850,465,096

Source: Office of Finance

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

	For the Six Months Ended December 31, 2015	For the Six Months Ended December 31, 2016
Revenues		
Capital connection charges	$ 10,113,576	$ 8,071,564
Environmental protection fees	10,293,781	10,993,709
Miscellaneous (primarily interest)	1,421,390	2,073,496
Total revenues	21,828,747	21,138,769
Expenses		
Principal payments on debt	1,000	7,925,000
Interest payments on debt	11,563,536	18,133,744
Other	529,657	530,720
Total expenses	12,094,193	26,589,464
Increase in net position	9,734,554	(5,450,695)
Net position, July 1	296,907,402	270,044,863
Net position, December 31	$ 306,641,956	$ 264,594,168

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	$ 8.10	Maximum per front foot
Sewer	$ 12.16	Maximum per front foot
Capital Facility Connection Charges:		
Water	$6,688.00	
Sewer	$6,688.00	
Environmental Protection Fee:	25% Surcharge on Water and Wastewater Usage Bills	
User Connection Charges:(1)		
Water	$4,391.43	
Sewer	$6,435.55	
Operating Rates		
Water User Charges:		
Each 1,000 gallons	$ 2.70	
Sewer User Charges:(2)		
Each 1,000 gallons	$ 4.74	
Account Maintenance Charge	$6.00/qtr. metered service $3.00/qtr. unmetered service	

(1) This is the minimum charge - actual may be higher.
(2) Based on water consumption.

Source: Department of Public Works

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 2016. The landfill has closed cells; an active cell, which is 95.2% full at June 30, 2016; and one additional cell not yet in use. The active and new cells have estimated lives to at least year 2018 and 2043, 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 $74,003,000 at the end of fiscal year 2016. The County also estimates the future post closure care for these facilities for 30 years at approximately $40,839,000. In addition, the County has reserved cash of approximately $11,337,000 to help pay for the closure and post-closure costs related to the active landfill cells.

The County has estimated an unrecognized liability of approximately $40,291,000 as of June 30, 2016 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 position 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 POSITION
SOLID WASTE FUND
Last Five Fiscal Years
(Unaudited)

	2012	2013	2014	2015	2016
Revenues					
Charges for Services	$47,798,826	$45,599,267	$46,149,105	$46,666,995	$47,109,331
Landfill Charges	2,880,768	3,575,594	3,984,278	3,302,518	3,865,705
Other Revenues	2,706,265	1,947,474	1,026,244	716,270	345,676
Total Revenues	53,385,859	51,122,335	51,159,627	50,685,783	51,320,712
Expenses					
Solid Waste Operations	42,354,964	41,457,009	43,575,223	42,850,606	39,080,018
Landfill Closure and postcl	490,626	(983,054)	(232,487)	570,726	(537,993)
Depreciation	1,718,840	3,972,300	3,570,594	3,984,151	3,894,229
Interest	206,273	336,322	860,890	900,467	999,518
Other Expenses	1,119,579	2,985,121	3,376,614	2,769,660	2,783,600
Total Expenses	45,890,282	47,767,698	51,150,834	51,075,610	46,219,372
Change in net position	7,495,577	3,354,637	8,793	(389,827)	5,101,340
Net position, July 1 (as restated)	$10,401,983	$17,897,560	$21,252,197	$16,166,176	$15,776,349
Net position, June 30	$17,897,560	$21,252,197	$21,260,990	$15,776,349	$20,877,689

Source: Office of Finance

The changes in net position in the Solid Waste Fund have fluctuated over the past few years. In fiscal year 2016, the net position increased $5,101,340 as the result of a reduction in the curbside collection contract as well as adjustments to the landfill closure and post closure reserves.

The Controller has prepared summary unaudited data for the Solid Waste Fund for the six months ended December 31, 2015 and December 31, 2016.

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

	For the Six Months Ended December 31,	
	2015	**2016**
Revenues		
Service fees	$ 23,497,450	$ 23,734,197
Landfill charges	1,832,298	1,769,609
Investment Income	58,445	104,778
Miscellaneous	166,032	256,568
Total Revenues	25,554,225	25,865,152
Expenses		
Operating Expenses	16,150,709	16,965,174
Depreciation Expense	1,564,775	1,089,154
Interest Expense	808,798	1,187,355
Other	3,985,044	5,391,528
Landfill closing costs	914,073	931,850
Total Expenses	23,423,399	25,565,061
Increase in net position	2,130,826	300,091
Net position, July 1	11,319,154	11,162,917
Net position, December 31	$ 13,449,980	$ 11,463,008

Source: Office of Finance

Solid Waste operating expenses increased due to increased contributions to the SW Financial Assurance Fund and Pro-Rata Shares contributions are higher in FY17 than in FY16.

The following schedules list the solid waste rates currently in effect.

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 ($175.00/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
Solid Waste Service Charge	
Annual service charge assessed to each person whose property is supplied with County curbside collection service	$298
Commercial Recycling Charge	
Annual service charge to each person that participates in the voluntary curbside collection program	$34 administrative fee $51 collection fee (per container)

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, 2016 and contribution and valuation data as of the fiscal year ending June 30, 2016 follow. Effective for the January 1, 2015 valuation, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 67 – Financial Reporting for Pension Plans. Pension liabilities are displayed by calculating Net Pension Liability (NPL) replacing the Funding Progress standard used in prior years.

Net Pension Liability &
Valuation Data by Plan
(unaudited)

	Employees' Plan	Police Service Plan	Fire Service Plan	Detention Officers' and Deputy Sheriffs' Plan
Total pension liability	$812,569,878	$643,772,887	$580,859,883	$166,990,286
Plan fiduciary net position	564,282,661	463,225,492	468,239,077	110,759,983
Plan net pension liability (NPL)	$ 248,287,217	$ 180,547,395	$ 112,620,806	$ 56,230,303
Plan fiduciary net position as a percentage of the total NPL	69.44%	71.95%	80.61%	66.33%
Annual contribution for the year ended June 30, 2016	$ 26,415,723	$ 20,314,505	$ 14,854,838	$ 6,526,393
Market value of net assets available for benefits as of June 30, 2016	$ 570,647,024	$ 468,452,949	$ 470,698,359	$ 113,724,793

Source: Office of Finance (from annual actuarial reports submitted to the County by Bolton Partners, Inc.) and State Street Corp. as Custodian for Pension assets

Note: In the fiscal year 2016 the County contributed $1,947,108 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.

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

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.

Effective with the January 1, 2014 actuarial valuation, the inflation assumption was lowered to 3.0% from 3.5%, the investment assumption was lowered to 7.5% from 8.0%, and the amortization period for gains and losses and assumption changed were all reduced to 20 years from 30 years.

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 current County retirees and terminated vested employees that retired before July 1, 2014. Employees not eligible for normal or early retirement by January 1, 2017 will receive a subsidy based on years of service. The Library currently pays 80% for Library retirees. The primary government plan provides the same health plans to active employees and pre-age 65 retirees. The County offers a Medicare Advantage Plan to post age 65 retirees. The County offers the same prescription benefit for active employees and pre-age 65 retirees. Post age 65 retirees are eligible to participate in an Employer Group Waiver Plan (EGWP) plus WRAP for prescription benefits. 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 date of hire and service criteria. Employees hired prior to September 15, 2002 receive Board funding of 75% for Medical/Rx and dental benefits. For employees hired after September 15, 2002, ten years of AACPS service is required to be eligible for retiree health benefits. 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. No Board funding is provided for dental benefits. 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 County utilized the actuarial services of Bolton Partners and Aon Consulting to formulate its findings. According to this report, the combined actuarial estimates of the County's and its component units' total actuarial accrued liability (AAL) is $2,444,647,000. The annual required contribution (ARC) is estimated at $185,037,000. The actuarial results noted herein are based on a 4.75% investment rate of return.

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 has established an irrevocable trust fund effective in fiscal year 2016.

The entities currently fund the retirees' healthcare costs on a Pay-As-You-Go basis. 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. A final report was issued by the Committee on February 14, 2012. The County Council passed legislation in January 2014 to address some of the recommendations from the study. The legislation restructures benefits for current retirees, current employees and new employees resulting in approximately a 25% reduction in AAL and ARC.

The County's health plan operates on a calendar year basis. As of January 1, 2014, employees received an additional increase in co-pays and deductibles. The cost savings from these plan changes will be used to fund the annual required contribution.

The Health Benefits Trust was established as of July 1, 2015. The creation of the trust will allow the County to use a higher actuarial rate of return which will enable the County to meet the five-year plan to fund the Other Post-Employment Benefits annual required contribution by 2020.

Recent Developments

Recent developments concerning the County include:

- On June 15, 2016, the County Council passed the County Executive's $1.4 billion operating budget and $420.7 million capital budget for the fiscal year ending June 30, 2017. The County's local income tax rate remains at 2.50% and the property tax rate decreases from .923 cents to .915 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 above maintenance of effort at $643.2 million, (ii) a two to three percent MERIT increase and up to $4,000 lump sum payment for County employees, and (iii) a contribution of $2.0 million to the Revenue Reserve Fund.

- Other significant funds included in the County's fiscal year 2017 budget include the Water and Wastewater Fund, where water and sewer rates were unchanged 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.

- The Watershed Protection and Restoration Fund (WPRF) was funded in fiscal year 2014 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 fee based upon a property's impervious surface and was fully phased in for fiscal year 2016. The County debt policy specifies the debt will not exceed the fees generated to support the program.

- On July 20, 2015, the County Council passed legislation which increases the annual appropriation amount to the Revenue Reserve Fund by allowing the balance of the fund to not exceed 5% of the estimated general fund revenues for the upcoming fiscal year.

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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 County has entered into a line of credit agreement 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, 2016, not including the Bonds offered hereby.

General Obligation Bonds		
General Improvements	$982,412,344 (1)	
Water and Sewer	550,132,236 (2)	
Watershed Protection and Restoration	46,687,363	
Solid Waste	32,920,293 (1)	
Total General Obligation Bonds		$1,612,152,236
Tax Increment Financing Bonds		83,125,000
Installment Purchase Agreements		13,565,000
Loans from the State of Maryland and Federal		
General Improvements		3,101,437
Long Term Leases		
General Improvements		95,946
Total Direct Debt		1,712,039,619
Less: Dedicated Revenue Source		
Watershed Protection and Restoration	46,687,363 (3)	
Less: Self Supporting Debt		
Water and Sewer Bonds	550,132,236	
Solid Waste Bonds	32,920,293 (4)	
Total Self-Supporting Debt		629,739,892
Net Tax Supported Debt		$1,082,299,727

(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) 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.
(3) Customarily issued as part of Consolidated General Improvement Series; Bonds for this purpose are supported by dedication of, if applicable, other revenues deposited to Watershed Protection and Restoration Fund.
(4) Historically issued as part of Consolidated General Improvement Series; bonds for this purpose are supported by project rates or charges prescribed in bond authorization ordinances.

Source: Office of Finance (unaudited)

Charter Property Tax Revenue Limitation

Section 19-103 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement) 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 19-207(c)(2) of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement), 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 2016-2017 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	$41,094,970
Stormwater Runoff Controls	1,796,425
Stormwater Runoff Controls WPRF	1,000
Education	135,554,821
Police and Fire	58,490,763
Police and Fire Impact Fees	917
Roads and Bridges	47,168,275
Roads and Bridges Impact Fees	1,730
Community College	5,051,631
County Libraries	28,746,364
Recreation and Parks	18,734,389
Waterway Improvements	11,283,912
Waterway Improvements WPRF	1,000
Consolidated Solid Waste	16,139,236
Consolidated Watershed Protection & Restor.	200,126,701
Consolidated General Improvements	$564,192,134
Consolidated Water and Wastewater	465,609,745
Total	$1,029,801,879

Source: Office of Finance

Overlapping Debt

The City of Annapolis is the only incorporated municipality in the County. As of June 30, 2016, the City of Annapolis had $140,977,789 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, 2016, the County had $57,272,236 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 currently has four separate special taxing districts that were created by legislation authorizing the issuance of special obligation bonds for the purpose of financing projects in support of these 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 amounts issued and outstanding are as follows:

Special Tax Districts

	Original Issue	Outstanding as of January 31, 2017
Farmington	$4,280,000	$3,495,000
Dorchester	13,885,000	12,845,000
Two Rivers	30,000,000	30,000,000
1) Arundel Gateway	22,500,000	22,500,000
	$70,665,000	$68,840,000

1) The County may issue an additional $2.5 million in Special Obligation Bonds.

Tax Increment Financing

The County has passed legislation creating eight separate tax increment districts which includes the Odenton Town Center Tax Incremental Fund, established in January of 2013. Six of the districts are 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 in the six special taxing districts 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, 2017, approximately $81,130,000 in aggregate principal amount of such tax increment and special taxing bonds are outstanding of which approximately $35,275,000 are also guaranteed by the full faith and credit of the County.

Special Community Benefit District Debt

As of June 30, 2016, debt attributable to shore erosion control districts in the County totaled $2,569,461, debt attributable to waterways improvements districts in the County totaled $528,320 and debt attributable to special community benefit districts totaled $3,656. 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, 2016:

STATEMENT OF LEGAL DEBT MARGINS
As of June 30, 2016

	General Bonded Debt		*Water & Wastewater Utility Bonded Debt*	
Assessed value of real property	$78,154,217,783		$71,966,080,882	
Bonded debt limit to assessed value	5.2%		5.6%	
Bonded debt limit of real property		$4,064,019,325		$4,030,100,529
Assessed value of personal/operating real property	$2,278,128,860		$2,097,228,650	
Bonded debt limit to assessed value	13%		14%	
Bonded debt limit of personal property		296,156,752		293,612,011
Legal limitation for the borrowing of funds and issuance of bonds		$4,360,176,077		$4,323,712,540
Bonded debt applicable to debt limit (1)		982,412,344		550,132,236
Installment Purchase Agreements (1)		13,565,000		-
Tax Increment Bonds (1)		83,125,000		-
Bonded debt for Solid Waste projects (2)		32,920,293		-
Bonded debt for Watershed Restoration and Protection projects (2)		46,687,363		
Legal debt margin		$3,201,466,077		$3,773,580,304

(1) See Note 8 of the Basic Financial Statements for explanations of the bonded debt limits.
(2) This presentation of debt for solid waste projects, and watershed protection and restoration projects is considered self-supporting.

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.

Year Ended June 30,	Tax supported Debt (1)	Estimated Population (3)	Estimated Market Value (2)	Per Capita Personal Income	Tax Supported Debt Per capita
2012	$1,003,535,000	550,700	$79,844,053,000	$58,393	$1,822
2013	1,054,377,000	556,134	76,847,974,000	57,890	1,896
2014	1,108,311,000	560,286	76,493,372,000	59,574	1,978
2015	1,238,609,000	564,195	77,931,563,000	62,226	2,195
2016	1,259,099,000	570,173	80,432,347,000	63,206	2,208

(1) Includes fee supported Watershed Protection and Restoration Bonds in the amount of approximately $46.6 million and 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
(unaudited)

Fiscal Year Ended June 30,	Debt Service*	Total General Fund Expenditures	Debt Service as a Percentage of Total Expenditures	Total General Fund Revenues	Debt Service as a Percentage of Total Revenues
2012......................	$109,156,174	$1,175,738,991	9.28	$1,188,526,176	9.18
2013......................	114,098,694	1,241,491,489	9.19	1,275,801,760	8.94
2014......................	118,988,757	1,316,345,834	9.04	1,287,677,566	9.24
2015......................	147,243,932	1,342,510,598	10.97	1,349,569,154	10.91
2016......................	182,841,796	1,372,598,170	13.32	1,383,341,488	13.22

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

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
(unaudited)

Fiscal Year Ended June 30,	Water and Wastewater Bonded Debt	Solid Waste Bonded Debt	Total Enterprise Funds Debt
2012 ……………..	$382,899,911	$28,111,299	$411,011,210
2013 ……………..	418,433,175	26,028,283	444,461,458
2014 ……………..	480,300,532	28,490,713	508,791,245
2015 ……………..	538,865,806	33,881,295	572,747,101
2016 ……………..	550,132,236	32,920,293	583,052,529

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 as of March 31, 2017.

	General County Bonds (a,b)							
Fiscal	*Consolidated General Improvement*							
Year								
Ending	*General Government*		*Solid Waste*		*WPRF*		*2017 General Obligation*	
June 30,	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
2017	$ 65,919,051	$ 23,125,852	$ 1,737,338	$ 751,987	$ 1,798,611	1,139,821	$ -	-
2018	82,807,213	42,611,108	1,783,102	1,417,301	2,239,685	2,178,685	3,615,000	5,163,287
2019	79,670,466	38,688,780	2,004,349	1,329,614	2,275,185	2,066,700	3,615,000	5,148,125
2020	74,733,167	34,821,670	2,016,648	1,230,858	2,275,185	1,952,941	3,615,000	4,967,375
2021	72,739,308	31,248,882	2,170,507	1,134,455	2,275,185	1,839,182	3,615,000	4,786,625
2022	72,756,712	27,738,671	2,168,104	1,032,410	2,275,185	1,725,423	3,615,000	4,605,875
2023	67,174,529	24,238,303	2,160,287	924,907	2,275,185	1,611,663	3,615,000	4,425,125
2024	61,102,244	20,997,982	2,209,891	819,253	2,327,865	1,497,904	3,615,000	4,244,375
2025	56,802,274	18,013,823	2,074,463	709,790	2,183,263	1,381,511	3,615,000	4,063,625
2026	49,103,595	15,270,751	2,013,142	606,735	2,183,263	1,272,348	3,615,000	3,882,875
2027	45,834,227	12,920,101	1,867,510	511,338	2,183,263	1,163,185	3,615,000	3,702,125
2028	42,628,618	10,771,116	1,728,119	422,304	2,183,263	1,060,992	3,615,000	3,521,375
2029	39,121,140	8,872,880	1,720,597	341,748	2,183,263	957,927	3,615,000	3,340,625
2030	34,610,876	7,102,169	1,620,861	264,106	2,183,263	854,427	3,615,000	3,159,875
2031	27,322,020	5,448,856	1,304,715	187,042	2,183,263	745,264	3,615,000	2,979,125
2032	21,526,208	4,225,801	820,529	128,300	2,183,263	639,586	3,615,000	2,798,375
2033	17,587,478	3,258,634	709,259	91,208	2,183,263	533,908	3,615,000	2,617,625
2034	12,947,478	2,424,400	709,259	57,870	2,183,263	428,230	3,615,000	2,436,875
2035	8,454,570	1,822,165	490,668	24,533	1,819,762	322,552	3,610,000	2,256,250
2036	2,668,926	1,399,436	-	-	441,074	231,564	3,610,000	2,075,750
2037	2,668,926	1,265,990	-	-	441,074	209,510	3,610,000	1,895,250
2038	2,668,926	1,132,544	-	-	441,074	187,456	3,610,000	1,714,750
2039	2,668,926	999,097	-	-	441,074	165,403	3,610,000	1,534,250
2040	2,663,926	865,776	-	-	441,074	143,349	3,610,000	1,353,750
2041	2,663,926	732,580	-	-	441,074	121,295	3,610,000	1,173,250
2042	2,663,926	599,384	-	-	441,074	99,242	3,610,000	992,750
2043	2,663,926	466,187	-	-	441,074	77,188	3,610,000	812,250
2044	2,663,926	332,991	-	-	441,074	55,134	3,610,000	631,750
2045	2,663,926	199,796	-	-	441,074	33,080	3,610,000	451,250
2046	2,663,929	66,599	-	-	441,071	11,027	3,610,000	270,750
2047	-	-	-	-	-		3,610,000	90,250
	$ 962,164,363	**$ 341,662,324**	**$ 31,309,348**	**$ 11,985,759**	**$ 46,246,289**	**$ 24,706,497**	**$ 108,385,000**	**$ 81,095,537**

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 March 31, 2017 except for the Consolidated General Improvement Bonds Series 2017, Consolidated Water and Sewer Series 2017, Consolidated General Improvement Bonds Refunding Series 2017, Consolidated Water and Sewer Series Refunding Series 2017, and the series of bonds which are refunded by such refinding bonds and the impact on the Totals of outstanding bonds.

Refunding 2017 General Obligation		Debt Service General Obligation 2017 Refunded Issues		Tax Increment		Installment Purchase Agreements and Loans		Water and Sewer Bonds (b)	
Principal	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
$ -	-	$ -	-	$ -	$ -	$ 20,000	$ 362,477	$ 16,420,000	$ 11,177,181
5,000	1,779,146	-	(1,978,500)	2,240,000	4,185,297	260,747	723,838	29,104,941	22,575,862
2,215,000	1,801,925	(2,210,000)	(1,978,500)	2,570,000	4,093,616	248,184	722,723	28,045,049	21,406,880
4,340,000	1,703,600	(4,610,000)	(1,890,100)	2,925,000	3,952,881	241,264	721,607	27,476,427	20,219,928
4,285,000	1,574,225	(4,610,000)	(1,705,700)	3,195,000	3,794,859	241,263	720,492	27,429,094	19,050,184
4,250,000	1,424,950	(4,610,000)	(1,521,300)	3,495,000	3,620,931	241,259	719,376	27,463,081	17,873,167
4,260,000	1,233,450	(4,610,000)	(1,336,900)	3,805,000	3,430,509	220,361	718,261	26,838,412	16,696,682
4,285,000	1,019,825	(4,610,000)	(1,152,500)	4,125,000	3,223,603	207,710	717,145	25,947,518	15,575,552
4,320,000	804,700	(4,610,000)	(968,100)	4,485,000	2,998,884	207,710	716,030	24,675,184	14,488,502
4,350,000	587,950	(4,610,000)	(783,700)	4,820,000	2,791,797	207,710	714,914	24,050,122	13,401,876
4,385,000	369,575	(4,610,000)	(599,300)	5,125,000	2,603,819	201,145	713,799	23,692,406	12,394,765
4,365,000	194,475	(4,610,000)	(403,375)	5,460,000	2,400,738	9,061,145	712,683	22,941,985	11,465,074
4,300,000	64,500	(4,610,000)	(207,450)	4,430,000	2,203,844	186,145	223,954	20,480,000	10,619,926
-	-	-	-	1,955,000	2,055,051	1,672,581	223,662	20,454,567	9,771,489
-	-	-	-	1,915,000	1,939,119	79,112	133,663	19,330,136	8,911,965
-	-	-	-	2,080,000	1,816,214	73,295	133,662	17,892,670	8,030,891
-	-	-	-	2,265,000	1,682,570	19,631	133,663	16,719,269	7,209,116
-	-	-	-	2,455,000	1,537,418	6,130	133,663	16,658,592	6,408,205
-	-	-	-	2,660,000	1,380,143	6,130	133,663	15,859,741	5,632,377
-	-	-	-	2,880,000	1,209,826	-	133,663	15,055,899	4,900,794
-	-	-	-	3,115,000	1,025,550	1,444,000	133,663	12,947,066	4,224,914
-	-	-	-	3,365,000	826,391	-	67,659	12,948,243	3,620,575
-	-	-	-	3,635,000	611,275	-	67,659	12,899,428	3,011,927
-	-	-	-	3,915,000	379,282	-	67,659	11,796,329	2,405,644
-	-	-	-	4,215,000	129,495	1,487,000	67,658	10,335,000	1,833,650
-	-	-	-	-	-	-	-	8,845,000	1,347,700
-	-	-	-	-	-	-	-	7,945,000	936,250
-	-	-	-	-	-	-	-	6,675,000	558,550
-	-	-	-	-	-	-	-	4,035,000	238,000
-	-	-	-	-	-	-	-	1,450,000	36,250
-	-	-	-	-	-	-	-	-	-
$ 45,360,000	**$ 12,558,321**	**$ (48,310,000)**	**$ (14,525,425)**	**$ 81,130,000**	**$ 53,893,112**	**$ 16,332,522**	**$ 9,917,236**	**$ 536,411,159**	**$ 276,023,876**

Fiscal Year Ending June 30,	Consolidated Water and Sewer: 2017 Water and Sewer Bonds (b)		Consolidated Water and Sewer: Refunding 2017 Water and Sewer Bonds (b)		Consolidated Water and Sewer: Debt Service Water Wastewater 2017 Refunded Issues		Total		
	Principal	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Debt Service Charge*
2017	$ -	$ -	$ -	$ -	$ -	$ -	$ 85,895,000	$ 36,557,318	$ 122,452,318
2018	1,545,000	3,023,608	5,000	741,720	-	(905,081)	123,605,688	81,516,271	205,121,959
2019	2,130,000	3,028,250	1,155,000	747,700	(1,145,000)	(905,081)	120,573,233	76,150,732	196,723,965
2020	2,125,000	2,921,875	985,000	715,600	(975,000)	(859,281)	115,147,691	70,458,954	185,606,645
2021	2,125,000	2,815,625	975,000	686,200	(975,000)	(820,281)	113,465,357	65,124,748	178,590,105
2022	2,125,000	2,709,375	970,000	652,175	(975,000)	(781,281)	113,774,341	59,799,772	173,574,113
2023	2,125,000	2,603,125	975,000	608,400	(975,000)	(742,281)	107,863,774	54,411,244	162,275,018
2024	2,125,000	2,496,875	985,000	559,400	(975,000)	(703,281)	101,345,228	49,296,133	150,641,361
2025	2,125,000	2,390,625	995,000	509,900	(975,000)	(664,281)	95,897,894	44,445,009	140,342,903
2026	2,125,000	2,284,375	1,005,000	459,900	(975,000)	(625,281)	87,887,832	39,864,540	127,752,372
2027	2,125,000	2,178,125	1,015,000	409,400	(975,000)	(586,282)	84,458,551	35,780,650	120,239,201
2028	2,125,000	2,071,875	1,020,000	363,625	(975,000)	(542,406)	89,543,130	32,038,476	121,581,606
2029	2,125,000	1,965,625	1,015,000	322,925	(975,000)	(498,531)	73,591,145	28,207,973	101,799,118
2030	2,125,000	1,859,375	1,015,000	282,325	(975,000)	(454,656)	68,277,148	25,117,823	93,394,971
2031	2,125,000	1,753,125	1,005,000	246,950	(975,000)	(409,563)	57,904,246	21,935,546	79,839,792
2032	2,125,000	1,646,875	990,000	217,025	(975,000)	(364,469)	50,330,965	19,272,260	69,603,225
2033	2,125,000	1,540,625	970,000	187,625	(975,000)	(319,375)	45,218,900	16,935,599	62,154,499
2034	2,125,000	1,434,375	955,000	158,750	(975,000)	(274,281)	40,679,722	14,745,505	55,425,227
2035	2,125,000	1,328,125	940,000	129,738	(975,000)	(229,188)	34,990,871	12,800,358	47,791,229
2036	2,125,000	1,221,875	925,000	100,019	(975,000)	(182,875)	26,730,899	11,090,052	37,820,951
2037	2,125,000	1,115,625	905,000	70,281	(975,000)	(136,563)	26,281,066	9,804,220	36,085,286
2038	2,125,000	1,009,375	890,000	41,112	(975,000)	(90,250)	25,073,243	8,509,612	33,582,855
2039	2,125,000	903,125	820,000	13,325	(925,000)	(43,938)	25,274,428	7,262,123	32,536,551
2040	2,125,000	796,875	-	-	-	-	24,551,329	6,012,335	30,563,664
2041	2,125,000	690,625	-	-	-	-	24,877,000	4,748,553	29,625,553
2042	2,125,000	584,375	-	-	-	-	17,685,000	3,623,451	21,308,451
2043	2,125,000	478,125	-	-	-	-	16,785,000	2,770,000	19,555,000
2044	2,125,000	371,875	-	-	-	-	15,515,000	1,950,300	17,465,300
2045	2,125,000	265,625	-	-	-	-	12,875,000	1,187,751	14,062,751
2046	2,125,000	159,375	-	-	-	-	10,290,000	544,001	10,834,001
2047	2,125,000	53,125	-	-	-	-	5,735,000	143,375	5,878,375
	$ 63,175,000	**$ 47,701,858**	**$ 20,515,000**	**$ 8,224,095**	**$ (20,595,000)**	**$ (11,138,506)**	**$ 1,842,123,681**	**$ 842,104,684**	**$ 2,684,228,365**

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 with respect to the issuance of bonds authorized thereunder 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 Anne Arundel County, Maryland, 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 conferred by the Authorizing Ordinance upon him within the following guidelines as well as within the fixed limitations prescribed herein and in the County Charter.

(2) Sale of bonds under the Authorizing Ordinance 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 conferred by the Authorizing Ordinance shall be so exercised that the estimated maximum annual debt service obligation resulting therefrom 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) All bonds issued and sold by the County under the Authorizing Ordinance 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 they 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. The authorization by the Authorizing Ordinance 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.

The County has adopted a debt management policy (the "Debt Management Policy") which sets forth the borrowing limits pursuant to Resolution No. 34-15 adopted by the County Council on July 6, 2015, which may be amended and supplemented. The County's debt management policy constitutes the local debt policy of the County required by Section 17-207 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement).

The validity of any proceedings or action taken pursuant to this Ordinance shall not be limited by or otherwise impaired by the Debt Management Policy. (See "INDEBTEDNESS – County Debt Policies – Administrative Debt Management Policies" below).

Spending Affordability Committee

The Charter established a Spending Affordability Committee for the County in fiscal year 1991. 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 proceeding each fiscal year.

Administrative Debt Management Policies

The County Administration has developed the Debt Management Policy to be used in planning future debt issuance levels. The Debt Management Policy, 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. The Debt Management Policy has been adopted to serve as a guideline 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, 2016	Actual June 30, 2015	Current Guidelines
Debt to Estimated Full Value	1.27%	1.31%	1.50%
Debt Per Capita	$1,792	$1,803	$3,000
Debt to Personal Income	2.80%	2.80%	3.00%
Debt Service to Revenues*	8.90%	9.00%	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 2018 to 2022 Capital Program includes $1,010,916,000 in projected bond authorizations of which $784,184,000 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 2017. Any activity related to the Bonds is not reflected in the schedule.

SCHEDULE OF CAPITAL PROJECTS APPROPRIATIONS AND FUNDING SOURCES
CURRENT AND PROJECTED
(unaudited)

	Unexpended Appropriation As of June 30, 2016	County Council Approved Fiscal Year 2017	Projected Fiscal Year 2018	Projected Fiscal Year 2019	Projected Fiscal Year 2020	Projected Fiscal Year 2021	Projected Fiscal Year 2022
General County Projects	$ 94,322,891	$ 64,877,000	$ 26,491,000	$ 25,112,000	$ 22,206,000	$ 21,179,000	$ 19,800,000
Stormwater Runoff Controls	4,248,060	(3,293,000)	-	-	-	-	-
Education	330,293,577	232,960,000	177,127,000	130,766,000	101,886,000	83,044,000	86,445,000
Police and Fire	26,944,847	39,141,000	9,145,000	21,490,000	8,711,000	3,650,000	650,000
Roads and Bridges	79,690,059	44,002,400	54,060,000	34,326,000	53,745,000	31,860,000	31,860,000
Community College	5,469,139	3,200,000	14,740,000	46,174,000	46,174,000	13,664,000	700,000
County Libraries	12,932,272	20,042,000	7,817,000	350,000	350,000	350,000	350,000
Recreation and Parks	30,677,823	19,942,000	21,774,000	20,813,000	16,636,000	25,284,000	6,142,000
Waterway Improvements	19,085,080	(130,000)	1,425,000	1,200,000	1,200,000	1,200,000	1,200,000
Solid Waste	36,720,992	(1,127,850)	2,924,000	23,865,000	1,440,000	1,440,000	1,440,000
Watershed Protection & Restor.	199,488,349	24,973,500	11,366,600	6,366,600	6,366,600	6,366,600	6,366,600
Total General Improvements	839,873,089	444,587,050	326,869,600	310,462,600	258,714,600	188,037,600	154,953,600
Water and Wastewater	493,289,674	54,460,000	74,272,000	37,233,000	36,565,000	38,428,000	34,755,000
Total	$ 1,333,162,763	$ 499,047,050	$ 401,141,600	$ 347,695,600	$ 295,279,600	$ 226,465,600	$ 189,708,600
FUNDING SOURCES							
General Improvements							
County bonds	$ 191,580,871	$ 155,733,000	$ 202,973,000	$ 194,451,000	$ 165,189,000	$ 115,003,000	$ 106,568,000
County bonds (WPRF)	6,205,000	(6,378,000)	-	-	-	-	-
Impact Fee Bonds	2,647	-	-	-	-	-	-
Grant and aid	238,913,088	148,071,670	57,147,000	64,863,000	63,701,000	50,411,000	27,206,000
Developer impact fees	50,133,317	37,700,000	28,006,000	6,450,000	9,955,000	4,150,000	3,200,000
Pay-as-you-go	3,050,593	34,577,730	6,014,000	8,822,000	6,418,000	6,272,000	5,778,000
Cash balances	87,531,734	-	-	-	-	-	-
Other	26,246,498	51,037,000	18,439,000	5,645,000	5,645,000	4,395,000	4,395,000
Subtotal General Improvements	$ 603,663,748	$ 420,741,400	$ 312,579,000	$ 280,231,000	$ 250,908,000	$ 180,231,000	$ 147,147,000
Solid Waste							
County bonds (SW)	$ 17,751,230	$ (1,682,850)	$ 2,369,000	$ 23,310,000	$ 885,000	$ 885,000	$ 885,000
Pay-as-you-go	-	555,000	555,000	555,000	555,000	555,000	555,000
Cash balances	18,219,762	-	-	-	-	-	-
Other	750,000	-	-	-	-	-	-
Total Solid Waste	$ 36,720,992	$ (1,127,850)	$ 2,924,000	$ 23,865,000	$ 1,440,000	$ 1,440,000	$ 1,440,000
Watershed Protection & Restor.							
County bonds (WPRF)	$ 175,160,200	$ 24,966,500	$ 11,366,600	$ 6,366,600	$ 6,366,600	$ 6,366,600	$ 6,366,600
Cash balances	21,735,691	-	-	-	-	-	-
Other	2,592,458	7,000	-	-	-	-	-
Total Watershed Protection & Restor.	$ 199,488,349	$ 24,973,500	$ 11,366,600	$ 6,366,600	$ 6,366,600	$ 6,366,600	$ 6,366,600
Total General Improvements	$ 839,873,089	$ 444,587,050	$ 326,869,600	$ 310,462,600	$ 258,714,600	$ 188,037,600	$ 154,953,600
Water and Wastewater							
County bonds (W&W)	$ 424,256,938	$ 29,095,000	$ 60,427,000	$ 25,831,000	$ 25,697,000	$ 25,723,000	$ 23,887,000
Grant and aid	13,679,652	-	-	-	-	-	-
Pay-as-you-go	-	13,013,000	13,845,000	11,402,000	10,868,000	12,705,000	10,868,000
Cash balances	39,779,870	-	-	-	-	-	-
Other	15,573,214	12,352,000	-	-	-	-	-
Total Water and Wastewater	$ 493,289,674	$ 54,460,000	$ 74,272,000	$ 37,233,000	$ 36,565,000	$ 38,428,000	$ 34,755,000
Total	$ 1,333,162,763	$ 499,047,050	$ 401,141,600	$ 347,695,600	$ 295,279,600	$ 226,465,600	$ 189,708,600

SECTION FIVE: ECONOMIC AND DEMOGRAPHIC INFORMATION

Description and Government

Anne Arundel County is located approximately thirteen 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 570,173, 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 Bureau, the County grew by approximately 24,887 people (or 4.6 percent) between 2010 and 2015. In actual numbers this population growth ranked third 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 2011-2015 American Community Survey (ACS) 5-Year Estimates, 38.3% of the County's population has obtained a bachelor's degree or higher. Approximately 27.6% of the working population is employed by government agencies, whereas 72.4% is employed in the private sector or self-employed. The median age of persons in the County is 38.4 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 1993 through 2015.

ANNE ARUNDEL COUNTY, MARYLAND AND UNITED STATES POPULATION

Year	Anne Arundel County	Percent Increase	State of Maryland	Percent Increase	United States	Percent Increase
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	1.00%	5,296,486	0.80%	281,421,906	0.85%
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)	539,308	3.47%	5,788,409	1.56%	309,346,863	0.76%
July 2011	545,084	1.07%	5,844,171	0.96%	311,718,857	0.77%
July 2012	550,700	1.03%	5,890,740	0.80%	314,102,623	0.76%
July 2013	556,134	0.99%	5,936,040	0.77%	316,427,395	0.74%
July 2014	560,286	0.75%	5,975,346	0.66%	318,907,401	0.78%
July 2015	564,195	0.70%	6,006,401	0.52%	321,418,820	0.79%

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.
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	111.10%	135.76%
2011	57,822	52,191	42,332	110.79%	136.59%
2012	58,393	53,078	44,266	110.01%	131.91%
2013	57,890	52,545	44,438	110.17%	130.27%
2014	59,574	54,176	46,049	109.96%	129.37%
2015	60,628	55,972	49,827	108.32%	121.68%

Source: U.S. Department of Commerce, Bureau of Economic Analysis data November 17, 2016; new estimates for 2015.

In 2015, Anne Arundel County had a per capita personal income (PCPI) of $62,226. This PCPI ranked 4th in the state and was 108 percent of the state average, $55,972, and 122 percent of the national average, $49,827. The 2015 PCPI reflected an increase of 1.8 percent from 2014. The 2014-2015 state change was 3.3 percent and the national change was 8.2 percent. In 2005 the PCPI of Anne Arundel County was $48,384 and ranked 4th in the state. The ten-year (2005-2015) compound annual growth rate of PCPI was 2.4 percent. The compound annual growth rate for the state was 2.6 percent and for the nation was 3.0 percent.

Median Household Income

The median household income divides the income distribution into two equal groups: households having incomes above the median and households having incomes below the median. According to the 2011-2015 ACS, the median household income of the County was $89,860, well above the median household income of the State of Maryland, $74,551, and the Country, $53,889. The following table compares median household incomes of the County, State, and the Country for the years 2011 through 2015.

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

Geography	2011	2012	2013	2014	2015
Anne Arundel County	$85,690	$86,987	$87,430	$89,031	$89,860
State of Maryland	72,419	71,122	73,538	74,149	74,551
United States	52,762	51,371	53,046	53,482	53,889

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 2016 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%
2013…………………………	3,232,758,964	7.48%	33,410,578,454	2.44%
2014…………………………	3,294,318,701	1.90%	34,188,492,631	2.33%
2015…………………………	3,458,651,950	4.99%	35,483,301,874	3.79%
2016…………………………	3,634,251,062	5.08%	36,918,468,397	4.04%

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.

The chart below shows employment by industry profile for Anne Arundel County, and the State of Maryland 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

	2005 Annual Averages				2015 Annual Averages			
	Anne Arundel		State of Maryland		Anne Arundel		State of Maryland	
	Number Employed	% of Total	Number Employed	% of Total	Number Employed	% of Total	Number Employed	% of Total
Private Sector								
Goods Producing:								
Nat. Resource and Mining	168	0%	6,891	0%	191	0%	6,473	0%
Construction	16,715	8%	182,878	7%	16,172	6%	154,047	6%
Manufacturing	13,941	6%	140,666	6%	11,369	4%	103,896	4%
Goods Producing	30,824	14%	330,435	13%	27,732	11%	264,416	10%
Service Providing:								
Trade, Transp. & Utilities	52,200	24%	466,162	19%	55,348	21%	458,015	18%
Information	4,340	2%	50,368	2%	2,380	1%	38,449	1%
Financial Activities	11,724	5%	158,234	6%	10,358	4%	138,896	5%
Professional & Business	33,647	15%	383,250	15%	42,792	16%	430,326	17%
Education & Health	21,469	10%	340,182	14%	31,136	12%	417,845	16%
Leisure & Hospitality	25,484	11%	229,246	9%	34,554	13%	267,202	10%
Other Services	8,452	4%	89,141	4%	9,812	4%	90,025	3%
Service Providing	157,316	71%	1,716,583	69%	186,380	72%	1,840,758	71%
Unclassified	131	0%	1,771	0%	0	0%	-	0%
Total Private Sector	188,271	85%	2,048,789	82%	214,112	82%	2,105,174	81%
Public Sector								
Local	17,727	8%	226,183	9%	21,144	8%	242,724	9%
State	8,616	4%	96,707	4%	12,132	5%	98,833	4%
Federal	7,492	3%	125,737	5%	13,070	5%	144,128	6%
Total Public Sector	33,835	15%	448,627	18%	46,346	18%	485,685	19%
Total Employment	222,106	100%	2,497,416	100%	260,458	100%	2,590,859	100%

Source: "Employment and Payrolls," 2004 and 2014 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, 2004 and

Largest Employers

The employers listed below represent the largest employers within Anne Arundel County, Maryland as of June 30, 2016.

Largest Employers	Business type	Approximate Number of Employees
Ft. George G. Meade	DoD intelligence training, 116 DoD and non DoD tenant organizations including National Security Agency, DISA, US Cyber Command	55,316
Anne Arundel County Public Schools	Education	14,000
State of Maryland	Government	12,132
Northrop Grumman	Defense electronics	7,725
Anne Arundel County General Government	Government	5,190
Southwest Airlines	East coast flight center	3,500
Anne Arundel Health System	Health care services & hospital	4,600
Maryland Live! Casino	Casino	3,400
UM Baltimore Washington Medical Center	Health care services & hospital	2,901
US Naval Academy	Federal naval education facility	2,340
Booz Allen & Hamilton Inc.	DoD contractor, IT services & signal intelligence solutions	2,100
Anne Arundel Community College	Public two-year college	1,939
Allegis Group	Headquarters, technical & administrative placement	1,500
CSC	DoD contractor IT services	1,230
Lockheed Martin	Defense contractor, advanced technology systems	800
Verizon Communications MD	Telecommunications services	844
Rockwell Collins (formerly ARINC)	Commercial aircraft electronics	750
KEYW Corporation	Headquarters; IT services	780
Johns Hopkins Healthcare LLC	Administrative offices for Hopkins	625
Under Armour	Distribution center for Under Armour apparel	617

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

Employment

In 2016, the County's unemployment rate averaged 3.5%, compared with the State of Maryland averaging 4.1%, and the United States averaging 4.6%. Anne Arundel County maintained a job loss significantly less than state and national averages in 2016, averaging 3,055,061 jobs on the payrolls. The following table presents the County's annual average labor force, employment and unemployment for the years 2003 through 2016 November statistics.

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 (3)	284,986`	274,223	10,763	3.8
2009 (3)	287,064	267,831	19,233	6.7
2010 (3)	295,906	274,996	20,910	7.1
2011 (3)	300,515	280,813	19,702	6.6
2012 (3)	305,158	286,493	18,665	6.1
2013 (3)	307,441	288,495	18,946	6.2
2014 (4)	295,723	280,492	15,231	5.2
2015 (5)	302,888	289,471	13,417	4.4
2016 (5)	305,061	294,347	10,714	3.5

(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 2013, Maryland Department of Labor, Licensing and Regulation
(4) Civilian Labor Force, Employment & Unemployment by Place of Residence (LAUS) – Anne Arundel county 2014, Maryland Department of Labor, Licensing and Regulation
(5) Civilian Labor Force, Employment & Unemployment by Place of Residence (LAUS) – Anne Arundel county November 2015 and 2016, Maryland Department of Labor, Licensing and Regulation

Source: Maryland Department of Licensing, Labor & Regulation. (Average per year)

New Business Addition and Expansion Highlights Fiscal Year 2016

In fiscal year 2016 Anne Arundel Economic Development Corporation tracked one hundred sixty plus business openings and expansions that brought new jobs to the County and anticipated additional jobs in the near future. Openings and expansions of note include: Ruth's Chris Steak House opened in the Odenton Town Center creating 75 jobs in the County; South Moon Under located their corporate headquarters in Annapolis bringing 55 jobs to the County; Maryland Live Casino broke ground on their 350,000 square foot property to include a 310-room hotel and 1,500-seat event center that will create 400 jobs in the County on completion; and Coopers Hawk Winery and Restaurant opened their first Maryland location at Annapolis Towne Centre creating 50 jobs in the County.

Source: Anne Arundel Economic Development Corporation.

Economic Development Projects

Chesapeake Innovation Center

The Chesapeake Innovation Center (CIC) is a business incubator located in Anne Arundel County in Odenton, Maryland. 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.

Since 2003, the CIC has provided support to over 50 companies. In the summer of 2016, nine new companies were welcomed into the Chesapeake Innovation Center. The companies were winners of the center's scholarship competition, the Chesapeake Innovation Challenge, which was made possible with funding support from the Maryland Department of Commerce. Five of the winners are cyber-related businesses with a number of the entrepreneurs having federal government experience. Other innovations represented include point-to-point communications, health technologies and a project management platform.

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 119 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, Joint Force Headquarters-DoD Information Network, 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 55,316 with military, civilian and contractor employees. Fort Meade generates $7.4 billion in purchases with-in the State of Maryland.

The mission of Fort Meade has expanded as the installation has become the "Nation's Center for Information, Intelligence and Cyber Operations". Currently there are eight projects underway on Fort Meade representing $1.8 billion in construction. In 2016, Defense Information Schools completed their 80,000 square foot state-of-the-art building and the renovation of their 60,000 square foot existing structure. Defense Information Schools' mission is to train military communicators across all military branches. The expansion allows the school to train of up to 3,000 students a year.

Source: Fort Meade 101 August 2016; Maryland Economic Impact Study of Military Facilities FY 2012 update.

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 in Hanover near the 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 Arundel Preserve project has completed 1,078 apartments in three apartment complexes and 227,000 square feet of commercial space, including the Shops at Arundel Preserve and Phase I of the Town Center. The Corporate Center has completed two office buildings totaling 276,000 square feet of space. Both buildings are occupied by cyber security company KeyW.

Currently, The Arundel, a 233-unit apartment complex is under construction at Arundel Preserve. Other projects in planning are a Cambria hotel, a Wawa and CVS drug store.

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 larger defense contractors such as Northrop Grumman, Lockheed Martin, CSC, General Dynamics and other Department of Defense tenants. Currently, the 225-acre National Business Park North is under construction adding an additional 2.0 million square feet to the park. The expansion will accommodate defense contractor growth resulting from the location of U.S. Cyber Command and the National Security Agency at Fort George G. Meade. At completion, National Business Park will have over 5,400,000 square feet of office space on 519 acres.

Source: Anne Arundel Economic Development Corporation.

Odenton Town Center

The Odenton Town Center (OTC) incorporates an area of 1,233 acres located in the western part of Anne Arundel County in close proximity to Fort George G. Meade. The OTC is located in the center of an area that has experienced tremendous residential and business growth in recent decades and is expected to experience even more growth in the decades to come. There are eleven completed projects in the Odenton Town Center and another six in the planning stage.

In summer 2016, ground was broken on the construction of Town Center Boulevard which will serve as a main connector for the development to begin in the Town Center. The project will create a roadway from Hale Street near Route 175 to Blue Water Boulevard in Seven Oaks. Construction will include a sidewalk and a trail for hikers and bicyclists. The $15 million project is a public/private partnership between Anne Arundel County and Halle Development with an anticipated completion date of summer 2017. Openings in the Town Center in 2016 include Ruth's Chris Steak House in Odenton Station, the All American Steakhouse in Meade Center, High's gas station, and the apartment complexes Bloodstone 32 West, Novus @ Odenton Town Center and Berger Square.

Source: Anne Arundel Economic Development Corporation.

Economic Development Initiatives

Arundel Business Loan Fund (ABL)

The ABL Fund offers a non-bank alternative for small business loans from $50,000 to $300,000 to new and expanding companies located in Anne Arundel County. The program is supported by seventeen participating lenders that have extended a line of credit totaling more than $4.3 million for the Arundel Business Loan Fund. Most loans are guaranteed by the US Small Business Administration. Currently there are fifteen outstanding loans totaling $691,912 in funds.

Source: Anne Arundel Economic Development Corporation.

Business Corridor Investment Loan Program (ACR)

The Arundel Community Reinvestment (ACR) loan program encourages economic activity in the County's sixteen commercial revitalization districts. The ACR loan fund offers qualified business owners zero interest loans of up to $50,000 for improvements to the exterior and interior of their business. Currently Anne Arundel Economic Development Corporation has thirty outstanding loans totaling $465,650 in funds.

Source: Anne Arundel Economic Development Corporation.

VOLT Loan Program

Anne Arundel Economic Development Corporation is a fund manager for a $5.36 million loan fund for the Small, Minority, Veteran and Women-Owned businesses in Maryland. The loan program is funded by 1.5% of the video lottery terminal (VLT) revenue from Maryland casinos. Under State guidelines, 50% of loan funds available must be placed within 10 miles of three existing VLT sites at Arundel Mills (Anne Arundel County), Perryville (Cecil County), and Ocean City (Worcester County), with the remainder to be placed statewide. Currently Anne Arundel Economic Development Corporation has forty-four outstanding loans totaling $5,210,280.

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 impacted by BRAC growth. 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 eighteen projects completed in the BRAC Zone with another five projects in the pipe-line.

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 23,000 riders per day in FY 2016. 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, MD.gov Open Portal Stats/data.maryland.gov.

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 Airport and Odenton to Union Station. An Odenton/MARC Shuttle Bus Service, operated the by Regional Transit Agency of Central Maryland, 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 Airport 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.

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 allows goods to reach one-third of U.S. consumer markets in an overnight drive.

The fiscal years 2017-2022 Maryland Department of Transportation Consolidated Transportation Program is $14.4 billion with half of that being allotted to the State Highway Administration for road projects. The Maryland Department of Transportation continues to be committed to projects that invest in Maryland's transportation system resulting in job creation and the support of Maryland industries and businesses. Efforts continue to address traffic congestion on MD 175. Construction continues on the intersection improvements along MD 175 at Mapes Road and Reece Road, improving turn lanes, adding bike lanes and a security fence and tree buffer along Fort Meade's property.

Sources: Multiple sources gathered by Anne Arundel Economic Development Corporation; Maryland Consolidated Transportation Program FY 2017 to FY 2022.

Trucking Services

Maryland's strategic location midway along the East Coast allows trucks to reach more than one-third of the U.S. markets within an overnight drive, transporting eighty-eight percent of the total manufactured tonnage in Maryland. 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 (the "Port") and BWI Thurgood Marshall (the "Airport") are thriving hubs for freight forwarders, trucking companies, warehousing and distribution facilities. Both conventional and specialized trucking services are available at the Port and Airport.

Source: Maryland Distribution Council; Maryland Motor Truck Association.

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 (MTA), Annapolis Transit (AT), Regional Transportation Agency (RTA), MTA Commuter Bus Service, Young Transportation Service 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.

Source: Anne Arundel County Transportation.

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 billion square feet passenger terminal with five concourses, 68 jet gates and five gates dedicated to commuter aircraft. Thirty-six airlines (including commuter, charter, and cargo airlines) serve BWI Thurgood Marshall with an average of 734 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 $7 billion in business revenue for Maryland, employing an estimated 9,717 people directly and generating employment for some 97,737 people in the Baltimore-Washington region with direct, indirect, and induced jobs combined.

BWI Thurgood Marshall served 24,663,807 passengers in fiscal year 2016, an 8.3% increase over fiscal year 2015. In fiscal year 2016, BWI continued to enhance its services with the announcement by Southwest Airlines of offering flights to Sacramento International Airport and Wow Airlines offering daily flights to Iceland during the summer months. BWI Thurgood Marshall also welcomed two new airlines, Norwegian Air Shuttle offering service to Martinique and Guadeloupe and Allegiant Air offering service to Cincinnati, Ohio and Savannah, Georgia.

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 located 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. Available facilities include 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 of Baltimore is one of only two Eastern U.S. Ports with a 50 foot shipping channel, allowing it to accommodate some of the largest container ships in the world.

The Port of Baltimore is one of the top ten major employment centers in the State of Maryland supporting 33,920 jobs, 13,650 of those are direct jobs generated by cargo and vessel activities at the Port. The Port generates approximately $2.2 billion in business revenues in the State of Maryland. Activities at the Port generate another $310 million in state, county and municipal tax revenues.

Cruise activity at the Port supports 500 direct, induced and indirect jobs and generates $90 million in economic activity for Maryland. More than 200,000 passengers launch from the Port of Baltimore on Carnival and Royal Caribbean Cruise Lines sailing to Bermuda and the Caribbean Islands.

Sources: Port of Baltimore, www.mpa.state.md.us 2015 Economic Impact of the Port of Baltimore/Martin Associates.

Tourism

Anne Arundel County leads all other Maryland counties in generating economic impact through travel. In 2015, 7.0 million travelers visited Anne Arundel County to enjoy the many attractions and amenities including but not limited to, the 533 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 $3.7 billion which is 22% of all travel expenditures in Maryland. The tourism industry in Anne Arundel County supports 21,561 direct jobs and another 9,379 indirect jobs. These tourism jobs generate $1.1 billion in direct payroll income and another $698.4 million in income from jobs indirectly impacted by tourism. Tourism expenditures in the County account for $449.6 million in state and local taxes. These revenues provide needed infrastructure monies for general fund projects and services.

Anne Arundel County generated $17.5 million in gross hotel tax in fiscal year 2016, a 0.41% increase over fiscal year 2015. The County continues to experience new hotel growth in the Arundel Mills Mall area with the opening of Home2Suites in Hanover in spring 2016. New additions are coming online with Maryland Live breaking ground on their 310-room hotel projected to be open in January 2018 and a planned Cambria Suites at Arundel Preserve in Hanover.

Maryland Live! Casino, a 330,000 square foot gaming facility, opened in June 2012 at Arundel Mills Mall in northern Anne Arundel County. The facility is one of the largest gaming facility in Maryland with 4,000 slot machines and electronic table games, 150 live table games and 52 poker tables, plus restaurants and entertainment venues. The Casino is estimated to generate $400 million in annual revenue for the State of Maryland with $20 million of that revenue going directly to Anne Arundel County. The casino operates on a 24-hour basis and employs 3,000 people. Maryland Live broke ground on their $200 million expansion in to include a 310-room hotel, convention center and additional restaurants. The expansion will create 400 new permanent jobs and has a projected opening in January 2018.

Source: The Annapolis & Anne Arundel County Conference & Visitors Bureau/The Economic Impact of Tourism in Maryland-Tourism Satellite Account Calendar Year 2015; Anne Arundel Economic Development Corp.

Housing

According to the 2010 census, the County had 212,559 housing units. The 2015 US Census Annual Estimates of Housing Units estimates the County now has approximately 220,989 units; a growth of 8,430 units since the 2010 census. Single-family (detached and attached) units account for approximately 79 percent of total units.

According to the Maryland State Department of Planning Data Center, from 2000 to 2016 Anne Arundel County has ranked first in new construction in the Baltimore metropolitan region (defined as Anne Arundel County, Baltimore County, Carroll County, Harford County, Howard County, and Baltimore City). In 2012, Anne Arundel

County was ranked second to Montgomery County in the state, in 2013 was ranked third and in 2015 and 2016 was ranked first in the state for new housing units.

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The following table compares new housing units authorized for construction between 2002 and 2016 with the state.

ANNE ARUNDEL COUNTY AND MARYLAND
NEW HOUSING UNITS AUTHORIZED FOR CONSTRUCTION, 2002-2016
Anne Arundel County

Year	Total New Units	Single Family	% of Total New Units	Multi-Family	% of Total New Units
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%
2012	1,595	943	59.12%	652	40.88%
2013	1,881	1,414	75.17%	467	24.83%
2014	683	661	96.78%	22	3.22%
2015	1,116	1,058	94.80%	58	5.20%
2016	2,246	1,526	67.94%	658	29.30%
Total	24,828	16,908		7,858	

State of Maryland

Year	Total New Units	Single Family	% of Total New Units	Multi-Family	% of Total New Units
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	75.55%	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	76.82%	2,178	23.18%
2010	11,931	8,489	71.15%	3,442	28.85%
2011	13,481	8,362	62.03%	5,119	37.97%
2012	15,217	9,232	60.67%	5,985	39.33%
2013	18,138	11,043	60.88%	7,095	39.12%
2014	5,209	2,986	57.32%	2,223	42.68%
2015	4,470	3,383	75.68%	1,087	24.32%
2016	15,421	9,853	63.89%	5,385	34.92%
Total	267,421	193,335		73,903	

Source: Maryland Department of Planning, State Data Center 2016 New Housing Units Authorized for Construction

According to the Census Bureau's 2015 American Community Survey 5-year estimates, the median home value in Anne Arundel County was $338,800 (margin of error +/-$3,496), which is $45,000 higher than the median value in the State of Maryland ($293,800 with a margin of error +/-$987). In the American Community Survey 3-year estimates, the median gross rent was $1,635 (margin of error +/-$20) per month in Anne Arundel County and $1,415 (margin of error +/-$6) per month in Maryland.

Construction Activity

In fiscal year 2016, residential development showed a significant increase, continuing the trend seen in fiscal year 2015. The residential development was led by new apartment construction. Commercial development dropped although the number of permits for new construction showed an increase. The outlook for fiscal year 2017 includes residential development leveling with commercial development meeting the fiscal 2016 numbers. Building permit data for the last five fiscal years is shown below:

BUILDING PERMITS
($ in 000's)

	Residential				Commercial				Combined	
	New Construction		Other		New Construction		Other		Total All Permits	
Year	**Issued**	**Value**	**Issued**	**Value**	**Issued**	**Value**	**Issued**	**Value**	**Issued**	**Value**
2012	3,068	$360,452	4,490	$99,826	74	$95,777	2,949	$195,543	10,581	$751,598
2013	1,792	257,218	5,240	74,245	54	97,880	1,790	168,466	8,876	597,809
2014	1,800	248,167	5,973	113,376	78	175,406	1,847	210,164	9,698	747,113
2015	2,353	315,267	7,850	141,230	67	79,480	2,178	205,127	12,448	741,104
2016	3,045	424,187	8,687	148,703	95	69,854	2,309	200,154	14,136	842,898

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

SECTION SIX: COUNTY ADMINISTRATION

General

Under its Charter, the County's executive functions are vested in the elected County Executive and the Chief Administrative Officer. The County Council is the County legislative body and its seven members each represent one of the seven relatively equally populated councilmanic districts in which the elected Council member 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.

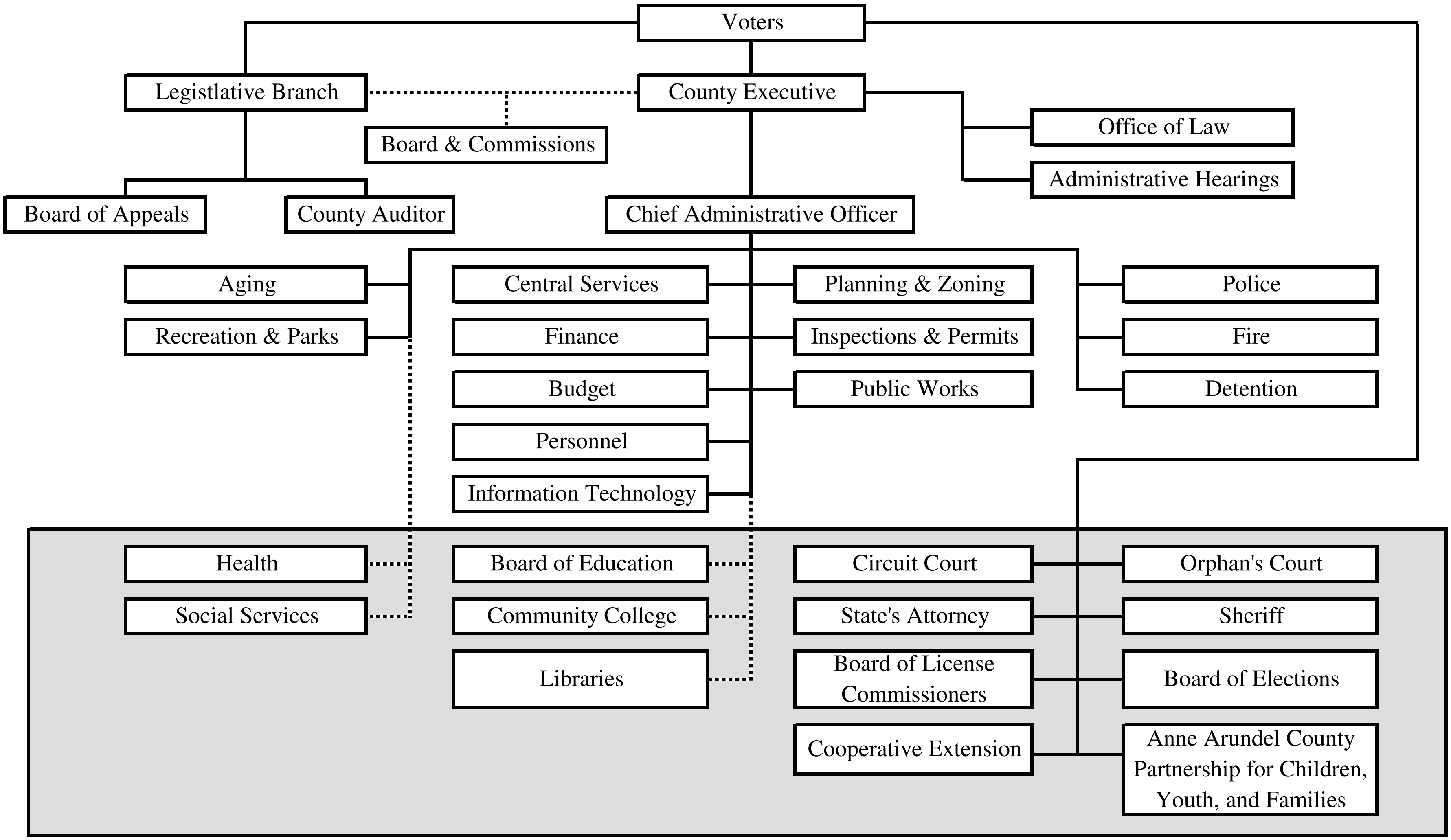
The County's financial matters are administered through the Office of Finance by the Controller of the County. The Controller is appointed by the County Executive on the basis of experience in financial administration and skill in public administration and governmental budgeting, and serves under the supervision of the Chief Administrative Officer. 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, appointed by the County Executive and under the supervision of the Chief Administrative 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, Budget Officer, County Attorney, County Controller, Personnel Officer, Planning and Zoning Officer, Director of Inspection and Permits, Administrative Hearing Officer, Director of Public Works, Chief of Police, Fire Chief, Director of Aging and Disabilities, Superintendent of Detention Facilities, Central Services Officer, Director of Information Technology, 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

STEVEN R. SCHUH, County Executive, was elected in November 2014. Prior to being elected County Executive, Mr. Schuh served two terms in the Maryland General Assembly representing District 31, which included Pasadena and parts of Glen Burnie and Brooklyn Park. He was a member of the Economic Matters Committee and was chosen by his colleagues to serve as Chairman of the Anne Arundel County Delegation to the House of Delegates.

Mr. Schuh has been in business for nearly 30 years. As president of the private equity firm Schuh Advisory, he started businesses that now employ more than 400 people in the region. He was previously a Managing Director of Maryland-based Alex. Brown & Sons, the oldest investment banking firm in the United States, and of Credit Suisse, an international financial services firm.

Mr. Schuh earned a Bachelor's degree in economics and government from Dartmouth College and Master's degrees in business and in education from Harvard University and Johns Hopkins University, respectively.

Appointed

MARK D. HARTZELL, is Chief Administrative Officer of Anne Arundel County.

Mr. Hartzell previously served as Executive Vice President with Computershare, Inc. since 2010 and served as a member of the U.S. Executive Committee. Computershare is a global provider of financial services. As Executive Vice President, he led the sales and marketing division of the company. As a member of the U.S. Executive Committee, he helped manage approximately 4,000 employees in multiple locations.

Prior to his time at Computershare, Mr. Hartzell was a managing director at J.P Morgan Chase, where he led the Global Sales and Client Management organization. J.P Morgan Chase is an American multinational banking and financial services company. It is the largest bank in the United States, with total assets of US$ 2.6 trillion. It is a major provider of financial services, and currently is the world's third largest public company based on a composite ranking.

Prior to his position at J.P. Morgan Chase, Hartzell held senior management positions at Citibank and U.S. Bancorp.

He is a graduate of Beloit College.

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 Master's degree in business administration from the Wharton Graduate Division of the University of Pennsylvania.

KARIN McQUADE, Controller, was appointed effective January 30, 2017. Prior to working at the County, she has held senior level finance and accounting positions in the private sector and has worked for more than 30 years at various finance and accounting roles.

Ms. McQuade holds a Master's Degree in Financial Management and a Bachelor of Science in Business and Management from the University of Maryland, University College. She also received her Bachelor of Science in Elementary Education from the University of Pittsburgh and is a Certified Public Accountant (CPA).

NANCY McCUTCHAN DUDEN, County Attorney, was appointed effective December 1, 2014. Ms. Duden has been with the Office of Law since 2004, serving as an Assistant County Attorney, Supervising County Attorney, and most recently, Deputy County Attorney. Prior to the Office of Law, Ms. Duden was, for 14 years, both a trial attorney for a major property casualty insurer and that company's National Litigation Auditing Attorney. Ms. Duden began her legal career as an associate with the private firm, Blumenthal, Wayson, Downs and Offutt, in 1987.

Ms. Duden holds a Bachelor's degree in Economics from Randolph-Macon Woman's College and a Juris Doctor from the University of Maryland School of Law. Ms. Duden is a member of the bars of the State of Maryland, the District of Columbia and the United States District Court for the District of Maryland.

JULIE A. MUSSOG, President and CEO of Anne Arundel County Economic Development Corporation, was appointed on November 1, 2016. Prior to her appointment, she served as Controller of Anne Arundel County and as Special Assistant to the County Executive for Anne Arundel County. Prior to working at the County, she worked at the State of Maryland as a Legislative Aide. Prior to her time at the State of Maryland she worked at various finance and accounting roles in the private sector including PricewaterhouseCoopers, Pulte Homes and Dell, Inc. She has 20 years of experience in the private and public sector.

Ms. Mussog holds a Bachelor of Business Administration degree in Accounting from the University of Michigan's Ross School of Business, Ann Arbor and a Masters of Business Administration degree from the University of Michigan's Ross School of Business, Ann Arbor. She is a Certified Public Accountant (CPA) and a member of the Maryland Association of Certified Public Accountants and the Government Finance Officers Association.

Legislative

PETER I. SMITH, Councilman, First District, is serving his first term on the Council. Peter recently served as a Resource Manager for the Department of Defense. He has served in the United States Marine Corps for 19 years with 12 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 and Toastmaster International and the Marine Corps Association. Peter serves as the Toys for Tots Anne Arundel County coordinator. Peter resides in Severn and is married to Rebecca Smith. They have two children Isabella and Tristan.

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JOHN J. GRASSO, Councilman, Second District is serving his second term on the Council, and is currently the 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 second term on the Council. He is a graduate of North Carolina State University with a Bachelor of Arts 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. In the past, he has also served on the Board of Directors of the Maryland Association of Counties (MACo), the Robert A. Pascal Youth & Family Services Center, was a member of the Cox Creek Citizens Oversight Committee and the 100 Club of Anne Arundel County. He is currently a member of the Pasadena Business Association. Mr. Fink is a small business owner who lives in Pasadena with his wife, Kristin and their sons Owen and Kyle.

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ANDREW W. PRUSKI, Councilman, Fourth District, is serving his first term on the Council. He graduated from Niagara University with a Bachelor of Arts in History and Masters of Education. He has business experience in the fields of real estate, construction sales and management, but has spent most of his professional career in the field of education. His educational work experience ranges from his work at the United State Department of

Education to serving as a high school Social Studies teacher. Mr. Pruski has served on several national panels regarding educational issues including the National Council for Accreditation of Teacher Education's blue-ribbon panel studying teacher preparation. He currently serves as the Supervisor of Internal Assessment for the Prince George's County Public Schools System. In this capacity, he manages and supports internal assessment programs administered within the school system. Prior to being elected to the Anne Arundel County Council, Mr. Pruski has been active in numerous professional, civic, and community organizations. He served as a member of the Anne Arundel County Board Appeals, an At-Large member and Past President of the Anne Arundel County Board of Education, and as the past President of the Four Seasons Community Association. In addition, Mr. Pruski is also a coach and volunteer for the Gambrills Odenton Recreation Council (GORC) and active member of the West Anne Arundel County Chamber of Commerce. Mr. Pruski resides in the Four Seasons Community in Gambrills, with his wife Roxanne and their children, Jacob, Clara, and Walter.

* * *

MICHAEL A. PEROUTKA, Councilman, Fifth District, is serving his first term on the Council. Michael Anthony Peroutka graduated from Loyola College (now University) in Maryland in 1974 with a Bachelor of Arts in Business Administration. In 1981, he graduated from the University of Baltimore, School of Law. Following his admission to the bar, he served in a legal capacity for the Department of Health and Human Services for a few years before partnering with his brother, Stephen in the law firm of Peroutka & Peroutka, P.A. of Pasadena, Maryland. After nearly 27 years as a principal in the firm, Mr. Peroutka has recently retired from private practice. In 2004, Michael Peroutka was the Constitution Party's candidate for President of the United States of America. He ran on a platform that sought to Honor God, Protect the Family, and Restore the Republic. As co-founder of The Institute on the Constitution, a nation-wide program teaching the principles incorporated in the Declaration of Independence and the U. S. Constitution and the Maryland Constitution, Michael has taught and lectured in Maryland and across the country about law, liberty and government related topics. In 2014, Michael was elected to the Anne Arundel County Republican Central Committee. Michael is a member of Cornerstone Evangelical Free Church in Pasadena. He has three grown children and lives with his wife, Natalie, in Millersville.

* * *

CHRIS TRUMBAUER, Councilman, Sixth District, is serving his second term on the Council. Mr. Trumbauer, born and raised in Chestertown on Maryland's Eastern Shore, attended the University of Maryland – College Park where he received a Bachelor of Science degree in Chemistry in 1996. After graduation he was employed as a scientist at the Industrial Chemical Corporation in Baltimore until 1999 when he was hired by the Department of Natural Resources (DNR). At DNR he was responsible for running a water quality monitoring program which assessed the Chesapeake Bay and its numerous rivers and streams. In 2008 became the West/Rhode Riverkeeper where he was a leading advocate for the health of Anne Arundel County Rivers until November 2013. Currently, Mr. Trumbauer is Director of State and Environmental Initiatives with the Hatcher Group of Annapolis. Since moving to Anne Arundel County in 1997, Chris has been civically engaged in issues that matter to the citizens in Anne Arundel County by volunteering, and being involved with numerous civic organizations to include serving as a member of the Annapolis Environmental Commission, 2005 – 2007, Board of Directors, South River Federation, 2003-2009 (Vice President, 2005 – 2008), Chair, Mayor's Environmental Transition Team, 2009, and Graduate of Leadership Anne Arundel's Flagship Program, 2009. Mr. Trumbauer currently serves as a Member of the Board of Health, Member of the Commission on Disabilities, Member of the State Critical Area Commission for the Chesapeake and Atlantic Costal Bays and Chair of the Maryland Local Leaders advisory board for Smart Growth America. Mr. Trumbauer lives in Annapolis with his wife Mary and their two children.

* * *

JERRY WALKER, Councilman, Seventh District, is serving his second term on the Council and is currently the Vice-Chairman. Previously on the Council, he served as Vice Chairman in 2012 and as Chairman in 2013 and 2015. He was born on the 4th of July and raised in New York City. He graduated summa cum laude from Liberty University with a Bachelor of Science Degree in Business, concentrating in Economics. He graduated from the University of Maryland, School of Public Policy's Academy for Excellence in Local Government. Since then he has taken additional graduate level courses in Leadership and Public Finance from the same program. In December of 2016, he graduated from American University with a Master's Degree in Public Administration and Policy. Mr. Walker is a Vice President at DCA Imaging Systems, a local office technology company headquartered in Lanham, Maryland. He has worked for this family owned business for over 20 years and participated in its growth from five employees to over 50. In 2006, he won his first election to the Central Committee of his political party (Legislative District 33) and served in leadership roles including Chairman. He was an alternate Delegate representing his Congressional District at both the 2008 and 2012 Presidential Conventions. Mr. Walker's civic and community memberships have included the Greater Crofton, West County, Severna Park, and South County Chambers of Commerce. He is a member of the Maryland Farm Bureau, and formerly the Davidsonville Area Civic Association (DACA) where he served as the representative to the Greater Crofton Council. Mr. Walker serves on the board of the Maryland Association of Counties as the organization's First Vice-President and in that role, has been active in legislative lobbying on behalf of county governments at the Maryland General Assembly. In his spare time, he enjoys working out, reading and working on home improvement projects.

* * *

JOANNA D. DICKINSON was appointed County Auditor on September 19, 2016. She has worked in local government accounting and auditing for more than 27 years, including eight years in the Anne Arundel County Auditor's Office and eight years in the Anne Arundel County Office of Finance. She earned a Bachelor's Degree in Business Administration from the University of Texas Pan American and a Master of Science in General Administration – Applied Management from the University of Maryland University College. She is a Certified Public Accountant and a Certified Fraud Examiner. She is a member of several professional organizations and is an active member of the Government Finance Officers Association's Special Review Committee.

Labor Relations

For fiscal year 2017, the County Council authorized and approved 4330 classified and non-classified employee positions for the County's operating budget and 746 authorized temporary full and part-time employees, exclusive of the Board of Education, library, and community college. As of December 28, 2016 there are 4,762 positions filled.

Currently, there are twelve 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 792 authorized positions. New contract will expire June 30, 2017;

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 322 authorized positions. New contract will expire June 30, 2017;

Lodge #70 of the Fraternal Order of Police – represents Police Officers below the rank of Sergeant in the Police Department, with a total of 602 authorized positions. New contract will expire June 30, 2017;

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 63 authorized positions. New contract will expire June 30, 2017;

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 242 authorized positions. New contract will expire June 30, 2017;

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 843 authorized positions. New contract will expire June 30, 2018;

Anne Arundel County Police Supervisors Association – represents Police Lieutenants and Police Sergeants in the Police Department, with a total of 107 authorized positions. New contract will expire June 30, 2017;

Local #141 of the International Union of Police Associations – represents Detention Sergeants, with a total of 24 authorized positions. New contract will expire June 30, 2017;

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, 2017;

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, 2017;

Local #355 of the Teamsters Union – represents the Fire Battalion Chiefs, with a total of 17 authorized positions. New contract will expire June 30, 2017; and

Local #355 of the Teamsters Union – represents the Park Rangers, with a total of 16 authorized positions. New contract will expire June 30, 2017.

As "exclusive representatives," these twelve 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.). Eleven contracts will expire on June 30, 2017 and the County is currently involved in contract negotiations with those units for fiscal year 2018. 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 Board of Education of Anne Arundel County (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 five-year terms and one student member elected for a one-year term by the Chesapeake Regional Association of Student Councils and appointed by the Governor. With the beginning of the 2016-2017 school year, the Board exercised responsibility for 77 elementary schools, 19 middle schools, and 12 high schools, as well as 12 other education facilities, including two applied technology centers, three special education centers, two alternative centers, two early education centers, two charter schools, and one contract school. The school system also operates six evening high school programs. With a student population of approximately 81,000 students, the goal for teacher-for-student ratio ranges from 1-for-20 in grades 6-8 to 1-for-28 in grades 4-5. With a fiscal year 2017 operating budget of $1,121,630,500, the average annual per pupil expenditure is approximately $13,493. The Class of 2016 boasted 5,261 graduates, 85% of whom went on to pursue postsecondary education at a two-year or four-year institution while earning $169.2 million in scholarships.

Higher Education

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

Anne Arundel Community College – With learning as its central mission, Anne Arundel Community College has responded to the needs of a diverse community for more than 50 years by offering high quality, affordable and accessible learning opportunities. The college's nationally recognized and award-winning programs have helped its more than 50,000 students annually achieve their academic, professional and personal goals. AACC is a fully accredited, public, two-year institution offering credit programs leading to an associate degree, certificate or a letter of recognition. Students may prepare to transfer to a four-year institution or prepare for an immediate career. AACC also offers extensive lifelong learning opportunities and noncredit, continuing education to those seeking career training or retraining, working to boost basic skills or pursuing new areas of interest. In addition to its main campus in Arnold, Md., the college has degree centers at Arundel Mills, in Glen Burnie and at centers and schools around the county. The Arundel Mills location also offers county residents the ability to obtain a bachelors degree in certain disciplines without having to leave the county. Designated a Regional Higher Education Center by the state, the Arundel Mills location houses the AACC University Consortium, which includes a select group of four-year colleges and universities that partner with AACC. These University Consortium partners include Frostburg State University, McDaniel College, Notre Dame of Maryland University, Stevenson University and University of Maryland University College. In 2012, the college opened the Center for Cyber and Professional Training in Hanover near Arundel Mills, which houses a 30,000-square-foot center with 13 specialized labs, a testing center and faculty support space.

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 Bachelors of Science in 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 520 radio-equipped vehicles for use throughout the Police Department. The Department consists of 726 officers, 249 civilian employees, and 140 school crossing guards.

The County Fire Department is a combination career and volunteer force of 871 professional officers and firefighters, and approximately 500 response certified volunteers. There are 31 stations located in the County, with emergency calls handled through a modern central 911 dispatch center. In addition to firefighting equipment, there are 15 ambulances and 27 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 Marshal's office, which provides fire investigation and prevention services, a Training Division for both professional and volunteer firefighters, a Maintenance Division, and a Communications Division, which provides fire, rescue and EMS dispatch services for Anne Arundel County and the City of Annapolis.

Utilities

Electricity and Gas

Baltimore Gas and Electric Company ("BGE") is the major utility company for the Baltimore region. BGE service area covers 2,300 square-miles for electric and 800 square-miles for gas. The service area includes Baltimore City and Central Maryland counties. BGE serves over 1,250,000 million businesses and residential electric customers and 650,000 gas customers within this service area. BGE is a major employer in the State of Maryland employing approximately 3,200 people.

Since 2000, Maryland has offered a competitive utility supplier market. All electric customers of investor-owned utilities and major cooperatives in Maryland have the opportunity to choose their own electric supplier, while keeping BGE to deliver power and respond to power related emergencies.

Source: BGE, www.bge.com; MDelectricity.org.

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 nearly 18,000 miles of all-fiber network 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 Commerce, www.commerce.maryland.gov.

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 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 five satellite locations in Bowie, Gambrills, Kent Island, Pasadena, Odenton and Waugh Chapel. AAHS employs more than 4,600 employees and has a medical staff of 1,000 plus in Anne Arundel County.

AAHS acute care facility is located on 57 acres in the Carl A. Brunetto Medical Park on Jennifer Road in Annapolis. The medical center has 415 licensed beds including an 18-bed critical care unit, 12 surgical suites, and a state-of-the-art emergency department that services 95,995 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, the Geaton and JoAnn DeCesaris Cancer Institute; and the Maryland Neurological Institute.

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

University of Maryland Baltimore Washington Medical Center

University of Maryland Baltimore Washington Medical Center ("UM 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 2,900 employees and 600 physicians. It houses one of the two busiest emergency rooms in the state, treating over 104,000 patients per year and features a 43,000 square foot, state-of-the-art facility.

UM 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, UM BWMC annually reaches an estimated 25,000 community residents through lectures, health fairs, walking programs and screenings.

Source: University of Maryland Baltimore Washington Medical Center; www.mybwmc.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 113,000 accounts. The County water system is groundwater oriented, producing drinking water at 12 treatment facilities and 4 independent wells. These facilities derive supplies from 55 production wells. The water system includes 17 booster stations and 27 elevated storage tanks with an effective storage capacity of 32.78 million gallons, and 7 ground storage tanks with a capacity of 13.67 million gallons. The average daily demand in 2016 was 32.98 MGD. The combined design capacity of County production facilities is 66.47 MGD. The County produced 11.89 billion gallons of water in 2016. Approximately 0.383 MGD was supplied by Baltimore City through 5 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 53.18 MGD for approximately 121,700 accounts served by the County's wastewater facilities. The treatment facilities and capacities are as follows:

Treatment Facilities	Daily Flow as of September, 2016	Design Capacity	to Year 2025
Cox Creek	11.97	15.00	15.00
Patuxent	5.66	7.50	10.50
Maryland City	1.15	2.50	3.30
Broadneck	5.31	6.00	8.00
Broadwater	1.23	2.00	2.00
Annapolis (Joint Facility)	8.72	13.00	13.00
Patapsco (Baltimore City)	4.41	6.39	6.39
Mayo Wastewater Management System	0.57	0.65	-
Rosehaven	0.10	0.14	0.14
Total	39.12	53.18	58.33

Source: Department of Public Works.

There is presently under various stages of design and construction the upgrading and/or expansion of several 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 drop-off facilities referred to as recycling centers, and a paper recovery center for processing corrugated cardboard products from the commercial and residential sectors.

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 appliances or large scrap metal items and a community-based neighborhood cleanup program.

Disposal — The Enterprise owns three municipal solid waste landfill facilities. The Millersville Landfill and Resource Recovery Facility hosts the only fully operational landfill. Recycling centers, which accept recyclables, yard waste and trash 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, including a landfill gas-to-electricity facility. 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 2043. Future new disposal options will be studied, as outlined in the 2013 Solid Waste Management Plan.

Recycling — The County achieved the original Maryland Recycling Act goal of 20% by January 1, 1994, and has exceeded the revised goal of 35% before December 31, 2015. 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, select multi-family residences, 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 curbside recycling rate is 44% and its diversion rate calculated by the State is 45%.

The Enterprise has operated a commercial corrugated cardboard and paper processing operation since 1986. The facility receives, bales, and ships cardboard to market. The Enterprise also provides six 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, Harford County, Howard County, Montgomery County, and Prince George's County is ongoing with work conducted through the Northeast Maryland Waste Disposal Authority 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, has no equity balance. (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/ Steven R. Schuh
STEVEN R. SCHUH
County Executive

and

By: /s/ Mark D. Hartzell
MARK D. HARTZELL
Chief Administrative Officer

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APPENDIX A

Anne Arundel County, Maryland

Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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Table of Contents

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CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

The Honorable County Executive and
The Honorable Members of the County Council
Anne Arundel County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison for the General Fund and the aggregate remaining fund information of Anne Arundel County, Maryland (the County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Anne Arundel County Community College, the Anne Arundel Economic Development Corporation, Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation, which represents 11 percent, 13 percent and 11 percent , respectively of the assets and deferred outflows of resources, net position and revenues of the discretely presented 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 amount included for the Anne Arundel County Community College, the Anne Arundel Economic Development Corporation, Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation, 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 from material misstatement.

A member of Nexia International

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

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

Opinions

In our opinion, based on our audit and the report 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, the budgetary comparison for the General Fund and the aggregate remaining fund information of the County as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, schedule of funding progress, schedules of employer contributions, schedules of changes in net pension liability, and schedule of employer's share of net pension liability, as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Honorable County Executive and
The Honorable Members of the County Council
Anne Arundel County, Maryland

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 28, 2016

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, 2015 have been provided.

Financial Highlights

Government-wide:

- The County's assets exceeded its liabilities at the close of the fiscal year by $802.7 million. The unrestricted portion is a negative $1.2 billion which is composed of a deficit in the governmental activities of $1.2 billion and a surplus of $5.5 million in the business-type activities. The unrestricted deficit occurred in the governmental activities due to Board of Education and Anne Arundel Community College debt being recorded on the County's balance sheet, but not the corresponding capital assets. Debt outstanding for education projects is $604.7 million and for college projects is $42.1 million. The current net value of the Board of Education assets is $1.11 billion and the community college net assets total $94.3 million. In the current fiscal year, the governmental activities unrestricted deficit increased by $84.6 million and the business-type activities unrestricted surplus increased by $14.2 million.
- Total net position of the County has decrease by $42.4 million or 5.0% over the prior year.
    - In the governmental activities, total revenue increased $74.5 million or 4.9% while expenses increased $99.4 or 6.3% from the prior fiscal year, resulting in a $75.9 million decrease in net position, which is $26.0 million more than the fiscal year 2015 decrease. Increases in general property tax, local income tax, and recordation and transfer tax revenues of $8.6, $64.8 and $16.0 million, respectively, offset by a decrease in capital grants and contributions of $32.5 million were the primary drivers of the increase in revenue. Higher expenses were primarily due to pay package increases and higher general government and public works spending.
    - In the business-type activities, total revenues decreased by $44.0 million or 15.7% and exceeded total expenses by $8.2 million or 4.1%, from the prior fiscal year, resulting in a $33.5 million increase in net position which is $50.9 million less than the fiscal year 2015 increase. The lower revenues were driven by a decrease in capital grants & developer contributions in the amount of $44.6 million. This was primarily from a reduction in utility capital connection fees, and allocations for water, and waste water fees of $38.1 million resulting from changes in the County code. State grant revenues for the Cox Creek Water Reclamation facility Enhanced Nutrient Removal project also decreased by $14.3 million compared to the prior fiscal year.

Fund Level:

- The County's governmental funds reported combined fund balances of $424.8 million, a decrease of $35.7 million from the prior year. The greatest net change in fund balance was a $35.7 million decrease from the prior year, in the General County Capital Projects Fund due to capital spending exceeding general bond issuance by $79.5 million. For fiscal year 2016, the Impact Fees Capital Projects Fund balance increased $20.8 million in part due to an increase of $7.3 million in impact fees collected compared to the prior year. The General Fund balance decreased $15.2 million as a result of the increase in operating revenue of $19.2 million being offset by an increase in operating expense of $49.6 million compared to the prior fiscal year. Nonmajor governmental funds balance decreased $5.6 million primarily due to an increase operating income of $37.1 million offset by an increase in transfers to other funds of $21.0 million and a decrease in bond premium revenue of $20.2 million in fiscal year 2016 compared to the prior fiscal year.

- Approximately 54.7% of the total governmental fund balance, $232.3 million, is available to meet the County's current and future needs as mandated by the appropriate level of authority within the County and are properly designated as committed, assigned and unassigned.

- Available fund balance for the General Fund was $142.8 million or 97.2% of total fund balance, which is 10.7% of the current year expenditures. Non spendable fund balance of the General Fund was $2.7 million or 1.8% of the total fund balance. The restricted fund balance in the General Fund of $1.4 million or .9% has been restricted for the Base Realignment and Closure (BRAC) zone capital improvements.

- The business-type activities charges for service increased by $1.2 million or .8%, and capital grants and contributions decreased $45.4 million or 35.6%. As discussed previously, this was primarily due to a change in the County code related to water and waste water connection and allocation fees. Non-operating revenues increased by $0.2 million, and non-operating expenses increased by $1.2 million from prior year. Operating expenditures increased by $8.1 million or 4.1%. The increase was mainly due to the closing of capital projects that did not result in an asset in the amount of $19.1 million. These project cost were expensed in the current fiscal year. The net position decreased $50.9 million from the prior fiscal year.

Changes to debt:

- The County's general obligation bonded debt increased by $8.2 million for governmental activities and $10.3 million for business-type activity in fiscal year 2016. The County's issued additional general obligation debt, excluding refunding, in the amount of $93.3 million for governmental activities which will be used for education, public safety, infrastructure improvements, community college, recreation and parks, watershed protection and restoration, and general government improvements. The County issued new bonds for business-type activity in the amount of $43.6 million for utility improvements. The County also drew down $4.6 million in Maryland Water Quality loans for water and waste water improvements.

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 Position – The Statement of Net Position presents the components of the County's assets and deferred outflows of resources, liabilities and deferred inflow of resources, and the net position at 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. Over time, increases or decreases in net position may indicate an improvement in, or deterioration of, the County's financial condition.

Statement of Activities – The Statement of Activities presents information showing how the government's net position changed during this fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes, revenues and earned but unused vacation leave).

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; Capital Project Funds, which are 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 Fees Capital Projects 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 County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. 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 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 so the County includes 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 Funds are included in this category. The OPEB Trust administers multi-employer defined benefit plans for the purpose of providing retiree health benefits. 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 and OPEB Trust Funds follow the full-accrual method of accounting. The agency funds are presented as balances only and do not record revenues or expenses. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs.

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 essential to a full understanding of the data in the government-wide and fund financial statements.

Required Supplementary Information - The required supplementary schedules provide trend data about the Pension

Trust Funds and other post-employment benefits.

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

Below is a condensed Statement of Net Position with comparative amounts from the previous fiscal year. An analysis of the contents and fluctuations noted in the schedule has been provided.

Anne Arundel County, Maryland
Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current	$ 556,863,935	$ 563,524,762	$ 188,104,801	$ 187,924,884	$ 744,968,736	$ 751,449,646
Restricted - Current	190,037,476	182,123,768	329,036,301	338,431,517	519,073,777	520,555,285
Restricted - Noncurrent	-	-	30,450,956	53,999,680	30,450,956	53,999,680
Capital	1,087,534,744	1,100,157,702	1,553,658,987	1,474,740,978	2,641,193,731	2,574,898,680
Total	1,834,436,155	1,845,806,232	2,101,251,045	2,055,097,059	3,935,687,200	3,900,903,291
Deferred outflow of resources	222,912,250	139,727,555	22,098,894	15,255,839	245,011,144	154,983,394
Liabilities:						
Current	264,620,225	244,294,428	82,042,336	71,263,343	346,662,561	315,557,771
Restricted - current	17,410,103	17,521,852	13,363,303	22,005,733	30,773,406	39,527,585
Noncurrent	2,240,330,130	2,139,873,361	728,840,025	703,747,891	2,969,170,155	2,843,621,252
Total	2,522,360,458	2,401,689,641	824,245,664	797,016,967	3,346,606,122	3,198,706,608
Deferred inflow of resources	28,634,591	1,601,126	2,794,705	-	31,429,296	1,601,126
Net Position:						
Net investment in capital assets	556,191,931	578,852,173	939,311,650	924,398,545	1,495,503,581	1,503,250,718
Restricted	185,695,799	154,345,528	351,513,419	347,147,227	537,209,218	501,492,755
Unrestricted	(1,235,534,374)	(1,150,954,681)	5,484,501	(8,709,841)	(1,230,049,873)	(1,159,664,522)
Total net position (restated)	$ (493,646,644)	$ (417,756,980)	$ 1,296,309,570	$ 1,262,835,931	$ 802,662,926	$ 845,078,951

Discussion of components – This statement condenses the Statement of Net Position 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 or State governments, 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.

Deferred outflow of resources represent the consumption of net position that applies to a future period that will not be recognized as an outflow of resources until a future fiscal year.

Current liabilities are those obligations that will be paid with currently available resources within one year, while the current restricted liabilities will be paid with restricted assets. Noncurrent liabilities are those not expected to be paid within one 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.

Deferred inflows of resources represent the acquisition of net position that applies to a future period that will not be recognized as an inflow of resources until a future fiscal year.

Net position represents equity remaining once amounts due from liabilities and deferred inflows of resources are subtracted from assets available and deferred outflows of resources. There are three categories: net investment in capital assets which are amounts related to assets purchased or constructed net of the related debt; restricted funds which are the amounts remaining after restricted liabilities are covered by restricted assets; and unrestricted funds.

Management's Analysis – Unrestricted current assets of governmental activities are $6.7 million less in fiscal year 2016. This is due primarily to the following: a decrease in cash and temporary investments of $33.4 million; an increase in taxes and other revenue receivable of 19.7 million; an increase in prepaid expenses of $1.5 million, and an increase in due to other funds of $5.3 million. The business-type activities current assets increased by $.2 million, primarily due to an increase in cash and temporary investments of $1.0 million offset by a decrease in service billing receivables of $.9 million from prior year.

Restricted current assets in governmental activities increased by $7.9 million or 4.3%. This was mainly from an increase in restricted cash and investments of $10.2 million and a decrease in amounts due from other governmental agencies of $2.3 million. The restricted cash in the Impact Fees Capital Projects Fund increased by $20.6 million due to an increase in fees recognized which resulted in an increase in fund balance of $20.8 million. The General County Capital project fund had a decrease in cash and investments of $35.0 million. This decrease is the result of lower unspent Bond proceeds primarily related to education projects. The Nonmajor Governmental Funds had a decrease in cash and investments of $8.6 million. This decrease was mainly due to a decrease in cash in the Bond Premium Fund of $20.3 million and an increase in both the Watershed Protection and Restoration Fund, and the Video Lottery Local Impact Aid Fund of $6.6 million and $4.6 million, respectively. The decrease in current restricted assets in business-type activities of $9.4 million or 2.8% was primarily due to a decrease in cash and investments of $15.2 million. The decrease in cash was due mainly to the transfer of restricted cash in the Solid Waste Financial Assurance Fund to the Solid Waste Capital Project Fund to be used for the Millersville Landfill project. This was offset by an increase in both due from other governments and other net of $4.6 million and $1.2 million, respectably.

Restricted noncurrent assets in business-type activities decreased by $23.5 million from prior fiscal year or 43.6%. This decrease resulted from the legislative change previously discussed that reversed deferred revenue and the corresponding receivables related to water and waste water allocation fees.

The governmental capital assets balance decreased by $12.6 million from prior fiscal year or 1.1%. Capital assets in the business-type activities increased by $65.9 million or 4.3%. This increase is the result of the completion of certain capital projects.

Current unrestricted liabilities for governmental activities increased by $20.3 million or 8.32%, from the previous fiscal year. This occurred primarily due to increases in accounts payable and accrued liabilities, and an increase in the current portion of non-current liabilities of $7.6, and $13.2 million, respectively. The accounts payable and accrued liabilities increase mainly from the General County Capital Projects fund of in the amount of $7.7 million. The increase in the current portion of non-current liabilities is as a result of an increase in the current portion of the unearned bond premium of $2.0 million and in increase in the current portion of General Obligation Bonds of $13.17 million resulting from an increase in debt issued. The current unrestricted liabilities in business-type activities increased by $10.8 million or 15.1%, from prior fiscal. This change was in part caused by increase in accounts payables and accrued liabilities of $8.6 million and an increase in the current portion of long-term debt and obligations of $2.9 million which was in part from an increase of $1.4 million related to the current portion of the bond premium.

Restricted current liabilities for governmental activities decreased by $.1 million or .6%, from prior fiscal year. Restricted current liabilities for business-type activities decreased by $8.6 million or 39.3% primarily due to a decrease in unearned revenues of $8.8 million. This decrease is from a change in County Code related to the timing of revenues due related to allocations for developer contributions.

Noncurrent liabilities consist of bonded debt, pension benefits, OPEB obligation, unpaid insurance claims, loans, capital leases, and other liabilities. These liabilities increased $100.5 million or 4.7%, in governmental activities, and increased by $25.1 million or 3.6%, in business-type activities. The increase in governmental activities was due to the recording of the annual Pension Benefits obligation of $99.7 million, $4.7 million in additional long-term debt, and an increase of $2.6 million in unpaid insurance claims. This was offset by a decrease in the annual OPEB obligation of $6.7 million. The OPEB liability decrease was a result of the formation of the OPEB Trust created of July 1, 2015. The increase noted in the noncurrent liabilities in business-type activities of $25.1 million for the current fiscal year was caused primarily by an increase in the net bonded debt of $19.9 million, and an increase in the recording of the pension benefits obligation of $6.6 million. The creation of the OPEB Trust decreased the OPEB obligation by $.7 million in the current year.

The components of governmental and business-type net position were discussed in the financial highlights above. It should be noted that the deficit unrestricted balance in governmental activities has increased from a $1.15 billion deficit to a $1.2 billion deficit, an increase of 7.3%. 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 $1.2 billion reflects this treatment. The Board of Education and Community College net investment in capital assets of approximately $1.11 billion and $94.3 million, respectively, are evidence of the significant level of capital assets constructed primarily from County incurred debt.

The following table shows the fluctuations in the unrestricted fund balance in the governmental activities over the past four years. The decrease is the result of assets used for capital improvements classified in the Net Investment in Capital Assets and the recording of the pension benefits and OPEB obligation.

Fiscal year	Balance (in millions)	Fiscal year	Balance (in millions)
2013	(731.8)	2015	(1,151.0)
2014	$ (1,061.9)	2016	(1,200.7)

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.

	Governmental Activities		Business type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Program Revenues:						
Charges for services	$ 150,457,226	$ 143,925,812	$ 141,264,402	$ 140,076,075	$ 291,721,628	$ 284,001,887
Operating grants & contributions	66,728,697	63,650,584	-	-	66,728,697	63,650,584
Capital grants & contributions	63,915,193	96,381,305	82,130,836	127,526,187	146,046,029	223,907,492
	281,101,116	303,957,701	223,395,238	267,602,262	504,496,354	571,559,963
General Revenues:						
General property taxes	666,490,976	657,850,224	-	-	666,490,976	657,850,224
Local income taxes	485,231,748	420,382,038	-	-	485,231,748	420,382,038
State shared taxes	8,703,263	8,405,452	-	-	8,703,263	8,405,452
Recordation & transfer taxes	105,668,592	89,697,633	-	-	105,668,592	89,697,633
In County Contributions	-	-	-	-	-	-
Local sales taxes	33,070,498	32,830,881	-	-	33,070,498	32,830,881
Investment income	4,586,006	1,967,451	1,671,465	1,172,934	6,257,471	3,140,385
Other revenue	15,765,909	11,011,946	11,397,747	11,655,557	27,163,656	22,667,503
	1,319,516,992	1,222,145,625	13,069,212	12,828,491	1,332,586,204	1,234,974,116
Total revenues	**1,600,618,108**	**1,526,103,326**	**236,464,450**	**280,430,753**	**1,837,082,558**	**1,806,534,079**
Expenses:						
Education	770,323,479	764,352,246	-	-	770,323,479	764,352,246
Public safety	313,525,185	325,971,423	-	-	313,525,185	325,971,423
General government	186,839,782	153,912,982	-	-	186,839,782	153,912,982
Health & human services	79,786,735	77,174,534	-	-	79,786,735	77,174,534
Public works	157,102,863	89,762,477	-	-	157,102,863	89,762,477
Recreation & community services	58,130,820	56,357,821	-	-	58,130,820	56,357,821
Judicial	28,588,085	30,581,580	-	-	28,588,085	30,581,580
Code enforcement	13,819,023	14,815,445	-	-	13,819,023	14,815,445
Land use & development	14,135,376	14,897,432	-	-	14,135,376	14,897,432
Interest expense on debt	53,157,194	48,149,211	-	-	53,157,194	48,149,211
Water & wastewater	-	-	153,026,559	129,449,976	153,026,559	129,449,976
Waste collection	-	-	46,296,735	51,226,226	46,296,735	51,226,226
Child care	-	-	4,766,747	4,834,882	4,766,747	4,834,882
Total expenses	**1,675,408,542**	**1,575,975,151**	**204,090,041**	**185,511,084**	**1,879,498,583**	**1,761,486,235**
Increase(decrease) in net position	(74,790,434)	(49,871,825)	32,374,409	94,919,669	(42,416,025)	45,047,844
Non operating income and expense:						
County Transfer	(1,099,230)	28,112	1,099,230	(28,112)	-	-
Net Position, beg of year	(417,756,980)	(367,913,267)	1,262,835,931	1,178,444,374	845,078,951	810,531,107
Adjustment to restate net position	-	-	-	(10,500,000)	-	(10,500,000)
Net Position, end of year	**$ (493,646,644)**	**$ (417,756,980)**	**$ 1,296,309,570**	**$ 1,262,835,931**	**$ 802,662,926**	**$ 845,078,951**

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 prior fiscal year by $74.5 million or 4.9%. The increase in revenue is due to a $64.8 million or 15.4% increase in Local Income Taxes primarily due to increased collection of income taxes by the State of Maryland, an increase in recordation and transfer taxes of

$16.0 million or 17.8% from an increase in real estate activity as well as an increase in charges for services of $6.5 million or 4.5%. In addition, the growth in real property assessable base resulted in an additional $8.6 million or 1.3% of general property tax revenue. There was a decrease in capital grants and contributions of $32.5 million and no new special taxing districts where created in the current fiscal year.

The governmental activities' expenses had an increase of $99.4 million or 6.3% from fiscal year 2015. Certain functional categories of expenditures had significant fluctuations during fiscal year 2016. The most notable fluctuations were in public works and general government which increased by $67.3 or 75.0% and $32.9 or 21.4%, respectively. These increases were partially offset by modest decreases in code enforcement as well as in land use and development. The spending increase in public works was driven by having to fund a larger student population at maintenance of effort levels. General government increased spending was driven by budgeted pay package increases. The increase in public works spending was due to higher non-capital expenditures.

In business-type activities capital grants and contributions decreased by $45.4 million or 35.6% from the previous fiscal year which resulted mainly from a $14.3 million decrease in grant funding for the Cox Creek Water Reclamation Facility enhanced Nutrient Removal and a $38.9 million decrease in developer allocation fees, and capital connection fees for water and wastewater. In general revenues, other revenue increased by $.2 million or 1.9% which was mainly from an increase in investment income of $.5 million from prior fiscal year.

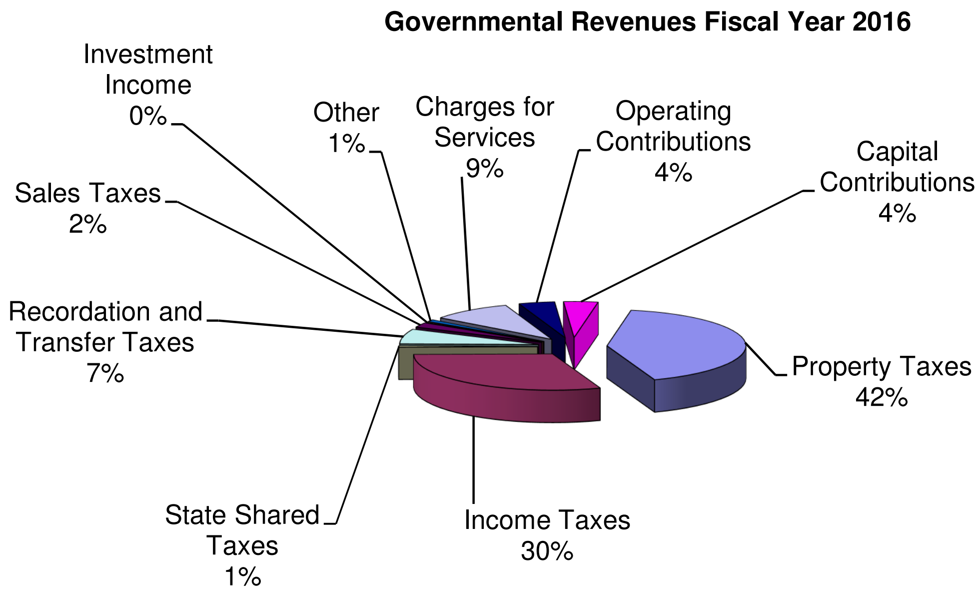
Business-type expenses had an overall increase of $8.1 million or 4.1% from the previous year which was primarily caused by an increase contractual service in the Water and Wastewater Fund of $6.2 million related to expenses in closing capital projects that did not result in depreciable assets.

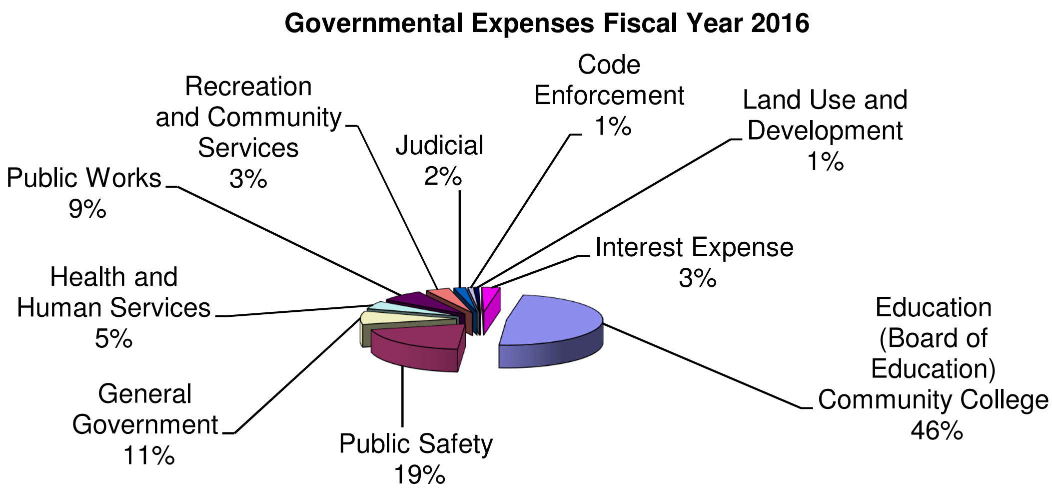
Distribution of Revenues and Expenses

The next two charts show the percentage distribution of revenues from governmental activities and the percentage expended on each function, respectively. Discussion of the 2016 distribution and significant changes since 2015 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 tax provided 82% of the revenue base, an increase of 2% from fiscal year 2015 which was 80%. Charges for services paid to the County by users, were 9% for fiscal year 2016, consistent with fiscal year 2015 which was also 9%.

An analysis of the percentage distribution of revenues revealed that there was a slight increase in recordation & transfer taxes from 6% to 7% as well as an increase in income taxes from 28% to 30%. Property taxes decreased slightly from 43% to 42%. An analysis of the percentage distribution of expenses by function revealed that general government and public works increased from 10% to 11% and 6% to 9%, respectively, while public safety decreased from 21% to 19%.



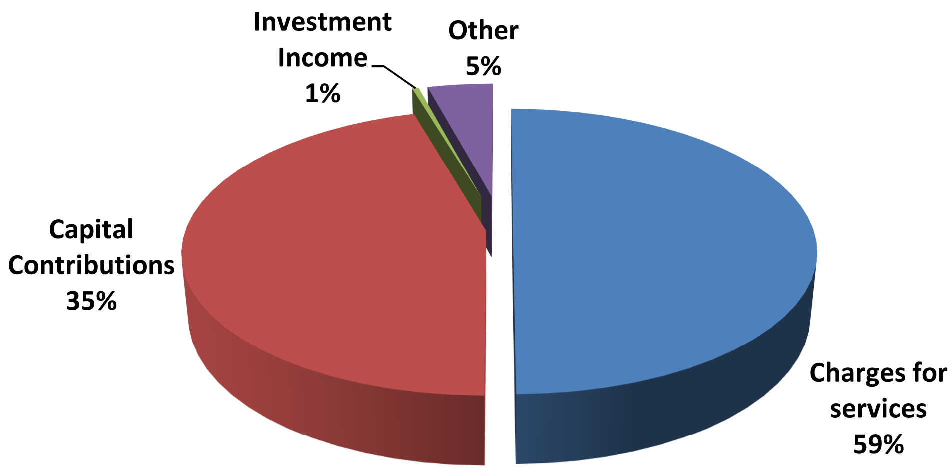


The next two charts show the percentage distribution of revenues from business-type activities and the percentage expended on each function, respectively. Discussion of the 2016 distribution and significant changes since 2015 follows.

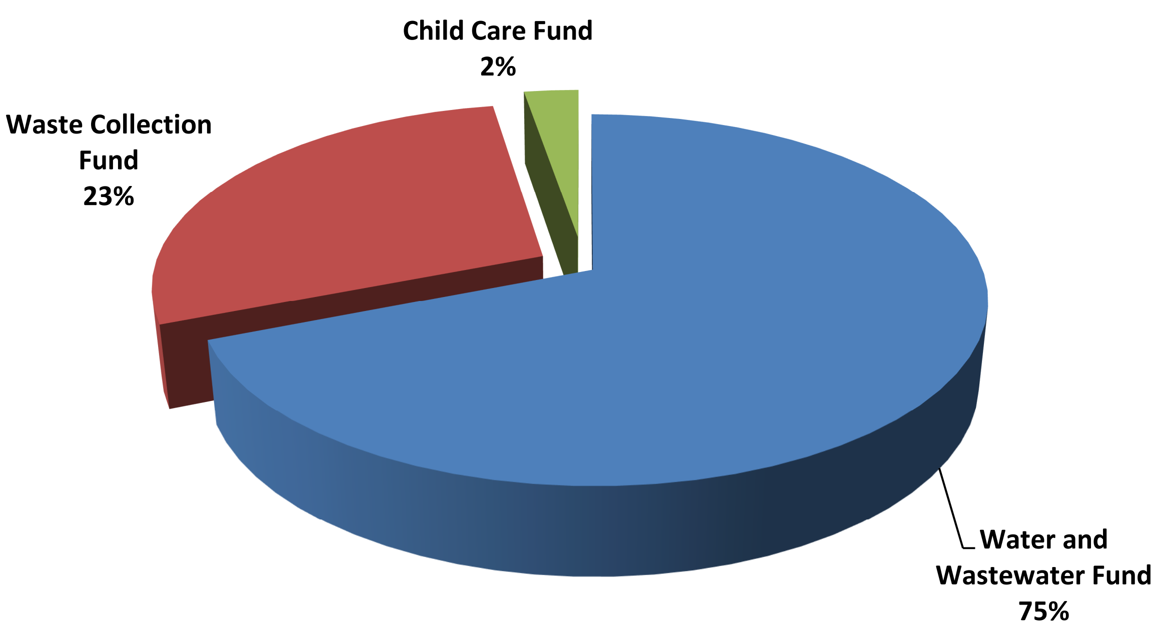
Charges for services and capital contributions continue to provide the vast majority of the County's business-type activities revenue. Together these account for 94% of the revenue in fiscal 2016. This is a 2% decrease from 2015 which was 96%.

An analysis of the percentage distribution of expenses by function revealed that the water and wastewater fund increased from 70% to 76% while the waste collection fund decreased from 28% to 22%.

Business-Type Activities Revenues Fiscal Year 2016



Business-Type Activities Expenses Fiscal Year 2016



Fund Statements

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

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

Total assets in the General Fund increased from $272.6 million to $288.0 million or $15.4 million, from prior fiscal year. The increase primarily occurred in receivables for local income tax of $28.0 million offset by a decrease in cash and investments, and property tax receivables of $4.9 million and $6.9 million, respectively. Total fund balance decreased from $162.0 million to $146.8 million or a decrease of $15.2 million. This decrease in the fund balance resulted in part from expenses exceeding revenues in the amount of $13.3 million.

General Fund expenditures increased from $1,287.0 million to $1,336.6 million or $49.6 million and revenues increased by $31.1 million over prior fiscal year. The main increases in revenue were in general property tax, local income tax, and recordation and transfer tax of $5.2 million, $11.9 million, and $16.0 million, respectively.

The County has a Revenue Reserve Fund which is included in the unassigned category of General Fund balance. At the end of the current fiscal year, a balance of $57.2 million was in the reserve fund. This increase from prior fiscal year is a from the current year contribution of $7.0 million and investment earnings of $1.6 million. This reserve may only be used when revenues fall below budget expectations and then legislative action is required. This fund has been in existence since fiscal year 1994 and has been drawn on by Management in fiscal year 2009 and fiscal year 2010 in the amounts of $16.8 million and $16.0 million, respectively, as a result of underperforming revenues during the recession of 2008 and 2009.

The Impact Fees Capital Project Fund retains developer impact fees until needed for the construction of capital assets. The total fund balance increased from $72.5 million in fiscal year 2015 to $93.3 million in 2016. The fund balance increased by $20.8 million versus the $16.3 million increase in fiscal year 2015. This was a result of an increase in impact fees recognized of $33.9 million in 2016 versus $26.4 million in 2015 and an increase in transfers to other funds of $3.2 million ($9.7 million transferred in fiscal year 2016 compared to $6.5 million in 2015). The amounts transferred are used to pay off debt and for the construction of capital assets. Both of which are related to impact fee eligible projects. There was a slight decrease in expenses as $3.5 million was recorded in fiscal year 2016 versus $3.6 million in fiscal year 2015.

The General County Capital Projects Fund's total assets decreased from $181.9 million in fiscal year 2015 to $154.9 million in 2016, or $27.1 million. This is primarily due to a decrease in cash and investments of $35.0 million at the end of current fiscal year, which is in part due to a decrease in contributed capital of $37.6 million compared to the prior fiscal year from a decrease in activity related to Arundel Gateway and other special taxing districts completion. Liabilities increased by $8.2 million primarily due to an increase in accounts payable and accrued liabilities of $7.7 million compared to the prior fiscal year. This increase was mainly due to an increase in payables in public works highway projects of $4.3 million. Deferred inflow of resources increased $.4 million due to an increase in unavailable grant revenue. The net change in fund balance from prior year decreased from $143.1 million to $107.4 million in 2016. Total fund balance decreased $35.7 million from prior fiscal year.

Revenues in the General County Capital Projects Fund decreased from $55.4 million in fiscal year 2015 to $18.5 million in fiscal year 2016, or by $37.0 million. This decrease is attributable to a reduction in contributed capital of $37.6 million as a result of a decrease in Special Tax District activity in the current fiscal year. Offset in part by an increase in grant and aid revenue, and investment income of $.3 million and $.3 million, respectively. Expenditures in this fund decreased by $15.5 million which is attributed to a decrease of $11.0 million for amounts paid to the Board of

Education and Community College for capital projects and a $4.5 million decrease in capital outlays. The decrease in Board of Education and Community College is primarily attributable to the decrease in cost for school construction. Although, school construction costs fluctuated based on various projects, Lothian Elementary School's construction costs decreased by $11.5 million compared to the prior fiscal year.

Proprietary Funds:

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

The Water and Wastewater Fund's assets totaled $1.99 billion at the end of fiscal year 2016 which was an increase of $52.7 million over fiscal year 2015. The increase mainly occurred as a result of an increase in capital assets of $80.4 million and $4.6 million increase in capital grant receivables. The increases were offset by a decrease in cash and investments of $9.0 million and a decrease in deferred connection and assessment charges of $23.5 million related to a law change. Capital assets increase each year as capital projects are completed and developer donated water and sewer facilities are added. The decrease in cash and investments was in part the result of a decrease in unspent bond funds at year end of the current fiscal year. Liabilities have increased by $29.0 million. The increase resulted primarily from additional long-term bonded debt of $23.3 million, an increase in pension benefits liability of $5.3 million, and an increase in accrued liabilities of $7.0 million. The increase was offset by a decrease in unearned revenue of $8.8 million related to a decrease in developer pre-paid connection fees. As a result of the changes in assets and liabilities, the Water and Wastewater Fund's net position increased $27.1 million or 2.2%.

The Statement of Revenues, Expenses, and Changes in Fund Net Position had a decrease in operating revenues of $.8 million. Operating expenses increased by $21.7 million or 18.0%. Non-operating expenses increased from the previous year by $1.5 million due in part to an increase in interest expense of $2.0 million. Capital contributions, fees and grants decreased by $45.0 million. 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 $3.9 million primarily due to an increase in capital assets of $9.0 million offset by a decrease in cash and investments of $5.4 million. Liabilities decreased by $.7 million from prior fiscal year. A decrease in long-term debt of $3.4 million, and an increase accrued liabilities and in net pension liability of $1.5 and $1.1 million, respectively, contributed to this change.

The Statement of Revenues, Expenses, and Changes in Fund Net Position for Solid Waste has an increase in operating revenue of $0.6 million and a decrease in operating expenses of $5.0 million. This contributed to a change in net position increase of $5.5 million in the Solid Waste Fund as of the end of the current fiscal year.

Fiduciary Funds:

Fiduciary funds include the Pension Trust Funds, the OPEB Trust Fund, and the Agency Funds. The Pension Trust Funds are presented for the calendar year ended December 31, 2015. Investments decreased by $26.4 million in calendar year 2015. Net position decreased from $1.67 billion to $1.61 billion or 3.1%. Contributions increased from $77.0 million in 2014 to $79.0 million during 2015 and investment activity decreased from 2014 by $104.7 million. The OPEB Trust Fund was established at the beginning of the current fiscal year. The net positon of the OPEB Trust at the end of the current fiscal year was $65.3 million. Agency funds decreased from $33.5 million in fiscal year 2015 to $29.7 million in fiscal year 2016. This decrease was due in part to a $2.8 million decrease in tax sale escrow deposits and a $1.6 million decrease in escrow deposits for Sediment Control.

Budgetary Variations:

The budgetary statements of the General Fund show actual revenues of $1.38 billion compared to budgeted amounts of $1.35 billion, resulting in $34.8 million more in revenue than anticipated. The most significant budgetary variation within components of revenue was recordation and transfer taxes which exceeded budgetary expectation by $25.7 million or 32.1%. The remaining budget overages was mainly due to variances in, local sales tax, licenses and permits, ambulance fees, investment income, and interfund recoveries of $5.6 million, $1.6 million, $2.4 million, $1.0 million, and $2.5 million, respectively. General property taxes were less than expected by $4.3 million.

Total expenditures on a budgetary basis were $1.37 billion compared to appropriation authority of $1.38 billion, resulting in $9.1 million or 0.7%, less than planned. Only modest variances were noted in the various expenditure categories which were attributed to a continued focus on cost avoidance and containment during fiscal year 2016.

In reviewing the changes from the original budget to the final budget, there were no changes to budgeted revenues. Budgeted expenses increased from the original budget to the final budget by $15.1 million. This increase was primarily in general government, public works and public safety of $3.8, $6.0 and $3.4 million, respectively, from the original budget to final budget. 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 a decrease from the prior year of $12.6 million or 1.1%. The following table shows an increase in land and easements, land improvements, roads and bridges, sidewalks curbs and gutters, storm drains and culverts, and automobiles and rolling stock of $5.7, $33.7, $10.4, $4.7, $5.8 and $8.0 million, respectively. These increases were partially offset by a decrease in construction in progress of $81.9 million.

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

- $12.7 million in road reconstruction and resurfacing
- $14.0 million for park and trail improvements throughout the County
- 69 new vehicles were purchased including fire trucks, ambulances, and various autos
- $5.2 million for preservation and conservation programs

Business-type capital assets – The capital assets in business-type activities increased by $78.9 million or 5.4%, from fiscal year 2015. This increase was due to the increase in buildings, water and sewer plants and lines, automobiles and rolling stock and landfills. Buildings increased by $18.1 million or 82.1% and water and sewer plants and lines increased by $149.4 million or 17.5%. There was also an increase of $1.3 million or 43.9% in automobiles and rolling stock and an increase of $9 million or 51.9% in landfills. These increases were offset by a decrease in construction in progress of $99.1 million or 17.8%. The remaining categories of assets show modest variations because new additions are negated by the continued depreciation of existing assets.

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

- $22.6 million for Maryland City water reclamation facility expansion
- $20.4 million for Cox Creek water reclamation facility enhanced nutrient removal
- $18.7 million for general water and sewer main replacement and reconstruction
- $12.0 million for Mayo water reclamation facility expansion
- $8.4 million for cell 9 construction at landfill
- $6.4 million for Cox Creek water reclamation facility non-enhanced nutrient removal
- $4.3 million for general upgrades and retrofit of sewer pumping station
- $4.2 million for elevated water storage tanks

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and easements	$ 217,840,431	$ 212,116,689	$ 12,705,712	$ 12,640,178	$ 230,546,143	$ 224,756,867
Historical property and works of art	4,166,465	4,166,465	-	-	4,166,465	4,166,465
Land improvements	154,908,909	121,224,664	-	-	154,908,909	121,224,664
Landfills			24,265,692	15,253,966	24,265,692	15,253,966
Buildings	200,761,961	197,319,214	40,047,495	21,991,653	240,809,456	219,310,867
Roads, bridges and signals	177,607,830	167,186,833	-	-	177,607,830	167,186,833
Sidewalks, curbs and gutters	33,559,723	28,828,259	-	-	33,559,723	28,828,259
Storm drains and culverts	133,166,831	127,346,064	-	-	133,166,831	127,346,064
Water and sewer plants and lines	-	-	1,001,193,897	851,756,026	1,001,193,897	851,756,026
Automobiles and rolling stock	29,241,125	21,263,415	4,356,592	3,028,386	33,597,717	24,291,801
Furniture and equipment	29,060,232	31,741,645	12,275,329	12,159,056	41,335,561	43,900,701
Software	1,665,560	1,519,158	-	-	1,665,560	1,519,158
Construction in progress	105,555,677	187,445,296	458,814,270	547,411,713	564,369,947	734,857,009
Total	$ 1,087,534,744	$ 1,100,157,702	$ 1,553,658,987	$ 1,464,240,978	$ 2,641,193,731	$ 2,564,398,680

The Statement of Net Position 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	Less Accumulated depreciation	Net depreciable capital assets	Accumulated depreciation as a percent of total
Governmental				
2016	$1,593,203,922	$ (833,231,751)	$ 759,972,171	52%
2015	1,489,865,377	(793,436,125)	696,429,252	53%
2014	1,452,096,655	(752,927,491)	699,169,164	52%
2013	1,411,067,951	(715,417,172)	695,650,779	51%
2012	1,386,454,990	(677,362,499)	709,092,491	49%
2011	1,350,208,675	(640,855,387)	709,353,288	47%
Business-type				
2016	$1,899,149,892	$ (817,010,887)	$ 1,082,139,005	43%
2015	1,673,358,479	(769,169,392)	904,189,087	46%
2014	1,632,821,069	(712,989,192)	919,831,877	44%
2013	1,601,506,749	(674,959,354)	926,547,395	42%
2012	1,563,975,835	(636,376,833)	927,599,002	41%
2011	1,512,942,554	(599,641,441)	913,301,113	40%

This analysis shows that the percent of depreciated governmental capital assets have decreased in the last year to 52% at fiscal year-end 2016. The business-type capital assets also show a decrease to 43% in the total depreciation as a percent of the asset values at fiscal year-end 2016.

The comparison of these fiscal years does not provide any definitive 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 2016 and 2015 is presented in the table below. The County issued general obligation bonds, net of refunding, of $136.85 million in April 2016**,** including $93.26 million for governmental activities, $43.59 million for business-type activities to fund improvements for general county capital projects of $96.1 million, watershed protection and restoration projects of $15.9 million, and water and sewer projects of $52.3 million. In April 2016, the County also refunded bonds in the amount of $144.89 million**,** including $69.59 million for governmental activities, and $75.3 million for business-type activities. The refunding resulted in net present value of savings of $20.5 million in debt service expense. The County increased its debt in Maryland Water Quality loans for water and waste water improvements by $4.6 million.

The changes to the federal and state loans were not significant as there were no new State loans in the current fiscal year. Principal payments of $296,424 were made on existing loans. The County entered into a new lease agreement in 2016. Payments for leases totaling $35,966 and an increase the lease amount of $95,001 resulted in an increase in the capital lease balance to $95,946. The County did not initiate new agricultural easements through installment purchase agreements during fiscal year 2016. Other changes to debt balances resulted from principal payments during fiscal year 2016. 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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
General obligation bonds	$ 1,029,099,707	$ 1,018,773,705	$ 583,052,529	$ 572,747,101	$ 1,612,152,236	$ 1,591,520,806
Special assessment debt	83,125,000	84,860,000	-	-	83,125,000	84,860,000
State loans	3,101,437	3,397,861	-	-	3,101,437	3,397,861
Capital leases	95,946	36,911	-	-	95,946	36,911
Installment purchase agreements	13,565,000	13,585,000	-	-	13,565,000	13,585,000
Total	$ 1,128,987,090	$ 1,120,653,477	$ 583,052,529	$ 572,747,101	$ 1,712,039,619	$ 1,693,400,578

* Does not include unamortized premiums.

Fiscal Year 2017 and Beyond

- The County Real Property Tax Rate for fiscal year 2017 is $0.915 per $100 of assessed valuation. This is a .008 cent decrease and consistent with the County's Property Tax Revenue Cap. Fiscal Year 2017 property tax receipts are estimated to increase 2.2% over the revised fiscal year 2016 budget. Declining real property assessments do not significantly impact the property tax revenue yield because of the wide gap between assessable values and "taxable" assessable values, the growth of which was limited by the Homestead Property Credit Program to 2% per year during the housing boom years.

- The County Council has set the calendar year 2017 County income tax rate at 2.50% which is a decrease from the prior calendar year. Fiscal year 2017 income tax revenue is projected to increase 1.8% over the revised fiscal year 2016 budget. The increase in income tax revenue is largely due, to an improving economy and lower unemployment in Anne Arundel County. Income tax is budgeted at $463.0 million for fiscal year 2017.

- A State law allows the County to collect a stormwater fee from taxpayers to fund the implementation of a local watershed protection and restoration program. These fees are maintained in a dedicated fund, the Watershed Protection and Restoration Fund. For fiscal year 2017, the Watershed Protection and Restoration Fund had an approved budget of $19.0 million.

- For fiscal year 2017, the Anne Arundel County Public Schools are funded by the County at $643.2 million, a $22.6 million or 3.7% increase over the prior year. This funding level exceeds the required Maintenance of Effort for fiscal 2017. Legislation passed by the State of Maryland in May 2012 requires 100% of the teachers' normal pension costs be shifted to the County over a four-year period. This legislation has now been fully implemented in FY17. Anne Arundel County Public Schools fiscal year 2017 capital budget contains fifty planned projects totaling $233.0 million or 55% of the capital budget. Of the total General Fund debt service budget, 58% is allocated for school debt.

- The County's support of the Anne Arundel Community College increased $2.0 million in fiscal year 2017 over fiscal year 2016 to a total of $40.4 million, $38.7 million from General Fund and $1.7 million from Video Lottery Local Impact Aid Special Revenue Fund. The County has appropriated $3.2 million for Anne Arundel County Community College's fiscal year 2017 capital projects, which will be financed by issuing general obligation bonds. The Community College's annual debt service of $7.1 million is paid by the County.

These and other economic factors were considered when preparing the fiscal year 2017 General Fund budget, which estimates total revenues at $1.4 billion; an increase of $60.2 million or 4.5% over fiscal year 2016 original budgeted amounts. Mindful of the economic struggles the County has faced for the past several years as a results of national economic uncertainties, cuts in revenue funding streams and the status of the State of Maryland's budget, the County will continue to carefully monitor expenditures and apply cost containment efforts. Expenditures for fiscal year 2017 will continue to be tightened and trimmed where possible with some strategic investments, particularly in technology. The County also anticipates issuing bonds during fiscal year 2017.

There are no new taxes to fund the fiscal year 2017 budget. The income tax rate of 2.50% was effective January 1, 2016 and was a reduction from the 2.56% rate for the prior calendar year. It continues to be the third lowest in the State. The real property rate of $0.915 per $100 of assessed value is 0.008 cents lower compared to fiscal year 2016 and consistent with the County's Property Tax Revenue Cap. The Homestead Tax Credit rate is 2.0% and remains unchanged from the past fiscal year.

The Water and Wastewater Fund meter usage rates for fiscal year 2017 are $2.70/1,000gal and $4.74/1,000gal, respectively. This is unchanged from prior year. No changes were made to the annual refuse and recycling fees or the water and sewer ad valorem.

Requests for Information

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. Complete financial reports are also available on our website www.aacounty.org.

The County's component units issue their own separately audited financial statements. These statements may be obtained by directly contacting the component unit, contact information can be found on Note 1A of this report.

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Anne Arundel County, Maryland

Statement of Net Position

June 30, 2016

	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	$ 378,390,652	$ 161,559,229	$ 539,949,881	$ 151,453,509	$ 23,251,374	$ 6,793,657
Taxes and other revenue receivable	146,483,979	-	146,483,979	14,437,322	495,196	-
Service billings receivable	-	23,581,351	23,581,351	-	-	170,786
Prepaid and other assets	21,024,415	62,281	21,086,696	15,136,301	5,139,377	3,010,029
Inventories	3,288,458	2,901,940	6,190,398	2,023,656	1,021,576	43,000
Receivables	-	-	-	-	-	223,856
Due from primary government	-	-	-	26,770,717	652,951	837,394
Due from component units	7,676,431	-	7,676,431	-	-	-
Restricted assets						
Cash and temporary investments	170,507,828	34,922,708	205,430,536	-	-	59,681
Investments	-	266,313,162	266,313,162	-	-	-
Receivables						
Due from other governmental agencies	15,472,556	17,381,921	32,854,477	-	-	-
Other, net	4,057,092	10,418,510	14,475,602	-	-	-
Total current assets	746,901,411	517,141,102	1,264,042,513	209,821,505	30,560,474	11,138,403
Noncurrent Assets						
Restricted assets						
Long term assessment and connection charges	-	30,450,956	30,450,956	-	-	-
Total noncurrent restricted assets	-	30,450,956	30,450,956	-	-	-
Loans receivable and other assets	-	-	-	-	10,812,026	5,736,822
Capital assets not being depreciated	327,562,573	471,519,982	799,082,555	218,343,394	4,255,930	433,907
Capital assets being depreciated	1,593,203,922	1,899,149,892	3,492,353,814	1,667,548,239	178,010,181	31,066,846
Less accumulated depreciation	(833,231,751)	(817,010,887)	(1,650,242,638)	(774,410,428)	(87,920,721)	(14,217,076)
	759,972,171	1,082,139,005	1,842,111,176	893,137,811	90,089,460	16,849,770
Total capital assets	1,087,534,744	1,553,658,987	2,641,193,731	1,111,481,205	94,345,390	17,283,677
Total noncurrent assets	1,087,534,744	1,584,109,943	2,671,644,687	1,111,481,205	105,157,416	23,020,499
Total assets	1,834,436,155	2,101,251,045	3,935,687,200	1,321,302,710	135,717,890	34,158,902
DEFERRED OUTFLOW OF RESOURCES						
Pension benefits	216,069,226	16,791,876	232,861,102	18,183,388	945,200	1,257,577
Unamortized deferred refunding loss	6,843,024	5,307,018	12,150,042	-	308,933	-
Total deferred outflow of resources	222,912,250	22,098,894	245,011,144	18,183,388	1,254,133	1,257,577

Anne Arundel County, Maryland

Statement of Net Position

June 30, 2016

	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	80,339,577	41,990,843	122,330,420	133,272,637	7,498,725	1,742,919
Current portion of non-current liabilities	152,072,855	41,624,548	193,697,403	21,660,521	-	895,160
Notes payable	-	-	-	-	753,714	1,648,776
Internal balances	2,259,406	(2,259,406)	-	-	-	-
Due to primary government	-	-	-	7,676,431	-	-
Due to component units	28,261,062	-	28,261,062	-	-	-
Escrow deposits	1,393,336	686,351	2,079,687	-	-	5,750
Unearned revenue	293,989	-	293,989	2,977,308	5,891,756	364,001
Liabilities related to restricted assets						
Accounts payable and accrued liabilities	9,501,000	6,394,542	15,895,542	-	-	677,603
Escrow and other deposits	6,100,134	-	6,100,134	-	-	-
Unearned revenue	1,808,969	6,968,761	8,777,730	-	-	-
Total current liabilities	282,030,328	95,405,639	377,435,967	165,586,897	14,144,195	5,334,209
Noncurrent liabilities						
Compensated absences and other obligations	110,849	79,192	190,041	22,888,198	1,584,222	-
Accrued liability for pension benefits	554,387,148	48,664,733	603,051,881	62,062,555	3,730,233	3,423,985
Accrued liability for other post-employment benefits	475,487,988	45,969,293	521,457,281	495,870,000	32,826,000	19,029,836
Unpaid insurance claims	59,926,035	-	59,926,035	-	-	-
Estimated landfill closure and postclosure	-	34,308,602	34,308,602	-	-	-
Long-term debt	1,150,418,110	599,648,786	1,750,066,896	5,422,344	11,537,148	25,287
Due to other governments	-	-	-	-	-	4,847,968
Unearned revenue	-	169,419	169,419	-	-	-
Total noncurrent liabilities	2,240,330,130	728,840,025	2,969,170,155	586,243,097	49,677,603	27,327,076
Total liabilities	2,522,360,458	824,245,664	3,346,606,122	751,829,994	63,821,798	32,661,285
DEFERRED INFLOW OF RESOURCES						
Pension benefits	28,634,591	2,794,705	31,429,296	1,270,987	76,392	205,183
Total deferred inflow of resources	28,634,591	2,794,705	31,429,296	1,270,987	76,392	205,183
NET POSITION						
Net investment in capital assets	556,191,931	939,311,650	1,495,503,581	1,100,322,734	86,588,853	17,242,845
Restricted for:						
Pension benefits	-	-	-	-	-	-
Debt service	6,684,460	317,747,290	324,431,750	-	-	-
Capital improvements	152,617,318	17,381,921	169,999,239	-	-	-
Scholarships/endowments	-	-	-	-	7,370,681	-
Reforestation	7,653,451	-	7,653,451	-	-	-
Other purposes	18,740,570	16,384,208	35,124,778	16,968,270	-	345,483
Unrestricted	(1,235,534,374)	5,484,501	(1,230,049,873)	(530,905,887)	(20,885,701)	(15,038,317)
Total net position (deficit)	$ (493,646,644)	$ 1,296,309,570	$ 802,662,926	$ 586,385,117	$ 73,073,833	$ 2,550,011

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

Anne Arundel County, Maryland

Statement of Activities

Year Ended June 30, 2016

		Program Revenues		
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Education	$ 770,323,479	$ -	$ -	$ 18,143,895
Public safety	313,525,185	27,149,664	2,173,312	1,188,781
General government	186,839,782	51,850,528	1,608,530	7,298,722
Health and human services	79,786,735	8,937,922	29,586,766	-
Public works	157,102,863	23,804,745	3,495,493	33,625,632
Recreation and community services	58,130,820	18,663,908	24,773,498	3,458,014
Judicial	28,588,085	3,208,643	2,149,224	-
Code enforcement	13,819,023	14,380,589	-	-
Land use and development	14,135,376	2,461,227	2,843,799	200,149
Interest on debt and leases	53,157,194	-	98,075	-
	1,675,408,542	150,457,226	66,728,697	63,915,193
Business-type activities				
Water and wastewater	153,026,559	85,177,926	-	82,130,836
Waste collection	46,296,735	50,975,036	-	-
Child care	4,766,747	5,111,440	-	-
	204,090,041	141,264,402	-	82,130,836
Total primary government	$ 1,879,498,583	$ 291,721,628	$ 66,728,697	$ 146,046,029
Component units				
Board of Education	$ 1,259,819,176	$ 13,132,699	$ 171,432,556	$ 145,734,692
Community College	148,615,947	46,231,631	19,810,063	3,091,109
Library System	25,876,858	922,947	4,042,989	349,395
Economic Development Corp	3,342,416	314,764	27,441	-
Tipton Airport Authority	2,088,534	1,591,388	-	696,628
Workforce Development	8,347,324	216,535	8,029,936	44,488
Total component units	$ 1,448,090,255	$ 62,409,964	$ 203,342,985	$ 149,916,312

General revenues
- General property taxes
- Local income taxes
- State shared taxes - unrestricted
- Recordation and transfer taxes
- Local sales taxes
- Unrestricted contributions
- Investment income
- Other revenue

County transfer

Total general revenues

Changes in net position

Net position, July 1 (as restated)

Net position, June 30

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

Net (Expense) Revenues and Changes in Net Position					
Primary Government			Discretely Presented Component Units		
Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Other Nonmajor
$ (752,179,584)	$ -	$ (752,179,584)	$ -	$ -	$ -
(283,013,428)	-	(283,013,428)	-	-	-
(126,082,002)	-	(126,082,002)	-	-	-
(41,262,047)	-	(41,262,047)	-	-	-
(96,176,993)	-	(96,176,993)	-	-	-
(11,235,400)	-	(11,235,400)	-	-	-
(23,230,218)	-	(23,230,218)	-	-	-
561,566	-	561,566	-	-	-
(8,630,201)	-	(8,630,201)	-	-	-
(53,059,119)	-	(53,059,119)	-	-	-
(1,394,307,426)	-	(1,394,307,426)	-	-	-
-	14,282,203	14,282,203	-	-	-
-	4,678,301	4,678,301	-	-	-
-	344,693	344,693	-	-	-
-	19,305,197	19,305,197	-	-	-
(1,394,307,426)	19,305,197	(1,375,002,229)	-	-	-
-	-	-	(929,519,229)	-	-
-	-	-	-	(79,483,144)	-
-	-	-	-	-	(20,561,527)
-	-	-	-	-	(3,000,211)
-	-	-	-	-	199,482
-	-	-	-	-	(56,365)
-	-	-	(929,519,229)	(79,483,144)	(23,418,621)
666,490,976	-	666,490,976	-	-	-
485,231,748	-	485,231,748	-	-	-
8,703,263	-	8,703,263	-	-	1,000,000
105,668,592	-	105,668,592	-	-	-
33,070,498	-	33,070,498	-	-	-
-	-	-	929,965,731	74,549,931	21,148,225
4,586,006	1,671,465	6,257,471	203,814	(220,719)	13,102
15,765,909	11,397,747	27,163,656	1,632,978	395,574	103,758
(1,099,230)	1,099,230	-	-	-	-
1,318,417,762	14,168,442	1,332,586,204	931,802,523	74,724,786	22,265,085
(75,889,664)	33,473,639	(42,416,025)	2,283,294	(4,758,358)	(1,153,536)
(417,756,980)	1,262,835,931	845,078,951	584,101,823	77,832,191	3,703,547
$ (493,646,644)	$ 1,296,309,570	$ 802,662,926	$ 586,385,117	$ 73,073,833	$ 2,550,011

Anne Arundel County, Maryland

Balance Sheet

Governmental Funds

June 30, 2016

	Major Funds			Nonmajor	
	General	Impact Fees Capital Projects	General County Capital Projects	Governmental Funds	Totals
ASSETS					
Cash and investments	$ 117,910,671	$ 95,984,584	$ 141,071,246	$ 85,487,863	$ 440,454,364
Receivables					
Property taxes					
(net of $2,408,879 allowance)	690,695	-	-	-	690,695
Local sales taxes	4,197,496	-	-	-	4,197,496
State shared revenues	2,850,968	-	-	-	2,850,968
Due from other governmental agencies	3,211,835	-	6,130,995	9,341,561	18,684,391
Due from other funds	8,351,794	-	-	-	8,351,794
Due from Board of Education	34,526	-	7,641,905	-	7,676,431
Local income tax	135,532,985	-	-	-	135,532,985
Other, net	12,153,625	124,286	8,214	3,932,806	16,218,931
Inventories	2,678,031	-	-	-	2,678,031
Other assets	376,963	-	-	-	376,963
Total assets	$ 287,989,589	$ 96,108,870	$ 154,852,360	$ 98,762,230	$ 637,713,049
LIABILITIES					
Accounts payable and accrued liabilities	$ 29,943,535	$ 2,817,029	$ 17,887,679	$ 6,683,971	$ 57,332,214
Due to other funds	4,666,124	-	-	1,900,477	6,566,601
Due to component units					
Board of Education	186,615	-	26,584,102	-	26,770,717
Community College	-	-	652,951	-	652,951
Library	837,394	-	-	-	837,394
Escrow and other deposits	1,348,728	-	44,608	6,100,134	7,493,470
Unearned revenue	293,989	-	-	1,808,969	2,102,958
Total liabilities	37,276,385	2,817,029	45,169,340	16,493,551	101,756,305
DEFERRED INFLOW OF RESOURCES					
Unavailable property tax revenue	110,618	-	-	-	110,618
Unavailable local income tax	101,891,384	-	-	-	101,891,384
Unavailable grant and program revenue	868,218	-	2,281,092	4,955,290	8,104,600
Unavailable 911 fees	1,025,395	-	-	-	1,025,395
Total deferred inflow of resources	103,895,615	-	2,281,092	4,955,290	111,131,997
FUND BALANCES					
Non spendable	2,678,031	-	-	-	2,678,031
Restricted	1,372,139	93,291,841	27,866,686	67,318,773	189,849,439
Committed	-	-	-	16,822,454	16,822,454
Assigned	65,989,087	-	79,535,242	-	145,524,329
Unassigned	76,778,332	-	-	(6,827,838)	69,950,494
Total fund balances	146,817,589	93,291,841	107,401,928	77,313,389	424,824,747
Total liabilities, deferred inflows and fund balances	$ 287,989,589	$ 96,108,870	$ 154,852,360	$ 98,762,230	$ 637,713,049

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

Anne Arundel County, Maryland

Reconciliation of Governmental Fund Balance to Governmental Net Position

Governmental Funds

June 30, 2016

Total fund balance for governmental funds as shown on the Balance Sheet	$	424,824,747
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on governmental funds balance sheet.		
Capital assets		1,844,732,397
Accumulated depreciation		(774,779,732)
Deferred Outflows of Resources		
Unamortized loss on refunding		6,843,024
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		(1,125,789,707)
Federal and state loans		(3,101,437)
Wynne case - due to State of Maryland		(16,699,065)
Pension benefits		(361,153,111)
Other post-employment benefits		(467,664,023)
Compensated absences		(23,373,680)
Long-term leases		(95,946)
Accrued interest payable on debt is recorded in governmental activities.		(11,460,534)
Unearned revenues:		
Revenues not available for use in the current fiscal year have been deferred until future periods on the governmental funds balance sheet.		111,131,997
Premiums received on certain bond issues have been deferred on the Statement of Net Position.		(130,143,666)
The assets and liabilities recorded in the internal service funds have been added to governmental net position because these funds are used to provide services to other funds.		
Net position of the Internal Service Funds		34,049,265
Business-type activities allocation of Internal Service Funds net position		(2,584,702)
Certain expenditures paid with current resources have been deferred to future periods on the Statement of Net Position.		1,617,529
Total net position for governmental activities as shown on Statement of Net Position	$	(493,646,644)

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, 2016

	Major Funds			Nonmajor	
	General	Impact Fees Capital Projects	General County Capital Projects	Governmental Funds	Totals
REVENUES					
General property taxes	$ 629,091,742	$ -	$ -	$ 39,103,509	$ 668,195,251
Local income taxes	456,192,055	-	-	-	456,192,055
State shared taxes	12,092,354	-	-	-	12,092,354
Grants and aid	-	-	10,795,230	43,977,796	54,773,026
Recordation and transfer taxes	105,668,592	-	-	-	105,668,592
Local sales taxes	33,070,498	-	-	-	33,070,498
License and permit fees	18,617,749	-	-	-	18,617,749
Ambulance fees	11,387,538	-	-	-	11,387,538
Cable fees	11,329,610	-	-	-	11,329,610
Impact fees	-	33,651,125	-	-	33,651,125
Special community benefit taxes	-	-	-	8,202,160	8,202,160
Video lottery local impact aid	-	-	-	18,437,244	18,437,244
Watershed protection and restoration	-	-	-	21,058,386	21,058,386
Contributed capital	-	-	5,187,715	-	5,187,715
Investment income	2,620,723	294,775	259,952	1,758,059	4,933,509
Fees for services and other revenue	43,238,687	-	2,221,331	3,587,452	49,047,470
Total revenues	1,323,309,548	33,945,900	18,464,228	136,124,606	1,511,844,282
EXPENDITURES					
Current					
Education	657,263,600	176,816	111,183,063	1,700,000	770,323,479
Public safety	270,889,952	-	-	12,165,250	283,055,202
General government	65,746,984	-	-	2,084,183	67,831,167
Health and human services	46,850,603	-	-	29,161,717	76,012,320
Public works	37,107,410	3,322,336	-	11,358,614	51,788,360
Recreation and community services	40,459,956	-	-	14,881,261	55,341,217
Judicial	24,396,396	-	-	2,793,537	27,189,933
Code enforcement	11,930,543	-	-	1,218,517	13,149,060
Land use and development	8,134,275	-	-	3,407,246	11,541,521
Capital outlay	-	-	100,566,378	-	100,566,378
Debt service					
Interest payments on debt	46,803,954	-	-	6,629,393	53,433,347
Principal payments on debt	126,951,132	-	-	2,421,351	129,372,483
Interest payments on leases	13,619	-	-	-	13,619
Principal payments on leases	22,347	-	-	-	22,347
Total expenditures	1,336,570,771	3,499,152	211,749,441	87,821,069	1,639,640,433
Revenues over (under) expenditures	(13,261,223)	30,446,748	(193,285,213)	48,303,537	(127,796,151)
OTHER FINANCING SOURCES (USES)					
Transfers in	36,289,340	-	159,147,287	4,392,328	199,828,955
Transfers out	(96,878,798)	(9,665,757)	(259,952)	(93,024,448)	(199,828,955)
General obligation bonds issued	77,410,000	-	-	15,850,000	93,260,000
Refunding bonds issued	69,384,271	-	-	-	69,384,271
Payment to esrow agent	(25,679,034)	-	-	-	(25,679,034)
Premium from sale of bonds	-	-	-	18,664,020	18,664,020
COI on refunding bonds	(153,835)	-	-	-	(153,835)
Premium on refunding of bonds	8,553,598	-	-	-	8,553,598
Proceeds from capital leases	60,038	-	-	-	60,038
Transfer to OPEB Trust	(70,877,624)	-	-	-	(70,877,624)
Transfer to Water and Wastewater Fund	-	-	(1,290,829)	-	(1,290,829)
Transfers from Solid Waste Fund	-	-	-	191,599	191,599
Total other financing sources (uses)	(1,892,044)	(9,665,757)	157,596,506	(53,926,501)	92,112,204
Net change in fund balances	(15,153,267)	20,780,991	(35,688,707)	(5,622,964)	(35,683,947)
Fund balances, July 1	161,970,856	72,510,850	143,090,635	82,936,353	460,508,694
Fund balances, June 30	$ 146,817,589	$ 93,291,841	$ 107,401,928	$ 77,313,389	$ 424,824,747

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 Position

Governmental Funds

Year Ended June 30, 2016

Changes in fund balances as shown on Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds	$	(35,683,947)
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		23,041,507
Current year donations of capital assets		9,836,015
Current year disposals of capital assets		(243,062)
Depreciation expense recorded in the Statement of Activities		(49,679,325)
Wynne accrued liability		(672,354)
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		(162,644,271)
Principal payments on debt		152,893,761
Additions of new lease		(95,001)
Lease payments		35,966
Change in accrued interest payable		276,153
Loss on refunding		1,379,746
Amortization of prior year refunding gain/loss		(927,628)
Accrual of compensated absences		403,017
Accrual of pension benefits		(43,473,406)
Accrual of other post-employment benefit liability		6,582,129
Certain charges paid with current financial resources are unearned and amortized over one or more periods on the Statement of Activities. The differences are as follows:		
Expense was unearned to future periods		1,617,529
Amortization of expenditures unearned in previous years		(2,066,575)
Premiums received on bond issues have been unearned in the government-wide statements. The revenue will be recognized over the life of the related bonds. The differences are as follows:		
Unearned revenue		(26,439,608)
Amortization of amounts unearned		15,727,308
Certain revenue was unearned on the governmental fund statements because it was not available to pay expenditures of the current period. These unearned amounts are recognized as revenue in the Statement of Activities.		27,169,132
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.		7,073,250
Changes in net position as shown in governmental activities on the Statement of Activities	$	(75,889,664)

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, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General property taxes	$ 633,420,000	$ 633,420,000	$ 629,091,742	$ (4,328,258)
Local income taxes	450,560,000	450,560,000	456,192,055	5,632,055
State shared taxes	11,807,000	11,807,000	12,092,354	285,354
Recordation and transfer taxes	80,000,000	80,000,000	105,668,592	25,668,592
Local sales taxes	33,602,000	33,602,000	33,070,498	(531,502)
Licenses and permits	17,000,000	17,000,000	18,617,749	1,617,749
Ambulance fees	9,000,000	9,000,000	11,387,538	2,387,538
Cable fees	10,450,000	10,450,000	11,329,610	879,610
Investment income	200,000	200,000	1,212,362	1,012,362
Interfund recoveries	59,632,000	59,632,000	62,157,459	2,525,459
Fees for services and other revenues	42,823,000	42,823,000	42,521,529	(301,471)
Total revenues	1,348,494,000	1,348,494,000	1,383,341,488	34,847,488
EXPENDITURES				
Current				
Education	620,575,900	620,575,900	620,575,900	-
Higher education	36,687,700	36,687,700	36,687,700	-
Public safety	269,882,100	273,305,100	270,671,067	2,634,033
General government	133,659,800	137,488,951	135,097,620	2,391,331
Health and human services	49,899,400	49,899,400	48,474,231	1,425,169
Public works	31,803,600	37,803,600	37,065,661	737,939
Recreation and community services	42,226,600	43,078,100	42,533,861	544,239
Judicial	24,366,600	25,330,900	24,947,469	383,431
Land use and development	8,981,600	8,981,600	8,759,076	222,524
Code enforcement	11,953,800	11,983,800	11,923,923	59,877
Debt service	120,887,400	120,887,400	120,443,662	443,738
Pay go funding - capital projects	15,603,000	15,638,000	15,418,000	220,000
Total expenditures	1,366,527,500	1,381,660,451	1,372,598,170	9,062,281
Revenues over (under) expenditures	(18,033,500)	(33,166,451)	10,743,318	$ 43,909,769
Fund balances, budgetary, July 1	63,746,061	63,746,061	63,746,061	
Fund balances, budgetary, June 30	$ 45,712,561	$ 30,579,610	$ 74,489,379	

Fund balance - GAAP Basis	$ 146,817,589
Non spendable	(2,678,031)
Restricted	(1,372,139)
Assigned	(65,989,087)
Unassigned - Revenue reserve allocation	(57,217,457)
Effects of:	
Base realignment and closure	1,372,139
Health Department encumbrance adjustment	236,110
County Parking Garage Fund	13,566
Inmate Benefits and Morale Fund	(711,283)
Self Insurance Fund surplus allocation	(6,451,317)
Central Garage Fund deficit allocation	4,666,124
Unassigned - Non-GAAP basis	18,686,214
Assigned for subsequent years	55,803,165
Fund balance - Budgetary Basis	$ 74,489,379

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

Anne Arundel County, Maryland

Statement of Net Position

Proprietary Funds

June 30, 2016

	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	$ 115,145,270	$ 44,455,516	$ 1,958,443	$ 161,559,229	$ 25,113,869
Investments	-	-	-	-	83,330,247
Service billings receivable, net	22,644,062	761,917	175,372	23,581,351	4,102,305
Due from other funds	313,180	90,682	1,449	405,311	5,396,731
Inventories	2,752,234	149,706	-	2,901,940	610,427
Other	62,281	-	-	62,281	2,765,779
Restricted assets					
Cash and temporary investments	23,586,103	11,336,605	-	34,922,708	-
Investments	266,313,162	-	-	266,313,162	-
Receivables					
Due from other governmental agencies	17,381,921	-	-	17,381,921	-
Other, net	10,418,510	-	-	10,418,510	-
Total current assets	458,616,723	56,794,426	2,135,264	517,546,413	121,319,358
Noncurrent assets					
Restricted assets					
Deferred connection and assessment charges	30,450,956	-	-	30,450,956	-
Capital assets	2,259,061,643	111,608,231	-	2,370,669,874	76,034,098
Less accumulated depreciation	(760,670,061)	(56,340,826)	-	(817,010,887)	(58,452,019)
Total capital assets, net of depreciation	1,498,391,582	55,267,405	-	1,553,658,987	17,582,079
Total noncurrent assets	1,528,842,538	55,267,405	-	1,584,109,943	17,582,079
Total assets	1,987,459,261	112,061,831	2,135,264	2,101,656,356	138,901,437
DEFERRED OUTFLOW OF RESOURCES					
Pension benefits	13,620,685	2,873,252	297,939	16,791,876	2,801,436
Unamortized deferred refunding loss	5,119,190	187,828	-	5,307,018	-
Total deferred outflows	18,739,875	3,061,080	297,939	22,098,894	2,801,436
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	36,317,411	5,554,405	119,027	41,990,843	4,348,764
Current portion of long-term debt and obligations	36,646,980	4,945,589	31,979	41,624,548	20,046,509
Due to other funds	540,889	189,718	-	730,607	6,856,628
Escrow deposits	611,605	74,746	-	686,351	-
Liabilities related to restricted assets					
Accounts payable and accrued liabilities	6,394,542	-	-	6,394,542	-
Unearned revenue	6,626,899	-	341,862	6,968,761	-
Total current liabilities	87,138,326	10,764,458	492,868	98,395,652	31,251,901
Noncurrent liabilities					
Unpaid insurance claims	-	-	-	-	59,926,035
Accrued liability for compensated absences	59,055	6,229	13,908	79,192	50,869
Accrued liability for pension benefits	39,569,758	8,278,756	816,219	48,664,733	8,135,781
Accrued liability for other post-employment benefits	36,486,121	8,833,706	649,466	45,969,293	7,823,965
Estimated landfill closure and postclosure	-	34,308,602	-	34,308,602	-
Long-term debt	568,070,514	31,578,272	-	599,648,786	-
Unearned revenue	169,419	-	-	169,419	-
Total noncurrent liabilities	644,354,867	83,005,565	1,479,593	728,840,025	75,936,650
Total liabilities	731,493,193	93,770,023	1,972,461	827,235,677	107,188,551
DEFERRED INFLOW OF RESOURCES					
Pension benefits	2,268,524	475,199	50,982	2,794,705	465,057
Total deferred inflows	2,268,524	475,199	50,982	2,794,705	465,057
NET POSITION					
Net investment in capital assets	915,846,170	23,465,480	-	939,311,650	17,582,079
Restricted for debt service	317,747,290	-	-	317,747,290	-
Restricted for capital improvements	17,381,921	-	-	17,381,921	-
Restricted for other purposes	-	16,384,208	-	16,384,208	-
Unrestricted	21,462,038	(18,971,999)	409,760	2,899,799	16,467,186
Total net position	$ 1,272,437,419	$ 20,877,689	$ 409,760	$ 1,293,724,868	$ 34,049,265

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

Anne Arundel County, Maryland

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

Proprietary Funds

June 30, 2016

Net position as shown on Statement of Net Position - Proprietary Funds	$	1,293,724,868
The allocation of the net deficit in the Internal Service Funds to various activities, funds, etc. as it relates to business-type activities.		2,584,702
Net position shown on government wide Statement of Net Position	$	1,296,309,570

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 Position

Proprietary Funds

Year Ended June 30, 2016

	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	$ 85,177,926	$ 47,109,331	$ 5,111,440	$ 137,398,697	$ 47,457,262
Landfill charges	-	3,865,705	-	3,865,705	-
Medical premiums	-	-	-	-	76,641,056
Other revenues	5,897,948	345,676	-	6,243,624	3,394,431
Total operating revenues	91,075,874	51,320,712	5,111,440	147,508,026	127,492,749
OPERATING EXPENSES					
Personnel services	30,767,333	7,463,550	3,603,895	41,834,778	6,756,062
Contractual services	45,818,677	31,155,293	269,257	77,243,227	2,525,768
Supplies and materials	8,348,107	443,178	482,295	9,273,580	198,918
Business and travel	198,289	17,997	22,585	238,871	22,306
Cost of goods issued	-	-	-	-	6,264,163
Depreciation	45,566,683	3,894,229	-	49,460,912	4,857,630
Provision for claims and estimated losses	-	-	-	-	91,888,131
Landfill closure and postclosure costs	-	(537,993)	-	(537,993)	-
Other	11,320,155	2,926,738	411,736	14,658,629	1,706,649
Total operating expenses	142,019,244	45,362,992	4,789,768	192,172,004	114,219,627
Operating income (loss)	(50,943,370)	5,957,720	321,672	(44,663,978)	13,273,122
NONOPERATING REVENUES (EXPENSES)					
Investment income	1,432,126	239,339	-	1,671,465	3,562,864
Interest earned on long-term receivables	846,637	-	-	846,637	-
Other revenues	4,054,276	253,210	-	4,307,486	-
Other expenses	(1,107,345)	(132,745)	-	(1,240,090)	-
Interest expense	(10,103,571)	(999,518)	-	(11,103,089)	-
Gain (loss) on disposal of assets	(535,431)	(25,067)	-	(560,498)	222,904
Income (loss) before contributions and transfers	(56,356,678)	5,292,939	321,672	(50,742,067)	17,058,890
Capital contributions	82,130,836	-	-	82,130,836	-
Transfer to OPEB Trust	-	-	-	-	(9,000,000)
Intrafund transfers	1,290,829	(191,599)	-	1,099,230	-
Change in net position	27,064,987	5,101,340	321,672	32,487,999	8,058,890
Net position, July 1 (as restated)	1,245,372,432	15,776,349	88,088	1,261,236,869	25,990,375
Net position, June 30	$ 1,272,437,419	$ 20,877,689	$ 409,760	$ 1,293,724,868	$ 34,049,265

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

Change in net position shown above	$ 32,487,999
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.	985,640
Increase in net position as shown on the government-wide statement of activities	$ 33,473,639

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, 2016

	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	$ 92,372,427	$ 51,076,358	$ 4,984,808	$ 148,433,593	$ 123,644,843
Cash received for expense reimbursement	-	-	-	-	1,730,432
Cash payments to suppliers for goods and services	(45,117,505)	(32,078,011)	(1,182,486)	(78,378,002)	(9,453,345)
Cash payments for insurance claims	-	-	-	-	(87,923,387)
Cash payments to employees for services	(28,380,744)	(7,020,871)	(3,553,319)	(38,954,934)	(6,259,829)
Contributions to other funds	-	(2,690,300)	-	(2,690,300)	-
Escrow deposits refunded	-	(1,500)	-	(1,500)	(1,404,200)
Other operating receipts	-	-	-	-	3,970
Other operating payments	-	-	-	-	(1,542,500)
Net cash provided by operating activities	18,874,178	9,285,676	249,003	28,408,857	18,795,984
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	-	(36,016)	-	(36,016)	-
Cash transfers between funds	-	(191,599)	-	(191,599)	(9,000,000)
Net cash used for noncapital financing activities	-	(664,175)	-	(664,175)	(9,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of bonds and bond anticipation notes	43,585,000	-	-	43,585,000	-
Proceeds from bonds refunded	75,300,000	200,729	-	75,500,729	-
Proceeds from grant funds	16,985,725	-	-	16,985,725	-
Proceeds from loan	4,611,113	-	-	4,611,113	-
Proceeds from developers' contributions	215,727	-	-	215,727	-
Refunds to developers	(11,958,438)	-	-	(11,958,438)	-
Assessments and connection charges	50,951,613	-	-	50,951,613	-
Environmental protection fees for capital assets	18,628,542	-	-	18,628,542	-
Payments of long-term debt	(29,559,683)	(1,997,381)	-	(31,557,064)	-
Interest payments	(22,556,805)	(1,649,085)	-	(24,205,890)	-
Rebates, interest income and reimbursements	1,350,581	-	-	1,350,581	-
Acquisition and construction of capital assets	(110,465,767)	(10,646,445)	-	(121,112,212)	(8,958,008)
Deferred refunding loss on sale of refunding bonds	-	(9,118)	-	(9,118)	-
Payments of debt issuance costs	(184,365)	-	-	(184,365)	-
Premium on sale of bonds	32,103,970	12,111	-	32,116,081	-
Payments to escrow agent for refunded bonds	(84,755,392)	(203,722)	-	(84,959,114)	-
Proceeds from sale of equipment	-	-	-	-	222,904
Payment of capital related fees	(922,980)	-	-	(922,980)	-
Transfer to UDS	-	-	-	-	-
Transfer to Capital Projects	(13,796,000)	-	-	(13,796,000)	-
Transfer from Capital Projects	1,290,829	-	-	1,290,829	-
Net cash (used for) capital and related financing activities	(29,176,330)	(14,292,911)	-	(43,469,241)	(8,735,104)

Anne Arundel County, Maryland

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

	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	(670,670,308)	-	-	(670,670,308)	(127,624,917)
Sale of investment securities	653,377,154	-	-	653,377,154	121,443,253
Interest on investments	460,817	239,339	-	700,156	3,770,269
Net cash provided by (used for) investing activities	(16,832,337)	239,339	-	(16,592,998)	(2,411,395)
Net increase in cash and cash equivalents	(27,134,489)	(5,432,071)	249,003	(32,317,557)	(1,350,515)
Cash and temporary investments, July 1	165,865,862	61,224,192	1,709,440	228,799,494	26,464,384
Cash and temporary investments, June 30	$ 138,731,373	$ 55,792,121	$ 1,958,443	$ 196,481,937	$ 25,113,869
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	$ (50,943,370)	$ 5,957,720	$ 321,672	$ (44,663,978)	$ 13,273,122
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	45,566,683	3,894,229	-	49,460,912	4,857,630
Noncapital construction costs	19,053,748	-	-	19,053,748	-
Effect of changes in operating assets and liabilities:					
Accounts receivable	1,277,969	(244,354)	(101,694)	931,921	(1,672,793)
Due from other funds	(186,077)	(43,431)	-	(229,508)	-
Prepaid expenses	(8,735)	-	-	(8,735)	(1,076)
Inventories	(89,165)	(6,943)	-	(96,108)	15,737
Deposit with provider	-	-	-	-	(1,404,200)
Accounts payable and accrued liabilities	1,698,588	(228,228)	14,047	1,484,407	65,162
Unearned revenue	-	-	(21,385)	(21,385)	-
Unpaid claims	-	-	-	-	153,049
Landfill closure and postclosure costs	-	(537,993)	-	(537,993)	-
Due to other funds	340,532	102,457	-	442,989	3,063,796
Escrow deposits	18,584	(1,500)	-	17,084	-
Accrued liability for compensated absences	56,091	(12,070)	(7,807)	36,214	14,611
Accrued liability for pension	5,345,227	1,119,691	120,127	6,585,045	1,095,795
Deferred outflow of resources - pension	(4,976,079)	(1,036,419)	(114,255)	(6,126,753)	(1,017,408)
Deferred inflow of resources - pension	2,268,524	475,199	50,982	2,794,705	465,057
Accrued liability for OPEB benefits	(548,342)	(152,682)	(12,684)	(713,708)	(112,498)
Net cash provided by operating activities	$ 18,874,178	$ 9,285,676	$ 249,003	$ 28,408,857	$ 18,795,984
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of capital assets from developers	$ 16,820,089	$ -	$ -	$ 16,820,089	$ -
Trade in of capital assets	117,700	25,067	-	142,767	-
Change in capital contributions, fees and grants; accruals and deferrals	(21,389,992)	-	-	(21,389,992)	-
Increase in fair value of investments	(230,980)	-	-	(230,980)	1,801,499
Amortization of refunding gains (losses)	(454,447)	970	-	(453,477)	-
Noncash investing, capital and financing activities	$ (5,137,630)	$ 26,037	$ -	$ (5,111,593)	$ 1,801,499

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

Anne Arundel County, Maryland

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Pension Trust Funds (December 31, 2015)	Other Post Employment Plan Trust Fund	Agency Funds
ASSETS			
Investments, at fair value:			
Cash and temporary investments	$ 39,263,082	$ 35,777	$ 29,730,134
Short-term investments	-	935,088	-
U. S. government obligations	11,285,200	-	-
Corporate obligations	92,153,654	-	-
Domestic fixed income mutual funds	84,718,804	26,337,165	-
International fixed income mutual funds	58,459,433	-	-
Global asset pools	262,108,213	-	-
Domestic equity	435,313,169	22,104,476	-
International equity investment pools	333,800,444	17,855,082	-
Private markets	116,195,750	-	-
Portable Alpha	286,375	-	-
Real estate investment pools	96,867,840	-	-
Absolute return fixed income	50,055,242	-	-
Aetna insurance pooled fixed income	24,266,278	-	-
Total investments	1,604,773,484	67,267,588	29,730,134
Collateral from securities lending transactions	71,027,978	-	-
Receivables:			
Accounts receivable	-	1,106,083	-
Employer contributions	5,675,954	-	-
Participant contributions	1,051,848	-	-
Accrued interest and dividends	1,476,042	-	-
Investment sales proceeds	2,500,986	-	-
Total receivables	10,704,830	1,106,083	-
Deposits on hand	244,032	-	-
Total assets	1,686,750,324	68,373,671	$ 29,730,134
LIABILITIES			
Accounts payable	1,654,690	722,019	-
Escrow and other deposits	-	-	$ 29,730,134
Due to Anne Arundel County Government	-	2,344,925	-
Investment commitments payable	6,674,121	-	-
Obligation for collateral received under securities lending transactions	71,027,978	-	-
Total liabilities	79,356,789	3,066,944	$ 29,730,134
Fiduciary net position	$ 1,607,393,535	$ 65,306,727	

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

Anne Arundel County, Maryland

Statement of Changes in Fiduciary Net Position

Pension Trust Funds

Year Ended June 30, 2016

	Pension Trust Funds (December 31, 2015)	Other Post Employment Plan Trust Fund
ADDITIONS		
Contributions:		
Employer	$ 66,682,443	$ 86,689,472
Participant	12,318,793	6,999,086
Insurance subsidies and rebates	-	4,656,646
Total contributions	79,001,236	98,345,204
Investment income:		
Net appreciation in fair value of investments	(50,232,908)	4,477,244
Interest income	16,442,382	35,777
Dividend income	18,789,871	900,752
Total investment income	(15,000,655)	5,413,773
Less investment expense	(11,371,195)	(2,484)
Net income from investing activities	(26,371,850)	5,411,289
Securities lending activities:		
Securities lending income	378,253	-
Securities lending expenses:		
Borrower rebates	23,507	-
Management fees	106,521	-
Securities lending expense	130,028	-
Securities lending net income	248,225	-
Total net investment income	(26,123,625)	5,411,289
Total additions	52,877,611	103,756,493
DEDUCTIONS		
Participant benefit payments and refunds	110,160,338	-
Insurance claims	-	31,916,635
Insurance premiums	-	5,107,949
Insurance affordable care act	-	212,389
Administrative expenses	1,470,053	1,212,793
Total deductions	111,630,391	38,449,766
Net increase	(58,752,780)	65,306,727
Fiduciary net position, beginning of year	1,666,146,315	-
Fiduciary net position, end of year	$ 1,607,393,535	$ 65,306,727

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 Association of Annapolis and Anne Arundel County, Inc.** (A.A. County Public Library or 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 job 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 Position 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 position 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 Position 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 positions 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 and recorded as deferred inflow of resources.

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 Capital Projects Fund** – This capital projects 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 such that the most restrictive resources are used first. This generally results in the following order: restricted revenues such as developer contributions, bonds, 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 the 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 Fund** – 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 Fund is 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.
- **OPEB Trust Fund –** This column includes the activities of the Anne Arundel Retiree Health Benefits Trust (OPEB Trust Fund). In April 2016, the County passed legislation creating the Anne Arundel Retiree Health Benefits Trust effective July 1, 2016 as a mechanism for accumulating and investing assets to fund and pay the benefits provided by Code through the OPEB Trust. The OPEB Trust has fiduciary responsibility to administer multi-employer defined benefit plans for the purpose of providing retiree health benefits as "other post-employment benefit" for three entities: The Anne Arundel County Plan (County Plan), the Anne Arundel Community College Plan (College Plan), and the Public Library Association of Annapolis and Anne Arundel County, Inc. (Library Plan).
- **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, tax

sale, special taxing districts, and other miscellaneous purposes; monies held in trust on behalf of the Special Tax and Assessment Districts; 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 earned and 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 by May 1st. The County Council holds public hearings regarding the budget. The Annual Budget and Appropriation Ordinance must be approved by June 15th (prior to the start of the next fiscal year on July 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 at year-end. 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 or when goods or services are received. All major capital project funds have legally adopted budgets and unspent appropriations at year-end carry forward to the subsequent year except for the Impact Fee Fund. All nonmajor governmental funds have legally adopted budgets except the Storm Drain Fees Fund, Recreation Land Fees Fund, Street Light Fund, and Energy Revolving Loan Fund, which are expended through the Capital Projects Fund. Additional Budgetary information can be found at www.aacounty.org/departments/budget-office/previous-budgets/fy2016/index.html.

Combining and Other Supplementary Schedules

For all columns in the basic financial statements that accumulate the data for nonmajor funds or component units, the County has provided combining statements that present the individual funds included in these nonmajor categories. In addition, budgetary statements of revenue and expenditures for all primary government funds for which budgets are adopted have been provided. 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 money market 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 and proprietary statements, prepaid expenses are recognized as the services are consumed. For the budgetary statements, prepaid expenses are recognized when either encumbered or paid.

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 position 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 Statements of Net Position. 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, Library books are recorded at cost, and other assets with an individual value of $5,000 or more are capitalized. Capitalized interest is calculated on certain assets that are construction in progress. The County cumulative capitalized interest related to these assets in the amount of $13,771,230 in fiscal year 2016. Once the asset is complete the cost of capitalization is amortized over the life of the completed asset. Capital assets are valued at historical cost or estimated historical cost. Donated assets are valued at the estimated fair value on the date donated. Land and easements, historical property, and works of art are assets that are not being depreciated. 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 ***Deferred Outflows/Inflows of Resources*** –A deferred outflow of resources represents the consumption of net position that applies to a future period that will not be recognized as an outflow of the resources (expenditure) until the future period. At June 30, 2016, the County had deferred outflows of $245,011,144 representing pension benefits in the amount of $232,861,102 and unamortized deferred refunding losses in the amount of $12,150,042. The Board of the Maryland State Retirement and Anne Arundel County Pension and Retirement System recognizes deferred outflows for changes in actuarial assumptions that are being amortized over a five-year period and contributions made subsequent to the measurement date related to pensions. A deferred inflow represents an acquisition of net position that applies to a future reporting period that will not be recognized as an inflow of resources (revenue) until that time. For government-mandated and voluntary non-exchange transactions on the governmental funds, a deferred inflow is reported when resources are received before time requirements are met. At June 30, 2016, the County had deferred inflows of resources of $111,131,997 million representing unavailable tax revenues, 911 fees, and unavailable grant and program revenues. On the government wide statements, the governmental activities had deferred inflows of resources related to pension benefits in the amount of $31,429,296. The Board of the Maryland State Retirement and Anne Arundel County Pension and Retirement System recognizes deferred inflows for the difference between the projected and actual investment earnings related to pensions.

Deferred outflows of resources are presented below the total assets on the government wide, proprietary, and governmental statements. Deferred inflows of resources are presented below the total liabilities on the government wide, proprietary, and governmental statements.

H Operating and Nonoperating Revenues and Expenses and Capital Contributions – The Statement of Revenues, Expenses, and Changes in Fund Net Position for proprietary funds categorize 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 water and wastewater, 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.

I 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 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 on the fund level and government-wide presentations, recorded as premium revenue on budgetary statements and then applied against the purchase of capital assets in the subsequent fiscal years. The refunding gain or loss is applied against the shorter life of the old debt or the new debt.

J Capitalized interest – The primary government's Statements of Net Position for business-type activities includes capitalized interest. Management estimates the fiscal year interest expense 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 solid waste capital assets for bond-funded projects.

K 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.

L 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, 2016 totaled $90,223,021 in the governmental fund types, of which $71,940,477 is for construction activity. The proprietary funds utilize encumbrance accounting for budgetary purposes. As of June 30, 2016, the proprietary funds had encumbrances totaling $130,254,332, of which $117,421,920 is for construction activity.

M 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:

- ***Non-spendable***: This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified inventories, and prepaid items as non-spendable.

- ***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 following fund balances are classified as restricted:

    - ***Base realignment and closure (BRAC):*** restricted by the Annotated Code of Maryland, Economic Development Article, Section 5-1306 for the revitalization and incentive programs in the BRAC area.

    - ***Impact fees:*** restricted by the Annotated Code of Maryland, Local Government Article, Section 20-701 for expanded infrastructure required to accommodate new development.

    - ***Forfeiture and asset seizure team***: restricted by federal regulations for law enforcement activities.

    - ***Roads and special benefits***: restricted by the Annotated Code of Maryland, Local Government Article, Section 10-314 for the improvements and benefits within designated districts.

    - ***Reforestation***: restricted by the Annotated Code of Maryland, Natural Resources Article, Section 5-1610 for the reforestation of properties in the County.

    - ***Laurel racetrack community benefit:*** restricted by the Annotated Code of Maryland, Business Regulation Article, Section 11-404 for certain services and facilities in the vicinity of the Laurel racetrack.

    - ***Grants:*** restricted by various state and federal laws, regulations and grant agreements that specify how funds may be spent.

    - ***Circuit court:*** restricted by the Annotated Code of Maryland, Court and Judicial Proceeding Article, Section 7-204 for Circuit Court operations.

    - ***Erosion districts:*** restricted by the Annotated Code of Maryland, Local Government Article, Section 21-306 for erosion control projects and related loans in designated districts.

    - ***Video lottery local impact aid:*** restricted by the Annotated Code of Maryland, State Government Article, Section 9-1A-31(b) for improvements and facilities in the vicinity of the video lottery facility.

    - ***Watershed protection and restoration*****:** restricted by the Annotated Code of Maryland, Environmental Article, Section 4-202.1(h) (4) for stormwater management and projects

    - ***Bond premium:*** restricted by the County Charter, Section 720(b) for capital improvements financed with the proceeds of the bonds that generated the premiums.

    - ***Debt Service:*** is restricted through debt covenants.

- ***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 Council removes or changes the ordinance that was employed when the funds were initially committed. Storm Drain Fees Fund, Street Lights Capital Project Fund, Recreation Land Fees Fund, Energy Revolving Loan Fund, and Odenton Town Center Tax Increment Fund are committed based on legislation in the County code. The Installment Purchase Agreement Fund is committed for the purchase of agricultural and woodland preservation programs.

- ***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 policy to assign funds is established through the Annual Budget and Appropriation Ordinance each year which is approved by both the County Council and the County Executive. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The General County Capital Projects are assigned for the repair and replacement of equipment.

- ***Unassigned***: The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund. This classification includes the residual fund balance for the General Fund. A.A. County Partnership for Children Youth and Family Fund, Arundel Community Development Service Fund and the Grants Fund have negative unassigned fund balance which represents the timing difference between the grant expenditures and payments received for the reimbursable grants.

The County typically uses restricted resources 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.

N ***Compensated absences -*** The primary government's Statements of Net Position include an accrual for compensated absences. This accrual is an estimate of unused annual leave as of June 30, 2016. The annual leave accrual is calculated using unused annual leave hours as of June 30, 2016 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.

Compensated absences are liquidated within the following governmental funds: the General Fund and Reforestation Fund. They are also liquidated in the following internal service and enterprise funds: Self Insurance, Central Garage and Transportation, Water and Wastewater, Solid Waste and Child Care.

O ***New GASB Pronouncements -*** In fiscal year ended June 30, 2016 the County implemented the following GASB pronouncements:

- The County has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 72, *entitled Fair Value Measurement and Application.* This statement provides guidance for determining the fair value measurement for financial reporting purposes, for applying fair value to certain investments, and requirements for certain related disclosures.

- GASB also issued Statement No. 76, *entitled The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement was adopted in the current fiscal year but had no effect on these financial statements.

The following pronouncements will be evaluated for future implementation:

- As of the year ended June 30, 2016, GASB issued Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75 entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB

Statement No. 77 entitled, *Tax Abatements Disclosures*. Some of these statements will have a material effect on the County's financial statements once implemented.

The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

P ***Prior Period Adjustments –*** To adjust for an error in construction work in progress is presented as follows:

	Business-type Activites	Water and Wastewater Capital
Net Position, June 30, 2015	$ 1,273,335,931	$ 154,112,153
Capital assets	(10,500,000)	(10,500,000)
Net Position, July 1, 2015 (as restated)	$ 1,262,835,931	$ 143,612,153

Q ***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

Expenditures and encumbrances of funds may not exceed legally adopted appropriations. The appropriations are established by the County Council in the Annual Budget and Appropriation Ordinance. During the fiscal year, the County Council may adopt supplemental budgetary appropriation ordinances that increase appropriations from revenue not anticipated in the budget or in excess of that anticipated in the budget. The County Executive has the authority to approve intra-department transfers within a fund. Transfers of appropriations from one department to another or from one capital project to another require the County Council's approval by ordinance. The legal level of budgetary control is by fund and agency for the operating funds, at the project level for capital projects, and at the district level for Roads and Special Community Benefit Districts, Shore Erosion Control Districts, and Waterway Improvement Special Taxing Districts. All unexpended, unencumbered appropriations lapse at year-end, except appropriations for capital projects. The County adopts budgets for all funds except the Agency and Fiduciary Funds, Library Dedicated Revenue Fund and the capital project funds for the Storm Drain Fees Fund, Recreation Land Fees Fund, Street Light Fund, and Energy Revolving Loan Fund, which are expended through the General County Capital Projects Fund. Appropriations in the grant funds may be increased without a separate ordinance if the conditions in the code are met.

A ***Fund Deficits -*** The Grants Fund, Arundel Community Development Services and A.A. County Children Youth and Family have deficit fund balances in the amount of ($2,162,461), ($310,726) and ($292,275), respectively, as a result of funds expended in the current fiscal year that were not reimbursed by the grantor within 90 days of the fiscal year-end. Anne Arundel County Public Library, a discretely presented component unit, has a deficit net position of ($10,931,380) as a result of unfunded liabilities for other postemployment and pension benefits.

B ***Reconciliation Between Fund Financial Statements and Budgetary Statements -*** 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	$ 10,743,318
Net effect of encumbrances	1,445,839
Change in due to Central Garage and Transportation Fund	(2,851,566)
Change in due from Self Insurance Fund	2,837,842
Change in revenue reserve allocation	8,597,581
Change in other post employment benefits allocation	(35,876,639)
Additional bond proceeds from refunding bonds	(201,982)
Health Department encumbrance adjustment	(100,319)
Effects of Inmate Benefit Fund & Parking Garage Fund	68,076
Net inventory change	184,583
Change in fund balance - modified accrual basis	$ (15,153,267)

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 public money 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.

The primary government, Board of Education, Community College, and Library all participate in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a relatively safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Capital Advisors, LLC. The pool is a 2a7 like pool, which is not registered with the Security and Exchange Commission (SEC) but generally operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 (Rule 2a7). The MLGIP, which maintains a $1 per share value, is designed to give local government units of the State an investment vehicle for short-term investment of funds.

Legislation became effective during fiscal year 2015 that expanded the authorized investments for Self Insurance funds. In addition to the vehicles available for public money, the no-current portion of Self Insurance fund reserves may be invested in investment grade domestic corporate bonds, mutual funds, exchange traded funds, and taxable or tax-exempt municipal securities.

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 25 days at December 31, 2015, 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, 2016, the carrying amount of the primary government's bank deposits was ($6,197,933) and bank balances were $2,814,729. All bank balances were fully secured by Federal Deposit insurance or fully collateralized. The total money market fund balance was $216,388,660.

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 Bank of Richmond. 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 $614,000 for Tipton Airport and $1,491 for Workforce Development, neither of which are insured or collateralized. Subsequent to the end of the fiscal year Tipton Airport transitioned to an Insured Cash Sweep program which provides full insurance for its deposits.

Money market fund balances for the Retirement System and Retiree Health Benefits Trust were $39,263,082 and $935,088 respectively. In addition the Health Benefits Trust had $35,777 in cash.

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 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. Market values for issues within the primary government's agency/instrumentalities category include $89,485,522 of callable issues and $3,005,388 for issues that have both callable and variable rate features. The component units' issues have no variable rate securities. Equity mutual fund investments with a fair value of $7,071,313 are not included in this table.

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	over 10
Primary Government					
U.S. Government securi	$ 242,597,751	$ 232,331,082	$ -	$ -	$ 10,266,669
Agency / instrumentalities	405,358,548	318,463,462	35,317,421	42,569,817	9,007,848
Money market pools	216,388,660	216,388,660	-	-	-
Commercial Paper	104,220,751	104,220,751	-	-	-
Corporate bonds	27,644,033	-	21,590,603	6,053,430	-
Municipals bonds	36,729,445	13,203,332	19,636,101	3,890,012	-
Bond mutual funds	5,279,037	2,009,470	2,135,837	1,133,730	-
	$ 1,038,218,225	$ 886,616,757	$ 78,679,962	$ 53,646,989	$ 19,274,517
Board of Education					
Money market pools	$ 111,335,845	$ 111,335,845	$ -	$ -	$ -
	$ 111,335,845	$ 111,335,845	$ -	$ -	$ -
Community College					
Money market pools	$ 12,492,233	$ 12,492,233	$ -	$ -	$ -
Bond mutual funds	2,813,266	2,813,266	-	-	-
	$ 15,305,499	$ 15,305,499	$ -	$ -	$ -
Other nonmajor component units					
Money market pools	312	312	-	-	-
	$ 312	$ 312	$ -	$ -	$ -

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, 2015. 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 $17,517,418 as of December 31, 2015.

The table also includes issues with call features and assumes that these issues will be held to maturity. The total fair market value of callable securities totals $50,267,680 with call dates ranging from January 1, 2016 for continuously callable issues to September 1, 2045. Stated call prices are generally at par. The callable holdings include issues with floating interest rates which have market value of $8,568,240. Non-debt investments and guaranteed contracts with a combined fair value of $1,318,973,872 do not have maturity dates and therefore are not included in this table.

Investment Type		Fair Value		Investment Maturities (in Years): Less than 1 year		1 to 5		6 to 10		over 10
U.S. Treasuries	$	11,285,200	$	-	$	2,325,150	$	2,949,367	$	6,010,683
Agency/Instrumentalities		15,210,297		3,999,960		325,861		-		10,884,476
Short Term Investment Pools		39,182,521		39,182,521		-		-		-
Corporate Bonds		58,301,884		528,281		18,269,906		30,475,084		9,028,613
Bond Mutual Funds		143,178,237		-		143,178,237		-		-
Collateralized Mrtg Obligations		7,273,527		-		20,553		979,864		6,273,110
Other Asset-Backed Securities		3,687,498		-		309,304		120,708		3,257,486
Foreign and Yankee Bonds		7,680,448		186,517		1,381,061		4,547,111		1,565,759
Totals	$	285,799,612	$	43,897,279	$	165,810,072	$	39,072,134	$	37,020,127

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. Ratings for the component units and Retirement System are listed separately. Equity mutual fund investments with a fair value of $7,071,313 are not included in this table.

				Standard & Poor's Credit Ratings										
Primary Government		Total Fair Value		A-1		AAA		AA		A		BBB		NR
Agency/Instrumentalities	$	405,358,548	$	-	$	-	$	338,848,316	$	-	$	-	$	66,510,232
Commercial Paper		104,220,751		104,220,751		-		-		-		-		-
Repurchase Agreement		-		-		-		-		-		-		-
Corporate Bonds		27,644,033		-		7,054,103		10,444,160		4,092,340		6,053,430		-
Municipal Securities *		36,729,445		-		31,556,938		5,172,507		-		-		-
Bond Mutual Funds		5,279,037		-		-		-		-		-		5,279,037
Money Market Pools		216,388,660		-		204,215,603		-		-		-		12,173,057
Total Credit Risk- Debt Securities		795,620,474		104,220,751		242,826,644		354,464,983		4,092,340		6,053,430		83,962,326
US Gov't & Agencies **		242,597,751												
Total Debt Securities	$	1,038,218,225	$	104,220,751	$	242,826,644	$	354,464,983	$	4,092,340	$	6,053,430	$	83,962,326
Board of Education														
Money Market Pool	$	111,335,845	$	-	$	111,335,845	$	-	$	-	$	-	$	-
Community College														
Money Market Pool		12,492,233		-		12,492,233		-		-		-		-
Bond Mutual Funds		2,813,266		-		-		-		-		-		2,813,266
	$	15,305,499	$	-	$	12,492,233	$	-	$	-	$	-	$	2,813,266
Nonmajor component units														
Money Market Pool	$	312	$	-	$	312	$	-	$	-	$	-	$	-

**Includes two issuers rated Aaa by Moody's which are not Rated by Standard and Poor's.*

***US government agency securities explicitly guaranteed by the US government are categorized here.*

Credit ratings of US government agency securities that are only implicitly guaranteed by the US government are categorized accordingly in the main body of this table. Implicitly guaranteed agency securities include Gov't Mortgage Backed, Gov't Agencies, and short Term Bills and Notes. Other categories issued are Federal National Mortgage Association, Federal Deposit Insurance Corp., Federal Home Loan Bank, Federal Home Loan Mortgage Corp., Federal Financing Corp., Small Business Association, Farmer Mac, and Federal Farm Credit.

The Retirement System's Investment Policy Statement (IPS) provides guidelines to all fixed income managers related to allowable quality ratings. Holdings displayed by rating as of December 31, 2015 excluding equities with a total fair value of $1,294,707,594 are displayed next.

		Standard & Poor's Credit Ratings				
	Value	**AAA - A**	**BBB - B**	**CCC - C**	**D**	**NR**
Agency/Instrumentalities	$ 15,210,296	$ 4,048,036	$ -	$ -	$ -	$ 11,162,260
Collateralized Mort.Obligations	7,273,528	964,389	140,579	1,351,215	813,177	4,004,168
Other Asset-backed Obligations	3,687,498	1,128,841	704,989	1,297,910	140,695	415,063
Corporate Bonds	58,301,884	4,845,601	51,294,462	1,830,821	-	331,000
Yankee & Foreign Gov.Issued	7,680,448	1,427,862	6,007,768	-	-	244,818
Guaranteed Invest Contracts	24,266,278	-	-	-	-	24,266,278
Mutual Funds	143,178,237	-	-	-	-	143,178,237
Short Term Investment Pools	39,182,521	-	-	-	-	39,182,521
Total Credit Risk of Debt Securities	$ 298,780,690	$ 12,414,729	$ 58,147,798	$ 4,479,946	$ 953,872	$ 222,784,345
US Gov't & Agencies *	11,285,200					
Total Debt Securities	$ 310,065,890					

** US government agency securities explicitly guaranteed by the US government are categorized here.*

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, 2016 Federal Home Loan Bank represented 17.4% of the primary government's investments, Federal Agricultural Mortgage Corp was 6.4%, and Federal Home Loan Mortgage Bank represented 8.8%. 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, 2015, 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 risk as of June 30, 2016. 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, 2015, the Retirement System had no direct exposure to fixed income foreign currency. International/global equities and fixed income assets totaled $654,368,090 in fair market value, managed in pooled funds.

G Fair Value Measurement **-** The Primary Government has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The schedule of assets by type and hierarchy Level as of June 30, 2016 is displayed below. These are categorized as Level 1 inputs and displayed by type in the following schedule. As of June 30, 2016 short-term investments of $204,215,603 were in money market mutual funds which are not subject to the fair value measurement requirements.

Assets at Fair Value June 30, 2016

Investment Type	Fair Value	Level 1	Level 2	Level 3
Primary Government				
U.S. Treasuries	$ 242,597,751	$ 242,597,751	$ -	$ -
Agency / instrumentalities	405,358,548	405,358,548	-	-
Commercial Paper	104,220,751	104,220,751	-	-
Corporate bonds	27,644,033	27,644,033	-	-
Municipals bonds	36,729,445	36,729,445	-	-
Bond mutual funds	5,279,037	5,279,037	-	-
Equity mutual funds	7,071,313	7,071,313	-	-
	$ 828,900,879	$ 828,900,879	$ -	$ -

As of June 30, 2016 all investments and deposits for the Board of Education and the non-major component units were in money in money market mutual funds which are not subject to the fair value measurement requirements. The schedule of assets by type and hierarchy Level for Community College investment follows:

Assets at Fair Value June 30, 2016

Investment Type	Fair Value	Level 1	Level 2	Level 3
Community College				
Bond mutual funds	$ 2,813,266	$ 2,813,266	$ -	$ -
Equity mutual funds	6,856,723	6,856,723	-	-
Real estate mutual fund	611,549	611,549	-	-
Domestic equity	27,966	27,966	-	-
	$ 10,309,504	$ 10,309,504	$ -	$ -

The following schedule of fair market measurements for the Pension System as of December 31, 2015.

Assets at Fair Value December 31, 2015

Investment Type	Fair Value	Level 1	Level 2	Level 3
U.S. Government obligations	$ 11,285,200	$ 11,285,200	$ -	$ -
Corporate bonds	92,153,654	92,142,904	-	10,750
Fixed income mutual funds	84,718,804	3,234,263	81,484,541	-
International fixed income mutual funds	58,459,433	58,459,433	-	-
Global asset pools	262,108,211	-	-	262,108,211
Domestic equity	435,313,169	332,125,846	103,187,323	-
International Equity pools	333,800,444	164,696,545	169,103,899	-
Private markets	116,195,751	-	-	116,195,751
Portable Alpha	286,375	-	-	286,375
Real estate investment pools	96,867,840	-	-	96,867,840
Absolute return fixed income	50,055,243	50,055,243	-	-
Aetna insurance pooled fixed income	24,266,278	-	24,266,278	-
	$ 1,565,510,402	$ 711,999,434	$ 378,042,041	$ 475,468,927

The schedule of fair market measurements for the Retiree Health Benefits Trusts follows.

Assets at Fair Value as of June 30, 2016

Investment Type	Fair Value	Level 1	Level 2	Level 3
Retiree Health Benefits Trust				
Mutual Funds				
Fixed Income	$ 26,337,165	$ 26,337,165	$ -	$ -
Domestic Equity	22,104,476	22,104,476	-	-
International Equity	17,855,082	17,855,082	-	-
Total Mutual Funds	$ 66,296,723	$ 66,296,723	$ -	$ -

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. Once the due date has passed, 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*** – Revenue from the income tax is derived from personal income from County residents like salaries and social security payments as well as income from capital gains, interest and some business income. Local income tax revenue is collected by the State and distributed to local government throughout the year. 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. The current local income tax rate is 2.56%.

C ***Long Term Receivables*** – The primary government has long-term receivables recorded in the Water and Wastewater Fund consisting of front foot benefit assessments, capital facility connection fees, and interest charges that varies from 1.6% to 8.0%. These receivables are collected over five to thirty years. The balance as of June 30, 2016 is $30,450,956.

5 Capital Assets

The components of capital assets, changes in asset categories, and accumulated depreciation for the fiscal year ended June 30, 2016 are presented as follows:

Category	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	$ 212,116,689	$ 5,723,742	$ -	$ 217,840,431
Historical property/works of art	4,166,465	-	-	4,166,465
Construction in progress	187,445,296	71,591,764	(153,481,383)	105,555,677
Total assets not depreciated	403,728,450	77,315,506	(153,481,383)	327,562,573
Capital assets being depreciated:				
Land improvements	219,256,875	41,027,527	-	260,284,402
Buildings	314,858,879	10,083,742	-	324,942,621
Roads and bridges	372,003,852	24,625,482	(6,492,070)	390,137,264
Sidewalks, curbs, and gutters	46,311,670	6,043,726	(1,164,904)	51,190,492
Storm drains and culverts	328,577,225	17,184,121	(1,301,264)	344,460,082
Automobiles and rolling stock	93,746,086	14,743,887	(4,323,317)	104,166,656
Furniture, fixtures, and equipment	92,972,673	3,811,975	(1,450,399)	95,334,249
Software	22,138,117	802,476	(252,437)	22,688,156
Total assets depreciated	1,489,865,377	118,322,936	(14,984,391)	1,593,203,922
Less accumulated depreciation for:				
Land improvements	(98,032,211)	(7,343,282)	-	(105,375,493)
Buildings	(117,539,665)	(6,640,995)	-	(124,180,660)
Roads and bridges	(204,817,019)	(14,202,345)	6,489,930	(212,529,434)
Sidewalks, curbs, and gutters	(17,483,411)	(1,195,771)	1,048,413	(17,630,769)
Storm drains and culverts	(201,231,161)	(11,302,684)	1,240,594	(211,293,251)
Automobiles and rolling stock	(72,482,671)	(6,766,177)	4,323,317	(74,925,531)
Furniture, fixtures, and equipment	(61,231,028)	(6,580,713)	1,537,724	(66,274,017)
Software	(20,618,959)	(504,988)	101,351	(21,022,596)
Total accumulated depreciation	(793,436,125)	(54,536,955)	14,741,329	(833,231,751)
Total capital assets being depreciated, net	696,429,252	63,785,981	(243,062)	759,972,171
Total governmental activities, net	$ 1,100,157,702	$ 141,101,487	$ (153,724,445)	$ 1,087,534,744
Business-type activities:				
Capital assets not being depreciated:				
Land and easements	$ 12,640,178	$ 65,534	$ -	$ 12,705,712
Construction in progress (as restated)	547,411,713	117,940,090	(206,537,533)	458,814,270
Total assets not depreciated	560,051,891	118,005,624	(206,537,533)	471,519,982
Capital assets being depreciated:				
Buildings	31,241,461	20,444,089	-	51,685,550
Landfills	54,382,136	10,642,984	-	65,025,120
Water and sewer plants and lines	1,553,198,325	191,361,435	(535,431)	1,744,024,329
Automobiles and rolling stock	10,685,253	1,883,282	(521,357)	12,047,178
Furniture, fixtures, and equipment	23,851,304	3,639,538	(1,123,127)	26,367,715
Total assets depreciated	1,673,358,479	227,971,328	(2,179,915)	1,899,149,892
Less accumulated depreciation for:				
Buildings	(9,249,808)	(2,388,247)	-	(11,638,055)
Landfills	(39,128,170)	(1,631,258)	-	(40,759,428)
Water and sewer plants and lines	(701,442,299)	(41,388,133)	-	(742,830,432)
Automobiles and rolling stock	(7,656,867)	(555,076)	521,357	(7,690,586)
Furniture, fixtures, and equipment	(11,692,248)	(3,498,198)	1,098,060	(14,092,386)
Total accumulated depreciation	(769,169,392)	(49,460,912)	1,619,417	(817,010,887)
Total capital assets being depreciated, net	904,189,087	178,510,416	(560,498)	1,082,139,005
Total business-type activities, net	$ 1,464,240,978	$ 296,516,040	$ (207,098,031)	$ 1,553,658,987

Category	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Board of Education:				
Capital assets not being depreciated:				
Land and improvements	$ 66,428,027	$ 38,992	$ -	$ 66,467,019
Computer software in progress	-	602,045	-	602,045
Construction in progress	154,849,072	118,914,658	(122,489,400)	151,274,330
Total assets not depreciated	221,277,099	119,555,695	(122,489,400)	218,343,394
Capital assets being depreciated:				
Buildings	1,482,855,000	129,867,777	(753,998)	1,611,968,779
Computer software	8,956,545	-	-	8,956,545
Furniture, fixtures, and equipment	46,496,937	1,449,238	(1,323,260)	46,622,915
Total assets depreciated	1,538,308,482	131,317,015	(2,077,258)	1,667,548,239
Less accumulated depreciation for:				
Buildings	(696,151,382)	(45,721,665)	753,998	(741,119,049)
Computer software	(1,580,173)	(895,654)	-	(2,475,827)
Furniture, fixtures, and equipment	(28,961,291)	(3,135,898)	1,281,637	(30,815,552)
Total accumulated depreciation	(726,692,846)	(49,753,217)	2,035,635	(774,410,428)
Total capital assets being depreciated, net	811,615,636	81,563,798	(41,623)	893,137,811
Total Board of Education, net	$ 1,032,892,735	$ 201,119,493	$ (122,531,023)	$ 1,111,481,205
Community College:				
Capital assets not being depreciated:				
Land	$ 2,377,178	$ -	$ -	$ 2,377,178
Construction in progress	376,512	3,184,155	(1,681,915)	1,878,752
Total assets not depreciated	2,753,690	3,184,155	(1,681,915)	4,255,930
Capital assets being depreciated:				
Land improvements	7,410,635	29,965	(41,850)	7,398,750
Buildings and improvements	142,139,570	507,449	(37,200)	142,609,819
Furniture, fixtures, and equipment	25,771,497	1,483,004	(1,497,517)	25,756,984
Leasehold improvements	1,573,779	-	-	1,573,779
Intangible assets	546,742	124,107	-	670,849
Total assets depreciated	177,442,223	2,144,525	(1,576,567)	178,010,181
Less accumulated depreciation for:				
Land improvements	(3,125,250)	(447,898)	41,850	(3,531,298)
Buildings and improvements	(60,873,008)	(4,306,600)	37,200	(65,142,408)
Furniture, fixtures, and equipment	(18,410,741)	(1,441,162)	1,473,506	(18,378,397)
Leasehold improvements	(455,197)	(157,811)	-	(613,008)
Intangible assets	(169,230)	(86,380)	-	(255,610)
Total accumulated depreciation	(83,033,426)	(6,439,851)	1,552,556	(87,920,721)
Total capital assets being depreciated, net	94,408,797	(4,295,326)	(24,011)	90,089,460
Total Community College, net	$ 97,162,487	$ (1,111,171)	$ (1,705,926)	$ 94,345,390

Category	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Other non-major:				
Capital assets not being depreciated:				
Construction in progress	$ -	$ 433,907	$ -	$ 433,907
Capital assets being depreciated:				
Airport improvements	10,824,316	397,839	-	11,222,155
Library collection	16,461,873	3,192,547	(3,051,330)	16,603,090
Automobiles and rolling stock	31,915	-	-	31,915
Furniture, fixtures, and equipment	3,080,358	432,531	(303,203)	3,209,686
Total assets depreciated	30,398,462	4,022,917	(3,354,533)	31,066,846
Less accumulated depreciation for:				
Airport improvements	(5,153,668)	(536,502)	-	(5,690,170)
Library collection	(6,228,704)	(1,426,034)	1,391,243	(6,263,495)
Automobiles and rolling stock	(24,468)	(4,255)	-	(28,723)
Furniture, fixtures, and equipment (as restated)	(2,265,503)	(250,262)	281,077	(2,234,688)
Total accumulated depreciation	(13,672,343)	(2,217,053)	1,672,320	(14,217,076)
Total capital assets being depreciated, net	16,726,119	1,805,864	(1,682,213)	16,849,770
Total other non-major, net	$ 16,726,119	$ 2,239,771	$ (1,682,213)	$ 17,283,677

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. The related assets are capitalized when developer construction agreements are finalized and the assets inspected. The assets are depreciated over their estimated useful lives.

Certain items in construction in progress may be expensed once the projects close based on the final analysis of the capital projects closing. As a result, the amounts closing in construction in progress may be greater than the additions to capital assets.

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:	
Education	$ -
Public Safety	9,498,638
General government	7,708,499
Health and human services	397,097
Public works	27,613,216
Recreation and community services	7,793,277
Judicial	1,318,515
Code Enforcement	70,708
Land use and development	137,005
	$ 54,536,955

Business-type activities:	
Water and wastewater	$ 45,566,683
Waste collection	3,894,229
	$ 49,460,912
Component units:	
Board of Education	$ 49,753,217
Community College	6,439,851
Library System	1,519,113
Economic Development Corp	84,973
Tipton Airport Authority	544,550
Workforce Development	68,417
	$ 58,410,121

6 Restricted Assets and Liabilities

The following funds are shown as restricted on the government-wide financial statements, Statement of Net Position: Impact Fees Capital Project, Forfeiture and Asset Seizure Team, Roads and Special Benefits District, Anne Arundel County Partnership for Children, Youth and Family, Reforestation, Laurel Racetrack, Video Lottery Local Impact Aid, Workforce Development, Arundel Community Development Services, Grants, Circuit Court, Street Light, Erosion Districts, Storm Drain Fees, Recreation Land Fees, Watershed Protection and Restoration, Energy Revolving Loan, Bond Premium, Park Place, Tax Increment Funds and Special Taxing Districts. In addition, fees collected by the Water and Wastewater Fund, including capital connections, front foot benefit assessments, and environmental protection fees are restricted for the payment of debt service incurred for the construction of capital facilities. Water and Wastewater Fund capital grants are restricted and the Solid Waste Fund includes restricted funds 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, 2016:

Interfund Balances of the Primary Government

Fund With Receivable	Fund With Payable	Amount	Represents
General Fund	Special Revenue Funds	$ 1,900,477	Implicit borrowing from the General Fund
General Fund	Internal Service Funds	6,451,317	Self Insurance Fund surplus allocation
Enterprise Funds	Internal Service Funds	405,311	Self Insurance Fund surplus allocation
Internal Service Funds	Enterprise Funds	730,607	Central Garage Fund deficit allocation
Internal Service Funds	General Fund	4,666,124	Central Garage Fund deficit allocation
		$ 14,153,836	

Interfund balances between the General Fund and internal service funds have been eliminated on the government-wide Statement of Net Position.

Transfers between the primary government's governmental funds totaled $199,828,955 for fiscal year 2016. The transfers are for the following:

Originating Fund	Recipient Fund	Amount	Purpose
General Fund	Arundel Community Development Services	$ 270,000	Transfers for grants
General Fund	Video Lottery Local Impact Aid	1,237,151	Transfer of restricted fund balance
General Fund	General County Capital Projects	77,410,000	Bond proceeds transferred for capital projects
General Fund	General County Capital Projects	15,418,000	Pay-as-you-go transfers for capital projects
Impact Fees Capital Projects	General County Capital Projects	7,151,078	Impact fee funding for capital projects
Reforestation	General County Capital Projects	658,596	Transfers for capital projects
Watershed Protection and Restoration	General County Capital Projects	15,850,000	Transfers for capital projects
Bond Premium	General County Capital Projects	38,996,000	Transfers for capital projects
Video Lottery Local Impact Aid	General County Capital Projects	3,200,000	Transfers for capital projects
Street Light Capital Projects	General County Capital Projects	463,613	Transfers for capital projects
Energy Revolving Loan	Arundel Community Development Services	274,600	Transfers for capital projects
General County Capital Projects	Watershed Protection and Restoration	66,930	Investment income allocation retained
General County Capital Projects	General Fund	193,022	Investment income allocation retained
Impact Fees Capital Projects	General Fund	2,514,679	Impact fees transferred for debt service
Nursery Road Tax Increment	General Fund	4,967,450	Transfers legally appropriated
West County Tax Increment	General Fund	6,122,384	Transfers legally appropriated
Arundel Mills Tax Increment	General Fund	6,976,083	Transfers legally appropriated
Parole Tax Increment	General Fund	12,373,468	Transfers legally appropriated
Village South at Waugh Chapel TIF	General Fund	3,142,254	Transfers legally appropriated
General Fund	Grants	1,590,647	Transfers for grants
General Fund	Installment Purchase Agreements	953,000	Transfers for land preservation
		$ 199,828,955	

	Transfers In			
Transfer Out	General Fund	Non Major Governmental	General County Capital Projects	Total
General Fund	$ -	$ 4,050,798	$ 92,828,000	$ 96,878,798
Non Major Governmental	33,581,639	274,600	59,168,209	93,024,448
Impact Fees Capital Projects	2,514,679	-	7,151,078	9,665,757
General County Capital Projects	193,022	66,930	-	259,952
Total Transfers In	$ 36,289,340	$ 4,392,328	$ 159,147,287	$ 199,828,955

Transfers between the primary government's proprietary funds, fiduciary fund and governmental funds presented as follows, totaled $1,482,428 for fiscal year 2016. The transfer from the General County Capital Projects Fund to the Water and Wastewater Fund is for an elementary school sewer project. The transfer from the Solid Waste Fund to the Energy Revolving Loan Fund is for energy conservation projects.

Originating Fund	Recipient Fund		Amount
General County Capital Projects	Enterprise Funds	$	1,290,829
Enterprise Funds	Nonmajor Governmental		191,599
		$	1,482,428

As of June 30, 2016, 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	$	26,770,717
Community College	Primary Government		652,951
Other Nonmajor	Primary Government		837,394
Primary Government	Board of Education		7,676,431
		$	35,937,493

Primary Government Expenditures

Originating Entity	Recipient Entity		Amount
Primary Government	Board of Education	$	728,867,518
Primary Government	Community College		41,455,961
Primary Government	Other Nonmajor		21,291,656
		$	791,615,135

8 Bonded Debt and Other Obligations

The primary government's Statements of Net Position 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, pension benefits, OPEB benefits, compensated absences, and claims and judgments. Descriptions of certain of these obligations and the respective balances, debt service requirements, and changes during fiscal year 2016 are provided as follows.

A Bond Anticipation Notes – The County periodically incurs short-term debt by issuing bond anticipation notes 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 maturity date of this liquidity arrangement is December 16, 2018.

B General County Debt – Substantially all long-term bonded debt is issued as general obligation bonds for the purchase of capital 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 table includes general obligation bonds which include amounts issued for the Watershed Protection and Restoration Fund but excludes the tax increment bonds, installment purchase agreements, and state loans. These are listed separately. Business-type debt includes general obligation bonds issued for the Solid Waste Fund and Water and Wastewater Fund. The debt service requirements for the bonds outstanding as of June 30, 2016 are presented as follows:

	General County Debt							
Year ending	Governmental				Business-type			
June 30,		Principal		Interest		Principal		Interest
2017	$	88,406,717	$	48,916,368	$	33,489,360	$	25,093,201
2018		85,046,898		44,789,793		30,888,043		23,993,163
2019		81,945,651		40,755,480		30,049,398		22,736,494
2020		77,008,352		36,774,611		29,493,075		21,450,786
2021		75,014,493		33,088,064		29,599,601		20,184,639
2022-2026		318,184,115		113,748,379		139,600,204		82,128,875
2027-2031		200,433,196		49,896,917		115,140,896		54,889,759
2032-2036		71,995,285		15,286,276		84,915,886		32,483,294
2037-2041		15,540,000		5,823,001		60,926,066		15,096,710
2042-2046		15,525,000		1,940,626		28,950,000		3,116,750
	$	1,029,099,707	$	391,019,515	$	583,052,529	$	301,173,671

C ***Tax Increment and Other Debt -*** As of June 30, 2016, there was $83,125,000 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 Statements of Net Position. The County has pledged its full faith and credit for the following Special Obligation Tax Increment Bonds: Arundel Mills Refunding 2004, National Business Park Refunding 2004, West Nursery Road 2004, Arundel Mills Refunding 2014, National Business Park Refunding 2014, and West Nursery Road Refunding 2014. The County has not pledged its full faith and credit for National Business Park North 2010 or Village South at Waugh Chapel 2010, except for the tax increment revenues and special taxes within the special tax district, if needed, to cover debt service.

During the fiscal year ended June 30, 2016, $39,103,509 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. Of this amount, $893,750 is related to Park Place which is not considered part of the County's debt and $983,009 is related to Odenton Town Center TIF which does not have debt outstanding as of June 30, 2016. The table that follows outlines the debt service requirements for these bonds.

Year ending June 30,		Principal		Interest	Year ending June 30,		Principal		Interest
2017	$	1,995,000	$	4,232,509	2022-2026	$	20,730,000	$	16,065,724
2018		2,240,000		4,185,297	2027-2031		18,885,000		11,202,571
2019		2,570,000		4,093,616	2032-2036		12,340,000		7,626,170
2020		2,925,000		3,952,881	2037-2041		18,245,000		2,971,994
2021		3,195,000		3,794,859			-		-
						$	83,125,000	$	58,125,621

In addition, there were $3,775,000, $13,225,000, $30,000,000, and $25,000,000 of special tax district bonds related to the Farmington Village Project, the Villages of Dorchester, Two Rivers, and Arundel Gateway outstanding as of June 30, 2016, 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 Position. 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 in the amount of $3,101,437 as of June 30, 2016. These loans were received from the State for waterway improvements. During fiscal year 2016, the County paid $296,424 for principal. The table that follows outlines the debt service requirements:

Year ending June 30,		Principal	Year ending June 30,		Principal
2017	$	333,915	2022-2026	$	984,751
2018		240,747	2027-2031		766,128
2019		228,183	2032-2035		105,186
2020		221,263			
2021		221,264			
				$	3,101,437

E ***Leases*** – The County has entered into two lease agreements for assets that qualify as capital leases for accounting purposes. The agreements have resulted in capital assets in the amount of $119,790 for a high speed Printer, and $60,038 for a Toro Reelmaster at Eisenhower Golf Course. The net present value of these minimum lease payments as of June 30, 2016 and the future minimum lease obligations were as follows:

Year ending June 30,		of Minimum Lease Payments		Interest		Total Minimum Payments
2017	$	22,347	$	13,619	$	35,966
2018		22,347		13,619		35,966
2019		10,043		1,964		12,007
2020		10,043		1,964		12,007
	$	64,780	$	31,166	$	95,946

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 expense for fiscal year 2016 was $3,120,599. Anne Arundel County has a lease with the City of Annapolis for Eisenhower Golf Course which expires June 12, 2017. 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. The lease payments for fiscal year 2016 were $63,818. Because the amount varies, the future value of these lease payments is not included in the next table. Minimum annual rental costs required by the leases are summarized as follows:

Year ending June 30,		Annual Rentals	Year ending June 30,		Annual Rentals
2017	$	2,757,740	2022-2026	$	3,962,806
2018		2,539,750	2027-2031		3,596,322
2019		1,906,178	2032-2036		1,200,015
2020		1,585,548	2037-2041		380,015
2021		1,433,673	2042-2046		133
				$	19,362,180

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, 2016 are presented as follows:

Year ending June 30,	Principal	Interest	Year ending June 30,	Principal	Interest
2017	$ 20,000	$ 724,954	2022-2026	$ 100,000	$ 3,585,728
2018	20,000	723,838	2027-2031	10,434,000	2,007,761
2019	20,000	722,723	2032-2036	-	668,313
2020	20,000	721,608	2037-2041	2,931,000	404,296
2021	20,000	720,492		-	-
				$ 13,565,000	$ 10,279,713

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	2016-2046	1.50% to 5.55%	$ 1,575,026,751	$ 1,029,099,707
Tax increment district bonds	2016-2041	1.50% to 6.25%	84,860,000	83,125,000
Installment purchase agreements	2016-2041	4.55% to 6.00%	13,819,916	13,565,000
Loans payable	2015-2035	0%	7,281,761	3,101,437
Total governmental activities			1,680,988,428	1,128,891,144
Business-type activities:				
Water and wastewater serial bonds	2016-2046	1.00% to 5.55%	882,769,553	550,132,236
Solid waste serial bonds	2015-2035	2.00% to 6.00%	60,918,249	32,920,293
Total business-type activities			943,687,802	583,052,529
			$ 2,624,676,230	$ 1,711,943,673

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 water and wastewater 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, 2016, 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	$ 4,360,176,077	$ 4,323,712,540
Bonded debt outstanding		
Installment purchase agreements	13,565,000	-
General obligation-serial bonds	982,412,344	550,132,236
General obligation-serial bonds, WPRF	46,687,363	-
General obligation-serial bonds, Solid Waste	32,920,293	-
Tax increment bonds	83,125,000	-
	1,158,710,000	550,132,236
Legal debt margin	$ 3,201,466,077	$ 3,773,580,304

As of June 30, 2016, the County had the total authority to issue bonds in the amount of $2,005,667,950 of which $835,146,037 has already been issued. Included in the amounts issued to date is $442,777,802 for general obligation water and wastewater series bonds, and $17,822,087 of general obligation bonds for the Solid Waste Fund. This unused authority will be used to fund existing capital projects and those appropriated through the budgetary process.

H ***Loans Payable –*** On July 25, 2012, the Anne Arundel Community College Foundation finalized an agreement between Anne Arundel County, Maryland (the issuer) and The Bank of New York (the Trustee) whereby the Foundation refinanced $12,180,000 of the economic development revenue bonds. The proceeds of the loan were used to finance the cost of the construction of educational facilities. Principal payments began September 1, 2014 with the final principal payment being due on September 1, 2028. Interest on the bonds varies from 2.00% to 4.00%. The loan balance as of June 30, 2016 was $11,365,000. 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
2017	$ 730,000	2020	$ 785,000	2027-2029	$ 3,030,000
2018	750,000	2021	810,000		
2019	770,000	2022-2026	4,490,000		
					$ 11,365,000

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

	Balance June 30,2015	Additions	Reductions	Balance June 30,2016	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,018,773,705	$ 162,644,271	$ 152,318,269	$ 1,029,099,707	$ 88,406,717
Unamortized premium	117,955,434	28,693,550	16,505,318	130,143,666	17,861,068
Tax incremental and other debt	84,860,000	-	1,735,000	83,125,000	1,995,000
Total bonds payable	1,221,589,139	191,337,821	170,558,587	1,242,368,373	108,262,785
State loans	3,397,861	-	296,424	3,101,437	333,915
Capital leases	36,911	95,001	35,966	95,946	35,966
Installment purchase agreements	13,585,000	-	20,000	13,565,000	20,000
Unpaid insurance claims	79,440,068	92,045,799	91,892,750	79,593,117	19,667,082
Pension benefits	454,671,186	99,715,962	-	554,387,148	-
OPEB obligation	482,182,615	-	6,694,627	475,487,988	-
Compensated absences	24,192,382	25,957,863	26,346,269	23,803,976	23,753,107
Total long-term	2,279,095,162	409,152,446	295,844,623	2,392,402,985	152,072,855
Total governmental activities	$ 2,279,095,162	$ 409,152,446	$ 295,844,623	$ 2,392,402,985	$ 152,072,855
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 572,747,101	$ 125,172,774	$ 114,867,346	$ 583,052,529	$ 33,489,360
Unamortized premium	42,550,139	18,320,081	5,789,962	55,080,258	4,994,641
Total bonds payable	615,297,240	143,492,855	120,657,308	638,132,787	38,484,001
Landfill closure/postclosure	35,857,351	342,824	880,817	35,319,358	1,010,756
Pension benefits	42,079,688	6,585,045	-	48,664,733	-
OPEB obligation	46,683,001	-	713,708	45,969,293	-
Compensated absences	2,172,769	2,129,534	2,093,320	2,208,983	2,129,791
Total long-term	742,090,049	152,550,258	124,345,153	770,295,154	41,624,548
Total business-type activities	$ 742,090,049	$ 152,550,258	$ 124,345,153	$ 770,295,154	$ 41,624,548

J ***Refundings –*** In fiscal year 2016, the County defeased the callable portion of certain series of General Obligation and Water/Wastewater Refunding 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. The funds are held in escrow by a third party custodian invested in US Government-issued securities. On March 30, 2016 the County issued $144,885,000 in refunding bonds for the following: $69,585,000 to refund General Obligation Bonds, and $75,300,000 to refund Water/Wastewater Bonds. The true interest cost for the refunded bonds was 1.86 percent. The advance refunding net proceeds were deposited in an irrevocable trust account with an escrow agent to provide for all future debt service payments on the refunding bonds. As a result, the refunding bonds are considered to be defeased and have been removed from the government-wide statement of net assets. The savings or aggregate difference in debt service from refunding General Obligation Bonds was $9,634,641 and from refunding Water and Wastewater Bonds was $15,427,999. The net effect of the total refunding loss for General Obligation Bonds was $1,388,863, and the net effect of the total refunding loss for Water/Wastewater was $1,162,600. The refunding loss is being amortized over the life of the refunding bonds. There was a net present value savings of $20.5 million in debt service.

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. Amounts held in trust on June 30, 2016, $58,240,000 of governmental debt and $47,205,000 of business-type debt from prior years is considered defeased.

9 Governmental Fund Balance

The County typically uses restricted 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.

	Major Funds			Nonmajor	
	General	Impact Fees Capital Projects	General County Capital Projects	Governmental Funds	Totals
FUND BALANCES					
Non spendable					
Inventories	$ 2,678,031	$ -	$ -	$ -	$ 2,678,031
Total non spendable	2,678,031	-	-	-	2,678,031
Restricted					
Base realignment and closure (BRAC)	1,372,139	-	-	-	1,372,139
Impact fees capital projects	-	93,291,841	-	-	93,291,841
Forfeiture and asset seizure team	-	-	-	560,103	560,103
Roads and special benefits	-	-	-	341,406	341,406
Reforestation	-	-	-	7,653,451	7,653,451
Laurel racetrack community benefit	-	-	-	39,355	39,355
Grants	-	-	6,130,995	4,062,376	10,193,371
Circuit court	-	-	-	46,219	46,219
Odenton Town Center Tax Increment	-	-	-	1,464,981	1,464,981
Erosion districts	-	-	-	589,601	589,601
Video lottery local impact aid	-	-	-	8,287,035	8,287,035
Watershed protection and restoration	-	-	21,735,691	18,925,612	40,661,303
Bond premium	-	-	-	18,664,174	18,664,174
Debt service	-	-	-	6,684,460	6,684,460
Total restricted	1,372,139	93,291,841	27,866,686	67,318,773	189,849,439
Committed					
Storm drain fees	-	-	-	929,273	929,273
Street lights capital projects	-	-	-	4,259,344	4,259,344
Recreation and land fees	-	-	-	448,683	448,683
Energy revolving loan	-	-	-	220,571	220,571
Installment purchase agreements	-	-	-	10,964,583	10,964,583
Total committed	-	-	-	16,822,454	16,822,454
Assigned					
General County capital projects	-	-	79,535,242	-	79,535,242
General County	65,989,087	-	-	-	65,989,087
Total assigned	65,989,087	-	79,535,242	-	145,524,329
Unassigned	76,778,332	-	-	(6,827,838)	69,950,494
Total fund balances	$ 146,817,589	$ 93,291,841	$ 107,401,928	$ 77,313,389	$ 424,824,747

Encumbrances

Encumbrance accounting is employed as part of the budgetary presentation for the General Fund, special revenue funds, and capital projects funds. As of June 30, 2016, certain amounts which were restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Encumbrances included in governmental fund balances are as follows:

	Encumbrances included in:	
	Restricted Fund Balance	**Assigned Fund Balance**
General Fund		
Police	$ -	$ 1,975,530
Fire	-	2,196,736
Detention Facilities	-	365,763
Office of Finance	-	55,426
Central Services	-	862,152
Personnel	-	68,152
Information Technology	-	1,565,048
Legislative Branch	-	24
Board of Election Supervisors	-	23,612
Health	-	763,398
Social Services	-	35,055
Services for the Aging	-	500
Public Works	-	1,696,780
Recreation & Parks	-	465,111
Sheriffs Office	-	95,729
Inspection & Permits	-	5,866
Board of License Commissioners	-	11,040
FAST Fund	537,789	-
Grants Fund	890,922	-
Arundel Community Development Services	3,171,454	-
Reforestation Fund	9,294	-
Video Lottery Local Impact Aid	720,000	-
Watershed Protection and Restoration	2,767,163	-
General County Capital Projects Fund	-	54,824,463
Watershed Protection and Restoration Capital Projects Fund	17,116,014	-
Total	$ 25,212,636	$ 65,010,385

10 Deferred Outflows and Inflows of Resources and Unearned Revenue

Governmental funds and proprietary funds report deferred outflows of resources which are related to net assets that are applicable to future reporting periods. The components of deferred outflows were reported as follows:

		Business-Type Activities - Enterprise Funds				
	Governmental Activities	Water and Wastewater	Solid Waste	Child Care	Totals	Grand Totals
Deferred outflow of resources						
Pension benefits						
Pension benefits contribution current year	$ 31,393,986	$ 2,080,200	$ 435,750	$ 46,750	$ 2,562,700	$ 33,956,686
Change in experience	17,534,471	1,562,988	333,666	32,577	1,929,231	19,463,702
Change in assumptions	32,469,271	2,149,724	458,924	44,805	2,653,453	35,122,724
Change in investments	134,671,498	7,827,773	1,644,912	173,807	9,646,492	144,317,990
Total pension benefits	216,069,226	13,620,685	2,873,252	297,939	16,791,876	232,861,102
Unamortized deferred refunding loss	6,843,024	5,119,190	187,828	-	5,307,018	12,150,042
Total deferred outflows	$ 222,912,250	$ 18,739,875	$ 3,061,080	$ 297,939	$ 22,098,894	$ 245,011,144

	Governmental Activities - Internal Service Funds *			Component Units		
	Self Insurance	Central Garage and Transportation	Totals	BOE	Community College	Library
Deferred outflow of resources						
Pension benefits						
Pension benefits contribution current year	$ 77,899	$ 348,550	$ 426,449	$ 5,577,576	$ 345,140	$ 188,150
Change in experience	61,390	261,881	323,271	-	-	149,362
Change in assumptions	84,434	360,190	444,624	3,603,400	222,894	205,433
Change in investments	295,506	1,311,586	1,607,092	1,708,260	56,476	714,632
Change in proportion	-	-	-	5,775,415	-	-
Changes proportion share of contributior	-	-	-	1,518,737	320,690	-
Total pension benefits	519,229	$ 2,282,207	$ 2,801,436	$ 18,183,388	$ 945,200	$ 1,257,577
Unamortized deferred refunding loss	-	-	-	-	308,933	-
Total deferred outflows	$ 519,229	$ 2,282,207	$ 2,801,436	$ 18,183,388	$ 1,254,133	$ 1,257,577

* *Included in Governmental Activities column above.*

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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 deferred inflows and unearned revenue were reported as follows:

Deferred Inflows of Resources	Unavailable	Pension Benefits	Total
General Fund			
Property Taxes	$ 110,618	$ -	$ 110,618
Local Income Taxes	101,891,384	-	101,891,384
County Health Grant	868,218	-	868,218
911 Fees	1,025,395	-	1,025,395
Total General Fund	103,895,615	-	103,895,615
Grants Fund			
AA County Partnership for CYF	358,314	-	358,314
Arundel Community Development Serv.	310,726	-	310,726
Grants	4,286,250	-	4,286,250
Total Grant Funds	4,955,290	-	4,955,290
General County Capital Projects Fund			
Grants	2,281,092	-	2,281,092
Primary Government			
Governmental Activity	-	28,169,534	28,169,534
Internal Service Fund			
Self Insurance Fund	-	84,952	84,952
Central Garage	-	380,105	380,105
Total Governmental Activity	-	28,634,591	28,634,591
Business Type Activity			
Water and Wastewater	-	2,268,524	2,268,524
Solid Waste	-	475,199	475,199
Child Care	-	50,982	50,982
	-	2,794,705	2,794,705
Discretely Presented Component Units			
Board of Education	-	1,270,987	1,270,987
Community College	-	76,392	76,392
AA County Public	-	205,183	205,183
	-	1,552,562	1,552,562
Totals	**$** 111,131,997	$ 32,981,858	$ 144,113,855

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, 2016, 155 Industrial Revenue Bonds series had been issued. The aggregate principal amounts payable for the five series issued after July 1, 1996 that are still outstanding was $33,205,776. The aggregate principal amounts payable for the 150 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 Plans

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 Office of 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. The County's actuarial valuation measurement date was December 31, 2015.

A Summary of Significant Accounting Policies for Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County System and the Maryland State Retirement and Pension System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B 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 December 31, 2015 based on the January 1, 2016, actuarial valuation:

	Employees Plan	Police Plan	Fire Plan	Detention Plan	Total
Retirees and beneficiaries receiving payments	1,710	689	550	239	3,188
Terminated plan members entitled to but not yet receiving payments	276	-	-	8	284
Deferred Retirement Option Program (DROP)	-	43	59	8	110
Active plan members	2,186	641	773	342	3,942
	4,172	1,373	1,382	597	7,524

<u>Employees Plan</u> - 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 (FABP-defined as the participant's highest three annual basic pays consisting of the participant's annual basic pay on the date of termination and any prior annual basic pay on the anniversary date of the date of termination) times the years and months of credited service; plus credit for unused disability leave and pre-employment military service (up to three years) as defined in Article 5 – Pensions of the County Code. The maximum benefit is 60% of FABP, 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.

<u>Police Plan</u> - 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 average basic pay (defined as the participant's highest three annual basic pays consisting of the participant's annual basic pay on the date of termination and any prior annual basic pay on the anniversary date of the date of termination) for each year of service up to 20 years, plus 2% for each year of service between 20 and 30 years; plus credit for unused disability leave and up to three years of pre-employment military service as defined in Article 5 – Pensions of the County Code. 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 of 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 three 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 consisting of the participant's annual basic pay on the date of termination and any prior annual basic pay on the anniversary date of the date of termination) for each year of service up to 20 years, plus 2% for each year of service between 20 and 30 years; plus credit for unused disability leave and up to three years of pre-employment military service as defined in Article 5 – Pensions of the County Code. 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 DROP 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. Some represented plan participants are limited to two one-year extensions of DROP participation. 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 consisting of the participant's annual basic pay on the date of termination and any prior annual basic pay on the anniversary date of the date of termination) for each year of service up to 20 years, plus 2% of FABP for each additional year; plus credit for unused disability leave and up to three years of pre-employment military service as defined in Article 5 – Pensions of the County Code. 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.

***C 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 Maryland State Retirement and Pension System (the State System), 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 System issues a financial report that includes financial statements and required supplementary information that can be obtained at http://www.sra.state.md.us or by writing to State Retirement Agency of Maryland, 120 East Baltimore Street, Baltimore, MD 21202.

The County is liable through fiscal year 2020 for employees who were participants in the State System when the County withdrew from the State System. In addition there are two active employees allowed to participate in the State System. Information on the State System follows:

Plan description: Retirees and employees of the County are covered by the Maryland State Retirement and Pension System (the System), which is a cost sharing employer public employee retirement system. The State System is made up of two cost-sharing pools: the “State Pool” and the “Municipal Pool”. The Municipal Pool consists of the participating governmental units that elected to join the System. Neither pool shares in each other’s actuarial liabilities, thus participant governmental units that elect to join the State System share in the liabilities of the Municipal Pool only. The State System is comprised of the Teachers’ Retirement and Pension Systems, Employees’ Retirement and Pension System, State Police Retirement System, Judges’ Retirement System, and Law Enforcement Officers’ Pension System. Most of the County retirees and employees participate in the Employees’ System. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. The Plans are administered by the State Retirement Agency. Responsibility for the System’s administration and operation is vested in a 15-member Board of Trustees.

Benefits provided: The State System provides retirement allowances and other benefits to State employees of participating governmental units, among others. For individuals who become members of the Employees’ Retirement and Pension Systems on or before June 30, 2011, retirement/pension allowances are computed using both the highest three years Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the Employees’ Pension System on or after July 1, 2011, pension allowances are computed using both the highest five years AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retirees’ benefits allowance will be computed. Some of these options require actuarial reductions based on the retirees’ and/or designated beneficiary’s attained age and similar actuarial factors.

A member of the Employees’ Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member’s average final compensation (AFC) multiplied by the number of years of accumulated creditable service.

A member of the Employees’ Pension System on or before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees’ Pension System on or after July 1, 2011, is eligible for full retirement benefits if the members’ combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the Employees’ Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the members AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998, plus 1.4% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees’ Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member’s AFC, multiplied by the number of years of credible service accumulated prior to July 1, 1998 plus 1.8% of the members AFC, multiplied by the number of years of credible service accumulated subsequent to June 30, 1998. Beginning in July 1, 2011, any new member of the Employees’ Pension System shall earn an annual pension allowance equal to 1.5% of the member’s AFC multiplied by the number of years of creditable service accumulated as a member of the Employees’ Pension System.

Contributions: The County and covered members are required by State statute to contribute to the State System. Members of the Employees’ Pension System are required to contribute 7% annually. Members of the Employees’ Retirement System are required to contribute 5-7 % annually, depending on the retirement option selected. The contribution requirements of the members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the State System.

The County’s total required contributions during the year ended June 30, 2016 were $1,947,108. The rates varied from 0.0% for the actuarially determined contractual liability to 40.7% of covered payroll for the participant in the Judges Retirement System. The County made its share of the required contributions.

At June 30, 2016, the County reported a liability of $8,790,145 for its proportionate share of the net pension liability of the State System. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on actual employer contributions billed to participating government units for the year ending June 30, 2015. The contributions were increased to adjust for differences between actuarial determined contributions and actual contributions by the State of Maryland. As of June 30, 2015, the County's proportionate share was 0.0933%.

Actuarial assumption: The total pension liability for the State System in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.70% general price, 3.2% wage
Salary increases	3.40% to 11.9%, including inflation
Investment rate of return	7.55%

Mortality rates were based on RP-2000 Combined Healthy Mortality Table projected to the year 2025.

Actuarial assumptions used in the June 30, 2015 valuation were adopted by the State System's Board of Trustees based upon review of the System's experience study for the period 2010-2014, which was completed during FY 2015. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates, and rates of salary increase were adopted by the Board for first the use in the actuarial valuation as of June 30, 2015. As a result, an investment return assumption of 7.55% including an inflation assumption of 2.70% was used for the June 30, 2015 valuation.

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the State System's investment consultant(s) and actuary(s). For each major asset class that is included in the State System's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

The above was the State System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2015.

Discount rate: The single discount rate used to measure the total pension liability was 7.55%. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the State System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the year ended June 30, 2015 the annual money-weighted rate of return on the Maryland State Retirement and Pension System investments, net of pension expenses was 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D 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 changes in net pension liability and related ratios by Plan.

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, 2016, 2015, and 2014 equal the required contributions and are summarized as follows along with the State's contribution on behalf on the employees discussed previously.

	Fiscal Year Ending June 30,		
	2016	**2015**	**2014**
County contributions:			
Primary Government *	$ 1,947,108	$ 1,931,764	$ 1,849,815
Board of Education	21,428,296	17,425,639	23,233,483
Community College	392,656	401,473	362,304
State contributions on behalf of:			
Board of Education	62,703,947	62,052,080	61,514,758
Community College	4,510,355	4,104,793	3,821,756
Library **	1,583,617	1,351,722	1,203,191
	$ 92,565,979	$ 87,267,471	$ 91,985,307

** Note: FY 2014 restated to include Officials and Judges contributions.*

*** Note: FY 2015 restated to correct amount.*

E Net Pension Liability of the System by Plan - The components of the net pension liability and assumptions for each Plan at December 31, 2015 as calculated by the actuary are displayed as follows:

	Employees' Retirement Plan	Police Service Retirement Plan	Fire Service Retirement Plan	Detention Officers' and Deputy Sheriffs' Retirement Plan	Total Pension System **
Total pension liability	$ 812,569,878	$ 643,772,887	$ 580,859,883	$ 166,990,286	$ 2,204,192,934
Plan fiduciary net position*	(564,282,661)	(463,225,492)	(468,239,077)	(110,759,983)	(1,606,507,213)
Plan net pension liability	$ 248,287,217	$ 180,547,395	$ 112,620,806	$ 56,230,303	$ 597,685,721
Plan fiduciary net position as a percentage of the total pension liability	69.44%	71.95%	80.61%	66.33%	72.88%

**Differences in value from Statement of Changes in Fiduciary Net Position are the result of estimates provided to the actuary prior to completion of financials. Management deems the variances to be immaterial.*

***Total includes Anne Arundel County Public Library, component unit, pension liability.*

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of December 31, 2015 using the following summarized actuarial assumptions, applied to all periods in that measurement.

An experience and assumption study was conducted in 2012 for the period 2007 to 2011.

Full descriptions of the actuarial assumptions are available in the January 1, 2016 valuation reports.

Inflation	3.00%	3.00%	3.00%	3.00%
Salary increases	Rates vary by participant age for each Plan.			
Investment rate of return	7.5%, net of pension plan investment expense, including inflation for each Plan.			
Mortality Scale	RP-2000 Blue Collar Mortality tables with generational project by Scale AA for each Plan			
Set forward for post-disability mortality.	9 years	5 years	5 years	5 years

Long Term Expected Returns: For investment purposes the four County Plans which comprise the System are managed on a co-mingled basis. Therefore, the long-term expected rates of investment return are the same for each Plan. The long-term (30 year) expected rate of return on pension System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by using an optimizer program that relies on the arithmetic return inputs, the standard deviation forecast (risk) for each asset class, and the correlations among them. The result is a 30-year nominal, geometric, net-of-fee return forecast for the pension assets. The 30-year real rate of return is calculated by netting the inflation assumption out of the nominal forecast. The nominal and real rates of return forecasts for each major asset class included in the pension System’s target asset allocation of December 31, 2015) are summarized in the following table. Data is provided by the System’s Investment Advisor, New England Pension Consultants, which uses a 30-year geometric inflation assumption of 3.25%.

Anne Arundel County Pension & Retirement System

Asset Class	30-Year Geometric Forecast (Nominal Returns)	30-Year Geometric Forecast (Real Returns)
Cash	3.25%	0.00%
U.S. Treasuries	3.50%	0.25%
IG Corp Credit	4.75%	1.50%
Mortgage Backed Securities	3.75%	0.50%
Bank Loans	6.00%	2.75%
Core Fixed Income	3.98%	0.73%
High-Yield Bonds	5.75%	2.50%
Absolute Return Fixed Income	4.30%	1.05%
Emerging Market Debt (External)	6.00%	2.75%
Emerging Market Debt (Local Currency)	6.75%	3.50%
Large Cap Equity	7.50%	4.25%
Small/Mid Cap Equity	7.75%	4.50%
International Equities (Unhedged)	8.00%	4.75%
Emerging Int'l Equities	9.25%	6.00%
Private Equity	9.50%	6.25%
Private Debt	8.00%	4.75%
Real Estate	6.50%	3.25%
Hedge Funds	6.75%	3.50%
Hedge Funds (Macro)	6.25%	3.00%
Risk Parity	6.76%	3.51%

Discount Rate: The calculation of actuarial liabilities for valuation purposes is based on a current estimate of future benefit payments. The calculation includes a computation of the "present value" of those estimated future benefit payments using an assumed discount rate; the higher the discount rate assumption, the lower the estimated liability will be. For purposes of estimating the liabilities (future and accrued) in this report, an assumption was selected based on the expected long-term rate of return on plan investments. Using a lower discount rate assumption, such as a rate based on long-term bond yields, could substantially increase the estimated present value of future and accrued liabilities.

F Changes in the Net Pension Liability by Plan for the Measurement Period December 31, 2015 -

Employees' Plan	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/14	$ 798,349,049	$ 583,936,390	$ 214,412,659
Changes for the year:			
Service cost	15,115,150	-	15,115,150
Interest	58,329,192	-	58,329,192
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(17,970,523)	-	(17,970,523)
Changes of assumptions	-	-	-
Contributions - employer	-	25,629,927	(25,629,927)
Contributions - member	-	4,846,856	(4,846,856)
Net investment income	-	(8,373,684)	8,373,684
Benefit payments, including refunds of member contributions	(41,252,990)	(41,252,990)	-
Administrative expense	-	(503,838)	503,838
Other	-	-	-
Net Changes	14,220,829	(19,653,729)	33,874,558
Balances at 12/31/15	$ 812,569,878	$ 564,282,661	$ 248,287,217

Police Service Plan	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/14	$ 621,869,655	$ 479,987,860	$ 141,881,795
Changes for the year:			
Service cost	12,258,187	-	12,258,187
Interest	45,472,687	-	45,472,687
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(4,693,317)	-	(4,693,317)
Changes of assumptions	-	-	-
Contributions - employer	-	19,559,952	(19,559,952)
Contributions - member	-	3,104,337	(3,104,337)
Net investment income	-	(7,869,197)	7,869,197
Benefit payments, including refunds of member contributions	(31,134,325)	(31,134,325)	-
Administrative expense	-	(423,135)	423,135
Other	-	-	-
Net Changes	21,903,232	(16,762,368)	38,665,600
Balances at 12/31/15	$ 643,772,887	$ 463,225,492	$ 180,547,395

Fire Service Plan		Increase (Decrease) Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balances at 12/31/14	$	574,747,595	$	489,766,897	$	84,980,698
Changes for the year:						
Service cost		10,338,545		-		10,338,545
Interest		41,924,075		-		41,924,075
Changes of benefit terms		-		-		-
Differences between expected and actual experience		(14,630,470)		-		(14,630,470)
Changes of assumptions		-		-		-
Contributions - employer		-		15,121,806		(15,121,806)
Contributions - member		-		3,050,456		(3,050,456)
Net investment income		-		(7,744,297)		7,744,297
Benefit payments, including refunds of member contributions		(31,519,862)		(31,519,862)		-
Administrative expense		-		(435,923)		435,923
Other		-		-		-
Net Changes		6,112,288		(21,527,820)		27,640,108
Balances at 12/31/15	$	580,859,883	$	468,239,077	$	112,620,806

Detention Officers and Deputy Sheriffs' Plan		Increase (Decrease) Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)
Balances at 12/31/14	$	155,156,334	$	111,368,056	$	43,788,278
Changes for the year:						
Service cost		4,634,172		-		4,634,172
Interest		11,401,273		-		11,401,273
Changes of benefit terms		4,634,851		-		4,634,851
Differences between expected and actual experience		(2,557,618)		-		(2,557,618)
Changes of assumptions		-		-		-
Contributions - employer		-		6,370,758		(6,370,758)
Contributions - member		-		1,317,142		(1,317,142)
Net investment income		-		(1,918,848)		1,918,848
Benefit payments, including refunds of member contributions		(6,278,726)		(6,278,726)		-
Administrative expense		-		(98,399)		98,399
Other		-		-		-
Net Changes		11,833,952		(608,073)		12,442,025
Balances at 12/31/15	$	166,990,286	$	110,759,983	$	56,230,303

Sensitivity of the net pension liability to changes in the discount rate: The following schedule presents the net pension liability, calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) that the current rate.

	Employees' Retirement Plan	Police Service Retirement Plan	Fire Service Retirement Plan	Detention Officers' and Deputy Sheriffs' Retirement Plan
1% Decrease to 6.5%	$ 341,266,312	$ 264,271,466	$ 188,098,432	$ 76,814,405
Current Discount Rate 7.5%	248,287,217	180,547,395	112,620,806	56,230,303
1% Increase to 8.5%	169,744,307	112,217,441	50,936,581	39,158,592

Sensitivity of groups within the State System:

	Withdrawn Group	Officials	Judges
Proportional Share of State System	0.00036989%	0.00094790%	0.00436070%
1% Decrease to 6.55%	$ 108,643	$ 278,415	$ 1,280,814
Current Discount Rate 7.65%	7,686,917	196,998	906,228
1% Increase to 8.55%	50,523	129,472	595,621

G Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Pension Plans –Recognized pension expenses and deferred outflows of resources, including amounts for the Anne Arundel County Public Library, for the measurement date of December 31, 2015 are displayed by Plan in the following table.

	Employees' Retirement Plan	Police Service Retirement Plan	Fire Service Retirement Plan	Detention Officers' and Deputy Sheriffs' Retirement Plan	Total Pension System
PENSION EXPENSE:	$ 42,999,403	$ 37,271,507	$ 2,687,465	$ 14,524,811	$ 97,483,186
DEFERRED OUTFLOWS OF RESOURCES:					
Differences between expected and actual experience	$ 9,844,750	$ 6,400,253	$ 2,207,137	$ 1,160,924	$ 19,613,064
Changes of assumptions	13,540,433	9,165,628	10,816,626	1,746,868	35,269,555
Net difference between projected and actual earnings on pension plan investments	49,557,228	42,540,416	42,811,544	10,045,697	144,954,885
Contributions subsequent to measurement date	13,207,860	10,157,250	7,427,418	3,263,196	34,055,724
	86,150,271	68,263,547	63,262,725	16,216,685	233,893,228
DEFERRED INFLOWS OF RESOURCES:					
Differences between expected and actual experience	(14,376,418)	(3,519,988)	(11,704,376)	(1,918,213)	(31,518,995)
Total Deferred Activity	$ 71,773,853	$ 64,743,559	$ 51,558,349	$ 14,298,472	$ 202,374,233

The contributions subsequent to measurement date as listed above will be recognized as a reduction in net pension liability in fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense and amortized over an additional three to four years as provided by the actuary as follows:

	Employees' Retirement Plan	Police Service Retirement Plan	Fire Service Retirement Plan	Detention Officers' and Deputy Sheriffs' Retirement Plan	Total Pension System
Year ending December 31:					
2016	$ 17,270,306	$ 17,887,431	$ 12,755,013	$ 3,475,016	$ 51,387,766
2017	17,270,306	17,887,431	12,755,013	3,475,016	51,387,766
2018	17,270,306	10,104,491	12,755,011	2,021,122	42,150,930
2019	6,755,080	8,706,957	5,865,894	2,064,122	23,392,053

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County portion of the Maryland State Retirement and Pension System* –**Recognized pension expenses and deferred outflows of resources for the measurement date of June 30, 2015 are displayed by Plan in the table below.

	Withdrawn Participants	Master Judges	Officials	Total State System
PENSION EXPENSE:	$ 1,947,108	$ 57,395	$ 19,980	$ 2,024,483
DEFERRED OUTFLOWS OF RESOURCES:				
Differences between expected and actual experience	$ -	$ 18,559	$ 4,034	$ 22,593
Changes of assumptions	-	45,364	9,861	55,225
Contributions subsequent to measurement date	-	92,233	21,785	114,018
Subtotal of outflows	-	156,156	35,680	191,836
DEFERRED INFLOWS OF RESOURCES:				
Net difference between projected and actual earnings	-	(79,820)	(17,351)	(97,171)
Total Deferred Activity	$ -	$ 76,336	$ 18,329	$ 94,665

The contributions subsequent to measurement date as listed above will be recognized as a reduction in net pension liability in fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Master Judges	Officials	Total
2016	$ (3,974)	$ (864)	$ (4,838)
2017	(3,974)	(864)	(4,838)
2018	(3,974)	(864)	(4,838)
2019	(3,974)	(865)	(4,839)

H ***Payable to the County Pension System*** – At December 31, 2015 the System reported no payables.

I ***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 December 31, 2015 within the mutual funds is comprised of allowable instruments based on the IPS.

J ***Commitments*** **-** The System has committed to fund various private equity investments totaling $225 million at December 31, 2015, of which approximately $93.5 million remains unfunded. The expected funding dates for these commitments extend through 2020.

K ***Teacher pension funding shift*** - Legislation enacted by the Maryland General Assembly during 2012 requires County Boards of Education to pay a portion of employer contributions for members of the Teachers' Retirement System or the Teachers' Pension System beginning in fiscal year 2013. Anne Arundel County's contribution for fiscal year 2016 was $21,428,296. Beginning in fiscal year 2017, 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.

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 current County retirees and terminated vested employees that retired before July 1, 2014. Employees not eligible for normal or early retirement by January 1, 2017 will receive a subsidy based on years of service. The Library currently pays 80% for Library retirees. The primary government plan provides the same health plans to active employees and pre-age 65 retirees. The County offers a Medicare Advantage Plan to post age 65 retirees. The County offers the same prescription benefit for active employees and pre-age 65 retirees. Post age 65 retirees are eligible to participate in an Employer Group Waiver Plan (EGWP) plus WRAP for prescription benefits. 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 date of hire and service criteria. Employees hired prior to September 15, 2002 receive Board funding of 75% for Medical/Rx and dental benefits. For employees hired after September 15, 2002, ten years of AACPS service is required to be eligible for retiree health benefits. 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. No Board funding is provided for dental benefits. 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.

A copy of the Anne Arundel Retiree Health Benefits Trust (OPEB Trust) financial statements may be obtained by contacting Anne Arundel County Office of Personnel, 2660 Riva Road, Annapolis, MD 21401.

The number of participants eligible to participate in the plans as of July 1, 2015 is presented as follows. Inactive individuals include both retirees and those who are terminated and vested.

	Active	**Inactive**	**Total**
Primary Government	3,767	2,576	6,343
Board of Education	9,668	4,772	14,440
College	308	329	637
Library	191	125	316
	13,934	7,802	21,736

B ***Funding Policy*** – Effective July 1, 2015, the County Council under Bill 13-15 established the Retiree Health Benefits Trust to include the primary government, the College and the Library. The Bill requires that the balance of Reserve Funds for Retiree Health Benefits on July 1, 2015 be transferred to the Trust. The Bill established a Board of Trustees to manage the Trust and designated the County Personnel Officer to administer the Trust. The County Executive will recommend annual appropriations to the Trust. The County Council will approve this request as is or may increase it during the County Annual Budget process. Previously, the County established under its Charter, a Reserve Fund for Retiree Health Benefits into which funds were appropriated for the sole purpose of funding retiree health benefits. This Reserve Fund has been closed and the funds transferred to the Trust Fund.

C ***Annual OPEB Costs and Net OPEB Obligation*** **–** The annual OPEB cost, the percentage of the annual OPEB cost contributed to the plans, and the net OPEB obligation (NPO) to the plans for fiscal years 2014, 2015, and 2016 are presented as follows.

(Amounts shown in thousands)

	Total Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Primary Government:			
June 30, 2014	$ 70,290	$ 30.35%	$ 479,029
June 30, 2015	73,814	32.48%	528,866
June 30, 2016	71,202	110.40%	521,458
Board of Education:			
June 30, 2014	109,072	40.42%	382,178
June 30, 2015	102,184	48.01%	435,303
June 30, 2016	107,449	43.63%	495,870
College:			
June 30, 2014	4,806	26.07%	29,941
June 30, 2015	5,068	24.01%	33,792
June 30, 2016	5,269	118.33%	32,826
Library:			
June 30, 2014	2,534	35.20%	16,004
June 30, 2015	2,651	30.10%	17,857
June 30, 2016	2,548	53.96%	19,030

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)	$ 874,055	$ 1,486,544	$ 52,348	$ 31,700	$ 2,444,647
Actuarial value of plan assets	35,700	-	-	-	35,700
Unfunded actuarial accrued liability end of year	$ 838,355	$ 1,486,544	$ 52,348	$ 31,700	$ 2,408,947
Annual Required Contribution	$ 73,689	$ 103,114	$ 5,542	$ 2,692	$ 185,037
Interest on Net OPEB Obligations	23,083	3,609	1,314	689	28,695
Adjustment to ARC	(25,570)	726	(1,587)	(833)	(27,264)
Total Annual OPEB Cost	71,202	107,449	5,269	2,548	186,468
Pay-As-You-Go Contribuition	1,364	(46,882)	(1,385)	(10)	(46,913)
OPEB Trust Contribution	(79,974)	-	(4,850)	(1,365)	(86,189)
Increase in Net OPEB obligation	(7,408)	60,567	(966)	1,173	53,366
Net OPEB obligation beginning of year	528,866	435,303	33,792	17,857	1,015,818
Net OPEB obligation end of year	$ 521,458	$ 495,870	$ 32,826	$ 19,030	$ 1,069,184
Percent of Annual OPEB Cost contributed	110.40%	43.63%	118.33%	53.96%	71.38%
Covered payroll	$ 247,008	$ 584,796	$ 93,550	$ 12,015	$ 937,369
UALL as a % of Covered Payroll	353.86%	254.20%	55.96%	263.84%	260.80%

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. The actuarial value of assets is the fair value of the investments. This year's asset value is based on the July 1, 2015 actuarial valuation.

Actuarial Assumptions for Primary Government

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed (level % of the payroll)
Amortization Period	24 years remaining (as of July 1, 2015)
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	4.75 %
Payroll Increase	3.00%
Medical Trend	The rate in 2015 is 4.5% decreasing gradually. The rate in 2050 is 5.5% pre-Medicare and 4.8% post Medicare. The ultimate rate is 4.0% pre-Medicare and 3.9% post Medicare.
Inflation Rate	2.4 %

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.

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, 2016 the Self Insurance Fund liability of $74,523,733 is discounted since discounting is more reflective of the nature of the claims. The Health Insurance Fund liability of $5,069,384 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 2016 and 2015 were as follows:

		2016		2015
Liability balance, July 1	$	79,440,068	$	81,082,796
Current year claims and changes in estimates:				
Changes in estimates - prior periods		1,318,343		(4,744,836)
Changes in estimates - current year		90,727,456		116,301,386
Claims payments		(91,892,750)		(113,199,278)
Liability balance, June 30	$	79,593,117	$	79,440,068

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 95.2% full, and cell 9 has not yet opened. Cells 8 and 9 have useful lives to at least 2018 and 2043, 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 post closure costs.

	Millersville	Closed Sites	Total
Total costs:			
Closure	$ 55,839,559	$ 18,163,719	$ 74,003,278
Post closure	37,968,858	2,869,722	40,838,580
	93,808,417	21,033,441	114,841,858
Less:			
Amount recognized thru June 30, 2016	53,517,609	21,033,441	74,551,050
Costs remaining to be recognized	$ 40,290,808	$ -	$ 40,290,808
Liability recorded at June 30, 2016			
Closure	$ 13,110,549	$ -	$ 13,110,549
Current portion post closure	781,017	229,739	1,010,756
Post closure	18,558,070	2,639,983	21,198,053
	$ 32,449,636	$ 2,869,722	$ 35,319,358

The primary government accounts for landfill activities in the Solid Waste Fund. Management estimates the costs of closure, post closure, remediation, and monitoring the landfills based on federal and state regulations. 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 $342,824 and post closure reserves decreased by $880,817 in fiscal year 2016. These amounts include changes to the estimates in the reserves, payments, and other adjustments.

The Solid Waste Fund has restricted assets of $11,336,605 for closure and post closure care as of June 30, 2016.

16 Contingent Liabilities

A ***Impact Fees*** – At June 30, 2016 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. 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 $21,650,796 as of June 30, 2016.

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. On July 24, 2012, the Circuit Court issued a judgment finding that with consideration of encumbrances, 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. In a July 29, 2013 opinion, the Court of Special Appeals affirmed the Circuit Court. On November 7, 2016 the County mailed checks to individual property owners as required by law. It is possible that the County will be assessed a penalty by the Internal Revenue Service for payments made pursuant to Court order to property owners who failed to provide their social security number or tax identification number to the County despite request for the same. In the event of such a penalty, the County will request that it be abated, relying on its substantial efforts to obtain this information from the taxpayers. The attorney representing the named Plaintiffs noted an appeal to the Court of Special Appeals on September 1, 2016 which challenges the Circuit Court's decisions regarding a number of issues that have already been litigated to their conclusion in addition to an issue regarding interest calculations. In the opinion of the County Attorney, it is probable that the County will prevail on this appeal and that the County will not incur additional liability as a result of this appeal.

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 fiscal years subsequent to 1996 on grounds that they were not expended or encumbered in a timely manner under the County Code. On April 25, 2013, the Circuit Court certified a class action of persons who are current property owners of property upon which impact fees were paid to the County in certain fiscal years subsequent to fiscal year 1996 and for which impact fees were not timely expended or encumbered. On November 17, 2014 through November 20, 2014, the Circuit Court held a trial on the plaintiffs' claim. The Circuit Court entered judgment in favor of the County on January 27, 2016. The individuals' appeal noted on February 11, 2016 to the Court of Special Appeals is pending.

In the case of Comptroller v. Wynne, 135 S.Ct. 1787 (2015) the United States Supreme Court ruled in May 2015 that Maryland residents who paid income taxes to another state on income earned in the other state are entitled to a credit against the county portion of the Maryland income tax owed. The ruling means that each county in Maryland will experience a reduction in income tax revenue, including Anne Arundel County. Based on preliminary data as of June 2015, the Comptroller's Office is estimating that the fiscal impact of the ruling on the County will be approximately $16,700,000 of refunds for prior years' taxes, and an estimated reduction of $4,000,000 each year going forward. The estimated amount of refunds to be paid has been recorded as a noncurrent liability on the Statement of Net Position and as an assignment of fund balance in the General Fund, as the County will not be required to start reimbursing the State until fiscal year 2019.

Talen Energy Corporation's predecessors, Brandon Shores, LLC, H.A. Wagner, LLC, Raven F.S. Property Holdings, LLC, (collectively "Raven") owned and operated two power plants located in Anne Arundel County during fiscal years 2013, 2014 and 2015. Raven appealed both its real property tax and its personal property tax for fiscal years 2014 and 2015, challenging the assessments of each. In September 2015, the resolution of the real property tax appeal for fiscal years 2014 and 2015 resulted in a reduction of the County's portion of real property taxes of $577,345 per year for fiscal year 2014 and fiscal year 2015. In September 2015, the resolution of the personal property tax appeal for fiscal year 2014 resulted in a reduction of the County's personal property taxes of $4,402,185 for fiscal year 2014. Raven's appeal of its fiscal year 2015 personal property taxes remains pending. The County expects the original assessment to be reduced as a result of the appeal.

A complaint was filed in the Circuit Court for Anne Arundel County against the County on March 27, 2015 asserting a claim for over $9 million based upon a contract to audit the County's health care expenses paid to third-party providers. Claimant asserts that the County failed to pay its fees which were based upon a percentage of the health care expense savings to the County as a result of its efforts. The County contends that the claimant's actions resulted in a very small amount of health care expense savings. The case is being vigorously defended. In December 2015 and early January 2016 the County obtained a number of favorable rulings from the court which may limit the claimant's ability to prove its claims.

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.

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

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, 2016, the County estimates that no material liabilities will result from such audits.

Anne Arundel Retirement and Pension System

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios - Employees' Retirement Plan

For the Last Ten Years Ending December 31

	2014	2015
Total pension liability (Dollar amounts in thousands)		
Service cost	$ 14,159	$ 15,115
Interest	53,353	58,329
Changes of benefit terms	-	-
Differences between expected and actual experience	16,408	(17,971)
Changes of assumptions	22,567	-
Benefit payments, including refunds of member contributions	(39,012)	(41,253)
Net change in total pension liability	67,475	14,221
Total pension liability - beginning	730,874	798,349
Total pension liability - ending (a)	$ 798,349	$ 812,570
Plan fiduciary net position		
Contributions - employer	$ 24,451	$ 25,630
Contributions - member	4,662	4,847
Net investment income	28,451	(8,374)
Benefit payments, including refunds of member contributions	(39,012)	(41,253)
Administrative expense	(519)	(504)
Other	-	-
Net change in plan fiduciary net position	$ 18,034	$ (19,654)
Plan fiduciary net position - beginning	565,902	583,936
Plan fiduciary net position - ending (b)	$ 583,936	$ 564,283
County's net pension liability - ending (a)-(b)	$ 214,413	$ 248,287
Plan fiduciary net position as a percentage of the total pension liability	73.14%	69.44%
Covered-employee payroll	$ 127,091	$ 127,827
County's net pension liability as a percentage of covered-employee payroll	168.71%	194.24%
Expected average remaining service years of all participants	5	5

Notes to Schedule:

1 This schedule is presented to illustrate the requirement to show information for 10-years. However, until 10-year trend is compiled, pension plans should present information for those years for which data is available.

2 There are no benefit changes reflected in the current schedule.

3 For FY 2014 the expected rate of investment return was reduced from 8.0% to 7.5% and other assumptions were changed to reflect results of the 2012 experience study.

Anne Arundel Retirement and Pension System

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios - Police Service Retirement Plan

For the Last Ten Years Ending December 31

	2014	2015
Total pension liability (Dollar amounts in thousands)		
Service cost	$ 10,951	$ 12,258
Interest	41,480	45,473
Changes of benefit terms	-	-
Differences between expected and actual experience	12,801	(4,693)
Changes of assumptions	18,331	-
Benefit payments, including refunds of member contributions	(29,507)	(31,134)
Net change in total pension liability	54,055	21,903
Total pension liability - beginning	567,815	621,870
Total pension liability - ending (a)	$ 621,870	$ 643,773
Plan fiduciary net position		
Contributions - employer	$ 18,870	$ 19,560
Contributions - member	2,950	3,104
Net investment income	21,813	(7,869)
Benefit payments, including refunds of member contributions	(29,507)	(31,134)
Administrative expense	(418)	(423)
Other	-	-
Net change in plan fiduciary net position	$ 13,707	$ (16,762)
Plan fiduciary net position - beginning	466,281	479,988
Plan fiduciary net position - ending (b)	$ 479,988	$ 463,225
County's net pension liability - ending (a)-(b)	$ 141,882	$ 180,547
Plan fiduciary net position as a percentage of the total pension liability	77.18%	71.95%
Covered-employee payroll	$ 42,960	$ 43,879
County's net pension liability as a percentage of covered-employee payroll	330.26%	411.47%
Expected average remaining service years of all participants	4	4

Notes to Schedule:

1 This schedule is presented to illustrate the requirement to show information for 10-years. However, until 10-year trend is compiled, pension plans should present information for those years for which data is available.

2 There are no benefit changes reflected in the current schedule.

3 For FY 2014 the expected rate of investment return was reduced from 8.0% to 7.5% and other assumptions were changed to reflect results of the 2012 experience study.

Anne Arundel Retirement and Pension System

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios - Fire Service Retirement Plan

For the Last Ten Years Ending December 31

		2014		2015
Total pension liability (Dollar amounts in thousands)				
Service cost	$	9,184	$	10,339
Interest		38,949		41,924
Changes of benefit terms		-		-
Differences between expected and actual experience		3,679		(14,630)
Changes of assumptions		18,028		-
Benefit payments, including refunds of member contributions		(28,823)		(31,520)
Net change in total pension liability		41,016		6,112
Total pension liability - beginning		533,731		574,748
Total pension liability - ending (a)	$	574,748	$	580,860
Plan fiduciary net position				
Contributions - employer	$	15,899	$	15,122
Contributions - member		2,778		3,050
Net investment income		22,688		(7,744)
Benefit payments, including refunds of member contributions		(28,823)		(31,520)
Administrative expense		(423)		(436)
Other		-		-
Net change in plan fiduciary net position	$	12,119	$	(21,528)
Plan fiduciary net position - beginning		477,648		489,767
Plan fiduciary net position - ending (b)	$	489,767	$	468,239
County's net pension liability - ending (a)-(b)	$	84,981	$	112,621
Plan fiduciary net position as a percentage of the total pension liability		85.21%		80.61%
Covered-employee payroll	$	40,476	$	43,838
County's net pension liability as a percentage of covered-employee payroll		209.95%		256.90%
Expected average remaining service years of all participants		5		5

Notes to Schedule:

1 This schedule is presented to illustrate the requirement to show information for 10-years. However, until 10-year trend is compiled, pension plans should present information for those years for which data is available.

2 There are no benefit changes reflected in the current schedule.

3 For FY 2014 the expected rate of investment return was reduced from 8.0% to 7.5% and other assumptions were changed to reflect results of the 2012 experience study.

Anne Arundel Retirement and Pension System
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios -Detention Officers and Deputy Sheriffs' Plan
For the Last Ten Years Ending December 31

	2014	2015
Total pension liability (Dollar amounts in thousands)		
Service cost	$ 4,602	$ 4,634
Interest	10,301	11,401
Changes of benefit terms	-	4,635
Differences between expected and actual experience	2,322	(2,558)
Changes of assumptions	3,494	-
Benefit payments, including refunds of member contributions	(5,819)	(6,279)
Net change in total pension liability	14,900	11,833
Total pension liability - beginning	140,256	155,156
Total pension liability - ending (a)	$ 155,156	$ 166,990
Plan fiduciary net position		
Contributions - employer	$ 6,111	$ 6,371
Contributions - member	1,298	1,317
Net investment income	4,944	(1,919)
Benefit payments, including refunds of member contributions	(5,819)	(6,279)
Administrative expense	(96)	(98)
Other	-	-
Net change in plan fiduciary net position	$ 6,438	$ (608)
Plan fiduciary net position - beginning	104,930	111,368
Plan fiduciary net position - ending (b)	$ 111,368	$ 110,760
County's net pension liability - ending (a)-(b)	$ 43,788	$ 56,230
Plan fiduciary net position as a percentage of the total pension liability	71.78%	66.33%
Covered-employee payroll	$ 19,776	$ 19,386
County's net pension liability as a percentage of covered-employee payroll	221.43%	290.05%
Expected average remaining service years of all participants	4	4

Notes to Schedule:

1 This schedule is presented to illustrate the requirement to show information for 10-years. However, until 10-year trend is compiled, pension plans should present information for those years for which data is available.

2 There are no benefit changes reflected in the current schedule.

3 For FY 2014 the expected rate of investment return was reduced from 8.0% to 7.5% and other assumptions were changed to reflect results of the 2012 experience study.

Anne Arundel County Pension Systems
Required Suplementary Information
Schedule of Investment Returns

Anne Arundel County Retirement and Pension System
For the Years Ending December 31

Annual money-weighted rate of return, net of investment expenses:

2014	4.5%
2015	-1.8%

NOTE: *Money-weighted results for the required 10-year timeframe will be added as available.*

SOURCE: *New England Pension Consultants, LLC*

Maryland State Retirmenet and Pension System
For the Years Ended June 30

Annual money-weighted rate of return, net of investment expenses:

2014	14.4%
2015	2.7%

NOTE: *Money-weighted results for the required 10-year timeframe will be added as available.*

SOURCE: *Comprehensive Annual Financial Report of the Maryland State Retirement Pension System*

Anne Arundel County Retirement and Pension System

Required Supplementary Information

Schedule of Employer's Contributions - Employees' Retirement Plan

For the Last Ten Years Ending December 31

(Dollars in thousands)

	2006	***2007***	***2008***	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***
Actuarially determined contribution	$ 10,755	$ 11,779	$ 12,907	$ 15,246	$ 17,284	$ 18,186	$ 19,824	$ 22,362	$ 24,426	$ 25,655
Contributions in relation to the actuarially determined contribution	10,755	11,779	12,907	15,246	17,284	18,186	19,824	22,362	24,451	25,630
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (25)	$ 25
	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll (See Note)	$ 116,709	$ 117,223	$ 124,803	$ 126,031	$ 123,498	$ 120,416	$ 116,025	$ 115,809	$ 127,091	$ 127,827
Contributions as a percentage of covered-employee payroll	9.22%	10.05%	10.34%	12.10%	14.00%	15.10%	17.09%	19.31%	19.24%	20.05%

Notes to Schedule

Valuation Date:	1/1/2007	1/1/2008	1/1/2009	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016

Note: "Covered-employee payroll" for 2014 has been changed to reflect the new GASB language.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed, increasing 3.0% per year.
Remaining amortzation period	19 to 28 years with an average effective period of 25 years. Starting with new bases in 2014, assumption changes and gains and losses are amortized over 20 years and plan changes are amortized over the average future service of the active population at the time of the change.
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Graded schedule begins for age 20 at 6.5% and move to 3.5% at age 55.
Investment rate of return	7.50% net of pension plan investment expense, including inflation, effective 1/1/2014.
Retirement age	Rates vary by participant age and service.
Mortality	Healthy: RP-2000 Blue Collar Mortality Table for males and females projected generationally using scale AA.
	Disabled: RP-2000 Blue Collar Mortality Table for males and females set forward nine years and then projected generationally using scale AA.

Anne Arundel County Retirement and Pension System

Required Supplementary Information

Schedule of Employer's Contributions - Police Service Retirement Plan

For the Last Ten Years Ending December 31

(Dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	$ 9,612	$ 9,997	$ 10,523	$ 12,428	$ 13,696	$ 14,153	$ 15,530	$ 17,746	$ 18,870	$ 19,560
Contributions in relation to the actuarially determined contribution	9,612	9,997	10,523	12,428	14,056	13,793	15,530	17,746	18,870	19,560
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (360)	$ 360	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 37,805	$ 41,011	$ 41,509	$ 42,499	$ 42,449	$ 41,335	$ 40,522	$ 41,714	$ 42,960	$ 43,879
Contributions as a percentage of covered-employee payroll	25.42%	24.38%	25.35%	29.24%	33.11%	33.37%	38.33%	42.54%	43.92%	44.58%

Notes to Schedule

Valuation Date:	1/1/2007	1/1/2008	1/1/2009	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016

Note: "Covered-employee payroll" for 2014 has been changed to reflect the new GASB language.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed
Remaining amortzation period	19 to 28 years with an average effective period of 25 years. Starting with new bases in 2014, assumption changes and gains and losses are amortized over 20 years and plan changes are amortized over the average future service of the active population at the time of the change.
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Graded schedule begins for age 20 at 6.0% and moves to 4.0% at age 50.
Investment rate of return	7.50%
Retirement age	Rates vary by participant age and service.
Mortality	Healthy: RP-2000 Blue Collar Mortality Table projected generationally using scale AA. Pre-Termination mortality uses 60% of these rates. Disabled: RP-2000 Blue Collar Mortality Table set forward five years and then projected generationally using scale AA.
Other	Employer contributions for calendar 2010 are greater then 100.0% of the Actuarially Determined Contribution due to 6/30 fiscal year revisions. Calendar 2011 was reduced for the revisions.

Anne Arundel County Retirement and Pension System

Required Supplementary Information

Schedule of Employer's Contributions - Fire Service Retirement Plan

For the Last Ten Years Ending December 31

(Dollars in thousands)

	2006	***2007***	***2008***	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***
Actuarially determined contribution	$ 10,481	$ 10,960	$ 11,190	$ 12,701	$ 14,213	$ 14,395	$ 15,238	$ 16,152	$ 15,899	$ 15,122
Contributions in relation to the actuarially determined contribution	10,481	10,960	11,190	12,701	14,649	13,960	15,238	16,152	15,899	15,122
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (435)	$ 435	$ -	$ -	$ -	$ -
	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 43,527	$ 43,942	$ 48,824	$ 49,064	$ 47,841	$ 45,673	$ 43,362	$ 44,951	$ 40,476	$ 43,838
Contributions as a percentage of covered-employee payroll	24.08%	24.94%	22.92%	25.89%	30.62%	30.56%	35.14%	35.93%	39.28%	34.50%

Notes to Schedule

Valuation Date:	1/1/2007	1/1/2008	1/1/2009	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016

Note: "Covered-employee payroll" for 2014 has been changed to reflect the new GASB language.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed, increasing 3.0% per year.
Remaining amortzation period	19 to 28 years with an average effective period of 25 years. Starting with new bases in 2014, assumption changes and gains and losses are amortized over 20 years and plan changes are amortized over the average future service of the active population at the time of the change.
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Graded schedule begins for age 20 at 6.0% and moves to 4.0% at age 50.
Investment rate of return	7.50%
Retirement age	Rates vary by participant age and service.
Mortality	Healthy: RP-2000 Blue Collar Mortality Table for males and females projected generationally using scale AA. 60% of these rates. Pre-Termination mortality uses 60% of these rates.
	Disabled: RP-2000 Blue Collar Mortality Table set forward five years and then projected generationally using scale AA.
Other	Employer contributions for calendar 2010 are greater then 100.0% of the Actuarially Determined Contribution due to 6/30 fiscal year revisic Calendar 2011 was reduced for the revisions.

Anne Arundel County Retirement and Pension System

Required Supplementary Information

Schedule of Employer's Contributions - Detention Officers' and Deputy Sheriffs' Retirement Plan

For the Last Ten Years Ending December 31

(Dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	$ 3,462	$ 3,601	$ 3,788	$ 4,349	$ 4,789	$ 4,994	$ 5,141	$ 5,600	$ 6,111	$ 6,371
Contributions in relation to the actuarially determined contribution	3,462	3,601	3,788	4,349	4,907	4,876	5,141	5,600	6,111	6,371
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (118)	$ 118	$ -	$ -	$ -	$ -
	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 17,368	$ 18,122	$ 19,786	$ 20,204	$ 19,310	$ 18,761	$ 17,897	$ 18,133	$ 19,776	$ 19,386
Contributions as a percentage of covered-employee payroll	19.94%	19.87%	19.15%	21.53%	25.41%	25.99%	28.73%	30.88%	30.90%	32.86%

Notes to Schedule

Valuation Date:	1/1/2007	1/1/2008	1/1/2009	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016

Note: "Covered-employee payroll" for 2014 has been changed to reflect the nmew GASB language.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed, increasing 3.0% per year.
Remaining amortzation period	18 to 28 years with an average effective period of 23 years. Starting with new bases in 2014, assumption changes and gains and losses are amortized over 20 years and plan changes are amortized over the average future service of the active population at the time of the change.
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Graded schedule begins for age 20 at 6.0% and moves to 4.25% at age 50.
Investment rate of return	7.50%
Retirement age	Rates vary by participant age and service.
Mortality	Healthy: RP-2000 Blue Collar Mortality Table for males and females projected generationally using scale AA. 60% of these rates. Pre-Termination mortality uses 60% of these rates. Disabled: RP-2000 Blue Collar Mortality Table set forward five years and then projected generationally using scale AA.
Other	Employer contributions for calendar 2010 are greater then 100.0% of the Actuarially Determined Contribution due to 6/30 fiscal year revisions. Calendar 2011 was reduced for the revisions.

Anne Arundel County Maryland
Required Suplementary Information
Schedule of County's Proportionate Share for Withdrawn Personnel of the Net Pension Liability Maryland State Retirement and Pension System

as of June 30	2014	2015
County's portion of the net pension liability	0.07578590%	0.00036989%
County's porportionate share of the net pension liability	$ 13,449,520	$ 1,180,087
County's covered employee payroll	5,152	5,152
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	2610.50%	229.05%
Plan fiduciary net position as a percentage of the total pension liability	71.87%	68.78%

Notes to Schedule:

1 This schedule is presented to illustrate the requirement to show information for 10 years. However, until 10-year trend is compiled, pension plans should present information for those years for which the data is available.

2 There are no benefit changes reflected in the current schedule.

3 The County's annual contribution is determined by actuarially calculated 40-year contract esabtlished in 1980 to fund the liability for withdrawn participants.

Anne Arundel County Maryland
Required Suplementary Information
Schedule of County's Proportionate Share for Officials of the Net Pension Liability Maryland State Retirement and Pension System

as of June 30	**2014**	**2015**
County's portion of the net pension liability	0.00077211%	0.00094790%
County's porportionate share of the net pension liability	$ 137,025	$ 196,998
County's covered employee payroll	128,624	132,999
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	1.07%	1.48%
Plan fiduciary net position as a percentage of the total pension liability	71.87%	68.78%

Notes to Schedule:

1 This schedule is presented to illustrate the requirement to show information for 10 years. However, until 10-year trend is compiled, pension plans should present information for those years for which the data is available.

2 There are no benefit changes reflected in the current schedule.

3 Changes in Assumptions to the Maryland State Retirement and Pension System:
Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the June 2014 valuation.
-- Investment return assumption changed from 7.65% to 7.55%.
-- Inflation assumption changed from 2.90% to 2.70%

4 Methods and Assumptions Used in Calculation sof Actuarially Determined Contributions:

Actuarial	Entry Age Normal
Amortizaton Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for State system
Asset Valutaion Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.2% wage
Salary Increases	3.4% to 11.9% including inflation
Investment Rate of Return	7.55 %
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2015 valuation pursuant to an experience study of the 2010-2014 period.
Mortality	RP-2000 Combined Health Mortality Table projected to the year 2025.

Anne Arundel County Maryland
Required Suplementary Information
Schedule of County's Proportionate Share for Judges Plan of the Net Pension Liability Maryland State Retirement and Pension System

as of June 30	2014	2015
County's portion of the net pension liability	0.00586823%	0.00436070%
County's porportionate share of the net pension liability	$ 1,041,419	$ 906,228
County's covered employee payroll	133,379	134,289
County's proportionate share of the net pension liability as a percentage of its covered employee payroll	7.81%	6.75%
Plan fiduciary net position as a percentage of the total pension liability	71.87%	68.78%

Notes to Schedule:

1 This schedule is presented to illustrate the requirement to show information for 10 years. However, until 10-year trend is compiled, pension plans should present information for those years for which the data is available.

2 There are no benefit changes reflected in the current schedule.

3 Changes in Assumptions to the Maryland State Retirement and Pension System:
Adjustments to the roll-forward liabilities were made to reflect the following assumptions in the June 2014 valuation.
-- Investment return assumption changed from 7.65% to 7.55%.
-- Inflation assumption changed from 2.90% to 2.70%

4 Methods and Assumptions Used in Calculation sof Actuarially Determined Contributions:

Actuarial	Entry Age Normal
Amortizaton Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for State system
Asset Valutaion Method	5-year smoothed market; 20% collar
Inflation	2.70% general, 3.2% wage
Salary Increases	3.4% to 11.9% including inflation
Investment Rate of Return	7.55 %
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2015 valuation pursuant to an experience study of the 2010-2014 period.
Mortality	RP-2000 Combined Health Mortality Table projected to the year 2025.

Anne Arundel County
Required Supplementary Information
Schedule of County Contributions to State Municipal Pool Withdrawn Personnel
For the Last Ten Years Ending June 30

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution	$ 1,255,123	$ 1,317,879	$ 1,338,733	$ 1,452,962	$ 1,525,610	$ 1,601,891	$ 1,681,986	$ 1,766,098	$ 1,854,389	$ 1,947,108
Contributions in relation to the actuarially determined contribution	1,255,123	1,317,879	1,338,733	1,452,962	1,525,610	1,601,891	1,681,986	1,766,098	1,854,389	1,947,108
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf
Contributions as a percentage of covered-employee payroll	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf

Notes to Schedule

1) nmf = Not a Meaningful Figure
2) The County's Annual contribution is determined by actuarially calculated 40-year contract established in 1980 to fund the liability for withdrawn participants.
3) All participants except one are retired, making the relation between the Covered-employee payroll and the contribution meaningless.
4) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed, increasing 3.0% per year.
Remaining amortzation period	19 to 28 years with an average effective period of 25 years. Starting with new bases in 2014, assumption changes and gains and losses are amortized over 20 years and plan changes are amortized over the average future service of the active population at the time of the change.
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Graded schedule begins for age 20 at 6.5% and move to 3.5% at age 55.
Investment rate of return	7.50% net of pension plan investment expense, including inflation, effective 1/1/2014
Retirement age	Rates vary by participant age and service.
Mortality	Healthy: RP-2000 Blue Collar Mortality Table for males and females projected generationally using scale AA. Disabled: RP-2000 Blue Collar Mortality Table for males and females set forward nine years and then projected generationally using scale AA.

Anne Arundel County

Required Supplementary Information

Schedule of County Contributions to State Municipal Pool Judges

For the Last Ten Years Ending June 30

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution	$ 23,837	$ 26,303	$ 25,999	$ 29,147	$ 69,733	$ 77,922	$ 78,968	$ 65,724	$ 57,395	$ 57,716
Contributions in relation to the actuarially determined contribution	23,837	26,303	25,999	29,147	69,733	77,922	78,968	65,724	57,395	57,716
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 114,614	$ 118,052	$ 118,052	$ 118,052	$ 118,052	$ 129,074	$ 129,074	$ 133,379	$ 134,289	$ 141,808
Contributions as a percentage of covered-employee payroll	20.80%	22.28%	22.02%	24.69%	59.07%	60.37%	61.18%	49.28%	42.74%	40.70%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed, increasing 3.0% per year.
Remaining amortzation period	19 to 28 years with an average effective period of 25 years. Starting with new bases in 2014, assumption changes and gains and losses are amortized over 20 years and plan changes are amortized over the average future service of the active population at the time of the change.
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Graded schedule begins for age 20 at 6.5% and move to 3.5% at age 55.
Investment rate of return	7.50% net of pension plan investment expense, including inflation, effective 1/1/2014
Retirement age	Rates vary by participant age and service.
Mortality	Healthy: RP-2000 Blue Collar Mortality Table for males and females projected generationally using scale AA. Disabled: RP-2000 Blue Collar Mortality Table for males and females set forward nine years and then projected generationally using scale AA.

Anne Arundel County

Required Supplementary Information

Schedule of County Contributions to State Municipal Pool Officials

For the Last Ten Years Ending June 30

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution	$ -	$ -	$ -	$ 12,717	$ 14,971	$ 17,160	$ 15,739	$ 17,993	$ 19,980	$ 21,785
Contributions in relation to the actuarially determined contribution	-	-	-	12,717	14,971	17,160	15,739	17,993	19,980	21,785
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	99,953	113,011	128,064	128,064	128,064	128,064	128,064	128,624	132,999	n/a
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	9.93%	11.69%	13.40%	12.29%	13.99%	15.02%	

Notes to Schedule

1) Prior to fiscal year 2010 the contribution for Elected and Apointed Officials was made by the State. House Bill 101, effective fiscal 2010 transferred the liability from the State to the County.

2) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed, increasing 3.0% per year.
Remaining amortzation period	19 to 28 years with an average effective period of 25 years. Starting with new bases in 2014, assumption changes and gains and losses are amortized over 20 years and plan changes are amortized over the average future service of the active population at the time of the change.
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Graded schedule begins for age 20 at 6.5% and move to 3.5% at age 55.
Investment rate of return	7.50% net of pension plan investment expense, including inflation, effective 1/1/2014
Retirement age	Rates vary by participant age and service.
Mortality	Healthy: RP-2000 Blue Collar Mortality Table for males and females projected generationally using scale AA.
	Disabled: RP-2000 Blue Collar Mortality Table for males and females set forward nine years and then projected generationally using scale AA.

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,	2014	$ -	$ 857,983	$ 857,983	$ 0.0%	$ 239,173	$ 359%
	2015	-	899,254	899,254	0.0%	247,008	350%
	2016	35,700	874,055	874,055	4.1%	251,778	347%
Board of Education:							
June 30,	2014	-	1,496,742	1,496,742	0.0%	590,414	254%
	2015	-	1,412,995	1,412,995	0.0%	576,284	245%
	2016	-	1,486,544	1,486,544	0.0%	584,796	254%
College:							
June 30,	2014	-	51,806	51,806	0.0%	90,338	57%
	2015	-	55,079	55,079	0.0%	93,550	59%
	2016	-	52,348	52,348	0.0%	94,843	55%
Library:							
June 30,	2014	-	31,484	31,484	0.0%	10,308	305%
	2015	-	32,658	32,658	0.0%	11,554	283%
	2016	-	31,700	31,700	0.0%	11,788	269%

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Anne Arundel County, Maryland

Combining Statement of Net Position

Water and Wastewater Fund

June 30, 2016

	Operating	Debt Service	Capital Projects	Total
ASSETS				
Current assets				
Cash and investments	$ 65,399,563	$ -	$ 49,745,707	$ 115,145,270
Service billings receivable	22,644,062	-	-	22,644,062
Receivables				
Due from other funds	313,180	-	-	313,180
Inventories	2,752,234	-	-	2,752,234
Other	62,281	-	-	62,281
Restricted for debt service and capital projects				
Cash and temporary investments	-	23,586,103	-	23,586,103
Investments	-	266,313,162	-	266,313,162
Receivables				
Due from other governmental agencies	-	-	17,381,921	17,381,921
Other, net	-	10,418,510	-	10,418,510
Total current assets	91,171,320	300,317,775	67,127,628	458,616,723
Noncurrent assets				
Restricted assets				
Deferred connection and assessment charges	-	30,450,956	-	30,450,956
Capital assets				
Land and buildings	43,564,814	-	-	43,564,814
Water and sewer plants	678,610,391	-	-	678,610,391
Water and sewer lines	1,065,413,938	-	-	1,065,413,938
Machinery and equipment	15,869,916	-	-	15,869,916
	1,803,459,059	-	-	1,803,459,059
Less accumulated depreciation	(760,670,061)	-	-	(760,670,061)
	1,042,788,998	-	-	1,042,788,998
Construction work in progress	25,819,550	-	429,783,034	455,602,584
Total capital assets, net of depreciation	1,068,608,548	-	429,783,034	1,498,391,582
Total noncurrent assets	1,068,608,548	30,450,956	429,783,034	1,528,842,538
Total assets	1,159,779,868	330,768,731	496,910,662	1,987,459,261
DEFERRED OUTFLOW OF RESOURCES				
Pension benefits	13,620,685	-	-	13,620,685
Unamortized deferred refunding loss	-	5,119,190	-	5,119,190
Total deferred outflow of resources	13,620,685	5,119,190	-	18,739,875
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	7,670,627	-	28,646,784	36,317,411
Current portion of long-term debt and obligations	31,904,718	4,742,262	-	36,646,980
Due to other funds	540,889	-	-	540,889
Escrow deposits	232,294	-	379,311	611,605
Liabilities related to restricted assets				
Accounts payable and accrued liabilities	-	6,394,542	-	6,394,542
Unearned revenue	-	6,626,899	-	6,626,899
Total current liabilities	40,348,528	17,763,703	29,026,095	87,138,326
Noncurrent liabilities				
Accrued liability for compensated absences	59,055	-	-	59,055
Accrued liability for pension benefits	39,569,758	-	-	39,569,758
Accrued liability for other post-employment benefits	36,486,121	-	-	36,486,121
Long-term debt	194,495,535	48,079,355	325,495,624	568,070,514
Unearned revenue	169,419	-	-	169,419
Total noncurrent liabilities	270,779,888	48,079,355	325,495,624	644,354,867
Total liabilities	311,128,416	65,843,058	354,521,719	731,493,193
DEFERRED INFLOW OF RESOURCES				
Pension benefits	2,268,524	-	-	2,268,524
Total deferred inflow of resources	2,268,524	-	-	2,268,524
NET POSITION				
Net investment in capital assets	843,971,936	(47,702,427)	119,576,661	915,846,170
Restricted for debt service	-	317,747,290	-	317,747,290
Restricted for capital improvements	-	-	17,381,921	17,381,921
Unrestricted	16,031,677	-	5,430,361	21,462,038
Total net position	$ 860,003,613	$ 270,044,863	$ 142,388,943	$ 1,272,437,419

Anne Arundel County, Maryland

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Water and Wastewater Fund

Year Ended June 30, 2016

	Operating	Debt Service	Capital Projects	Total
OPERATING REVENUES				
Charges for services	$ 85,177,926	$ -	$ -	$ 85,177,926
Other revenues	5,897,948	-	-	5,897,948
Total operating revenues	91,075,874	-	-	91,075,874
OPERATING EXPENSES				
Personnel services	30,767,333	-	-	30,767,333
Contractual services	45,818,677	-	-	45,818,677
Supplies and materials	8,348,107	-	-	8,348,107
Business and travel	198,289	-	-	198,289
Depreciation	45,566,683	-	-	45,566,683
Other	11,320,155	-	-	11,320,155
Total operating expenses	142,019,244	-	-	142,019,244
Operating loss	(50,943,370)	-	-	(50,943,370)
NONOPERATING REVENUES (EXPENSES)				
Investment income	185,208	1,246,918	-	1,432,126
Interest on long-term receivables	-	846,637	-	846,637
Other revenues	-	4,054,276	-	4,054,276
Other expenses	-	(1,107,345)	-	(1,107,345)
Interest expense	-	(10,103,571)	-	(10,103,571)
Loss on the disposal of assets	(535,431)	-	-	(535,431)
Loss before contributions and transfers	(51,293,593)	(5,063,085)	-	(56,356,678)
Capital contributions and grants	18,583,242	23,154,337	21,730,632	63,468,211
Environmental protection fees	-	18,662,625	-	18,662,625
Interfund transfers (General County Capital Projects)	-	-	1,290,829	1,290,829
Intrafund transfers	88,078,387	(63,833,716)	(24,244,671)	-
Change in net position	55,368,036	(27,079,839)	(1,223,210)	27,064,987
Net position, July 1 (as restated)	804,635,577	297,124,702	143,612,153	1,245,372,432
Net position, June 30	$ 860,003,613	$ 270,044,863	$ 142,388,943	$ 1,272,437,419

Anne Arundel County, Maryland

Combining Statement of Cash Flows

Water and Wastewater Fund

Year Ended June 30, 2016

	Operating	Debt Service	Capital Projects	Total Water and Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for services	$ 92,372,427	$ -	$ -	$ 92,372,427
Cash payments to suppliers for goods and services	(45,117,505)	-	-	(45,117,505)
Cash payments to employees for services	(28,380,744)	-	-	(28,380,744)
Net cash provided by operating activities	18,874,178	-	-	18,874,178
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of County bonds and bond anticipation notes	-	-	43,585,000	43,585,000
Proceeds from bonds refunded	-	75,300,000	-	75,300,000
Proceeds from grant funds	-	-	16,985,725	16,985,725
Proceeds from loan	-	-	4,611,113	4,611,113
Proceeds from developers' contributions	-	-	215,727	215,727
Refunds to developers	-	(11,911,682)	(46,756)	(11,958,438)
Assessment and connection charges	1,763,153	49,188,460	-	50,951,613
Environmental protection fees for capital assets	-	18,628,542	-	18,628,542
Payments of long-term debt	-	(29,559,683)	-	(29,559,683)
Interest payments	-	(22,556,805)	-	(22,556,805)
Rebates, interest income and reimbursements	-	1,350,581	-	1,350,581
Operating funds used in construction	8,299,000	-	(8,299,000)	-
Acquisition and construction of capital assets	(1,722,231)	-	(108,743,536)	(110,465,767)
Payments of debt issuance costs	-	(184,365)	-	(184,365)
Other income	-	-	-	-
Premium on sale of bonds	-	18,307,970	13,796,000	32,103,970
Payments to escrow agent for refunded bonds	-	(84,755,392)	-	(84,755,392)
Payment of capital related fees	-	(922,980)	-	(922,980)
Transfer to Capital Projects	-	(13,796,000)	-	(13,796,000)
Transfer from Capital Projects	-	-	1,290,829	1,290,829
Net cash provided by (used for) capital and related financing activities	8,339,922	(911,354)	(36,604,898)	(29,176,330)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of investment securities	-	(670,670,308)	-	(670,670,308)
Sale of investment securities	-	653,377,154	-	653,377,154
Interest on investments	185,208	275,609	-	460,817
Net cash used for investing activities	185,208	(17,017,545)	-	(16,832,337)
Net increase in cash and cash equivalents	27,399,308	(17,928,899)	(36,604,898)	(27,134,489)
Cash and temporary investments, July 1	38,000,255	41,515,002	86,350,605	165,865,862
Cash and temporary investments, June 30	$ 65,399,563	$ 23,586,103	$ 49,745,707	$ 138,731,373

Anne Arundel County, Maryland

Combining Statement of Cash Flows

Water and Wastewater Fund

Year Ended June 30, 2016

	Operating	Debt Service	Capital Projects	Total Water and Wastewater
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating loss	$ (50,943,370)	$ -	$ -	$ (50,943,370)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	45,566,683	-	-	45,566,683
Noncapital construction costs	19,053,748	-	-	19,053,748
Effect of changes in assets and liabilities:				
Accounts receivable	1,277,969	-	-	1,277,969
Due from other funds	(186,077)	-	-	(186,077)
Inventories	(89,165)	-	-	(89,165)
Prepaid expenses	(8,735)	-	-	(8,735)
Deferred outflow of resources	(4,976,079)	-	-	(4,976,079)
Deferred inflow of resources	2,268,524	-	-	2,268,524
Accounts payable and accrued liabilities	1,698,588	-	-	1,698,588
Due to other funds	340,532	-	-	340,532
Escrow deposits	18,584	-	-	18,584
Accrued liability for compensated absences	56,091	-	-	56,091
Accrued liability for pension	5,345,227	-	-	5,345,227
Accrued liability for OPEB benefits	(548,342)	-	-	(548,342)
Net cash provided by operating activities	$ 18,874,178	$ -	$ -	$ 18,874,178
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets from developers	$ 16,820,089	$ -	$ -	$ 16,820,089
Trade in of capital assets	117,700	-	-	117,700
Change in capital contributions, fees and grants; accruals and deferrals	-	(26,000,040)	4,610,048	(21,389,992)
Increase in fair value of investments	-	(230,980)	-	(230,980)
Amortization of refunding losses	-	(454,447)	-	(454,447)
Total Noncash investing, capital, and financing activities	$ 16,937,789	$ (26,685,467)	$ 4,610,048	$ (5,137,630)

Anne Arundel County, Maryland

Combining Statement of Plan Net Position

Pension Trust Funds

June 30, 2016

	Defined Benefit Pension Plans (December 31, 2015)				
	Employees' Retirement	Police Service Retirement	Fire Service Retirement	Detention Officers' & Deputy Sheriffs' Retirement	Totals
ASSETS					
Investments, at fair value:					
Cash and temporary investments	$ 13,770,219	$ 11,316,051	$ 11,472,219	$ 2,704,593	$ 39,263,082
U. S. Government obligations	3,961,781	3,254,051	3,292,623	776,745	11,285,200
Corporate obligations	32,351,452	26,572,206	26,887,184	6,342,812	92,153,654
Domestic fixed income mutual funds	29,741,375	24,428,391	24,717,957	5,831,081	84,718,804
International fixed income mutual funds	20,522,763	16,856,587	17,056,399	4,023,684	58,459,433
Global assets and pools	92,015,682	75,578,049	76,473,926	18,040,556	262,108,213
Domestic equity	152,820,996	125,521,134	127,009,019	29,962,020	435,313,169
International equity investment pools	117,183,949	96,250,270	97,391,189	22,975,036	333,800,444
Private markets	40,791,668	33,504,666	33,901,819	7,997,597	116,195,750
Portable Alpha	100,535	82,575	83,554	19,711	286,375
Real estate investment pools	34,006,414	27,931,526	28,262,617	6,667,283	96,867,840
Absolute return fixed income	17,572,388	14,433,266	14,604,353	3,445,235	50,055,242
Aetna insurance pooled fixed income	8,518,917	6,997,102	7,080,044	1,670,215	24,266,278
Total investments	563,358,139	462,725,874	468,232,903	110,456,568	1,604,773,484
Collateral from securities lending transactions	24,935,075	20,480,686	20,723,457	4,888,760	71,027,978
Receivables:					
Employer contributions	2,201,310	1,692,875	1,237,903	543,866	5,675,954
Participant contributions	462,956	241,437	242,003	105,452	1,051,848
Accrued interest and dividends	518,189	425,614	430,638	101,601	1,476,042
Investment sales proceeds	877,996	721,151	729,699	172,140	2,500,986
Total receivables	4,060,451	3,081,077	2,640,243	923,059	10,704,830
Deposits on hand	14,373	158,851	70,808	-	244,032
Total assets	592,368,038	486,446,488	491,667,411	116,268,387	1,686,750,324
LIABILITIES					
Accounts payable	580,896	477,124	482,780	113,890	1,654,690
Investment commitments payable	2,343,016	1,924,461	1,947,273	459,371	6,674,121
Obligation for collateral received under securities lending transactions	24,935,075	20,480,686	20,723,457	4,888,760	71,027,978
Total liabilities	27,858,987	22,882,271	23,153,510	5,462,021	79,356,789
Net position held in trust for pension benefits	$ 564,509,051	$ 463,564,217	$ 468,513,901	$ 110,806,366	$ 1,607,393,535

Anne Arundel County, Maryland

Combining Statement of Changes in Net Position

Pension Trust Funds

Year Ended June 30, 2016

	Defined Benefit Pension Trust (December 31, 2015)				
	Employees' Retirement	Police Service Retirement	Fire Service Retirement	Detention Officers' & Deputy Sheriffs' Retirement	Totals
ADDITIONS					
Contributions:					
Employer	$ 25,629,927	$ 19,559,952	$ 15,121,806	$ 6,370,758	$ 66,682,443
Participant	4,846,856	3,104,338	3,050,456	1,317,143	12,318,793
Total contributions	30,476,783	22,664,290	18,172,262	7,687,901	79,001,236
Investment income:					
Net appreciation (depreciation) in fair value of investments	(17,676,923)	(14,458,580)	(14,611,955)	(3,485,450)	(50,232,908)
Interest income	6,497,843	4,341,140	4,580,676	1,022,723	16,442,382
Dividend income	6,597,151	5,415,726	5,496,805	1,280,189	18,789,871
Total investment income	(4,581,929)	(4,701,714)	(4,534,474)	(1,182,538)	(15,000,655)
Less investment expense	(3,965,538)	(3,306,272)	(3,333,047)	(766,338)	(11,371,195)
Net income from investing activities	(8,547,467)	(8,007,986)	(7,867,521)	(1,948,876)	(26,371,850)
Securities lending activities:					
Securities lending income	132,833	109,019	110,588	25,813	378,253
Securities lending expenses:					
Borrower rebates	8,255	6,775	6,873	1,604	23,507
Management fees	37,408	30,701	31,143	7,269	106,521
Securities lending expense	45,663	37,476	38,016	8,873	130,028
Securities lending net income	87,170	71,543	72,572	16,940	248,225
Total net investment income	(8,460,297)	(7,936,443)	(7,794,949)	(1,931,936)	(26,123,625)
Total additions	22,016,486	14,727,847	10,377,313	5,755,965	52,877,611
DEDUCTIONS					
Participant benefit payments and refunds	41,260,300	31,131,759	31,492,994	6,275,285	110,160,338
Administrative expenses	505,852	427,109	438,008	99,084	1,470,053
Total deductions	41,766,152	31,558,868	31,931,002	6,374,369	111,630,391
Net increases	(19,749,666)	(16,831,021)	(21,553,689)	(618,404)	(58,752,780)
Net position, beginning of year	584,258,717	480,395,238	490,067,590	111,424,770	1,666,146,315
Net position, end of year	$ 564,509,051	$ 463,564,217	$ 468,513,901	$ 110,806,366	$ 1,607,393,535

Anne Arundel County, Maryland

Details of Long-term Debt and Interest

(Long-term Debt Applicable to 5.6% and 14% Debt Limitations)

June 30, 2016

	Date Issued	*Maturing Serially*	*Rate of Interest*	*Amount Issued*	*Redeemed F/Y 16*	*06/30/16 Outstanding*	*Total Due to Maturity*
Water and Wastewater Bonds							
MDWQE Glen Burnie Superblk	03/28/96	1997-16	3.99 to 3.99	$ 468,937	$ 23,447	$ -	-
MDWQE Rosehaven	03/28/01	2003-31	1.50 to 1.50	3,033,715	102,270	1,731,668	1,946,681
Series 03	03/01/03	2004-32	1.00 to 5.00	24,000,000	-	-	-
Series 03 Refunding	03/01/03	2004-23	1.00 to 5.00	65,085,000	4,295,000	-	-
MDWQE Annapolis WRF Expn	06/27/03	2005-24	1.00 to 1.00	19,362,500	981,067	8,210,091	8,583,833
Series 05	03/01/05	2006-34	3.00 to 5.00	24,500,000	-	-	-
Series 05 Refunding	03/01/05	2006-28	3.00 to 5.00	26,480,000	1,355,000	-	-
Series 06	03/21/06	2007-35	4.125 to 5.0	19,000,000	655,000	-	-
Series 06 Refunding	03/21/06	2007-31	4.00 to 5.00	34,060,000	1,845,000	-	-
Series 07	03/29/07	2008-36	4.25 to 5.00	42,500,000	1,470,000	1,470,000	1,543,500
MDWQE Marley Jumpers	04/07/07	2008-27	1.00 to 1.00	5,854,341	352,061	2,798,643	2,920,955
Series 08	04/01/08	2009-36	3.50 to 5.00	32,000,000	1,145,000	3,435,000	3,744,150
MDWQE Woodholme Circle	06/17/08	2009-28	1.10 to 1.10	1,200,475	63,870	766,719	825,667
Series 09	04/01/09	2010-39	2.50 to 4.75	29,200,000	975,000	22,375,000	34,456,688
Series 09 Refunding	07/22/09	2010-25	3.00 to 4.00	20,730,000	1,605,000	11,215,000	13,112,001
MDWQE Deale Rd Sewer	12/01/09	2011-30	0.00 to 0.00	1,749,147	98,323	1,159,206	1,159,206
Series 10	04/08/10	2011-20	2.00 to 5.00	13,900,000	1,390,000	5,560,000	6,116,000
BABs Series 10	04/08/10	2021-30	4.80 to 5.55	27,700,000	-	27,700,000	51,068,545
Series 11	04/20/11	2012-41	2.00 to 5.00	47,600,000	1,590,000	39,650,000	64,806,000
MDWQE Annap/Bneck/Cox	06/16/11	2013-32	2.20 to 2.20	15,691,411	773,846	12,863,890	15,770,865
Series 11 Refunding	09/01/11	2013-25	3.00 to 5.00	8,860,000	730,000	6,645,000	8,311,750
MDWQE Bwater/MDCity/Patxnt	05/31/12	2014-33	1.80 to 1.80	11,672,727	580,641	9,993,134	11,954,256
Series 12	06/14/12	2013-42	2.00 to 4.00	27,020,000	905,000	23,405,000	34,519,075
Series 12 Refunding	06/14/12	2013-32	2.00 to 5.00	15,810,000	340,000	15,100,000	19,820,325
MDWQE Sylvan Shores Water	12/21/12	2014-42	0.80 to 0.80	3,038,386	124,406	3,224,166	3,620,473
MDWQE Sylvan Shores Sewer	12/21/12	2014-33	0.80 to 0.80	1,771,556	93,619	1,635,765	1,761,008
Series 13	06/20/13	2014-43	4.00 to 5.00	38,080,000	1,265,000	34,285,000	55,076,238
MDWQE Cox Creek Ph II	10/31/13	2014-34	2.10 to 2.10	11,841,358	901,133	14,888,954	19,857,419
Series 14	04/03/14	2015-44	3.00 to 5.00	79,200,000	2,640,000	73,920,000	118,806,600
Series 15	04/08/15	2016-45	2.00 to 5.00	77,600,000	2,590,000	75,010,000	131,245,000
Series 15 Refunding	04/08/15	2016-36	5.00 to 5.00	34,875,000	670,000	34,205,000	53,170,250
Series 16	04/13/16	2017-45	3.00 to 5.00	43,585,000	-	43,585,000	76,125,917
Series 16 Refunding	04/13/16	2017-36	3.00 to 5.00	75,300,000	-	75,300,000	98,177,700
Total applicable to 5.6% and 14% debt limitations				882,769,553	29,559,683	550,132,236	838,500,102

(continued)

DETAILS OF GENERAL LONG-TERM DEBT AND INTEREST (continued)

LONG-TERM DEBT APPLICABLE TO 5.2% AND 13% DEBT LIMITATIONS

June 30, 2016

	Issued	*Maturing Serially*	*Rate of Interest*	*Issued*	*Redeemed F/Y 16*	*06/30/16 Outstanding*	*Total Due to Maturity*
Consolidated General Improvements Bonds							
Series 05 Refunding	03/01/05	2006-26	3.00 to 5.00	46,625,000	4,115,000	-	-
Series 06	03/21/06	2007-26	4.00 to 5.00	64,000,000	3,180,799	-	-
Series 06 Refunding	03/21/06	2007-27	4.00 to 5.00	87,115,000	8,200,000	-	-
Series 07	03/29/07	2008-27	4.25 to 5.00	91,600,000	5,502,929	5,474,476	5,748,200
Series 08	04/01/08	2009-28	3.50 to 5.00	55,200,000	3,310,000	8,830,000	9,591,700
Series 09	04/01/09	2010-29	4.00 to 5.00	113,300,000	6,817,336	65,523,296	83,043,101
Series 09 Refunding	07/22/09	2010-25	1.50 to 4.00	32,610,000	2,630,000	7,575,000	9,021,799
Series 10	04/08/10	2011-20	2.00 to 5.00	66,136,440	7,395,705	29,379,934	33,036,432
BABs Series 10	04/08/10	2021-30	4.80 to 5.55	72,888,560	-	72,888,560	109,595,240
Series 11	04/20/11	2012-31	3.00 to 5.00	117,500,000	5,958,999	87,599,237	119,741,495
Series 11 Refunding	09/01/11	2013-25	3.00 to 5.00	35,835,000	3,565,000	25,060,000	30,086,750
Series 12	06/14/12	2013-32	3.00 to 4.00	98,900,000	5,947,028	75,071,170	98,902,490
Series 12 Refunding	06/14/12	2013-32	2.00 to 5.00	36,332,512	1,667,882	32,953,125	39,782,368
Series 13	06/20/13	2014-33	4.00 to 5.00	116,000,000	6,960,000	95,120,000	133,446,400
Series 14	04/03/14	2015-34	3.00 to 5.00	115,000,000	7,039,022	100,921,956	138,028,886
Series 15	04/08/15	2016-35	2.00 to 5.00	154,920,000	79,000	154,841,000	220,977,681
Series 15 Refunding	04/08/15	2016-27	5.00 to 5.00	58,504,968	1,572,432	56,932,536	74,885,021
Golf Course Refunding	04/08/15	2016-28	5.00 to 5.00	15,735,000	905,000	14,830,000	20,076,750
Series 16	04/13/16	2017-46	5.00 to 5.00	80,027,783	-	80,027,783	139,898,743
Series 16 Refunding	04/13/16	2017-27	3.00 to 5.00	69,384,271	-	69,384,271	81,733,512
				1,527,614,534	74,846,132	982,412,344	1,347,596,568
WPRF Bonds							
Series 14	04/03/14	2015-34	2.00 to 5.00	7,300,000	354,927	6,590,146	9,207,578
Series 15	04/08/15	2016-35	5.00 to 5.00	26,880,000	15,000	26,865,000	40,180,752
Series 16	04/13/16	2017-45	5.00 to 5.00	13,232,217	-	13,232,217	23,134,324
				47,412,217	369,927	46,687,363	72,522,654
Solid Waste Bonds							
SW AMT 96	03/01/96	1997-16	5.00 to 5.50	12,000,000	600,000	600,000	616,500
Series 98	05/01/98	1999-17	4.65 to 6.00	7,000,000	350,000	700,000	737,100
Series 06	03/21/06	2007-26	4.00 to 5.00	2,000,000	119,201	-	-
Series 07	03/29/07	2008-27	4.25 to 5.00	4,300,000	252,071	280,524	294,550
Series 09	04/01/09	2010-29	4.00 to 5.00	2,100,000	112,664	1,366,704	1,748,824
Series 10	04/08/10	2011-20	3.00 to 5.00	1,938,560	214,295	945,066	1,071,318
BABs Series 10	04/08/10	2011-30	4.80 to 5.55	3,161,440	-	3,161,440	4,753,540
Series 11	04/20/11	2012-31	3.00 to 5.00	8,200,000	331,001	6,650,763	9,259,205
Series 12	06/14/12	2013-32	3.00 to 4.00	2,200,000	112,972	1,788,830	2,403,760
Series 12 Refunding	06/14/12	2013-25	2.00 to 5.00	917,488	42,118	846,875	1,024,632
Series 14	04/03/14	2015-34	2.00 to 5.00	4,600,000	221,051	4,157,898	5,792,942
Series 15	04/08/15	2016-35	2.00 to 5.00	9,600,000	6,000	9,594,000	14,327,818
Series 15 Refunding	04/08/15	2016-27	5.00 to 5.50	2,700,032	72,568	2,627,464	3,455,981
Series 16 Refunding	04/13/16	2017-27	3.00 to 5.00	200,729	-	200,729	239,928
Total Waste Collection Enterprise Fund				60,918,249	2,433,941	32,920,293	45,726,098
Total applicable to 5.2% and 13% debt limitations				1,635,945,000	77,650,000	1,062,020,000	1,465,845,320

(continued)

DETAILS OF GENERAL LONG-TERM DEBT AND INTEREST (continued)

NOT APPLICABLE TO DEBT LIMITATIONS

June 30, 2016

	Issued	*Maturing Serially*	*Rate of Interest*	*Issued*	*Redeemed F/Y 16*	*06/30/16 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	386,000	696,811
Ellen H. Shepard Trust	09/22/00	2002-30	5.85 to 5.85	161,000	1,000	146,000	260,250
Harold & Jean Touchette	09/19/00	2002-30	5.85 to 5.85	378,000	1,000	363,000	654,974
Farm of the Four Winds, LLC	11/13/00	2002-30	6.00 to 6.00	587,000	1,000	572,000	1,047,020
Kenneth P. Franklin, Trustee	12/28/00	2002-30	5.60 to 5.60	142,055	1,000	127,000	221,472
Richard F. Moreland	07/18/01	2003-28	5.90 to 5.90	274,000	1,000	260,000	440,186
Mary M. Smith	07/18/01	2003-28	5.90 to 5.90	831,000	1,000	817,000	1,391,542
Francis R. Windsor	07/26/01	2003-28	5.90 to 5.90	411,174	1,000	397,000	674,182
Anita Froe/Rian LLC	03/06/02	2003-28	5.90 to 5.90	657,000	1,000	643,000	1,094,350
Lauer & Company	09/20/02	2004-28	5.25 to 5.25	197,000	1,000	184,000	296,455
Weeems Dodd Ltd	10/17/02	2004-28	5.45 to 5.45	1,521,000	1,000	1,508,000	2,490,635
Edward Hall III	12/19/02	2004-28	5.55 to 5.55	180,000	1,000	167,000	274,560
Bristol Farms LLC	01/28/03	2004-28	5.50 to 5.50	700,000	1,000	687,000	1,132,701
Shearman Talbott	05/22/03	2005-28	4.95 to 4.95	263,948	1,000	252,000	398,421
Anne Brice	06/23/04	2006-28	5.80 to 5.80	316,000	1,000	305,000	513,452
Thackray Seznec	06/30/04	2006-28	5.80 to 5.80	1,405,000	1,000	1,394,000	2,360,396
James Parks	07/07/04	2006-28	5.60 to 5.60	295,000	1,000	284,000	471,152
Dorothy Horky	12/05/05	2006-28	4.90 to 4.90	368,814	1,000	359,000	566,858
Virginia Tucker	10/05/06	2007-28	4.90 to 4.90	926,000	1,000	917,000	1,452,962
Jennifer Wade	07/26/07	2008-28	5.30 to 5.30	873,925	1,000	866,000	1,397,788
Ford/Addis	12/20/07	2008-37	4.60 to 4.60	604,000	-	604,000	1,187,464
Francis Talbott III	07/16/08	2009-37	4.55 to 4.55	840,000	-	840,000	1,642,620
Thompson Lumber	06/21/11	2012-41	4.55 to 4.55	1,487,000	-	1,487,000	3,178,462
				13,819,916	20,000	13,565,000	23,844,713
Tax Increment Bonds							
National Business Park North A	8/10/10	2011-25	5.625 to 5.625	4,000,000	-	4,000,000	5,404,281
National Business Park North B	08/10/10	2011-41	6.10 to 6.10	26,000,000	-	26,000,000	56,343,840
Village South at Waugh Chapel	11/18/10	2011-41	6.25 to 6.25	16,000,000	-	16,000,000	32,085,938
Arundel Mills Refunding	05/14/14	2015-29	2.00 to 5.00	24,940,000	1,055,000	23,885,000	30,616,100
National Business Park Ref	05/14/14	2015-28	1.50 to 5.00	12,155,000	590,000	11,565,000	14,674,438
Nursery Road Refunding	05/14/14	2015-29	2.00 to 5.00	1,765,000	90,000	1,675,000	2,126,024
				84,860,000	1,735,000	83,125,000	141,250,621

LONG TERM DEBT NOT APPLICABLE TO DEBT LIMITATIONS

	Issued	*Maturing Serially*	*Rate of Interest*	*Issued*	*Redeemed F/Y 16*	*06/30/16 Outstanding*	*Total Due to Maturity*
State Loans							
Department of Natural Resources							
Amberly	11/01/08	2008-33	0.00	135,000	5,400	91,800	91,800
Annapolis Cove	05/27/14	2015-30	0.00	173,425	5,557	153,306	153,306
Annapolis Landing	07/01/92	1993-17	0.00	78,570	3,142	6,286	6,286
Arundel on the Bay	04/28/92	1993-17	0.00	74,220	2,969	5,937	5,937
Bay Ridge	11/19/90	1992-16	0.00	669,275	26,771	26,771	26,771
Bay Ridge #2	07/01/08	2009-28	0.00	500,000	25,771	335,023	335,023
Brown's Pond	11/25/91	1992-16	0.00	185,128	7,405	7,405	7,405
Buckingham Cove	04/07/97	1997-21	0.00	217,570	8,703	52,212	52,212
Camp Wabanna SECD	04/26/05	2011-31	0.00	174,857	9,203	128,842	128,842
Cape Anne SECD	11/30/06	2009-34	0.00	190,308	8,101	137,717	137,717
Cattail Creek	04/03/98	1998-22	0.00	127,628	5,105	35,736	35,736
Columbia Beach	06/12/08	2013-38	0.00	1,042,027	22,411	858,624	858,624
Elizabeth's Landing	09/26/91	1993-17	0.00	161,310	6,452	12,906	12,906
Elizabeth's Landing III	01/22/10	2012-37	0.00	153,262	6,130	116,470	116,470
John's Creek	12/15/93	1994-19	0.00	173,206	6,920	20,760	20,760
Holland Point SECD	10/11/04	2011-31	0.00	1,050,054	55,266	773,724	773,724
Lake Hillsmere II	04/03/98	1998-22	0.00	188,660	7,546	52,822	52,822
Mason's Beach	06/03/96	1997-06	0.00	277,098	13,854	13,855	13,855
Romar Estates	03/27/97	1997-21	0.00	304,987	12,200	73,196	73,196
Snug Harbor	11/21/91	1992-16	0.00	738,599	29,544	29,544	29,544
Snug Harbor Pier	04/13/92	1992-16	0.00	91,443	3,656	3,656	3,656
Snug Harbor SECD	10/11/04	2012-31	0.00	112,600	5,817	87,255	87,255
Spriggs Pond	02/28/92	1993-17	0.00	298,400	11,936	11,936	11,936
Whitehall Cove	12/19/01	2001-25	0.00	164,134	6,565	65,654	65,654
Total not applicable to debt limitations				7,281,761	296,424	3,101,437	3,101,437
Total long-term debt				$ 2,624,676,230	$ 109,261,107	$ 1,711,943,673	$ 2,472,542,193

APPENDIX B

SUPPLEMENT TO NOTICE OF SALE
(Change of Bid Specifications)

Related to

Anne Arundel County, Maryland
$173,135,000*
General Obligation Bonds

Consisting of
$109,335,000*Consolidated General Improvements Series, 2017
$63,800,000* Consolidated Water and Sewer Series, 2017

Anne Arundel County, Maryland (the "County") announces a Supplement to the Official Notice of Sale (the "Notice of Sale") for its General Obligation Bonds consisting of the Consolidated General Improvements Series, 2017 and the Consolidated Water and Sewer Series, 2017 (collectively, the "Bonds"). This Supplement to the Notice of Sale is dated March 27, 2017 and is available at www.idealprospectus.com and www.tm3.com.

The County announces the following revisions to the Notice of Sale for the Bonds.

BID SPECIFICATIONS: AMENDED

The portion of the bid specifications stating that "the rate of interest on each series of Bonds maturing in the years 2026 to 2045 shall be 5% per annum" is deleted and replaced by the following bid specification: "**The rate of interest on each series of Bonds maturing in the years 2027 to 2046 shall be 5% per annum.**" Accordingly, the interest rate on bonds maturing in the year 2026 may not exceed 5% per annum.

All other parameters, terms and conditions of the Notice of Sale for the Bonds remain the same.

ADDITIONAL INFORMATION

For further information, call Public Resources Advisory Group at (212) 566-7800.

Dated: March 27, 2017.

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* Preliminary, subject to change.

ANNE ARUNDEL COUNTY, MARYLAND

OFFICIAL NOTICE OF SALE OF

$173,135,000*
GENERAL OBLIGATION BONDS

Consisting of

$109,335,000* Consolidated General Improvements Series, 2017
$63,800,000* Consolidated Water and Sewer Series, 2017

Dated Date of Delivery

ELECTRONIC BIDS, via BiDCOMP/PARITY Competitive Bidding System (BiDCOMP/Parity) only, will be received until **10:30 A.M., LOCAL BALTIMORE, MARYLAND, TIME ON MARCH 29, 2017,** by the Chief Administrative Officer of Anne Arundel County, Maryland (the "County"), or other officer of the County designated by the County Executive of the County (the "County Executive") (either such officer being the "Designated Officer"), for the purchase of the above described general obligation bonds of the County, aggregating $173,135,000*, all dated the date of delivery, and bearing interest payable October 1, 2017, and semiannually thereafter on each April 1 and October 1 until maturity or prior redemption as hereinafter set forth.

The Consolidated General Improvements Series, 2017 (the "Consolidated General Improvements Bonds") and the Consolidated Water and Sewer Series, 2017 (the "Consolidated Water and Sewer Bonds" and together with the Consolidated General Improvements Bonds, the "Bonds") will mature, subject to prior redemption as hereinafter set forth, on October 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*
2017	$3,645,000	$1,545,000	2032	$3,645,000	$2,145,000
2018	3,645,000	2,150,000	2033	3,645,000	2,145,000
2019	3,645,000	2,150,000	2034	3,645,000	2,145,000
2020	3,645,000	2,150,000	2035	3,645,000	2,145,000
2021	3,645,000	2,150,000	2036	3,645,000	2,145,000
2022	3,645,000	2,150,000	2037	3,645,000	2,145,000
2023	3,645,000	2,150,000	2038	3,645,000	2,145,000
2024	3,645,000	2,150,000	2039	3,645,000	2,145,000
2025	3,645,000	2,150,000	2040	3,645,000	2,145,000
2026	3,645,000	2,150,000	2041	3,645,000	2,145,000
2027	3,645,000	2,150,000	2042	3,645,000	2,145,000
2028	3,645,000	2,145,000	2043	3,645,000	2,145,000
2029	3,645,000	2,145,000	2044	3,640,000	2,145,000
2030	3,645,000	2,145,000	2045	3,640,000	2,145,000
2031	3,645,000	2,145,000	2046	3,640,000	2,145,000

* Preliminary, subject to change.

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 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 Section 10-203 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement), the Charter of Anne Arundel County, Maryland (the "County Charter"), and Bill No. 46-16, passed by the County Council of the County on July 18, 2016, approved by the County Executive on July 19, 2016, and effective on September 2, 2016 (as may be amended and supplemented, the "Authorizing Ordinance").

The proceeds of the Consolidated General Improvements Bonds will be used to provide funding for general improvements. The proceeds of the Consolidated Water and Sewer Bonds will be used to provide funding for water and sewer improvements.

The full faith and credit and taxing power of the County are pledged to the payment of the 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 of and interest on the 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 October 1, 2027*, are subject to redemption, at the option of the County, on or after October 1, 2026*, 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 10:30 a.m., local Baltimore, Maryland time, on Wednesday, March 29, 2017, 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 Official Notice of Sale shall conflict with information provided by BiDCOMP/Parity as approved provider of electronic bidding services, this Official 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 Official 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 Official 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, Inc., 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 10:30 a.m., local Baltimore, Maryland time, on Wednesday, March 29, 2017. 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 BiDCOMP/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 $1,731,350* (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 provided, however, that the rate of interest on each series of Bonds maturing in the years 2026 to 2045 shall be 5% per annum. 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 the number of term bonds in either the Consolidated General Improvements Bonds or Consolidated Water and Sewer Bonds.

* Preliminary, subject to change.

Procedures for Principal Amount Changes and Other Changes to Official 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 Official Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Annual Principal Amount", respectively; collectively 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 underwriter's discount and original issue discount/premium, if any, but will not change the underwriter's discount per $1,000 of par amount of bonds from the underwriter's 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 of each series 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 Bonds.

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 Official 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 Official 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 April 12, 2017, 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 any time 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, Inc. 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 Official Notice of Sale, except for any changes to this Official 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 Official Notice of Sale, may be obtained from the Office of Finance, Anne Arundel County, Arundel Center, 44 Calvert Street, Annapolis, Maryland 21404 (410-222-1781) or from the County's financial advisor, Public Resources Advisory Group, Inc., 39 Broadway, 12th Floor, 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: Steven R. Schuh

County Executive

ANNE ARUNDEL COUNTY, MARYLAND

OFFICIAL NOTICE OF SALE OF

$64,610,000*
GENERAL OBLIGATION BONDS

Consisting of

$44,735,000* Consolidated General Improvements Series, 2017 Refunding Series
$19,875,000* Consolidated Water and Sewer Series, 2017 Refunding Series

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 MARCH 29, 2017,** by the Chief Administrative Officer of Anne Arundel County, Maryland (the "County"), or other officer of the County designated by the County Executive of the County (the "County Executive") (either such officer being the "Designated Officer"), for the purchase of the above described general obligation bonds of the County, aggregating $64,610,000*, all dated the date of delivery, and bearing interest payable October 1, 2017, and semiannually thereafter on each April 1 and October 1 until maturity or prior redemption as hereinafter set forth.

The Consolidated General Improvements Series, 2017 Refunding Series (the "Consolidated General Improvements Refunding Bonds") and the Consolidated Water and Sewer Series, 2017 Refunding Series (the "Consolidated Water and Sewer Refunding Bonds" and together with the Consolidated General Improvements Refunding Bonds, the "Bonds") will mature, subject to prior redemption as hereinafter set forth, on October 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 Refunding Bonds*	Consolidated Water and Sewer Refunding Bonds*	Years of Maturity	Consolidated General Improvements Refunding Bonds*	Consolidated Water and Sewer Refunding Bonds*
2017	$ 5,000	$ 5,000	2028	$4,330,000	$955,000
2018	2,235,000	1,160,000	2029	-	960,000
2019	4,275,000	935,000	2030	-	965,000
2020	4,215,000	925,000	2031	-	960,000
2021	4,180,000	915,000	2032	-	955,000
2022	4,185,000	920,000	2033	-	950,000
2023	4,210,000	925,000	2034	-	940,000
2024	4,235,000	935,000	2035	-	930,000
2025	4,265,000	940,000	2036	-	925,000
2026	4,290,000	950,000	2037	-	915,000
2027	4,310,000	955,000	2038	-	855,000

* Preliminary, subject to change.

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 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 Sections 10-203 and 19-207, respectively, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement), the Charter of Anne Arundel County, Maryland (the "County Charter"), and Bill No. 46-16, passed by the County Council of the County on July 18, 2016, approved by the County Executive on July 19, 2016, and effective on September 2, 2016 (as amended and supplemented, the "Authorizing Ordinance").

The proceeds of the Consolidated General Improvements Refunding Bonds will be used to refund certain bonds of the Anne Arundel County Consolidated General Improvements Series. The proceeds of the Consolidated Water and Sewer Refunding Bonds will be used to refund certain bonds of the Anne Arundel County Consolidated Water and Sewer Series. The full faith and credit and taxing power of the County are pledged to the payment of the 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 of and interest on the Bonds are as described herein. The Consolidated General Improvements Refunding 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 Refunding Bonds are 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 Refunding 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 October 1, 2027*, are subject to redemption, at the option of the County, on or after October 1, 2026*, 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.

Mandatory Sinking Fund Redemption

If two or more consecutive serial maturities are designated as a term bond, as provided below in

* Preliminary, subject to change.

"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 Wednesday, March 29, 2017, 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 Official Notice of Sale shall conflict with information provided by BiDCOMP/Parity as approved provider of electronic bidding services, this Official 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 Official 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 Official 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, Inc., 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 Wednesday, March 29, 2017. 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 BiDCOMP/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 $646,100* (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%. Each bidder must specify in its bid a single interest rate for each maturity of the Consolidated General Improvements Refunding Bonds and a single interest rate for each maturity of the Consolidated Water and Sewer Refunding Bonds. A zero rate cannot be named for any maturity. Certain maturities of the Bonds must have "not-to-exceed" coupons, as set forth below:

For the Consolidated General Improvements Refunding Bonds maturing in the years 2017-2020, inclusive, no rate of interest shall exceed 3%;

For the Consolidated General Improvements Refunding Bonds maturing in the year 2021, the rate of interest shall not exceed 4%;

For the Consolidated General Improvement Refunding Bonds maturing in the years 2022-2028, inclusive, no rate of interest shall exceed 5%;

For the Consolidated Water and Sewer Refunding Bonds maturing in the years 2017-2020, inclusive, no rate of interest shall be more than 3%;

For the Consolidated Water and Sewer Refunding Bonds maturing in the year 2021, the rate of interest shall not exceed 4%;

* Preliminary, subject to change.

For the Consolidated Water and Sewer Refunding Bonds maturing in the years 2022-2030, inclusive, no rate of interest shall be more than 5%; and

For the Consolidated Water and Sewer Refunding Bonds maturing in years 2031-2038, inclusive, no rate of interest shall be more than 4%.

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 Refunding Bonds or the Consolidated Water and Sewer Refunding 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 the number of term bonds in either the Consolidated General Improvements Refunding Bonds or Consolidated Water and Sewer Refunding Bonds.

Procedures for Principal Amount Changes and Other Changes to Official 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 Official Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Annual Principal Amount", respectively; collectively 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 underwriter's discount and original issue discount/premium, if any, but will not change the underwriter's discount per $1,000 of par amount of bonds from the underwriter's 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 of each series 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 Bonds.

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 Official 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; Verification

The Bonds of each series described above will be issued and sold subject to (i) approval as to legality by McKennon Shelton & Henn LLP of Baltimore, Maryland, Bond Counsel and (ii) examination by Samuel Klein and Company, Certified Public Accountants of the arithmetical accuracy of certain computations related to escrow deposits, arbitrage yield, and compliance and satisfaction of savings requirements set forth in the Authorizing Ordinance. 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 Official Notice of Sale.

THE CONSOLIDATED GENERAL IMPROVEMENTS REFUNDING BONDS AND THE CONSOLIDATED WATER AND SEWER REFUNDING 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 April 12, 2017, 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 any time 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, Inc. 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 Official Notice of Sale, except for any changes to this Official 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 Official Notice of Sale, may be obtained from the Office of Finance, Anne Arundel County, Arundel Center, 44 Calvert Street, Annapolis, Maryland 21404 (410-222-1781) or from the County's Financial Advisor, Public Resources Advisory Group, Inc., 39 Broadway, 12th Floor, 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: Steven R. Schuh

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FORMS OF OPINIONS OF BOND COUNSEL

Consolidated General Improvements Series, 2017

[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 $108,385,000 general obligation bonds designated "Consolidated General Improvements Series, 2017" (the "Bonds"), which are described below.

The Bonds are dated the date of delivery, with interest payable on April 1 and October 1, commencing October 1, 2017; are fully registered in form in the denomination of $5,000 each or any integral multiple thereof; are issued under the authority of Section 10-203 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement) (the "Enabling Law"), The Anne Arundel County Charter (the "Charter") and Bill No. 46-16, passed by the County Council of the County on July 18, 2016, approved by the County Executive of the County on July 19, 2016 and effective on September 2, 2016 (as may be amended and supplemented, the "Ordinance"); and mature, on October 1 in each of the years 2017 to 2040, inclusive, and in the years 2043 and 2046, and bear interest as follows:

Years of Maturity	Principal Amount	Interest Rate	Years of Maturity	Principal Amount	Interest Rate
2017	$3,615,000	5.000%	2029	$3,615,000	5.000%
2018	3,615,000	5.000	2030	3,615,000	5.000
2019	3,615,000	5.000	2031	3,615,000	5.000
2020	3,615,000	5.000	2032	3,615,000	5.000
2021	3,615,000	5.000	2033	3,615,000	5.000
2022	3,615,000	5.000	2034	3,610,000	5.000
2023	3,615,000	5.000	2035	3,610,000	5.000
2024	3,615,000	5.000	2036	3,610,000	5.000
2025	3,615,000	5.000	2037	3,610,000	5.000
2026	3,615,000	5.000	2038	3,610,000	5.000
2027	3,615,000	5.000	2039	3,610,000	5.000
2028	3,615,000	5.000	2040	3,610,000	5.000

$10,830,000 5.000% Term Bonds due October 1, 2043
$10,830,000 5.000% Term Bonds due October 1, 2046

The Bonds are subject to redemption in the manner and upon the terms and conditions set forth in the Bonds. The Term Bonds maturing on October 1, 2043 and October 1, 2046 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 from taxation of any kind by the State of Maryland, any of its political subdivisions, or any other public entity; 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, 2017

[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 $63,175,000 general obligation bonds designated "Consolidated Water and Sewer Series, 2017" (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, 2017; are fully registered in form in the denomination of $5,000 each or any integral multiple thereof; are issued under the authority of Section 10-203 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement) (the "Enabling Law"), The Anne Arundel County Charter (the "Charter") and Bill No. 46-16, passed by the County Council of the County on July 18, 2016, approved by the County Executive of the County on July 19, 2016 and effective on September 2, 2016 (as may be amended and supplemented, the "Ordinance"); and mature, on October 1 in each of the years 2017 to 2040, inclusive, and in the years 2043 and 2046, and bear interest as follows:

Years of Maturity	Principal Amount	Interest Rate	Years of Maturity	Principal Amount	Interest Rate
2017	$1,545,000	5.000%	2029	$2,125,000	5.000%
2018	2,130,000	5.000	2030	2,125,000	5.000
2019	2,125,000	5.000	2031	2,125,000	5.000
2020	2,125,000	5.000	2032	2,125,000	5.000
2021	2,125,000	5.000	2033	2,125,000	5.000
2022	2,125,000	5.000	2034	2,125,000	5.000
2023	2,125,000	5.000	2035	2,125,000	5.000
2024	2,125,000	5.000	2036	2,125,000	5.000
2025	2,125,000	5.000	2037	2,125,000	5.000
2026	2,125,000	5.000	2038	2,125,000	5.000
2027	2,125,000	5.000	2039	2,125,000	5.000
2028	2,125,000	5.000	2040	2,125,000	5.000

$6,375,000 5.000% Term Bonds due October 1, 2043
$6,375,000 5.000% Term Bonds due October 1, 2046

The Bonds are subject to redemption in the manner and upon the terms and conditions set forth in the Bonds. The Term Bonds maturing on October 1, 2043 and October 1, 2046 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 from taxation of any kind by the State of Maryland any of its political subdivisions, or any other public entity; 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,

Consolidated General Improvements Series, 2017 Refunding Series

[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 $45,360,000 general obligation bonds designated "Consolidated General Improvements Series, 2017 Refunding Series" (the "Bonds"), which are described below.

The Bonds are dated the date of delivery, with interest payable on April 1 and October 1, commencing October 1, 2017; are fully registered in form in the denomination of $5,000 each or any integral multiple thereof; are issued under the authority of Sections 10-203 and 19-207, respectively, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2016 Supplement) (the "Enabling Law"), The Anne Arundel County Charter (the "Charter") and Bill No. 46-16, passed by the County Council of the County on July 18, 2016, approved by the County Executive of the County on July 19, 2016 and effective on September 2, 2016 (as may be amended and supplemented, the "Ordinance"); and mature, on October 1 in each of the years 2017 to 2028, inclusive, and bear interest as follows:

Years of Maturity	Principal Amount	Interest Rate	Years of Maturity	Principal Amount	Interest Rate
2017	$5,000	3.000%	2023	$4,285,000	5.000%
2018	2,215,000	3.000	2024	4,320,000	5.000
2019	4,340,000	3.000	2025	4,350,000	5.000
2020	4,285,000	3.000	2026	4,385,000	5.000
2021	4,250,000	4.000	2027	4,365,000	3.000
2022	4,260,000	5.000	2028	4,300,000	3.000

The Bonds are subject to redemption in the manner and upon the terms and conditions 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 interest payable on the Bonds and any profit realized from their sale and exchange, will be exempt from State of Maryland income taxation; 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, 2017 Refunding Series

[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 $20,515,000 general obligation bonds designated "Consolidated Water and Sewer Series, 2017 Refunding Series" (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, 2017; are fully registered in form in the denomination of $5,000 each or any integral multiple thereof; are issued under the authority of Sections 10-203 and 19-207, respectively, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and the 2016 Supplement) (the "Enabling Law"), The Anne Arundel County Charter (the "Charter") and Bill No. 46-16, passed by the County Council of the County on July 18, 2016, approved by the County Executive of the County on July 19, 2016 and effective on September 2, 2016 (as may be amended and supplemented, the "Ordinance"); and mature, on October 1 in each of the years 2017 to 2038, inclusive, and bear interest as follows:

Years of Maturity	**Principal Amount**	**Interest Rate**	**Years of Maturity**	**Principal Amount**	**Interest Rate**
2017	$5,000	3.000%	2028	$1,015,000	4.000%
2018	1,155,000	3.000	2029	1,015,000	4.000
2019	985,000	3.000	2030	1,005,000	3.000
2020	975,000	3.000	2031	990,000	3.000
2021	970,000	4.000	2032	970,000	3.000
2022	975,000	5.000	2033	955,000	3.000
2023	985,000	5.000	2034	940,000	3.125
2024	995,000	5.000	2035	925,000	3.250
2025	1,005,000	5.000	2036	905,000	3.250
2026	1,015,000	5.000	2037	890,000	3.250
2027	1,020,000	4.000	2038	820,000	3.250

The Bonds are subject to redemption in the manner and upon the terms and conditions 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 interest payable on the Bonds and any profit realized from their sale and exchange, will be exempt from State of Maryland income taxation; 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 $108,385,000 Consolidated General Improvements Series, 2017, its $63,175,000 Consolidated Water and Sewer Series, 2017, its $45,360,000 Consolidated General Improvements Series, 2017 Refunding Series and its $20,515,000 Consolidated Water and Sewer Series, 2017 Refunding Series (collectively, the "Bonds"). The Bonds are being issued pursuant to Bill No. 46-16, passed by the County Council of the County on July 18, 2016, approved by the County Executive of the County on July 19, 2016 and effective on September 2, 2016, 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:

"EMMA" shall mean the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the rule.

"**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.

"**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 MSRB in an electronic format prescribed by the MSRB 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, 2017).

(b) The County shall provide to the MSRB in an electronic format prescribed by the MSRB 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, 2017).

(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 MSRB.

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 a 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 (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 _____, 2017.

(SEAL) ANNE ARUNDEL COUNTY, MARYLAND

ATTEST:

By______________________________________
STEVEN R. SCHUH
County Executive

____
Administrative Officer to the County Council