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BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(95-7-1R)

A RESOLUTION authorizing

The formal ratification by the Maryland Environmental Service (the "Service") of the purchase of certain assets, assignment of the assets to a Project Reserve Fund (Internal Service Fund), and the borrowing of moneys to finance the purchase of these assets

R E C I T A L S

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 to 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (the "Act") including (among others) the powers **(i)** to acquire, purchase, hold, lease as lessee, and use any franchise and any property, real, personal or mixed, tangible or intangible, or any interest therein necessary to carry out the purposes of the Service, **(ii)** to create and establish a project reserve fund, **(iii)** to borrow money and issue bonds or notes for the purpose of paying all or any part of the cost of any one or more projects or for any other purpose of the Service

The Service considers the purchase of certain assets for the use and support of certain projects to be in furtherance of the purposes of the Act and the Service

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, THAT

1 The purchase of the assets identified herein shall be, and hereby is, confirmed, authorized and directed pursuant to the provisions of the Act

2 Certain procurements have been or will be initiated by the Service subject to funding availability and project schedules

3 With regard to the attached list entitled "Capital Equipment Expenditures" and totaling Six Hundred Thousand Dollars ($600,000 00), the Board approves the following **(a)** the purchase of the assets, **(b)** assignment of each of the assets to the Project Reserve Fund (Internal Service Fund) to support certain Service projects, **(c)** borrowing of moneys for a term not to exceed five (5) years to finance the purchase of the assets, **(d)** the use of interfund borrowing, as needed, but only a temporary basis, to facilitate the purchase transaction, and **(e)** use of the proceeds of the permanent financing as appropriate to reimburse the interfund borrowing

4 The purchases shall be, and hereby are, adopted and authorized as set forth above, and the Director of the Service is hereby authorized to proceed as authorized and approved by this Resolution The Service may make any substitutions of assets it deems necessary

5 This Resolution shall take effect immediately

ADOPTED, this 27th of July, 1995

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY _____
JAMES W PECK, DIRECTOR

BY _____
CAROLYN DAVIS, SECRETARY

BY _____
ANNETTE ANSELMI, TREASURER

CAPITAL EQUIPMENT EXPENDITURES
(95-7-1R)

MES - EQUIPMENT

Item 1	WESTERN BRANCH BAGGING SYSTEM Bagging $150,000 Portable Building $80,000 Site $20,000	$ 250,000
Item 2	MIDSHORE Track Loader	$ 270,000
Item 3	BALTIMORE COUNTY RESOURCE RECOVERY FACILITY Backhoe	$ 80,000
		$ 600,000

PFM

PUBLIC FINANCIAL MANAGEMENT, INC
Financial and Investment Advisors

NationsBank Plaza Suite 3850
600 Peachtree Street Atlanta Georgia 30308
404 876 1919 (Fax) 404 876 2353

DATE July 12 1995

TO Ms Annette Anselmi
Deputy Director and Chief of Administration and Finance
Maryland Environmental Service

FINANCIAL ADVISORY MEMORANDUM
$5,915,000
MARYLAND ENVIRONMENTAL SERVICE
REVENUE BONDS
(REGIONAL YARD DEBRIS COMPOSTING PROJECT)
SERIES 1995

This Financial Advisory Memorandum is presented to the Maryland Environmental Service (the Service) to briefly detail the history behind this financing and more importantly to give an *independent* perspective of the pricing for the securities that were offered and the appropriateness of that pricing This report is intended to summarize market conditions pricing and credit factors relating to the issuance by the Service of $5 915 000 Revenue Bonds (Regional Yard Debris Composting Project) Series 1995 (the Series 1995 Bonds) Additionally this report was prepared to document for the Service the factors conversations and negotiations leading to informed decisions with respect to the sale of the Series 1995 Bonds from the recommendation from Public Financial Management

Purpose of the Series 1995 Bonds

The Service is acting together with Anne Arundel County Baltimore County and Howard County (collectively the Baltimore Regional Counties) to develop a regional composting facility (the Composting Facility) The Composting Facility is designed to accept up to 45 000 tons of yard debris annually The Service estimates that approximately 50 percent of the 45 000 tons will be leaves 30 percent grass and the remaining 20 percent light brush The yard debris will be composted using aerated windrow methodologies to produce compost and mulch for use as soil amendment and ground cover The composting process provides for recycling of organic material using a mechanized high volume adaptation of the process that occurs in nature Compost products provide benefits to poor soil by improving water retention and soil porosity and by adding organic matter and micro nutrients Mulch products provide

aesthetic qualities to landscaping as well as reducing water requirements and controlling weed growth Both products enjoy wide popularity with garden centers golf courses landscapers mulch vendors and top soil blenders

Additionally the United States Environmental Protection Agency estimates that current programs which compost yard debris divert 18 percent of the total amount of solid waste nationally that enters the average landfill This diversion of solid waste extends the useful life of existing landfills and delays the need for new landfills that are increasingly difficult to site and expensive to construct under new regulations Furthermore under the State of Maryland s statutory recycling goals the Baltimore Regional Counties must reduce their solid waste stream The Maryland Department of the Environment has approved composted yard debris as a credit toward this reduction requirement

Security for the Series 1995 Bonds

The Series 1995 Bonds are special obligations of the Service The Service has pledged and assigned the pledged revenues consisting of (*i*) all payments to the Service or the trustee pursuant to the Intergovernmental Agreements (defined below) (*ii*) all moneys and securities on deposit in funds and accounts created by the Series 1995 Bonds Indenture and (*iii*) all other receipts of the Service attributable to the ownership or operation of the Composting Facility and the financing or refinancing of any of the Composting Facility projects other than funds received by the Service from Howard County for construction of access roads relating to the Composting Facility site

Each of the Baltimore Regional Counties has entered into an Intergovernmental Agreement with the Service which has a term at least equal to the term of the Series 1995 Bonds (Intergovernmental Agreements) The Intergovernmental Agreements provide that the Baltimore Regional Counties will deliver the guaranteed annual tonnage of yard debris as well as a monthly processing fee for each ton of yard debris delivered during the month to cover the costs of operating the Composting Facility and disposing of the yard debris If the aggregated amount of the per ton processing fees collected monthly together with other Composting Facility revenues are inadequate to cover the total cost of the Composting Facility the Intergovernmental Agreement provides that the Baltimore Regional Counties will also pay on a quarterly basis a supplement fee to cover any such shortfall

The Series 1995 Bonds are dated July 1 1995 and mature on each September 1 in the years 1996 through 2015 and bear interest beginning July 1 1995 payable March 1 and September 1 of each year commencing March 1 1996

Redemption Premiums

The Series 1995 Bonds maturing on or after September 1 2006 are subject to redemption prior to maturity as a whole at any time or in part on any interest payment date on or after September 1 2005 in order of maturity as the Service may determine and by lot within a maturity or mandatory redemption (expressed as a percentage of principal amount) plus interest accrued to the redemption date as set forth below

Redemption Period (all dates inclusive)	Redemption Price
September 1 2005 through August 31 2006	102%
September 1 2006 through August 31 2007	101%
September 1 2007 and thereafter	100%

Schedules illustrating the sources and uses of funds and debt service requirements for the Series 1995 Bonds are provided on the following pages

MARYLAND ENVIRONMENTAL SERVICE
Revenue Bonds Series 1995
(Regional Yard Debris Composting Project)
Sources and Uses Table

SOURCES OF FUNDS

Total Par Amount	$5 915 000 00
Accrued Interest	9 489 60
Total Sources of Funds	$5 924 489 60

USES OF FUNDS

Deposit to Construction Account		$5 120 225 19
Deposit to Debt Service Reserve Fund		494 126 25
Deposit to Capitalized Interest Account		77 642 19
Municipal Bond Insurance	*0 500 / of total debt service*	49 356 38
Costs of Issuance		173 650 00
Accrued Interest		9 489 60
Rounding		0 00
Total Uses of Funds		$5 924 489 60

ASSUMPTIONS

Dated Date	07/01/95
Delivery Date	07/12/95
First Interest Payment Date	03/01/96
First Principal Payment Date	09/01/96

Interest Rates as of June 29 1995 on LEGG MASON s winning scale
Bond issue has been sized to show LEVEL ANNUAL DEBT SERVICE

RESULTS

Arbitrage Yield	5 5109016 /
Bid True Interest Cost	5 5025346 /
True Interest Cost	5 6031030 /
Average Annual Debt Service	$489 681 65
Other Costs of Issuance	
Bond Counsel	$45 000 00
Financial Advisor	20 000 00
POS & OS	15 000 00
Rating Agencies	18 000 00
Trustee/Attorney	5 000 00
MES Financial Service/Advertisement	7 500 00
Rounding	4 000 00
Sub Total	$114 500 00
PLUS Underwriters Bid Discount	59 150 00
TOTAL COSTS OF ISSUANCE	$173 650 00
Original Issue Discount / + Premium	($13 711 95)
Land Acquisition	$3 670 000 00
Construction Costs	1 450 000 00
Less State Money	0 00
Deposit to Construction Fund	$5 120 000 00

MARYLAND ENVIRONMENTAL SERVICE
Revenue Bonds Series 1995
(Regional Yard Debris Composting Project)
Capitalized Interest Table

Date	Principal	Coupon	Yield	Price	Total Proceeds	Interest	Capitalized Interest	Debt Service	Annual Debt Service
07/01/95						$0 00	$0 00	$0 00	
09/01/95	$0 00	0 000 /	0 000 /	0 000	$0 00	0 00	0 00	0 00	$0 00
03/01/96						207 045 83	77 642 19	129 403 65	
09/01/96	175 000 00	4 750 /	3 750 /	101 097	176 919 75	155 284 38	0 00	330 284 38	459 688 02
03/01/97						151 128 13	0 00	151 128 13	
09/01/97	185 000 00	4 750 /	4 100 /	101 311	187 425 35	151 128 13	0 00	336 128 13	487 256 25
03/01/98						146 734 38	0 00	146 734 38	
09/01/98	195 000 00	4 750 /	4 300 /	101 302	197 538 90	146 734 38	0 00	341 734 38	488 468 75
03/01/99						142 103 13	0 00	142 103 13	
09/01/99	205 000 00	4 750 /	4 450 /	101 116	207 287 80	142 103 13	0 00	347 103 13	489 206 25
03/01/00						137 234 38	0 00	137 234 38	
09/01/00	215 000 00	4 750 /	4 550 /	100 901	216 937 15	137 234 38	0 00	352 234 38	489 468 75
03/01/01						132 128 13	0 00	132 128 13	
09/01/01	225 000 00	4 750 /	4 650 /	100 523	226 176 75	132 128 13	0 00	357 128 13	489 256 25
03/01/02						126 784 38	0 00	126 784 38	
09/01/02	235 000 00	4 750 /	4 750 /	100 000	235 000 00	126 784 38	0 00	361 784 38	488 568 75
03/01/03						121 203 13	0 00	121 203 13	
09/01/03	250 000 00	4 800 /	4 850 /	99 661	249 152 50	121 203 13	0 00	371 203 13	492 406 25
03/01/04						115 203 13	0 00	115 203 13	
09/01/04	260 000 00	4 900 /	4 950 /	99 630	259 038 00	115 203 13	0 00	375 203 13	490 406 25
03/01/05						108 833 13	0 00	108 833 13	
09/01/05	275 000 00	5 000 /	5 050 /	99 600	273 900 00	108 833 13	0 00	383 833 13	492 666 25
03/01/06						101 958 13	0 00	101 958 13	
09/01/06	290 000 00	5 100 /	5 150 /	99 573	288 761 70	101 958 13	0 00	391 958 13	493 916 25
03/01/07						94 563 13	0 00	94 563 13	
09/01/07	305 000 00	5 200 /	5 250 /	99 548	303 621 40	94 563 13	0 00	399 563 13	494 126 25
03/01/08						86 633 13	0 00	86 633 13	
09/01/08	320 000 00	5 300 /	5 350 /	99 525	318 480 00	86 633 13	0 00	406 633 13	493 266 25
03/01/09						78 153 13	0 00	78 153 13	
09/01/09	335 000 00	5 400 /	5 450 /	99 504	333 338 40	78 153 13	0 00	413 153 13	491 306 25
03/01/10						69 108 13	0 00	69 108 13	
09/01/10	355 000 00	5 500 /	5 550 /	99 485	353 171 75	69 108 13	0 00	424 108 13	493 216 25
03/01/11						59 345 63	0 00	59 345 63	
09/01/11	375 000 00	5 600 /	5 650 /	99 467	373 001 25	59 345 63	0 00	434 345 63	493 691 25
03/01/12						48 845 63	0 00	48 845 63	
09/01/12	395 000 00	5 625 /	5 700 /	99 178	391 753 10	48 845 63	0 00	443 845 63	492 691 25
03/01/13						37 736 25	0 00	37 736 25	
09/01/13	415 000 00	5 700 /	5 750 /	99 433	412 646 95	37 736 25	0 00	452 736 25	490 472 50
03/01/14						25 908 75	0 00	25 908 75	
09/01/14	440 000 00	5 700 /	5 800 /	98 845	434 918 00	25 908 75	0 00	465 908 75	491 817 50
03/01/15						13 368 75	0 00	13 368 75	
09/01/15	465 000 00	5 750 /	5 800 /	99 402	462 219 30	13 368 75	0 00	478 368 75	491 737 50
	$5 915 000 00				$5 901 288 05	$3 956 275 21	$77 642 19	$9 793 633 02	$9 793 633 02

Section II

Key Economic Data and Market Indices

General Market Conditions

To prepare for the pricing of Series 1995 Bonds PFM closely followed trends of interest rates debt offerings and inventories treasury market performance and other matters affecting municipal debt issues The following is a summary of municipal credit market conditions during the month prior to the pricings of the Series 1995 Bonds The summary tracks a number of interest rates indicators including (*i*) long term Treasury bond yields and (*ii*) *The Bond Buyer* 25 Bond Revenue Index (the 25 Bond Revenue Index) which is an index of the average yield to maturity of 25 A rated tax exempt revenue bonds which mature in 30 years Following the current market condition summary are graphs which illustrate the trends in the 25 Bond Revenue Index from January 1980 through July 6 1995 as well as other municipal market indices

The Week Ending June 16, 1995

The continued uninspired behavior of consumers evident in the retail sales report for the month of May was published the week ending June 16 1995 provided further confirmation that the current economic slowdown reflects fundamental forces and not fleeting influences Reports of weak retail sales and low consumer price inflation ignited a solid rally in the Treasury market and pushed the 30 year bellwether bond up more than two points from the previous week s close Despite almost daily fire drills in the financial markets over Federal Reserve commentary the underlying case for eventual Fed easing continued to build In the absence of more vigorous consumer spending businesses are being forced to scale down production and hiring moves which ultimately will dampen income and future spending This backdrop together with the Clinton Administration s watershed decision to join the effort to implement a balanced budget plan should underpin lower bond yields beyond the current volatile trading environment As the economy lingers at subpar growth this summer signs of deficit reduction progress will provide Fed officials weighing a less restrictive stance with some room for flexibility

Municipal bond prices finished the week ending June 16 1995 on a bad note as prices snapped their five week rally with a vengeance *The Bond Buyer s* indexes jumped more than 10 basis points Municipal bond traders reported approximately $300 million of bid wanted lists attributing the selling off to investor anxiety about further price losses The 25 Bond Revenue Index jumped 16 basis points from the previous week s close to 6 10% Last week the 25 Bond Revenue Index reached its lowest point since February 24 1994

Long term US Treasury securities fared much better than municipals as the Treasury s 30 year bellwether bond finished unchanged from the previous week s close at 6 59%

The Week Ending June, 23, 1995

Chairman of the Federal Reserve Alan Greenspan appeared the week ending June 23 1995 to signal that he has not yet made up his mind whether the Fed is considering cutting rates in July Greater attention was given to each economic release as investors and traders tried to decide whether the economy is slipping into a recession or whether growth will resume in the second half of the year The manufacturing sector is in the grips of an inventory correction while housing activity is also being restrained by a substantial overhang of unsold new homes Central to the Fed s policy making process is how quickly and to what extent these inventory imbalances are corrected The data released the week ending June 23 1995 continued to give mixed signals on the economy Housing starts and building permits for May showed signs that housing construction activity may be beginning to stabilize after a sharp contraction earlier in the year The slower pace of new home sales so far this year has left builders with a rising inventory of unsold new homes Other data was released the week ending June 23 1995 namely trade and durable goods orders Strengthening imports and falling exports were at odds with the economic fundamentals of the cheap dollar and a sharply slowing domestic economy Durable goods orders were surprisingly strong

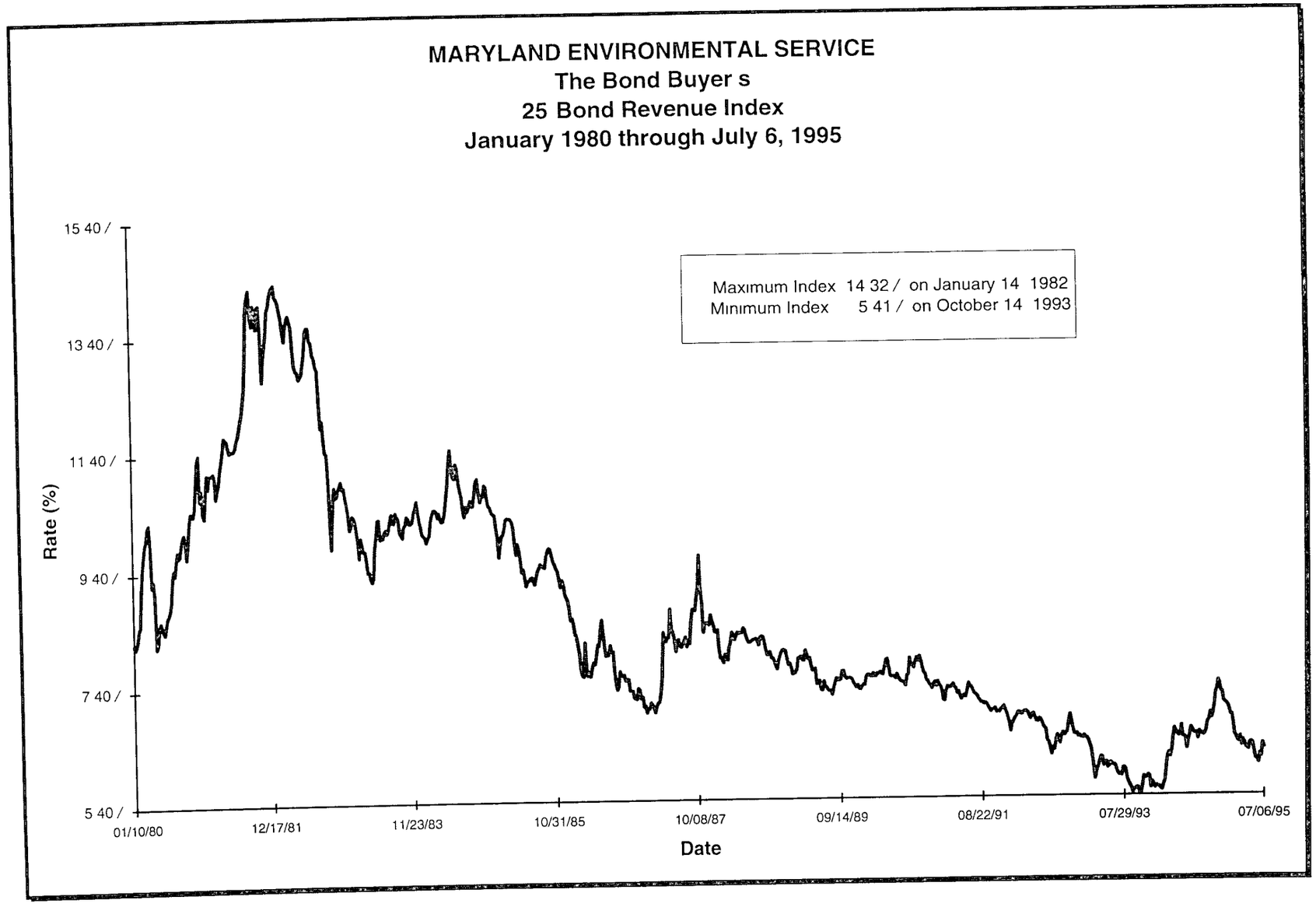
The Bond Buyer s indexes declined slightly from the previous week s close The 25 Bond Revenue Index dropped five basis points to 6 05% from 6 10% one week earlier Long term US Treasury securities once again outperformed municipals the week ending June 23 1995 The Treasury s 30 year bellwether bond declined 12 basis points from the previous week s close to 6 47% Tax exempt prices dropped the week ending June 23 1995 as bid wanted lists flowed in and retail buyers continued to shun the market Traders lamented that the only saving grace was crossover buyers who took advantage of municipal yields at levels above 90% of comparable US Treasuries On the primary side The Bond Buyer s 30 day visible supply dropped to $3 18 billion after reaching a 1995 high from the previous week s close of $5 62 billion

The Week Ending June 30, 1995

Speculation about potential Federal Reserve action at the Federal Open Market Committee (FOMC) meeting the first week in July 1995 dominated the news the week ending June 30 1995 but the markets reacted strongly to key economic data released throughout the week Unexpectedly upbeat economic news provided reassurance to investors and Federal Reserve officials that the current economic slowdown was not deteriorating directly into a recession Although the sharp drop in initial jobless claims and the dramatic spurt in new home sales were startling their implications for the broader economic outlook were not quite as unnerving Underlying growth remains subdued while early stage inflation pressures continued

to show favorable signs Housing starts surged 20% in May which appeared to be exaggerated and not likely sustained Sales of existing homes rose greater than expected in May as well by 4 7% The economic slowdown s impact on the labor market and inflation prospects suggested a favorable outcome for financial markets even in the absence of a spiraling recession Like housing signals the recent surge in jobless claims had raised concerns about the potential for a sharp erosion in the job market The snapback in the week ending June 30 1995 was a welcome relief but it did not overshadow other more downbeat leading labor indicators such as the rising number of insured unemployed scaled back help wanted advertising and the diminishing breadth to regional and industry hiring suggested by employment diffusion indexes

The Bond Buyer s indexes jumped moderately from the previous week s close for the week ending June 30 1995 The municipal bond market felt repercussions from Orange County California s first bankruptcy bond sale and tax referendum The 25 Bond Revenue Index jumped 23 basis points from the previous week s close to 5 97% from 5 82% Long term US Treasury securities suffered roughly the same fate as municipal bonds the week ending June 30 1995 where the 30 year bellwether bond leaped 17 basis points from the previous week s close to 6 64% from 6 47% The Bond Buyer s 30 day visible supply dropped to $2 64 billion (the lowest level since May 4 1995) At the same time municipal dealer inventories reported in Standard & Poor s Blue List dropped as low as $1 43 billion on Monday June 26 1995 before creeping higher by the end of the week on Friday June 30 1995 at $1 54 billion as traders awaited the anticipated four day holiday weekend This was the market the Service sold the Series 1995 Bonds



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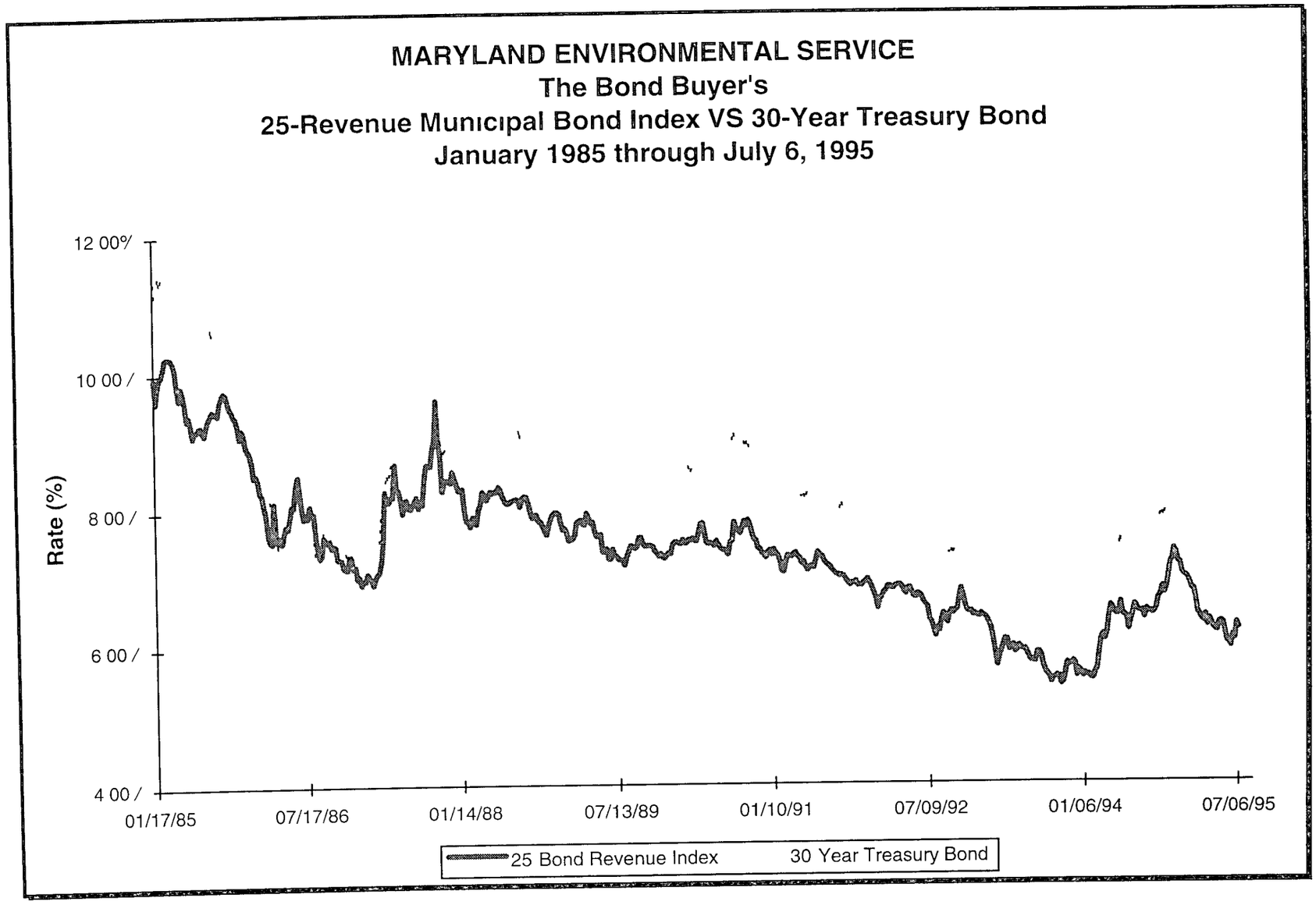

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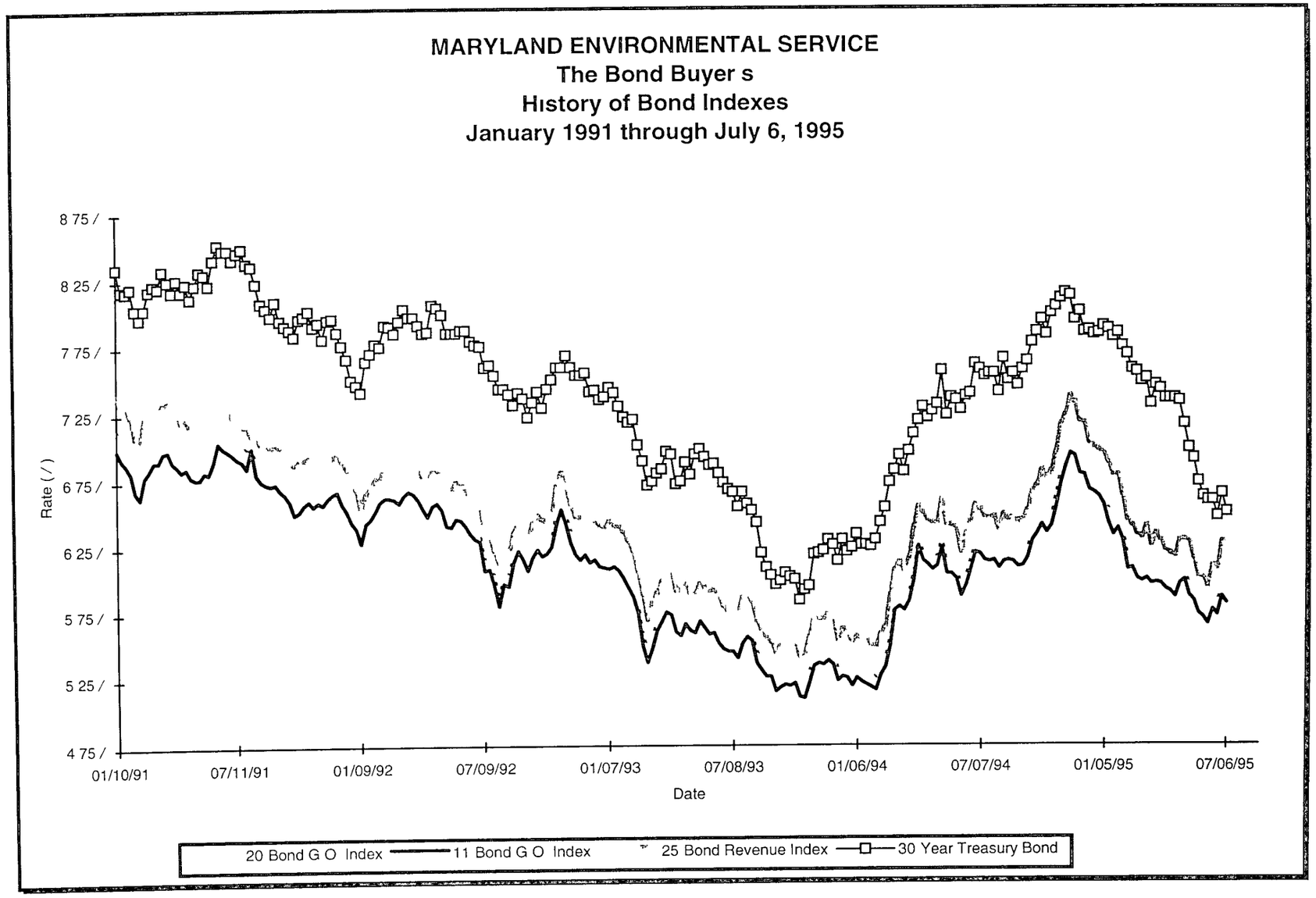

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Section III

Pricing, Comparables and Recommendations

Competitive Bids Pricing of the Series 1995 Bonds

To prepare for the pricing/sale process PFM analyzed interest rate levels of comparable issues A summary of what we feel to be the most comparable pricing scales is provided in the Comparable Issue section on page 14 In addition we have closely followed recent trends of interest rates municipal offerings and inventory and other matters we consider relevant and appropriate which were shown behind Section II In the days and weeks prior to the pricing of the Series 1995 Bonds MES and PFM contacted the regional/Baltimore underwriting desks as well as the major underwriting desks in New York Philadelphia and Washington DC area to generate banker interests as well as answer any questions regarding the upcoming financing plan and security structure

Sealed bids for the Series 1995 Bonds were accepted at Piper & Marbury Conference Room 2A Second Floor at 11 00 AM/EDT on June 29 1995 In accordance with the terms of the Official Notice of Sale and Official Bid Form the Series 1995 Bonds were awarded to the respondent(s) whose bid offered the lowest annual true interest cost to the Service The annual true interest cost for each bid was determined by doubling the semi annual interest rate (compounded semi annually) necessary to discount the debt service payments from the payment dates to the date of the Series 1995 Bonds and to the price bid not including interest accrued to the date of delivery

The Service received four (4) bids for the Series 1995 Bonds Based upon our analysis of the bids received Legg Mason (in conjunction with Alex Brown & Sons Incorporated and others) offered the Service the most favorable bid on the Series 1995 Bonds with a true interest cost of 5 502535% The receipt of four bids indicated heavy market interest in the Service bonds The final total debt service requirements and a comparison of the bids received has been provided below

Total Par Amount for Series 1995 Bonds	$5 915 000
Bid True Interest Cost	5 502535%
Arbitrage Yield for the Series 1995 Bonds	5 510902%
Redemption Premium for the Series 1995 Bonds	09/01/2005 @ 102% DTP 2007
Debt Service on Series 1995 Bonds	$9 871 275 21

Bid Analysis

Lead Syndicate	True Interest Cost
Legg Mason Wood Walker Incorporated	5 502535%
Ferris Baker Watts Incorporated	5 591407%
Prudential Securities	5 592556%
Merrill Lynch & Co	5 649149%

Composition of the Winning Syndicate

Lead Manager Legg Mason Wood Walker

Other Managers Alex Brown & Sons PaineWebber Incorporated Davenport and William R Hough & Company

Comparative Issues

The reasonableness of a pricing is dependent on how well the issuer in this case the Service does in comparison with other similar issuers in the same market The flux is the changes in the market each hour and over time that makes direct comparables more difficult PFM tries to find similar issuers with similar credit structures and credit ratings to compare the issues for which we are serving as financial advisor to render our fairness opinion In the case of the Service there were no direct comparables of special obligation revenue and/or regional revenue issues in the market at the same time

In these cases there is another technique that we use to determine the fairness of pricing Each day the Delphis Hanover Corporation publishes daily a range of yield scales (not coupons) that correspond to a market average of the yields on a wide spread of credits These yield scales are in fact stratified by credit By mapping these issuer s yields against the corresponding Delphis Hanover scale for their date of sale you get a percentage of the index against which it was mapped This percentage can then be applied to the index for the date of sale for the issuer in question in this case the Service to determine if the relative pricing is appropriate The percentage of the Delphis Hanover scale used is the 100 point scale or that which corresponds to a AAA issue on its own credit Insured transactions while rated Aaa/AAA will usually not equal the AAA Delphis scale unless they have a strong AA underlying rating

The following page provides the Delphis analysis for a comparison of issues with the Series 1995 Bonds

MARYLAND ENVIRONMENTAL SERVICE
Revenue Bonds Series 1995
(Regional Yard Debris Composting Project)
Comparable Bond Issues Priced the Week of June 29 1995

Date Amount Issuer Type Rating Insurance Underwriter Sale	06/29/95 $5 915 000 Maryland Environmental Service Revenue Bonds Series 1995 Aaa/AAA AMBAC Legg Mason Competitive			06/28/95 $43 515 000 Trinity River Authority of Texas Wastewater Revenue Bonds Aaa/AAA AMBAC Morgan Stanley Competitive			6/2895 $41 230 000 New Mexico Fin Auth Proj Revolving Fund Rev Aaa/AAA AMBAC Rauscher Pierce Negotiated			06/28/95 $100 000 000 City of Jacksonville FL Sales Tax Revenue Bonds Aaa/AAA FGIC Goldman Sachs Negotiated			
Maturity	Reoffering Yields	AAA Delphis	/ of Delphis	Reoffering Yields	AAA Delphis	/ of Delphis	Reoffering Yields	AAA Delphis	/ of Delphis	Reoffering Yields	AAA Delphis	/ of Delphis	Average / of Delphis
1996	3 750 /	3 750 /	100 /				3 800 /	3 700 /	103 /				101 /
1997	4 100 /	4 000 /	103 /	4 250 /	3 950 /	108 /	4 200 /	3 950 /	106 /				105 /
1998	4 300 /	4 200 /	102 /	4 450 /	4 150 /	107 /	4 300 /	4 150 /	104 /	4 300 /	4 150 /	104 /	104 /
1999	4 450 /	4 350 /	102 /	4 550 /	4 300 /	106 /	4 500 /	4 300 /	105 /	4 400 /	4 300 /	102 /	104 /
2000	4 550 /	4 500 /	101 /	4 650 /	4 450 /	104 /	4 600 /	4 450 /	103 /	4 500 /	4 450 /	101 /	103 /
2001	4 650 /	4 600 /	101 /	4 750 /	4 550 /	104 /	4 650 /	4 550 /	102 /	4 600 /	4 550 /	101 /	102 /
2002	4 750 /	4 750 /	100 /	4 850 /	4 650 /	104 /	4 750 /	4 650 /	102 /	4 700 /	4 650 /	101 /	102 /
2003	4 850 /	4 850 /	100 /	4 950 /	4 750 /	104 /	4 875 /	4 750 /	103 /	4 800 /	4 750 /	101 /	102 /
2004	4 950 /	4 950 /	100 /	5 050 /	4 850 /	104 /	5 100 /	4 850 /	105 /	4 900 /	4 850 /	101 /	103 /
2005	5 050 /	5 050 /	100 /	5 150 /	4 950 /	104 /	5 200 /	4 950 /	105 /	5 050 /	4 950 /	102 /	103 /
2006	5 150 /	5 150 /	100 /	5 300 /	5 050 /	105 /	5 350 /	5 050 /	106 /	5 200 /	5 050 /	103 /	103 /
2007	5 250 /	5 250 /	100 /	5 400 /	5 150 /	105 /	5 500 /	5 150 /	107 /	5 300 /	5 150 /	103 /	104 /
2008	5 350 /	5 350 /	100 /	5 500 /	5 250 /	105 /	5 600 /	5 250 /	107 /	5 400 /	5 250 /	103 /	104 /
2009	5 450 /	5 450 /	100 /	5 600 /	5 350 /	105 /				5 500 /	5 350 /	103 /	102 /
2010	5 550 /	5 550 /	100 /	5 700 /	5 450 /	105 /	5 750 /	5 450 /	106 /	5 600 /	5 450 /	103 /	103 /
2011	5 650 /	5 650 /	100 /	5 750 /	5 550 /	104 /				5 650 /	5 550 /	102 /	102 /
2012	5 700 /	5 700 /	100 /	5 800 /	5 600 /	104 /							102 /
2013	5 750 /	5 750 /	100 /	5 850 /	5 650 /	104 /							102 /
2014	5 800 /	5 800 /	100 /	5 875 /	5 700 /	103 /				5 800 /	5 700 /	102 /	102 /
2015	5 800 /	5 800 /	100 /	5 875 /	5 700 /	103 /	5 950 /	5 700 /	104 /				102 /
2016													
2017										5 850 /	5 750 /	102 /	102 /
2018													
2019													
A ge Delph			100 /			105 /			104 /			102 /	103 /
Call Features	09/01/2004 @ 102 / DTP 2006			08/01/2005 @ 100 /			6/01/2005 @ 100 /			10/01/2005 @ 101 / DTP 2006			
NRO *Not Reoffe ed*													

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7/11/95

Discussion of Delphis Analysis

As shown on the previous chart clearly the Service received yields that were through or better than yields for a stand alone AAA credit on the date the Service opened bids Thursday June 29 1995 On the day prior to the pricing the Series 1995 Bonds June 28 1995 there was another competitively bid AMBAC insured 20 year revenue bond issued by the Trinity River Authority of Texas as well as a few other revenue bonds throughout the country The average percentage of the respective Delphis yield for the Trinity River transaction was 105% while the Service received yields that were **100%** of the respective Delphis yields Furthermore the municipal market yields increased approximately 5 to 10 basis points (or 0 05% to 0 10%) from the time Trinity River opened bids to the time the Service opened bids (only one day) Nevertheless the Service s reoffering yields were at least 7 5 basis points (or 0 075%) lower than the Trinity River transaction Throughout the week ending June 30 1995 municipal bond yields rose approximately 10 to 15 basis points (or 0 10% to 0 15%) in reoffering yields and municipal new issuance volume was light as investors and issuers looked forward to the upcoming July Fourth national holiday

Recommendations

Based on the foregoing and our knowledge and experience in the issuance of tax exempt debt it is our opinion that the interest rates and the underwriting (gross) spreads which constitute the pricing of the Series 1995 Bonds were **extremely** favorable to the Service

The acceptance of four competitive bids for the Series 1995 Bonds represents a true market bid for the Service It is the opinion of PFM that the competitive bid process has allowed the Service to minimize the cost of borrowing funds associated with the development of the Regional Yard Debris Composting Projects The pricing for the Series 1995 Bonds was fair and accurate for market conditions on the day of the sale and resulted in a gross underwriting spread of $7 68 per $1 000 and a true interest cost of 5 502535%

It has been our pleasure to serve as the financial advisors to the Maryland Environmental Service regarding the Series 1995 Bonds

Section IV

Delphis Hanover Yields for June 29, 1995

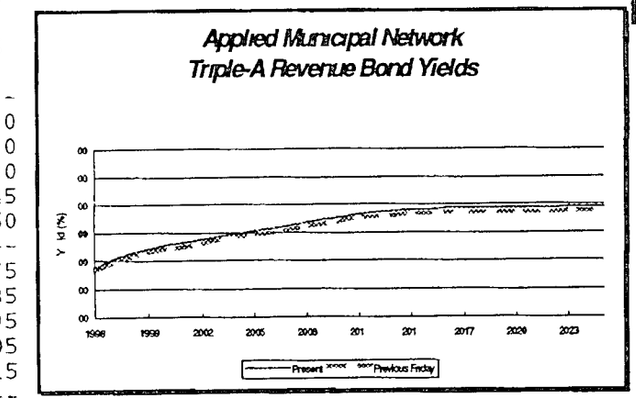
PUBLIC FINANCIAL MANAGEMENT INC

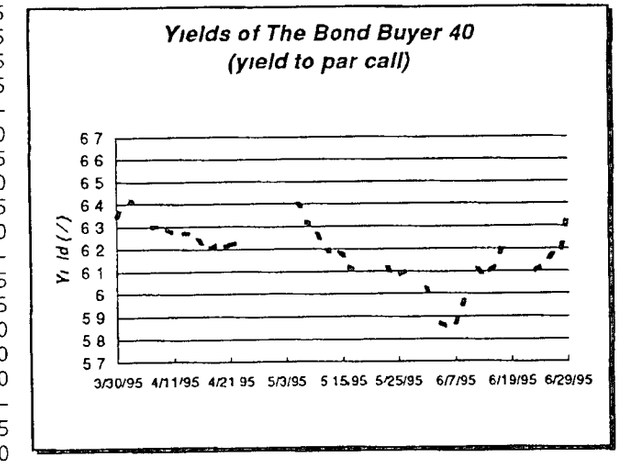
FOR INTERNAL USE ONLY

RANGE OF YIELD CURVE SCALES

CLOSE 06/29/95

INDEX	100	98	96	94	92	90	88	86
1996	3 75	3 85	3 95	4 10	4 25	4 40	4 60	4 80
1997	4 00	4 10	4 20	4 35	4 50	4 65	4 85	5 10
1998	4 20	4 30	4 40	4 55	4 70	4 85	5 05	5 30
1999	4 35	4 45	4 55	4 70	4 85	5 00	5 20	5 45
2000	4 50	4 60	4 70	4 85	5 00	5 15	5 35	5 60
2001	4 60	4 70	4 85	5 00	5 15	5 30	5 50	5 75
2002	4 75	4 85	5 00	5 15	5 30	5 45	5 65	5 85
2003	4 85	4 95	5 10	5 25	5 40	5 55	5 75	5 95
2004	4 95	5 05	5 20	5 35	5 50	5 65	5 85	6 05
2005	5 05	5 15	5 30	5 45	5 60	5 75	5 95	6 15
2006	5 15	5 25	5 40	5 55	5 70	5 85	6 05	6 25
2007	5 25	5 35	5 50	5 65	5 80	5 95	6 15	6 35
2008	5 35	5 45	5 60	5 75	5 90	6 05	6 25	6 45
2009	5 45	5 55	5 70	5 85	6 00	6 15	6 35	6 55
2010	5 55	5 65	5 80	5 95	6 10	6 25	6 45	6 65
2011	5 65	5 75	5 90	6 05	6 20	6 35	6 50	6 70
2012	5 70	5 80	5 95	6 10	6 25	6 40	6 55	6 75
2013	5 75	5 85	6 00	6 15	6 30	6 45	6 60	6 80
2014	5 80	5 90	6 05	6 20	6 35	6 50	6 65	6 85
2015	5 80	5 90	6 05	6 20	6 35	6 50	6 70	6 90
2016	5 85	5 95	6 10	6 25	6 40	6 55	6 75	6 95
2017	5 85	5 95	6 10	6 25	6 40	6 55	6 75	6 95
2018	5 85	5 95	6 10	6 25	6 40	6 60	6 80	7 00
2019	5 85	5 95	6 10	6 25	6 40	6 60	6 80	7 00
2020	5 85	5 95	6 10	6 25	6 40	6 60	6 80	7 00
2025	5 90	6 00	6 15	6 30	6 45	6 65	6 85	7 05
2030	5 95	6 05	6 20	6 35	6 50	6 70	6 90	7 10
2035	5 95	6 05	6 20	6 35	6 50	6 70	6 90	7 10





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OFFICIAL STATEMENT DATED JUNE 29 1995

NEW ISSUE

Moody s Investors Service Inc Aaa
Standard & Poor s Corporation AAA
(See Ratings herein)

In the opinion of Piper & Marbury L L P Bond Counsel assuming compliance with certain covenants described herein (i) under the terms of the enabling legislation of the Service the Series 1995 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 at all times from taxation of every kind and nature by the State of Maryland or by any of its political subdivisions municipal corporations or public units of any kind but no opinion is expressed as to estate or inheritance taxes the Maryland franchise tax on financial institutions measured by income or any other taxes not levied or assessed directly on the Series 1995 Bonds or the income therefrom and (ii) interest on the Series 1995 Bonds is excludable from gross income for federal income tax purposes under existing statutes regulations and decisions As described herein under Tax Exemptions interest earned on the Series 1995 Bonds for federal income tax purposes 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 interest earned on the Series 1995 Bonds may be included in a corporation s adjusted current earnings in the calculation of a corporation s alternative minimum taxable income for federal income tax purposes and may be subject to the environmental tax imposed on corporations and the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States

$5,915,000
MARYLAND ENVIRONMENTAL SERVICE
REVENUE BONDS
(REGIONAL YARD DEBRIS COMPOSTING PROJECT),
SERIES 1995

Dated July 1 1995 **Due September 1 as shown below**

The Series 1995 Bonds will be issued pursuant to an Indenture of Trust dated as of June 1 1995 (the Indenture) between Signet Trust Company (the Trustee) and Maryland Environmental Service (the Service) The Service is a body politic and corporate and a public instrumentality of the State of Maryland The proceeds of the Series 1995 Bonds will be used to finance the acquisition and construction of a regional yard debris composting facility including a compost pod a sale and scale house internal access roads and certain other ancillary yard debris composting facilities (the Composting Facility) to be located in Howard County Maryland Pursuant to Intergovernmental Agreements (collectively the Intergovernmental Agreement) between the Service and Howard County Maryland Baltimore County Maryland and Anne Arundel County Maryland (each a Baltimore Regional County and collectively the Baltimore Regional Counties) the Baltimore Regional Counties have agreed to deliver a guaranteed annual amount (the Guaranteed Annual Tonnage) of their Yard Debris (defined herein) for disposal at the Composting Facility in each year throughout the term of the Series 1995 Bonds and to pay certain disposal fees The Baltimore Regional Counties will pay the Service a per ton fee (the Processing Fee) to cover the costs of operating the Composting Facility and disposing of Yard Debris (the Total Costs) The Processing Fee payments for each of the Baltimore Regional Counties will be payable on a monthly basis and will be equal to the greater of (i) the product of the tons of Yard Debris delivered per month by each Baltimore Regional County multiplied by the Processing Fee or (ii) the product of the Processing Fee multiplied by one twelfth of the Guaranteed Annual Tonnage of Yard Debris for each of the Baltimore Regional Counties The Baltimore Regional Counties will also pay a quarterly supplemental fee equal to the amount if any by which the Total Costs of the Composting Facility exceed the Processing Fees and other revenues of the Composting Facility (the Supplemental Fee) Under the terms of the Intergovernmental Agreement the Baltimore Regional Counties agree to include in their annual budgets for each Fiscal Year amounts sufficient to pay the Processing Fee and the Supplemental Fee for the next Fiscal Year See Security and Sources of Payment for the Series 1995 Bonds — Budgeting Obligations

The Series 1995 Bonds are issuable only as fully registered bonds in denominations of $5 000 and integral multiples thereof All of the Series 1995 Bonds initially will be maintained under a book entry system and will be registered in the name of Cede & Co as registered owner of and nominee for The Depository Trust Company New York New York (DTC) which will act as securities depository for the Series 1995 Bonds Individual purchases of the Series 1995 Bonds will be made only in book entry form and individual purchasers (Beneficial Owners) of Series 1995 Bonds will not receive physical delivery of bond certificates

Interest on the Series 1995 Bonds from July 1 1995 is payable on March 1 1996 (eight months) and semiannually on September 1 and March 1 So long as the Series 1995 Bonds are maintained under a book entry system payments of principal of and interest on the Series 1995 Bonds will be made when due by the Trustee to DTC in accordance with the Indenture and the Trustee will have no obligation to make any payments to any Beneficial Owner of any Series 1995 Bonds See Book Entry Only System

Payment of the principal of and interest on the Series 1995 Bonds when due will be insured by a municipal bond insurance policy to be issued by

AMBAC®

simultaneously with the delivery of the Series 1995 Bonds as described herein

The Series 1995 Bonds constitute special obligations of the Service payable solely from (i) Revenues from the Composting Facility pledged by the Service under the Indenture and (ii) to the extent provided in the Indenture the proceeds of the Series 1995 Bonds The Revenues consist of in part all payments to the Service or the Trustee pursuant to the Intergovernmental Agreement including the Processing Fee

Neither the State of Maryland nor any political subdivision thereof nor the Service shall be obligated to pay the Series 1995 Bonds or the interest thereon except from the Revenues and neither the faith and credit nor the taxing power of the State of Maryland of any political subdivision thereof or of the Service is pledged to the payment of the principal of or the interest on the Series 1995 Bonds The issuance of the Series 1995 Bonds does not directly or indirectly or contingently obligate morally or otherwise the State of Maryland any political subdivision thereof or the Service to levy or pledge any form of taxation whatever therefor or to make any appropriation for their payment The Service has no taxing power

The Series 1995 Bonds are subject to redemption prior to maturity as described herein under The Series 1995 Bonds — Redemption Provisions

MATURITIES AMOUNTS INTEREST RATES AND PRICES

Amount	Maturing	Interest Rate	Price or Yield	Amount	Maturing	Interest Rate	Pr ce or Y eld
$175 000	1996	4 75%	3 75%	$290 000	2006	5 10%	5 15%
185 000	1997	4 75	4 10	305 000	2007	5 20	5 25
195 000	1998	4 75	4 30	320 000	2008	5 30	5 35
205 000	1999	4 75	4 45	335 000	2009	5 40	5 45
215 000	2000	4 75	4 55	355 000	2010	5 50	5 55
225 000	2001	4 75	4 65	375 000	2011	5 60	5 65
235 000	2002	4 75	100	395 000	2012	5 625	5 70
250 000	2003	4 80	4 85	415 000	2013	5 70	5 75
260 000	2004	4 90	4 95	440 000	2014	5 70	5 80
275 000	2005	5 00	5 05	465 000	2015	5 75	5 80

(Accrued interest from July 1 1995 to be added)

The interest rates and prices or yields shown above were furnished by the successful bidders for the Series 1995 Bonds All other information concerning the terms of the reoffering of the Series 1995 Bonds should be obtained from the successful bidders and not from the Service (See Sale at Competitive Bidding)

The Series 1995 Bonds are offered when as and if issued by the Service subject to the approval of Piper & Marbury L L P Baltimore Maryland Bond Counsel and to certain other conditions It is expected that the Series 1995 Bonds will be available for delivery in New York New York on or about July 12 1995

No dealer broker sales representative or other person has been authorized by Maryland Environmental Service (the Service) 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 The information set forth herein has been obtained from the Service AMBAC Indemnity Corporation (the Bond Insurer) and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by the Service and is not to be construed as a representation as to information from sources other than the Service of the Service The Bond Insurer has furnished the information contained under the caption Municipal Bond Insurance and the specimen form of municipal bond insurance policy contained in Exhibit G References to all documents referred to herein are qualified in their entirety by reference to the complete terms and provisions of such documents The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Series 1995 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Service since the date hereof

This Official Statement is not to be construed as a contract or agreement between the Service and the purchasers or holders of any of the Series 1995 Bonds

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their 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 opinions 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 of the Series 1995 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Service since the date hereof

This Official Statement is submitted in connection with the offering of the Series 1995 Bonds and may not be reproduced used or relied upon in whole or in part for any other purpose

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OFFICIAL STATEMENT

relating to

$5,915,000

MARYLAND ENVIRONMENTAL SERVICE

REVENUE BONDS

(REGIONAL YARD DEBRIS COMPOSTING PROJECT)

SERIES 1995

INTRODUCTION

This Official Statement including the cover page (excluding the price and yield information) and appendices sets forth certain information for use in connection with the sale by Maryland Environmental Service (the Service) of $5 915 000 Maryland Environmental Service Revenue Bonds (Regional Yard Debris Composting Project) Series 1995 (the Series 1995 Bonds) The issuance sale and delivery of the Series 1995 Bonds are authorized by the Indenture of Trust dated as of June 1 1995 (the Indenture) between the Service and Signet Trust Company as trustee (the Trustee)

The Service is authorized to issue the Series 1995 Bonds by the Maryland Environmental Service Act being Sections 3 101 through 3 130 inclusive of the Natural Resources Article of the Annotated Code of Maryland (1989 Replacement Volume and 1994 Cumulative Supplement) (the Act) The Series 1995 Bonds and any Additional Bonds (as defined herein) issued pursuant to the Indenture are herein referred to as the Bonds

Brief descriptions of the Intergovernmental Agreement and the Indenture appear in Appendix D to this Official Statement The summaries of and references to all documents statutes reports and other instruments referred to herein do not purport to be complete comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each document statute report or instrument For the definition of certain other words and terms used elsewhere in this Official Statement (including the appendices hereto) see Appendix D

Purpose of Issue

The proceeds of the Series 1995 Bonds will be used to finance the cost of designing acquiring constructing and equipping a regional yard debris composting facility which will include among other things a compost pad a scale and scale house internal access roads and other ancillary yard debris composting facilities and will be located in Howard County Maryland (the Composting Facility) The Composting Facility is designed to accept leaves grass

clippings brush tree trimmings Christmas trees and similar debris (Yard Debris) Hazardous wastes and materials other than Yard Debris will not be accepted at the Composting Facility

The Service has entered into a separate Yard Debris Composting Intergovernmental Agreement (collectively the Intergovernmental Agreement) with Howard County Maryland Baltimore County Maryland and Anne Arundel County Maryland (collectively the Baltimore Regional Counties) pursuant to which the Baltimore Regional Counties have agreed to deliver certain guaranteed amounts of their Yard Debris (the Guaranteed Annual Tonnage) for disposal at the Composting Facility in each year throughout the term of the Series 1995 Bonds and to pay certain disposal fees The Baltimore Regional Counties will pay the Service a per ton fee (the Processing Fee) to cover the costs of operating the Composting Facility and disposing of Yard Debris (the Total Costs) The Processing Fee will be payable by the Baltimore Regional Counties on a monthly basis The Baltimore Regional Counties will also pay a fee designed to offset the amount by which the Total Costs exceed the Processing Fees and other revenues received (the Supplemental Fee) The Supplemental Fee will be payable by each of the Baltimore Regional Counties on a quarterly basis and in amounts proportionate to the Guaranteed Annual Tonnage of the respective Baltimore Regional County See Summary of Certain Provisions of the Intergovernmental Agreement Minimum Monthly Payment Supplemental Fee and Quarterly Estimated Payments in Appendix D

The Intergovernmental Agreement authorizes the Service to enter into an agreement with a subcontractor pursuant to which the subcontractor would equip start up test operate maintain and insure the Composting Facility It is anticipated that such agreement would have a term of no longer than five years The Subcontractor would neither own nor have any property right in the Composting Facility or its site

ESTIMATED SOURCES AND USES OF FUNDS

The estimated uses of the Series 1995 Bonds incidental costs related thereto and the estimated sources of funds available therefor are as follows

Sources of funds

Series 1995 Bonds	$5 915 000
Total sources of funds	$5 915 000

Uses of funds

Estimated costs of land acquisition and construction(1)	$5 120 000
Debt Service Reserve Fund Requirement(2)	494 000
Capitalized Interest during Construction(3)	78 000
Administrative fees and expenses bond insurance premium legal financing and miscellaneous expenses	223 000
Total uses of funds	$5 915 000

(1) Estimate of the Service See The Composting Facility herein

(2) The Debt Service Reserve Fund Requirement for the Series 1995 Bonds

(3) Interest on a portion of the Series 1995 Bonds issued to finance the Composting Facility will be funded from the proceeds of the Series 1995 Bonds from the date of their initial delivery through October 1 1995

PLAN OF FINANCING

As set forth in Estimated Sources and Uses of Funds the proceeds of the Series 1995 Bonds will be used to (i) finance the costs of the Composting Facility (ii) pay the interest accruing on the portion of the Series 1995 Bonds issued to finance the Composting Facility from the date of their initial authentication and delivery through October 1 1995 (iii) fund a Debt Service Reserve Fund for the Series 1995 Bonds and (iv) pay administrative fees and expenses legal financing and miscellaneous expenses related to the issuance of the Series 1995 Bonds

The Series 1995 Bonds are secured by the Revenues pledged by the Service under the Indenture including the security interest in the moneys in the funds and accounts maintained by the Trustee under the Indenture for the Series 1995 Bonds (other than the Rebate Fund) See Security and Sources of Payment for the Series 1995 Bonds

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1995 BONDS

General

The Series 1995 Bonds are special obligations of the Service the principal and Redemption Price of and interest on which are payable solely from Revenues and to the extent provided in the Indenture the proceeds of the Series 1995 Bonds

Neither the State of Maryland nor any political subdivision thereof nor the Service shall be obligated to pay the Series 1995 Bonds or the interest thereon except from Revenues and neither the faith and credit nor the taxing power of the State of Maryland of any political subdivision thereof or of the Service is pledged to the payment of the principal of or the interest on the Series 1995 Bonds The issuance of the Series 1995 Bonds does not directly or indirectly or contingently obligate morally or otherwise the State of Maryland or any political subdivision thereof or the Service to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment The Service has no taxing power See State Not Liable on Series 1995 Bonds

Pledge of Revenues

Pursuant to the Indenture the Service will pledge and assign to the Trustee the Revenues The Revenues consist of (i) all payments to the Service or the Trustee pursuant to the Intergovernmental Agreement (ii) all moneys and securities on deposit in funds and accounts created by the Indenture (other than the Rebate Fund) and (iii) all other receipts of the Service attributable to the ownership or operation of the Composting Facility and the financing or refinancing of the Composting Facility and any Additional Facilities with the proceeds of Bonds other than funds received by the Service from Howard County for construction of access roads relating to the Composting Facility Site

The pledge made by the Indenture and the covenants and agreements contained in the Indenture to be performed by or on behalf of the Service are by their terms for the equal and ratable benefit protection and security of the Holders of all Bonds (including any Additional Bonds) See Additional Debt

INTERGOVERNMENTAL AGREEMENT

General

The Baltimore Regional Counties have entered into an Intergovernmental Agreement with the Service which subject to certain rights of termination described below has a term at least equal to the term of the Series 1995 Bonds The Intergovernmental Agreement provides that from and after the earlier of October 1 1995 and the date on which the Composting Facility is open to accept Yard Debris (the Operations Commencement Date) the Baltimore Regional Counties shall deliver the Guaranteed Annual Tonnage of Yard Debris and shall pay on a

monthly basis to the Service a Processing Fee for each ton of Yard Debris delivered during such month to cover the costs of operating the Composting Facility and disposing of the Yard Debris If the aggregate amount of the per ton Processing Fees collected monthly together with other Composting Facility Revenues are inadequate to cover the total cost of the Composting Facility the Intergovernmental Agreement provides that the Baltimore Regional Counties will also pay on a quarterly basis a Supplemental Fee to cover such shortfall See Summary of Certain Provisions of the Intergovernmental Agreement Processing Fee and Minimum Monthly Payment Supplemental Fee and Quarterly Estimated Payments in Appendix D

Obligation of the Baltimore Regional Counties to Pay Processing Fee and any Deficiency

From and after the Operations Commencement Date each of the Baltimore Regional Counties has agreed to pay a monthly per ton Processing Fee and a quarterly Supplemental Fee to cover the Total Costs In each fiscal year under the Intergovernmental Agreement (each Fiscal Year) the Service shall set a Processing Fee which together with other Composting Facility Revenues and the Supplemental Fee shall be at least equal to Total Costs for such Fiscal Year The minimum monthly Processing Fee payments for a Baltimore Regional County are the greater of (i) the Processing Fee multiplied by the tons of Yard Debris delivered by the Baltimore Regional County during that month and (ii) the Processing Fee multiplied by one twelfth of the amount of Yard Debris that the Baltimore Regional County is obligated to deliver annually (the Guaranteed Annual Tonnage)

As provided in the Intergovernmental Agreement the Supplemental Fee is equal to the amount if any by which Total Costs exceed the sum of Composting Facility Revenues plus any unpaid portion of the Total Guaranteed Annual Payment and is paid quarterly in specific shares (Proportionate Shares) by each of the Baltimore Regional Counties Composting Facility Revenues are equal to the aggregate amount of any revenues fees and income received by the Service in connection with the operation of the Composting Facility and the provision of Yard Debris composting services to the Baltimore Regional Counties under the Intergovernmental Agreement including revenues from tipping fees charged users of the Composting Facility proceeds from the sale or lease of any of the Composting Facility equipment and interest earnings on moneys held by the Service relating to the provision of Yard Debris composting services Total Costs include (without limitation) debt service payments with respect to the Series 1995 Bonds aggregate costs of operating and maintaining the Composting Facility costs of disposal of Unacceptable Material costs of labor amounts to provide for costs incurred if the Composting Facility is closed and any amounts paid to the Company pursuant to the Service Agreement

The Supplemental Fee will be paid in quarterly estimated payments calculated by multiplying each Baltimore Regional County s Proportionate Share times the difference of (1) the sum of (i) estimated Total Costs for the Fiscal Year quarter at issue plus (ii) the amount by which actual Total Costs exceeded estimated Total Costs for the immediately preceding Fiscal Year quarter minus (2) the sum of (i) Composting Facility Revenues received in the immediately preceding Fiscal Year quarter plus (ii) the unpaid portion of the Total Guaranteed

Annual Payment due from the remaining Baltimore Regional Counties See Definitions of Certain Terms in Appendix D

Budgeting Obligation

Under the terms of the Intergovernmental Agreement each Baltimore Regional County has agreed to include in its annual budget for each Fiscal Year during the term of the Intergovernmental Agreement amounts sufficient to pay the Processing Fee and the Proportionate Share of the Supplemental Fee for the next Fiscal Year and otherwise to meet all of its obligations under the Intergovernmental Agreement or to take such other action as necessary to ensure the availability of such funds The failure by a Baltimore Regional County to take any action to assure the availability of sufficient funds shall not excuse or limit any of such Baltimore Regional County s obligations under the Intergovernmental Agreement whether any estimates of the Processing Fee the Proportionate Share of the Supplemental Fee Total Costs Composting Facility Revenues or other amounts payable under the Intergovernmental Agreement prove inaccurate See Summary of Certain Provisions of the Intergovernmental Agreement Estimates of Processing Fee and Supplemental Fee County Budgeting Obligations in Appendix D

Tipping Fee

Under the terms of the Intergovernmental Agreement Yard Debris delivered by any Hauler other than a Baltimore Regional County or a Designated Hauler thereof shall be accepted by the Service at a tipping fee which shall be no less than the Processing Fee established under the Intergovernmental Agreement The amount of any such tipping fee shall be included in Composting Facility Revenues and shall go toward reducing the Supplemental Fee paid to the Service by the Baltimore Regional Counties

Quantity of Acceptable Yard Debris

Each Baltimore Regional County has agreed to deliver and the Service has agreed to accept certain amounts of Yard Debris for composting The Service may refuse delivery of any Unacceptable Material The failure of any Baltimore Regional County to deliver such amounts of Yard Debris shall not constitute a breach of or Event of Default under the Intergovernmental Agreement so long as such Baltimore Regional County continues to pay the Processing Fee for such undelivered amounts of Yard Debris See Summary of Certain Provisions of the Intergovernmental Agreement Delivery and Acceptance of Yard Debris in Appendix D

The Intergovernmental Agreement provides that the Service may accept Yard Debris from persons other than a Baltimore Regional County provided that tipping fees are charged and collected and acceptance of such Yard Debris does not impair the obligations of the Service to the Baltimore Regional Counties under the Intergovernmental Agreement In addition the Service may accept Yard Debris generated or collected outside of the Baltimore Regional Counties provided that either (i) the Baltimore Regional Counties have given consent or (ii) a Baltimore Regional County is in default under the Intergovernmental Agreement See Summary

of Certain Provisions of the Intergovernmental Agreement Other Contracts for Yard Debris Delivery in Appendix D

The Baltimore Regional Counties have agreed to deliver certain amounts of Yard Debris to the Composting Facility however if the Composting Facility is not capable of accepting the Yard Debris the Service may direct that it be delivered to an Alternative Facility designated by the Service

Termination of the Intergovernmental Agreement

If the Service or a Baltimore Regional County persistently or repeatedly fails or refuses substantially to fulfill its material obligations under the Intergovernmental Agreement such failure shall constitute an Event of Default thereunder If an Event of Default shall have occurred and be continuing the Service or a Baltimore Regional County as the case may be would have the right to terminate the Intergovernmental Agreement upon written notice to the party in default Upon such termination such Baltimore Regional County would no longer be obligated to pay the Processing Fee or any other fee in connection with the Intergovernmental Agreement See Summary of Certain Provisions of the Intergovernmental Agreement Termination On Default in Appendix D

Each Baltimore Regional County has the option to terminate the Intergovernmental Agreement at any time If all of the Baltimore Regional Counties exercise this option to terminate the Intergovernmental Agreement they must purchase and take title to and liability for the Composting Facility The amount which the Baltimore Regional Counties must pay for the purchase is determined by a formula set forth in the Intergovernmental Agreement but in no event shall the purchase price be less than the amount of money necessary to defease or redeem any outstanding Indebtedness including the Series 1995 Bonds In addition any of the Baltimore Regional Counties may exercise this option to terminate the Intergovernmental Agreement on its own behalf by executing an agreement with the remaining Baltimore Regional Counties and the Service that the remaining Baltimore Regional Counties will collectively assume the terminating Baltimore Regional County s obligations under the Intergovernmental Agreement See Summary of Certain Provisions of the Intergovernmental Agreement Option to Terminate at any Time in Appendix D

Debt Service Reserve Fund

Upon the delivery of the Series 1995 Bonds the Trustee will deposit in the Debt Service Reserve Fund from the proceeds of the Series 1995 Bonds an amount equal to the Debt Service Reserve Fund Requirement The Indenture establishes the Debt Service Reserve Fund Requirement for the Series 1995 Bonds as an amount equal to the least of (i) the greatest amount required in the then current or any future Fiscal Year to pay the Debt Service Requirements of such outstanding Series 1995 Bonds (ii) 125% of the average annual Debt Service Requirements of such Series 1995 Bonds determined as of the date of issuance thereof and (iii) 10% of the proceeds of such Series 1995 Bonds determined as of the date of issuance thereof The Indenture

provides that Maximum Annual Debt Service on the Bonds will be calculated as described in the definition of Debt Service Requirements under Definitions of Certain Terms in Appendix D

The Indenture provides that any Supplemental Indenture authorizing the issuance of Additional Bonds may provide that (i) such Series of Bonds shall be secured by the Debt Service Reserve Fund maintained for the Series 1995 Bonds (ii) the Additional Bonds shall not be secured by a Debt Service Reserve Fund or (iii) the Additional Bonds shall be secured by a separate Debt Service Reserve Fund If any series of Additional Bonds is secured by the Debt Service Reserve Fund for the Series 1995 Bonds the requirements for the Debt Service Reserve Fund securing the Series 1995 Bonds shall apply

The Service may deliver to the Trustee a Debt Service Reserve Fund Credit Facility in substitution for amounts initially deposited in the Debt Service Reserve Fund See Investments and Application of Moneys in the Debt Service Reserve Fund under Summary of Certain Provisions of the Indenture in Appendix D

If the amount credited to the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement the Trustee is required under the Indenture after making certain payments from the Revenue Fund to the Interest Account the Principal Account and the Sinking Fund Account to make equal monthly payments in the amounts of one twelfth (1/12) of the deficiency until the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement See Summary of Certain Provisions of the Indenture Deposit of Revenues in Appendix D

Enforceability

The Indenture and the Series 1995 Bonds are subject to bankruptcy insolvency moratorium reorganization and other state and federal laws affecting the enforcement of creditor s rights and to general principles of equity

In the event that any Baltimore Regional County fails to make payments due under the Intergovernmental Agreement such Baltimore Regional County may be sued by the Service and any judgments resulting from any such suit would be enforceable against that Baltimore Regional County Nevertheless a judgment creditor of such Baltimore Regional County may be required to seek additional relief to compel such Baltimore Regional County to provide the funds from which such judgment may be paid such as a mandatory injunction to require such Baltimore Regional County to make funds available to pay such judgment

In addition the Intergovernmental Agreement is subject to bankruptcy insolvency moratorium reorganization and other state and federal laws affecting the enforcement of creditor s rights and to general principles of equity

Additional Bonds

The Service may issue additional parity bonds (the Additional Bonds) under a Supplemental Indenture if necessary (i) to complete the acquisition and construction of the

Composting Facility or Additional Facilities (ii) to pay the costs of restoring maintaining improving or increasing the composting capacity of the Composting Facility or otherwise to permit the Service to meet its Yard Debris disposal obligations under the Intergovernmental Agreement or (iii) to refund or advance refund any outstanding Bonds Subordinate Obligations or other obligations of the Service relating to the Composting Facility or Additional Facilities The Processing Fee includes the amounts necessary to pay debt service on such Additional Bonds Upon the issuance of Additional Bonds the Debt Service Reserve Fund Requirement shall be determined as set forth in the Supplemental Indenture authorizing the Additional Bonds

MUNICIPAL BOND INSURANCE

The Service has not undertaken any independent investigation of the operations of AMBAC Indemnity Corporation (AMBAC Indemnity) and makes no representation herein as to the accuracy or adequacy of such information regarding AMBAC Indemnity or as to the absence of material adverse changes in such information subsequent to the date hereof The Service makes no representation as to the ability of AMBAC Indemnity to make payments under its Municipal Bond Insurance Policy (as defined below) See Appendix G Specimen Form of Municipal Bond Insurance Policy

AMBAC Indemnity Corporation

AMBAC Indemnity is a Wisconsin domiciled stock insurance corporation regulated by the Office of the Commissioners of Insurance of the State of Wisconsin and licensed to do business in 50 states the District of Columbia and the Commonwealth of Puerto Rico with admitted assets of approximately $2 204 000 000 (unaudited) and statutory capital of approximately $1 237 000 000 (unaudited) as of March 31 1995 Statutory capital consists of AMBAC Indemnity policyholders surplus and statutory contingency reserve AMBAC Indemnity is a wholly owned subsidiary of AMBAC Inc a 100% publicly held company Moody s Investors Service Inc Standard & Poor s Corporation and Fitch Investors Service Inc have each assigned a triple A claims paying ability rating to AMBAC Indemnity

Copies of AMBAC Indemnity s financial statements prepared in accordance with statutory accounting standards are available from AMBAC Indemnity The address of AMBAC Indemnity s administrative offices and its telephone number are One State Street Plaza 17th Floor New York New York 10004 and (212) 668 0340

AMBAC Indemnity has entered into pro rata reinsurance agreements under which a percentage of the insurance underwritten pursuant to certain municipal bond insurance programs of AMBAC Indemnity has been and will be assumed by a number of foreign and domestic unaffiliated reinsurers

AMBAC Indemnity has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by AMBAC Indemnity will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by AMBAC Indemnity under policy provisions substantially identical to

those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the bonds

AMBAC Indemnity makes no representation regarding the Series 1995 Bonds or the advisability of investing in the Series 1995 Bonds and makes no representation regarding nor has it participated in the preparation of the Official Statement other than the information supplied by AMBAC Indemnity and presented under the heading MUNICIPAL BOND INSURANCE

Payment Pursuant to Municipal Bond Insurance Policy

AMBAC Indemnity has made a commitment to issue a municipal bond insurance policy (the Municipal Bond Insurance Policy) relating to the Series 1995 Bonds effective as of the date of issuance of the Series 1995 Bonds Under the terms of the Municipal Bond Insurance Policy AMBAC Indemnity will pay to the United States Trust Company of New York in New York New York or any successor thereto (the Insurance Trustee) that portion of the principal of and interest on the Series 1995 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy) AMBAC Indemnity will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which AMBAC Indemnity shall have received notice of Nonpayment from the Trustee/Paying Agent The insurance will extend for the term of the Bonds and once issued cannot be canceled by AMBAC Indemnity

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates in the case of principal and on stated dates for payment in the case of interest If the Series 1995 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds AMBAC Indemnity will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal dates including mandatory sinking fund redemption dates In the event of any acceleration of the principal of the Series 1995 Bonds the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on a Series 1995 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Service has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final nonappealable order of a court of competent jurisdiction such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available

The Municipal Bond Insurance Policy does not insure any risk other than Nonpayment as defined in the Policy Specifically the Municipal Bond Insurance Policy does not cover

1 payment on acceleration as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity

2 payment of any redemption prepayment or acceleration premium

3 nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent if any

If it becomes necessary to call upon the Municipal Bond Insurance Policy payment of principal requires surrender of Series 1995 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 1995 Bonds to be registered in the name of AMBAC Indemnity to the extent of the payment under the Municipal Bond Insurance Policy Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder s right to payment to AMBAC Indemnity

Upon payment of the insurance benefits AMBAC Indemnity will become the owner of the Series 1995 Bond appurtenant coupon if any or right to payment of principal or interest on such Series 1995 Bond and will be fully subrogated to the surrendering bondholder s rights to payment

THE SERIES 1995 BONDS

General

The Series 1995 Bonds will be dated as of July 1 1995 will bear interest from July 1 1995 at the rates set forth on the cover page of this Official Statement payable on March 1 1996 and semiannually thereafter on each September 1 and March 1 and subject to the redemption provisions set forth below will mature on the dates and in the amounts set forth on the cover page of this Official Statement

The Series 1995 Bonds will be issued only as fully registered bonds in denominations of $5 000 and integral multiples thereof All of the Series 1995 Bonds initially will be maintained under a book entry system and will be registered in the name of Cede & Co as registered owner of and nominee for The Depository Trust Company New York New York (DTC) which will act as securities depository for the Series 1995 Bonds So long as the Series 1995 Bonds shall be maintained under a book entry system payments of the principal of and interest on the Series 1995 Bonds will be made as described below under Book Entry Only System At any other time the principal of the Series 1995 Bonds are payable at the principal corporate trust office of the Trustee and interest on the Series 1995 Bonds will be payable by check mailed by the Trustee to the registered holders of the Series 1995 Bonds as their names and addresses appear in the registration books maintained by the Trustee as of (i) the fifteenth day of the calendar month immediately preceding each Interest Payment Date or (ii) in the case of payment of any defaulted interest at least ten days before such payment

Redemption Provisions

Optional Redemption

The Series 1995 Bonds maturing on or after September 1 2006 will be subject to redemption prior to maturity beginning on September 1 2005 at the option of the Service as a whole at any time or in part on any interest payment date at the following prices expressed as percentages of the principal amount of the Series 1995 Bonds to be redeemed plus accrued interest thereon to the date set for redemption

Period During Which Redeemed (both dates inclusive)	Redemption Price
September 1 2005 through August 31 2006	102%
September 1 2006 through August 31 2007	101
September 1 2007 and thereafter	100

Extraordinary Mandatory Redemption

The Series 1995 Bonds are subject to redemption prior to maturity as a whole at any time or in part on any interest payment date at a redemption price equal to the principal amount of such Series 1995 Bonds redeemed plus accrued and unpaid interest to the date fixed for redemption in an amount equal to the amount of the net proceeds of casualty insurance and liability insurance with respect to the Composting Facility and net proceeds of all or any part of the Composting Facility which is taken in the exercise of the power of eminent domain or through the exercise of any right or obligation on the part of any public authority to purchase the same or as a result of any agreement between the Service and any such public authority that are deposited and held in the Insurance and Condemnation Award Fund and that are not applied to the repair or replacement of the lost damaged destroyed or taken property in accordance with the terms of the Indenture

Extraordinary Optional Redemption

The Series 1995 Bonds are subject to redemption as a whole at any time at a redemption price equal to the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption at the option of the Service upon the occurrence of any of the following events (i) the Composting Facility or the Service s interest therein shall have been lost damaged or destroyed to such an extent that in the opinion of the Service (A) the Composting Facility cannot be reasonably restored within a period of 12 months to the condition thereof immediately preceding such loss damage or destruction or (B) the Service is thereby prevented from carrying on its normal operation of the Composting Facility for a period in excess of 12 months from the date of damage or destruction or (ii) taking or condemnation of the title to or the temporary use of all or substantially all of the Composting Facility by a competent authority or loss of use or possession of all or substantially all of the Composting Facility which taking condemnation or loss results or is likely to result in the Service s being prevented or likely to be prevented from carrying on its normal operation of the Composting Facility for a period in excess of 12 months from the date of any such event or (iii) as a result of changes in Applicable Law (A) the

Indenture or the Intergovernmental Agreement shall become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or (B) unreasonable burdens or excessive liabilities are imposed upon the Service by reason of the operation of the Composting Facility or (C) the Service is no longer able to operate the Composting Facility or (iv) changes in the economic availability of raw materials energy operating supplies or facilities necessary for the operation of the Composting Facility or technological or other changes shall have occurred which in the reasonable judgment of the Service render the Composting Facility uneconomic or unsuitable for the purposes specified in the Intergovernmental Agreement for a period in excess of 12 months from the date of such changes or (v) a final decree or judgment of any federal court or any determination decision or decree by the Internal Revenue Service shall have been entered which decree judgment determination or decision is not subject to further appeal and determines that interest paid or payable on any tax exempt Bond is not or was not excludable from the gross income of the holder thereof for federal income tax purposes

Selection of Bonds to Be Redeemed

If fewer than all of the Series 1995 Bonds shall be redeemed the particular maturities of the Series 1995 Bonds to be redeemed shall be selected by the Service If fewer than all of the Series 1995 Bonds of any one maturity shall be called for redemption the particular Series 1995 Bonds to be redeemed shall be selected by lot by the Trustee so long as all of the Series 1995 Bonds shall be maintained in book entry form with DTC the Trustee shall notify DTC of the maturities and principal amounts of the Series 1995 Bonds to be redeemed and such notification is hereby deemed to be in a proper manner of selection of the Series 1995 Bonds to be redeemed See Book Entry Only System

Notice of Redemption

The Trustee shall give notice of the call for any redemption by mail at least 30 days before the redemption date to the registered owners of the Bonds to be redeemed but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice to any of such registered owners or any defect in such Notice or in the mailing thereof shall not affect the validity of the proceedings for the redemption of the Bonds

So long as all of the Series 1995 Bonds are maintained in book entry form with the Securities Depository (i) the Service shall give DTC written notice of its election to redeem Bonds as set forth in the Indenture no less than 45 days nor more than 60 days before the date fixed for redemption and (ii) any notice of redemption of any Series 1995 Bond or portion thereof to be given by the Trustee as herein provided shall also be given to DTC by legible facsimile transmission registered or certified mail or overnight express delivery no later than two Business Days prior to the date notice of such redemption is published pursuant to the terms of the Series 1995 Bonds Such notice by the Trustee to DTC in addition to the matters set forth in the Bond shall state the (i) CUSIP number certificate number and called amount of each certificate redemption date redemption price redemption agent name and address interest rate and maturity date of the Series 1995 Bond or portion thereof to be redeemed and (ii) the date on which the notice of redemption with respect to such Series 1995 Bond or portion thereof is to be

published The Series 1995 Bonds so called for redemption will cease to bear interest upon provision of payment of principal of and interest on the Series 1995 Bonds called for redemption on the specified redemption date and shall no longer be secured by the Indenture provided that funds for such redemption are on deposit at that time with the Trustee

Registration and Exchange of Bonds

At such time as the Series 1995 Bonds are no longer held by Cede & Co (or a successor entity) any Series 1995 Bond may be exchanged for an equal aggregate principal amount of Series 1995 Bonds of the same maturity and bearing interest at the same rate in any authorized denomination and the transfer of any Series 1995 Bond may be registered upon presentation and surrender of such Bond at the principal corporate trust office of the Trustee together with an assignment duly executed by the registered owner or such owner s attorney or legal representative The Service and the Trustee may require the person requesting any such exchange or transfer to reimburse them for any tax or other governmental charge payable in connection therewith Neither the Service nor the Trustee shall be required to register the transfer of any Series 1995 Bond or make any such exchange of any Series 1995 Bond after such Bond or any portion thereof has been selected for redemption

Acceleration

Upon the occurrence of certain events the due date for the payment of the principal amount of the Series 1995 Bonds may be accelerated See Summary of Certain Provisions of the Indenture Events of Default and Remedies in Appendix D

ANNUAL DEBT SERVICE REQUIREMENTS OF THE SERIES 1995 BONDS

The following table sets forth for each calendar year the amount required for the payment of principal due on the Series 1995 Bonds (whether at maturity or by mandatory redemption) on September 1 and the interest due on March 1 and September 1 and the total Debt Service Requirements of the Series 1995 Bonds

Year	Principal	Interest	Total Debt Service Requirement
1996	$175 000	$362 330(1)(2)	$537 330
1997	185 000	302 256	487 256
1998	195 000	293 469	488 469
1999	205 000	284 206	489 206
2000	215 000	274 469	489 469
2001	225 000	264 256	489 256
2002	235 000	253 569	488 569
2003	250 000	242 406	492 406
2004	260 000	230 406	490 406
2005	275 000	217 666	492 666
2006	290 000	203 916	493 916
2007	305 000	189 126	494 126
2008	320 000	173 266	493 266
2009	335 000	156 306	491 306
2010	355 000	138 216	493 216
2011	375 000	118 691	493 691
2012	395 000	97 691	492 691
2013	415 000	75 473	490 473
2014	440 000	51 818	491 818
2015	465 000	26 738	491 738

(1) Interest from July 1 1995

(2) Interest accruing on the portion of the Series 1995 Bonds issued to finance the Composting Facility from the date of delivery of the Series 1995 Bonds through October 1 1995 will be funded in part from the proceeds of the Series 1995 Bonds

BOOK ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 1995 Bonds The Series 1995 Bonds will be issued as fully registered securities registered in the name of Cede & Co (DTC s registered owner and nominee) One fully registered Series 1995 Bond will be issued for each maturity of each series of the Series 1995 Bonds each in the aggregate principal amount of such maturity and will be deposited with DTC

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 DTC holds securities that its participants (Participants) deposit with DTC DTC also facilitates the settlement among Participants of securities transactions such as transfers and pledges in deposited securities through electronic computerized book entry changes in Participants accounts thereby eliminating the need for physical movement of securities certificates Direct Participants include securities brokers and dealers banks trust companies clearing corporations and certain other organizations (Direct Participants) DTC is owned by a number of its Direct Participants and by the New York Stock Exchange Inc the American Stock Exchange Inc and the National Association of Securities Dealers Inc Access to the DTC system is also available to others such as securities brokers and dealers banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant either directly or indirectly (Indirect Participants) The rules applicable to DTC and its Direct Participants are on file with the Securities and Exchange Commission

Purchases of Series 1995 Bonds under the DTC system must be made by or through Direct Participants which will receive a credit for the Series 1995 Bonds on DTC s records The ownership interest of each actual purchaser of each Series 1995 Bond (each a 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 Participants through which the Beneficial Owners entered into the transaction Transfers of ownership interests in the Series 1995 Bonds are to be accomplished by entries made on the books of Direct Participants acting on behalf of Beneficial Owners *Beneficial Owners will not receive certificates representing their ownership interests in Series 1995 Bonds except in the event that use of the book entry system for the Series 1995 Bonds is discontinued*

To facilitate subsequent transfers all Series 1995 Bonds deposited by Direct Participants with DTC are registered in the name of DTC s partnership nominee Cede & Co The deposit of Series 1995 Bonds with DTC and their registration in the name of Cede & Co effect no change in beneficial ownership DTC has no knowledge of the actual Beneficial Owners of the Series 1995 Bonds DTC s records reflect only the identity of the Direct Participants to whose accounts such Series 1995 Bonds are credited which may or may not be the Beneficial Owners The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers

So long as Cede & Co or any successor thereto is the registered Holder of the Series 1995 Bonds as nominee references herein to the Holders of Series 1995 Bonds shall mean DTC and shall not mean the Beneficial Owners of Series 1995 Bonds During this period the Service will recognize DTC or its nominee as the Holder of all Series 1995 Bonds for all purposes including the payment of the principal of and interest on the Bonds as well as the giving of notices and voting

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 mav be in effect from time to time

Redemption notices shall be sent to Cede & Co If less than all of the Series 1995 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 will consent or vote with respect to the Series 1995 Bonds Under its usual procedures DTC mails an Omnibus Proxy to the Service 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 Series 1995 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy)

Principal and interest payments on the Series 1995 Bonds will be made to DTC DTC s practice is to credit Direct Participants accounts on the applicable payable date in accordance with their respective holdings shown on DTC s records unless DTC has reason to believe that it will not receive payment on the applicable payable date Payments by Direct 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 Direct Participant and not of DTC or the Service subject to any statutory or regulatory requirements as may be in effect from time to time Payment of principal and interest to DTC is the responsibility of the Service and disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants

DTC may discontinue providing its services as securities depository with respect to the Series 1995 Bonds at any time by giving reasonable notice to the Service Under such circumstances in the event that a successor securities depository is not obtained Series 1995 Bond certificates are required to be printed and delivered

Book Entry Only System Miscellaneous

The information in the Section Book Entry Only System concerning DTC and DTC s book entry system has been obtained from sources that the Service believes reliable but the Service takes no responsibility for the accuracy thereof Neither the Service nor the Trustee will have any responsibility or obligations to Direct Participants Indirect Participants or Beneficial Owners with respect to the payments to or the providing of notice to the Direct Participants Indirect Participants or Beneficial Owners The Service cannot and does not give any assurance that Direct Participants Indirect Participants or others will distribute principal and interest payments paid to DTC or its nominee as the registered owner of the Series 1995 Bonds or any 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

The Service may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository) In the event that the book entry only system is discontinued the Series 1995 Bonds will be delivered by DTC to the Trustee and such Series 1995 Bonds will be exchanged for Series 1995 Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Bond Registrar In such event certain provisions of the Series 1995 Bonds pertaining to ownership of the Series 1995 Bonds will be applicable to the registered owners of the Series 1995 Bonds as described below

Registration and Exchange of Bonds

So long as the Series 1995 Bonds are maintained under a book entry only system Beneficial Owners thereof will have no right to receive physical possession of the Series 1995 Bonds and transfers of ownership interests in the Series 1995 Bonds will be made through book entries by DTC and the Direct Participants See Book Entry Only System above

If the book entry only system is discontinued any Series 1995 Bond may be exchanged in accordance with the terms of such Series 1995 Bond for a new bond or bonds of any denomination authorized by the Indenture and bearing interest at the same rate of interest in aggregate principal amount equal to the principal amount of the Bond surrendered and the transfer of any Series 1995 Bond may be registered upon presentation and surrender of such Bond at the principal corporate trust office of the Trustee The Service and the Trustee may require the person requesting any such exchange or transfer to reimburse them for any tax or other governmental charge payable in connection therewith

ADDITIONAL DEBT

Additional Bonds

The Indenture provides that Additional Bonds will be secured equally and ratably and on a parity with the Series 1995 Bonds The Indenture permits the issuance of Additional Bonds for any one or more of the following purposes (i) to refund or advance refund any outstanding Bonds Subordinate Obligations or other obligations of the Service relating to the Composting Facility or Additional Facilities (ii) to obtain funds to pay the Cost of Additional Facilities required to restore maintain improve or otherwise increase the composting capacity of the Composting Facility or otherwise to permit the Service to meet its Yard Debris composting and disposal obligations under the Intergovernmental Agreement or (iii) to obtain funds necessary to pay the Cost of completing the Composting Facility or any Additional Facilities Additional Bonds may be issued to pay the costs incurred in connection with the issuance and sale of any Bonds to establish reserves and to pay interest on any Bonds prior to and during acquisition and construction and for a limited period after completion of the Composting Facility or any Additional Facilities as the case may be

See Summary of Certain Provisions of the Indenture Additional Bonds in Appendix D for a further description of the conditions under which Additional Bonds may be issued

THE SERVICE

The Service is a body politic and corporate of the State of Maryland constituting a public instrumentality organized and existing under and by virtue of the Act The Service was created by the Maryland General Assembly in 1970 as an agency of the Maryland State Department of Natural Resources The Service operates as both a Maryland agency and a self supporting non profit public utility Major activities of the Service include the provision of water supply and wastewater treatment sewage sludge management dredged materials management recycling assistance solid waste management and energy and resource recovery from waste Services are provided to State of Maryland owned facilities local communities political subdivisions and the private sector

Pursuant to Chapter 196 of the 1993 Acts of the Maryland General Assembly effective July 1 1993 the Service was established as an instrumentality of the State and a public corporation independent of the Department of Natural Resources Chapter 196 also expanded the Board of Directors from seven to nine members provided for the appointment of the Deputy Director Secretary and Treasurer by the Director with the approval of the Governor provided for the appointment of the remaining Board members by the Governor with the advice and consent of the Senate exempted the Service from most provisions of the State Procurement Law established the retirement and health benefits available for certain employees of the Service authorized the Service to create a new personnel system exempted the Service from most provisions of the State Merit System Law effective January 1 1995 authorized the Service to create private corporations authorized the Service to exercise the corporate powers granted Maryland corporations under the Maryland General Corporation Law and made other changes to the law governing the Service

The Service currently operates approximately 129 public and private water and/or wastewater treatment plants throughout the State of Maryland

Licensed and certified personnel operate and maintain the facilities Projects range in size from basic pumping stations to a $13 million advanced wastewater treatment facility Capabilities include financing engineering design construction laboratory testing operation oversight management operation maintenance and plant supervision

The Water and Wastewater Division of the Service is headed by Michael Wojton Mr Wojton received a B S in Zoology from the University of Maryland In his twenty years of experience with water treatment Mr Wojton has extensive experience with wells facility planning industrial pretreatment EPA/State drinking water standards NPDES and State construction permits and sludge management As the Administrator of Water and Wastewater Programs for the Service Mr Wojton directs the activities of engineers scientists technicians regional supervisors plant superintendents operators and maintenance staff in both engineering and operations services He is a Registered Environmental Sanitarian in Maryland

In the area of Solid and Hazardous Waste Management the Service offers site analysis planning design construction operations and laboratory services The Service has the capabilities and resources to finance as well as build and operate state of the art solid waste facilities including sanitary landfills incinerators and resource reclamation centers

The Waste Management Division is headed by Robert Dale Miller Mr Miller received both his B S and M S in Resource Planning and Engineering from West Virginia University He is also a graduate of the University of Baltimore School of Law Prior to joining the Service Mr Miller was the Director of the Maryland Water Resources Administration from July 1992 until May 1995 and held various other positions in the Maryland Water Resources Administration for the twelve preceding years He was also Chief Resource Planner for the Maryland Forest Service Forest Planner for the United States Department of Agriculture Forest Service and Wildlife Assistant with the United States Fish and Wildlife Service Mr Miller is a member of the American Water Resources Association the Association of Ground Water Scientists and engineers the American Water Works Association and the Society of American Foresters

Richard Diemer will serve as project manager for the Composting Facility He has over 20 years experience in environmental monitoring project operations project management and project development Mr Diemer pioneered the development of large scale composting operations in Maryland that continue to be operated

The Service also operates and manages the Hawkins Point Hazardous Materials Landfill Hart and Miller Islands Dredge Disposal Facility and is a partner with Baltimore County in a resource recovery facility The Service has also developed a sludge treatment program including a method of composting sludge producing a trademarked product marketed wholesale throughout the mid Atlantic region as ComPRO

Membership and Organization

The Service s affairs are managed by a nine member Board of Directors The four officers are Director Deputy Director Treasurer and Secretary The Director is appointed by the Governor with the advice and consent of the Senate The Deputy Director Secretary and Treasurer are appointed by the Director with the approval of the Governor The other five members three from the public sector and two from the private sector are appointed by the Governor with the advice and consent of the Senate The Director and Deputy Director serve full time for the Service the Treasurer and the Secretary serve part time Current staffing includes approximately 70 State of Maryland classified and unclassified employees and approximately 345 corporate (non State of Maryland) employees In October of 1994 George G Perdikakis resigned from his position as Director of the Service Lee Zeni was appointed and served as Acting Director until March of 1995 when James W Peck was appointed as Director of the Service Effective January 1 1995 employees of the Service became members of the Service s new personnel system

JAMES W PECK, Director appointed in May 1995 Mr Peck received his B S from the United States Military Academy and a Masters in Civil Engineering and in Nuclear Engineering from the University of Illinois He is also a graduate of the Executive Development

Program at the University of Iowa Before becoming Director of the Service Mr Peck was the Assistant Secretary at the Maryland Department of Natural Resources from August 1987 until March 5 1995 and from December 1983 to August 1987 he was the Department s Director of Water Resources Administration For twenty five years prior to 1983 Mr Peck was in the United States Corps of Army Engineers He held positions including Instructor and Assistant Professor of Civil Engineering at the United States Military Academy Deputy District Engineer in Kansas City Battalion Commander for the 9th Engineer Battalion in Aschaffenburg Germany Assistant Director of Civil Works and District Engineer Mr Peck is a Registered Professional Engineer in both Maryland and the District of Columbia He is a member of the ASCE the APWA and the SAME

ANNETTE ANSELMI Treasurer appointed in 1994 Prior to Ms Anselmi s appointment she served as the Service s Director of Administration and Finance from 1989 through 1994 and was an independent financial consultant and a lecturer at Towson State University Ms Anselmi served as Baltimore County s Director of Finance from January 1982 to February 1986 and as Managing Deputy Comptroller for the City of Chicago from November 1980 to November 1981 For seven years prior to 1980 she worked for Baltimore County s Office of Budget as an Administrative Analyst Ms Anselmi received her undergraduate degree in Economics from Goucher College and a Masters in Administrative Science from The Johns Hopkins University She is an active participant in the National Association of Counties and is affiliated with the Government Finance Officers Association Association of Management Analysts in State and Local Government and the National Economics Association

The other members of the Board of Directors and some of their past and present affiliations are

CAROLYN DAVIS Secretary and Member appointed in 1994 Deputy Chief of Staff of the Office of the Governor Assistant Secretary of The Maryland Department of Natural Resources from 1991 through 1994 former Director of Public Information for the Maryland Department of Housing & Community Development

WILLIAM B C ADDISON, JR Public sector member appointed in 1994 Self employed farmer who leases and operates a 300 acre tobacco grain & vegetable farm Assistant Journal Clerk of The Maryland State Senate since 1978 consultant to The Chesapeake Bay Foundation on Agricultural Management

DANIEL F MCMULLEN, III Public sector member appointed in 1994 County Administrator for Allegany County member of the Maryland Transportation Authority member of the Allegany County Chamber of Commerce member of the Allegany County Local Government Study Advisory Committee

EDWIN G RICHARDS Public Sector Member appointed in 1987 County Administrator for Caroline County member of the International City Management Association member of the National Association of County Administrators member of the Maryland Association of County Administrators

LAWRENCE D SHUBNELL Private Sector Member appointed in 1987 Senior Managing Director for Public Finance of Legg Mason Wood Walker Inc former Director of Fiscal Research at the U S Treasury Department former Director of Budget Review in the Maryland General Assembly and former Director of the Budget for Anne Arundel County

JOSEPH F SNEE JR Private Sector Member appointed in 1994 Attorney with Hertsch Gessner Laws and Snee P A member of Harford County Bar Association member of the Maryland State Bar Association Director of The Lawyer Referral Service of the Harford County Bar Foundation Inc member of The Harford County Chamber of Commerce

Bonds and Notes

The Service has never defaulted in the payment of the maturing principal of or interest on any of its bonds or notes The bonds and notes issued by the Service are limited obligations of the Service payable solely from revenues of the Service received in connection with the respective projects financed or refinanced and do not constitute general obligations of the Service to the payment of which the full faith and credit of the Service is pledged

The Service expects to finance and refinance a variety of projects eligible for financing under the Service s Act other than the Composting Facility and any Additional Facilities which may be financed under the Indenture The Service intends to issue other series of bonds and notes for such purpose Each such series will be issued pursuant to an indenture or indentures separate and apart from any other indenture except to the extent a series of bonds may be issued on a parity with bonds of another series if permitted by the applicable indenture or issued pursuant to a general bond of the Service

THE COMPOSTING FACILITY

General

The Service is acting together with the Baltimore Regional Counties to develop the Composting Facility The Composting Facility is designed to accept up to 45 000 tons of Yard Debris annually The Service estimates that approximately 50 percent of the 45 000 tons will be leaves 30 percent grass and the remaining 20 percent light brush The Yard Debris will be composted using aerated windrow methodologies to produce compost and mulch for use as soil amendment and ground cover The composting process provides for recycling of organic material using a mechanized high volume adaptation of the process that occurs in nature Compost products provide benefits to poor soil by improving water retention and soil porosity and by adding organic matter and micro nutrients Mulch products provide aesthetic qualities to landscaping as well as reducing water requirements and controlling weed growth Both products enjoy wide popularity with garden centers golf courses landscapers mulch vendors and top soil blenders

In addition the United States Environmental Protection Agency estimates that current programs which compost yard debris divert 18 percent of the total amount of solid waste

nationally that enters the average landfill This diversion of solid waste extends the useful life of existing landfills and delays the need for new landfills that are increasingly difficult to site and expensive to construct under new regulations Furthermore under the State s statutory recycling goals the Baltimore Regional Counties must reduce their solid waste stream The Maryland Department of the Environment has approved composted yard debris as a credit toward this reduction requirement

Experience of the Service

The Service has significant experience in the management and operation of yard debris composting facilities using the same technology proposed for the Composting Facility The Service has provided yard debris composting on a large scale for Montgomery County Maryland since 1984 and for Prince George s County Maryland since 1989 The Montgomery County composting facility is expected to receive and compost over 50 000 tons of yard debris annually by 1995 The Prince George s County composting facility will receive approximately 35 000 tons during the same year Both of these composting operations have successfully achieved their intended purpose with over 110 550 tons of compost products marketed and sold

Compost Site

The site for the Compost Facility is located in southeastern Howard County near the intersection of Dorsey Road and Route 1 The location of the site is well suited for transport of material from northern Anne Arundel County and southwestern Baltimore County as well as from Howard County The site consists of roughly 56 acres of forested land Of this acreage approximately 28 acres will be developed for the composting operation as well as support facilities providing sufficient capacity for the composting operation over its anticipated life Support facilities include a scale scale house maintenance building perimeter roadways and storm water management facilities The remainder of the site will remain undeveloped to provide a natural buffer between the operation and the surrounding properties Included in the forested areas are approximately 3 5 acres of non tidal wetland that will also be preserved

Role of the Service in the Project

To facilitate construction of the project site the Service agreed through a Letter of Understanding with each Baltimore Regional County to develop the Site Development Plan for the project and to oversee construction of the Composting Facility The Service will also oversee construction of Dorsey Run Road a Howard County road project that will provide access to the Composting Facility The cost of the site on which the Composting Facility will be located is $3 660 000 which will be paid to Howard County as the current owner The current cost estimate for construction of the Composting Facility is $1 550 000 This estimate is a best engineering estimate based on the Site Development Plan submitted to Howard County along with the application for construction permits Based on its experience in Montgomery and Prince George s Counties the Service has also determined that the level of manpower requirements and the types and size of equipment to be used are reasonable for the size of the operation and the quantity of yard debris to be delivered and processed

The Service has applied for and expects approval of the regulatory permits and approvals required by the State of Maryland to construct and operate the Composting Facility On May 19 1995 the Service applied for the National Pollution Discharge Elimination System permit which is required for the discharge of water into State waters The Composting Facility will discharge only storm water and thus the Service expects full approval of the permit On November 11 1994 the Service received approval of its delineation of non tidal wetlands with the boundaries approved by the Maryland Department of Natural Resources Water Resources Administration The Service has received preliminary approval from Howard County of its Site Development Plan Upon final approval the Service will receive the Sediment and Erosion Permit needed for construction and will apply for the Grading Permit The Service expects to receive full approval of its Site Development Plan

To facilitate the operation of the project the Service has entered into an Intergovernmental Agreement with each Baltimore Regional County to provide for delivery of Guaranteed Annual Tonnages of Yard Debris to the Composting Facility by each County at a set Processing Fee The revenues from the Composting Facility including all Processing Fees will be pledged by the Service under the Indenture to the payment of Bonds

The Service is authorized under the Intergovernmental Agreement to subcontract operations of the Composting Facility to a private contractor The contractor would be responsible for composting the Yard Debris delivered producing a marketable compost product and marketing all compost produced

The Service will provide operational oversight for the Composting Facility if it subcontracts operations in order to ensure that the subcontractor adheres to sound operational and management practices This will be done in several ways First the Service will maintain a full time employee on site at all times to verify material weights entering and exiting the Composting Facility as well as to observe and report to management concerning daily operational issues Second a Service project manager will visit the site regularly to observe the operation and meet with the contractor to ensure that correct operational standards are being met Third the agreement with the subcontractor will stipulate that the Service must approve the operations and maintenance manual developed by the contractor The manual will be similar to those used at the facilities in Montgomery and Prince George s Counties Fourth the Service will modify operations and maintenance procedures as necessary to reflect new technology standards and equipment such as improved windrow turners Finally the Service will act as liaison between the three Baltimore Regional Counties and the subcontractor

The Composting Facility has been designed to minimize the impact of odors and noise on surrounding properties Oxygen content and temperature levels of the composting material will be monitored in order to reduce odors Frequent turning will result in 5% oxygenation and keep the temperature at a desirable level for reducing odors Similar practices have successfully controlled odor levels at the facilities in both Montgomery and Prince George s Counties Noise levels will be controlled not only by the surrounding 300 foot wooded buffer zone but also through operational procedures such as direction of traffic flow Incoming vehicles will use a circular path to deliver their waste in order to reduce the need for the trucks to back up and the accompanying loud warning sound from backing vehicles

Composting Process Operations

The composting process is not complicated but adequate process control must be maintained to ensure that composting occurs under aerobic (i e with oxygen) conditions to prevent odors In general Yard Debris is collected from curbside residential areas in the Fall either in bulk or in plastic bags (depending on the Baltimore Regional County) The Baltimore Regional Counties deliver the Yard Debris to the Composting Facility where it is weighed and checked for any contaminants If the Yard Debris is bagged the bags are manually removed The leaves are then placed into elongated piles (each a windrow) approximately 16 feet wide and 7 feet high The length of the windrow is determined by its configuration on the compost pad This process continues throughout the Fall collection period (November through December) essentially filling the site with windrowed leaves Composting begins almost immediately as microorganisms break down the material and generate heat The windrows are turned using a specialized composting machine which straddles the windrows turning the leaves and maintaining pole porosity oxygen content and uniform moisture control to optimize microbial conditions for composting This process continues throughout the winter

Throughout the spring and into the summer the Baltimore Regional Counties collect grass and deliver it to the Composting Facility Again the material is weighed and bags removed if required The grass is then incorporated into the partially decomposed windrows and mixed by the composting machine The addition of grass accelerates the composing process by optimizing the carbon to nitrogen ratio (the (C/N) ratio) of the material which enhances the microbial activity By late summer the composting process is complete and material is screened to remove small contaminants and other items that did not fully break down in the composting cycle (such as small twigs and branches) The compost product is then ready for market

Brush is processed separately from leaves and grass because of the different process required and because it produces a mulch product as opposed to compost Brush delivered to the site is first weighed and then processed in a tub grinder to reduce its particle size and volume The processed wood is placed into large windrows (25 feet wide by 12 feet high) The windrows of processed brush are augmented with grass to balance the C/N ratio and optimize decomposition After a composting period of approximately 12 to 24 months the mulch is ready for market

Construction Schedule

The Service expects the Composting Facility to be completed no later than October 1 1995 the Operations Commencement Date under the Intergovernmental Agreement

TAX EXEMPTIONS

In the opinion of Bond Counsel interest on the Series 1995 Bonds will be excludable from gross income for federal income tax purposes under existing statutes regulations and decisions and under the terms of the Act the Series 1995 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 at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions municipal corporations or public units of any kind but no opinion is expressed as to estate or inheritance taxes the Maryland franchise tax on financial institutions measured by income or any other taxes not levied or assessed directly on the Series 1995 Bonds or the income therefrom

As defined in Section 8 101 of the Tax General Article of the Annotated Code of Maryland (1988 Replacement Volume and 1994 Cumulative Supplement) the financial institutions referred to in the preceding paragraph include commercial banks credit companies finance companies (excluding finance companies that make loans only to farmers for agricultural purposes) international banking facilities loan companies mortgage companies safe deposit companies savings banks savings and loan associations trust companies and companies that substantially compete with national banks in the State and exclude finance companies that make loans only to farmers for agricultural purposes companies licensed under the federal Small Business Investment Act of 1958 corporations that elect to be taxed as small business corporations under subchapter S of the Internal Revenue Code of 1986 as amended (the Code) entities that are real estate mortgage investment conduits as defined in the Code or limited liability companies

Under the provisions of 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 Series 1995 Bonds These include a requirement that certain investment earnings received from the investment of the proceeds of the Series 1995 Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made) and other requirements applicable to the investment of the proceeds of the Series 1995 Bonds Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 1995 Bonds in gross income for federal income tax purposes effective from the date of their issuance The Service has covenanted to regulate the investment of the proceeds of the Series 1995 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 Series 1995 Bonds

Interest on the Series 1995 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 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 tax net operating loss deduction) For such purposes adjusted current earnings would include among other items interest income from the Series 1995 Bonds In addition interest income on the Series 1995 Bonds will be includable in the applicable taxable base for the purposes of determining the environmental tax imposed by the Code on corporations for taxable years beginning before 1996 and the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States

The Code also results in other consequences for federal income tax purposes of ownership of obligations such as the Series 1995 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 has been reduced by 15% of the sum of tax exempt interest income and the deductible portion of dividends received by such companies (iii) 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 Series 1995 Bonds can result in the imposition of tax on such passive investment income and in some cases loss of S corporation status and (iv) interest income which 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 taxation purposes

Except as noted below in the case of market discount the sale or other disposition of a Series 1995 Bond will normally result in capital gain or loss to its holder A holder s initial tax basis in a Series 1995 Bond will be its cost Upon the sale or retirement of a Series 1995 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 Series 1995 Bond determined by adding to the original cost basis in such Series 1995 Bond the amount of original issue discount that is treated as having accrued as described below under Tax Accounting Treatment of Discount Bonds Such gain or loss will be long term capital gain or loss if at the time of the sale or retirement the Series 1995 Bond has been held for more than one year Present law taxes both long and short term capital gains of corporations at the rates applicable to ordinary income For noncorporate taxpayers however net capital gains will be taxed at a maximum rate of 28% while short term capital gains and other ordinary income will be taxed at a maximum rate of 39 6% Because of the limitation on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers the effective rate of tax may be higher in certain circumstances

If a holder acquires a Series 1995 Bond after its original issuance at a discount below its principal amount (or in the case of a Series 1995 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 Series 1995 Bond was first issued) the holder will be deemed to have acquired the Series 1995 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 Series 1995 Bond with market discount subsequently realizes a gain upon the disposition of the Series 1995 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 Series 1995 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 Series 1995 Bond not issued at an original issue discount market discount will be *de minimis* if the excess of the Series 1995 Bond s stated redemption price at maturity

over the holder s cost of acquiring the Series 1995 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 Series 1995 Bond and its stated maturity date In the case of a Series 1995 Bond issued with original issue discount market discount will be *de minimis* if the excess of the Series 1995 Bond s revised issue price over the holder s cost of acquiring the Series 1995 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 Series 1995 Bond and its stated maturity date For this purpose a Series 1995 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 Series 1995 Bond during the period between its original issue date and the date of acquisition by the holder

A Series 1995 Bond will be considered to have been issued at a premium if and to the extent that the holder s tax basis in the Series 1995 Bond exceeds the amount payable at maturity (or in the case of a Series 1995 Bond callable prior to maturity the amount payable on the earlier call date) The holder will be required to reduce his tax basis in the Series 1995 Bond for purposes of determining gain or loss upon disposition of the Series 1995 Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during his period of ownership No deduction (or other tax benefit) is allocable in respect of any amount of amortizable bond premium on the Series 1995 Bonds

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Series 1995 Bonds may be issued at an initial public offering price which is less than the amount payable on such Series 1995 Bonds at maturity (the Discount Bonds) The difference between the initial offering price (including accrued interest) at which a substantial amount of the Discount Bonds of each maturity was sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount In the case of any holder of Discount Bonds 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) Bond Counsel is of the opinion that for federal income tax purposes (i) any holder of a Discount Bond will recognize 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 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 (ii) the amount of the basis adjustment described in clause (i)(b)(2) will not be included in the gross income of the holder

Original issue discount on Discount Bonds will be attributable to semiannual 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 based on semiannual compounding Such yield then is used to determine an amount of accrued interest for such semiannual compounding period For this purpose interest is treated

as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bond The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period is equal to the excess of (i) the product of (a) one half of the yield for Discount Bond (adjusted as necessary for an initial short period) multiplied by (b) 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 (ii) the amount actually payable as interest on such Discount Bond during such period For purposes of the preceding sentence (i) only that portion of the interest payment due on March 1 1996 allocable to the period extending from the date of initial delivery of the Series 1995 Bonds to March 1 1996 will constitute interest and (ii) the tax basis of a Discount Bond if held by an original purchaser can be determined by adding to the initial public offering price (including interest from July 1 1995 to the date of initial delivery such interest being referred to as pre issuance accrued interest) of such Discount Bond the original issue discount that is treated as having accrued during all prior semiannual compounding periods and subtracting all prior principal payments (including the pre issuance accrued interest) Under certain income tax regulations pre issuance accrued interest may be excluded from the issue price under certain circumstances and if so excluded the pre issuance accrued interest portion of the March 1 1996 payment will be treated as a nontaxable return of the pre issuance accrued interest and not as a payment on the Discount Bond If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates then interest which would have accrued for that semiannual 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 referenced 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

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 from original issue discount on such Discount Bonds under the alternative minimum tax the environmental 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 the environmental 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 provision of the Code as enacted and in effect on the date of this Official Statement and does not purport to be complete holders of the Series 1995 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

RATINGS

Moody s Investors Service Inc (Moody s) and Standard Poor s Corporation (S&P) are expected to assign the Series 1995 Bonds ratings of Aaa and AAA respectively with the understanding that upon delivery of the Series 1995 Bonds a policy insuring the payment when due of the principal of and interest on the Series 1995 Bonds when due will be issued by the Bond Insurer Any explanation of the significance of each of the ratings of the Series 1995 Bonds may be obtained from the rating agency furnishing the same Generally rating agencies base their ratings on such materials and information and on their own investigations studies and assumptions There is no assurance that such ratings will obtain for any given period of time or that they may not be lowered or withdrawn entirely by such rating agencies or any of them if in their or its judgment circumstances so warrant Any such downward change in or withdrawal of such ratings or any of them may have an adverse effect on the market price of the respective Series 1995 Bonds

LEGALITY OF THE SERIES 1995 BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 1995 Bonds are securities in which all public officers and public units of the State of Maryland and its political subdivisions and all banks trust companies savings and loan associations investment companies and others carrying on a banking business all insurance companies insurance associations and others carrying on an insurance business all personal representatives guardians trustees and other fiduciaries and all other persons may legally and properly invest funds including capital in their control or belonging to them The Act also provides that the Series 1995 Bonds are securities which may properly and legally be deposited with and received by any State of Maryland or municipal officer or any unit or political subdivision of the State of Maryland for any purpose for which the deposit of bonds or other obligations of the State of Maryland is authorized by law

STATE NOT LIABLE ON SERIES 1995 BONDS

The Series 1995 Bonds are limited obligations of the Service payable solely from the Revenues pledged under the Indenture and to the extent provided in the Indenture from the proceeds of the Series 1995 Bonds By the terms of the Act the Series 1995 Bonds do not constitute a debt liability or pledge of the faith and credit of the State of Maryland or of any political subdivision or of the State Neither the State of Maryland nor any political subdivision thereof nor the Service shall be obligated to pay the Series 1995 Bonds or the interest thereon except from the Revenues and to the extent provided in the Indenture from the proceeds of the Series 1995 Bonds Neither the faith and credit nor the taxing power of the State of Maryland or of any political subdivision thereof or of the Service is pledged to the payment of the principal of or interest on such Bonds The Series 1995 Bonds are not directly or indirectly or contingently

an obligation moral or other of the State of Maryland or of any political subdivision thereof or of the Service to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment The Service has no taxing power

LEGAL MATTERS

Piper & Marbury L L P Baltimore Maryland is acting as Bond Counsel in connection with the issuance of the Series 1995 Bonds Bond Counsel s approving opinion the proposed form of which appears as Appendix E will be printed on the Series 1995 Bonds The Attorney General of Maryland is legal advisor for the Service

LITIGATION

No litigation is pending in any court seeking to restrain or enjoin the authorization issuance or delivery of the Series 1995 Bonds or contesting the authority or proceedings for the authorization or issuance of the Series 1995 Bonds or their validity or the creation organization corporate existence or powers of the Service or the title of any of the present officers thereof to their respective titles

EXPERTS

Public Financial Management Inc has served as financial advisor in connection with the issuance of the Series 1995 Bonds

SALE AT COMPETITIVE BIDDING

The Series 1995 Bonds were offered by the Service at a competitive bidding on June 29 1995 in accordance with the Official Notice of Sale (the form of which is attached as Appendix F) The interest rates shown on the cover page of this Official Statement are the interest rates to the Service resulting from the award of the Series 1995 Bonds at the competitive bidding The yield or prices shown on the cover page of this Official Statement were furnished by the successful bidders for the Series 1995 Bonds All other information concerning the nature and terms of any reoffering should be obtained from the successful bidders for the Series 1995 Bonds and not from the Service

CONTINUING DISCLOSURE

The Service will provide an audited financial statement relating to each of the Baltimore Regional Counties and the Composting Facility each year when available to one or more major information providers in the state and local government securities market The Service s undertakings set forth in this paragraph are made subject to the provisions of the next succeeding paragraph

The undertakings by the Service set forth in this section entitled Continuing Disclosure and any claim made with respect to the performance by the Service of these undertakings shall be governed by subject to and construed according to the laws of the State of Maryland The Service shall be given written notice sent to 2011 Commerce Park Drive Annapolis Maryland 21401 of any claimed failure by the Service to perform any such undertaking and the Service 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 Service must be filed in the Circuit Court of Anne Arundel County Maryland and any party maintaining such suit or other proceeding shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action

MISCELLANEOUS

The attached Appendices A through G are integral parts of this Official Statement and should be read in their entirety together with the foregoing information

The Trustee has not participated in the preparation of this Official Statement

The execution and delivery of this Official Statement by the Director of the Service has been duly authorized by the Service

MARYLAND ENVIRONMENTAL SERVICE

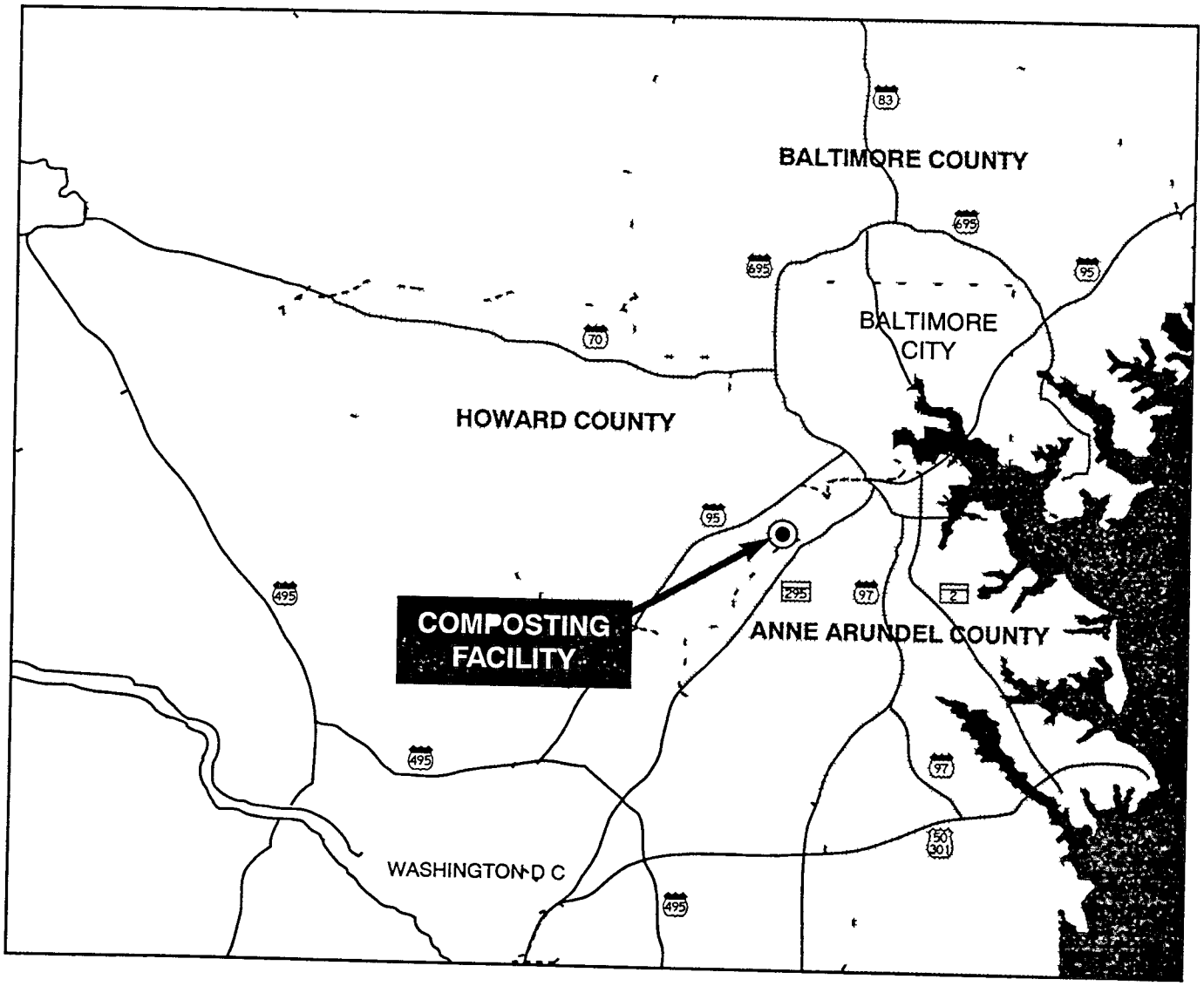
By /s/ James W Peck
James W Peck Director

CERTAIN INFORMATION

CONCERNING

THE BALTIMORE REGIONAL COUNTIES

The Baltimore Regional Counties



APPENDIX A

CERTAIN INFORMATION

CONCERNING

ANNE ARUNDEL COUNTY MARYLAND

CERTAIN INFORMATION CONCERNING

ANNE ARUNDEL COUNTY MARYLAND

General

Anne Arundel County Marvland is a political subdivision of the State of Marvland located thirteen miles east of Washington D C with Baltimore Citv and Baltimore Countv as its northern boundarv and the Chesapeake Bav as its entire eastern boundarv The Countv is also bordered bv Howard County to the west Prince George s Countv to the southwest and Calvert County at its southern tip

Over the past several decades the nature of land use in the County has changed and its population has increased During this period the County s economy has diversified although it retains substantial rural and agricultural elements Within its 418 square miles there are situated at least 15 identifiable unincorporated communities and one incorporated community which as of the 1990 U S Census ranged in population from 10 000 to 37 300 The County s seat of government is located within the corporate limits of the City of Annapolis The County s total population in 1980 was 370 775 and on April 1 1990 was 427 239 as reported by the U S Census Bureau Under home rule charter since 1965 the County is governed by an elected County Executive and a seven member County Council

Ratings

The last issuance of general obligation bonds of Anne Arundel County issued 1995 were rated AA+ by Fitch Investors Service Inc Aa by Moodv s Investors Service and AA+ by Standard & Poor s Corporation

ANNF ARUNDEL COUNTY MARYLAND
SUMMARY OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND (BUDGET BASIS)
LAST FIVE FISCAL YEARS
(UNAUDITED)

	B dg t	A t l	B lget	A t al	Budg t	A t l	Bt lg t	Act l	B lg t	Act l
	1990		1991		1992		1993		1994	
					Y E I d J 30					
Re s										
G e l p perty t es	$194 106 500	$196 133 351	$209 515 200	$210 256 179	$231 899 500	$230 778 101	$263 937 450	$261 741 031	$266 479 680	$263 671 524
L c l ta	120 305 000	130 563 949	137 465 000	131 993 686	133 314 000	134 987 891	136 301 000	144 961 103	146 712 600	153 262 212
State sl a ed t	27 801 200	27 199 029	28 631 700	26 378 833	18 477 153	18 836 089	14 856 330	15 515 939	15 820 900	16 850 727
G ants a d d	25 095 630	24 741 499	26 373 241	24 395 836	21 663 827	15 229 514	21 269 406	8 563 159	19 381 500	20 431 494
Re o d t a d t sf ta s	16 385 000	29 355 651	21 725 000	22 951 132	23 638 200	28 768 587	28 653 000	33 205 605	32 085 600	37 942 741
L c l s le ta s	13 836 500	13 579 641	14 940 000	13 552 326	13 550 135	13 761 557	14 774 640	13 960 204	14 092 600	14 328 906
Li a d p rm t	8 297 700	8 149 399	7 947 220	6 430 079	7 276 100	8 644 944	9 503 210	9 108 096	9 774 040	10 621 304
I e t t om	8 970 000	9 210 377	9 500 000	6 755 178	3 850 000	4 539 568	5 260 000	2 810 752	3 175 800	3 592 255
I t f d s	5 370 750	5 662 409	5 370 930	6 200 564	4 962 650	5 135 186	4 879 880	5 016 499	7 067 530	8 027 382
Otl	7 987 930	12 657 626	8 568 030	10 950 680	10 135 600	12 004 662	10 715 940	14 160 584	10 787 100	13 441 139
Tot l e	428 156 210	457 252 931	470 036 321	459 864 493	468 767 165	472 686 099	510 150 856	509 342 972	525 377 350	542 169 684
E p d t s										
C rr t										
Ed at	199 510 915	199 218 128	222 106 540	222 105 779	215 889 485	215 888 407	223 376 630	223 356 152	247 780 580	247 775 281
H gl Ed c t o	10 786 090	10 786 085	11 774 560	11 772 776	11 804 940	11 804 940	11 399 130	11 399 127	11 786 940	11 579 201
Gen al Go rmm t	109 823 640	108 128 535	105 144 860	101 919 080	89 289 390	87 826 768	105 377 210	98 522 384	89 863 750	89 435 450
P blic Safety	84 443 300	83 222 854	93 638 320	90 797 700	90 617 910	89 560 662	94 483 320	93 018 881	96 443 610	96 413 136
Public Wo ks	24 548 100	24 547 748	25 227 660	25 152 132	23 670 350	23 519 571	24 775 640	24 372 619	36 255 930	36 247 276
Healtl	19 680 130	19 310 964	21 371 390	21 184 892	20 069 930	19 558 918	21 757 690	20 905 688	22 405 880	22 231 710
L b	7 767 600	7 737 178	8 172 810	7 791 487	7 645 610	7 636 860	7 785 410	7 782 559	8 632 360	8 630 269
Jud al	8 341 740	8 287 228	9 244 000	9 111 672	9 252 360	9 246 116	9 857 480	9 760 792	10 350 660	10 374 455
R t d P k	7 840 270	7 840 107	8 789 330	8 765 172	9 665 570	9 375 914	9 798 760	9 535 813	7 472 990	7 456 698
P bl S rv e	909 780	765 280	1 455 870	1 386 420	1 335 580	1 195 384	1 353 270	1 275 827	1 018 120	988 477
Soc l S rv es	2 301 010	2 234 084	2 433 500	2 128 796	2 333 810	2 192 297	2 165 680	2 163 754	2 352 200	2 209 009
T t l p d t	475 952 575	472 078 191	509 358 840	502 115 906	481 574 935	477 805 837	512 130 220	502 102 596	534 363 020	533 340 962
N t c ea e (de as) f nd bal	(47 796 365	(14 825 260)	(39 322 519)	(42 251 413)	(12 807 770	(5 119 738)	(1 979 364)	7 240 376	(8 985 670	8 828 722
Fund bala ce J ly 1	67 494 864	67 494 864	52 669 604	52 669 604	10 418 191	10 418 191	9 198 453	9 198 453	16 438 829	16 438 829
Eq ty t ar sfer					3 900 000	3 900 000				
Fund balance J ne 30	$19 698 499	$52 669 604	$13 347 085	$10 418 191	$1 510 421	$9 198 453	$7 219 089	$16 438 829	$7 453 159	$25 267 551
Fund balance econciliation										
B dg tary f d b la J e 30		$52 669 604		$10 418 191		$9 198 453		$16 438 829		$25 267 551
Fund bala ic e rved fo										
E nb		7 105 543		5 234 093		4 390 222		4 333 539		5 595 966
I e to s		322 505		279 319		322 714		416 628		410 624
R e e Stab l to Fur d								10 245 373		12 687 792
F nd bal e GAAP ba s		$60 097 652		$15 931 603		$13 911 389		$31 434 369		$43 961 933

So ce An e A d l Co ty Maryla d Comp eh si Ai ual F an al Report

General Fund operating results for the year 1990 reflect the continued growth and prosperity of the County combined with a policy of conservatively estimating revenues so that at year end positive fund balances were maintained In fiscal year 1991 certain revenues began to show decline As a result the County instituted expenditure control measures including restrictions on out of state travel and a hiring freeze In this manner the County was able to maintain positive fund balances as of June 30 1991 and 1992 Revenue growth plus continued expenditure controls resulted in an increased budget basis fund balance at June 30 1993 and June 30 1994 Revenue growth was primarily in income taxes resulting from gradual economic recovery in the area and in recordation and transfer taxes which benefitted from low interest rates which spurred an unusual level of mortgage refundings The additional large increase is the balance of the Revenue Stabilization (Rainy Day) Fund created in 1993 and added to in 1994

Budget for Fiscal Year 1993

The County s fiscal year 1993 General Fund Current Expense Budget including the County funding for the Board of Education Libraries Social Services and the Community College amounts to $579 387 240 with a County property tax rate of $2 35 per $100 of assessed value The budget assumed the reduced level of State of Maryland funding made permanent in 1993 and utilization of a fund balance of $18 652 060 A growth rate of 6 3% in revenues over 1993 projected receipts was included in this plan

The 1995 Capital Budget and Five Year Program totaled approximately $698 million Support for the Capital Budget and Program consists of Federal and State grants County bonds and pay as you go financing

Interim General Fund Revenues and Expenditures for Fiscal Year 1993

The Financial Officer has prepared summary unaudited data with respect to revenues and expenditures of the General Fund for the five months ended November 30 1993 and 1994 The presentation of these data does not purport to be an interim statement of General Fund revenues expenditures and fund balance 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 in the annual general purpose financial statements is prepared on the modified accrual basis

Operating results through November 1994 show revenue slightly above the anticipated level resulting in a net increase in revenues Expenditures through November 1994 are slightly lower than prior levels (as a percent of budget) reflecting the continuation of expenditure control Operating results through April 30 1995 show revenue slightly above the anticipated level resulting in a net increase in revenues Expenditures through April 30 1995 are even with prior levels (as a percent of budget)

The following presents a summary of General Fund Revenues Expenditures and Encumbrances for the five months ended November 30 1993 and November 30 1994 as compared with the related total Annual Budgets as revised The projected budgetary fund balance at June 30 1995 is $7 000 000

INTERIM GENERAL FUND SCHEDULE
BUDGET AND ACTUAL
FOR THE FIVE MONTHS ENDED NOVEMBER 30
(UNAUDITED)

	Five Month Actual	Actual As a % of Budget	Annual Budget	% Change From FY 94 Budget	Five Month Actual	Actual As a % of Budget
	Fiscal Year 1993 94			Fiscal Year 1994 95		
Revenues						
General property taxes	$260 091 142	97 60%	$ 7? 868 850	2 40%	$27? 217 893	99 76%
Local income taxes	4 050 552	23 21	16? 361 700	10 67	36 014 345	22 18
State shared taxes	4 521 100	27 31	16 474 370	4 13	5 871 102	35 64
Grants and aid	7 103 029	37 49	24 157 280	27 49	7 961 913	32 96
Recordation and transfer taxes	12 785 142	59 85	35 060 100	9 27	12 581 041	35 88
Local sales taxes	4 483 187	31 81	13 848 610	(1 73)	5 009 997	36 18
Licenses and permits	3 793 758	38 81	10 053 430	2 86	3 528 350	35 10
Investment income	1 269 173	39 96	2 948 410	(7 16)	2 423 488	82 20
Inter fund recoveries	3 150 759	44 58	10 969 040	55 20	3 964 259	36 14
Other revenue	3 390 379	31 43	11 993 390	11 18	3 403 087	28 37
Total general fund revenues	$334 438 221	63 71%	$560 735 180	6 82%	$352 975 475	62 95%
Expenditures						
Board of Education	$79 055 419	31 91%	$272 813 400	10 10%	81 111 741	29 73
General Government	20 623 089	45 58	53 361 870	17 93	22 342 503	41 87
Public Safety	40 113 365	42 72	101 231 930	7 80	44 490 361	43 95
Department of Public Works	13 576 118	39 18	37 758 000	8 96	15 709 793	41 61
Department of Health	7 933 223	34 38	24 737 310	7 21	9 848 634	39 81
Community college	5 497 969	47 12	12 584 790	7 85	6 375 146	50 66
Libraries	3 673 327	43 39	9 360 460	10 58	3 842 749	41 05
Judicial	4 553 353	44 97	11 025 530	8 89	5 086 009	46 13
Department of Recreation and Parks	3 288 732	44 17	7 834 990	5 22	3 311 281	42 26
Public Service Departments	523 465	51 82	1 693 900	67 70	744 218	43 94
Department of Social Services	967 617	42 30	5 157 200	125 47	1 749 526	33 92
Capital Improvements	8 295 830	98 70	8 006 980	(4 73)	8 006 974	100 00
Contribution to Rainy Day Fund	2 000 000	100 00	2 300 000	15 00	1 000 000	43 48
Mandated Grants and Debt Service	10 059 249	32 38	31 520 880	1 46	12 519 634	39 72
Total expenditures	$200 160 756	37 97%	$579 387 240	9 91%	$216 138 569	37 30

Note General Fund revenues do not include appropriated surplus which is dedicated as a source for each subsequent year s budget

Source Office of Budget and Finance

Rainy Day Fund

Both the 1994 and 1995 budgets provide for a contribution to the Rainy Day Fund This fund may only be used upon request of the County Executive with the approval of the County Council to cover existing appropriations when revenues are not attained Anne Arundel County created this fund in 1993 It is the County administration s intent to add to this fund in future budgets until a balance of 3% of budgeted expenditures is reached and then maintain the fund at that level The 1995 budget provides for an addition to this fund of $2 300 000 The expected balance including interest income at June 30 1995 is $15 750 000

General Fund Revenues

The County s principal General Fund revenues are property taxes income taxes local taxes and state and federal assistance

ANNE ARUNDEL COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
June 30, 1994

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service
Assets						
Cash and temporary investments (Note 3)	$26 475 007	$51 207 108	$20 128 914	$ 308 115	$ [illegible] 587 156	$16 485 946
Pension investments (Note 3)	—	—	—	—	—	—
Receivables						
Property taxes (less allowance for doubtful accounts of $2 555 180)	1 369 922	—	—	—	—	—
Local sales taxes	1 069 251	—	—	—	—	—
State shared revenues	8 813 561	—	—	—	—	—
Due from other governmental agencies	6 496 327	—	2 394 438	—	—	—
Local income tax	18 878 319	—	—	—	—	—
Service billings receivable	—	—	—	—	12 200 194	—
Other net	998 113	125 417	255 818	2 126	—	3 602
Due from other funds (Note 10)	674 139	11 794	—	—	—	—
Due from primary government	—	—	—	—	—	—
Inventories	410 624	—	—	—	809 781	1 618 814
Other assets	—	—	—	—	—	—
Restricted assets (Note 5)						
Cash and temporary investments (Note 3)	—	—	—	—	99 545 116	—
Receivables						
Due from other governmental agencies	—	—	—	—	5 691 289	—
Deferred water and sewer assessments and capital connection charges	—	—	—	—	159 325 218	—
Bond proceeds held by State of Maryland agency (Note 6)	—	—	—	—	13 459 714	—
Notes receivable (Note 12)	—	—	—	—	23 377 775	—
Other net	—	—	—	—	5 858 142	—
Long term loan receivable	—	678 519	—	700 000	—	—
Property plant and equipment (Note 4)	—	—	—	—	745 501 420	2 705 436
General fixed assets (Note 4)	—	—	—	—	—	—
Amounts available in Debt Service Funds	—	—	—	—	—	—
Amounts to be provided for retirement of general long term debt	—	—	—	—	—	—
Total assets	$65 185 263	$52 022 838	$22 779 170	$1 010 241	$1 099 146 783	$20 813 798

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

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)	Component Units			Totals (Memorandum Only)
Trust and Agency	General Long Term Debt	General Fixed Assets	Primary Government	Board of Education	Community College	Library	
$ 8 866 900	$ —	$ —	$ 156 854 126	$ 31 568 506	$ 5 766 214	$ 8 438	$ 194 197 284
410 881 471	—	—	410 881 471	—	—	—	410 881 471
—	—	—	1 369 922	—	—	—	1 369 922
—	—	—	1 069 251	—	—	—	1 069 251
—	—	—	8 813 561	—	—	—	8 813 561
—	—	—	8 890 765	3 695 885	278 189	—	12 864 839
—	—	—	18 878 319	—	—	—	18 878 319
—	—	—	12 200 194	—	—	—	12 200 194
—	—	—	1 385 076	636 655	2 632 506	44 197	4 698 434
—	—	—	685 933	2 208 161	335 014	—	3 229 108
—	—	—	—	3 265 607	412 598	907 966	4 586 171
—	—	—	2 839 219	1 586 550	470 597	—	4 896 366
—	—	—	—	—	125 287	—	125 287
—	—	—	99 543 116	—	—	—	99 543 116
—	—	—	5 691 289	—	—	—	5 691 289
—	—	—	159 323 218	—	—	—	159 323 218
—	—	—	13 459 714	—	—	—	13 459 714
—	—	—	23 377 773	—	—	—	23 377 773
—	—	—	5 858 142	—	—	—	5 858 142
—	—	—	1 378 519	—	—	—	1 378 519
—	—	—	748 206 856	—	27 863 520	—	776 070 376
—	—	529 013 238	529 013 238	560 930 977	—	1 602 335	1 091 546 550
—	32 106	—	32 106	—	—	—	32 106
—	309 061 204	—	309 061 204	33 639 615	—	393 620	343 094 439
$419 748 371	$309 093 310	$529 013 238	$2 518 813 012	$637 531 956	$37 883 925	$2 956 556	$3 197 185 449

(continued)

ANNE ARUNDEL COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
June 30, 1994

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service
Liabilities						
Accounts payable and accrued expenses	$18 743 910	$ 151 010	$ 6 775 609	$ —	$ 8 551 644	$ 658 549
Current portion of long term debt	—	—	—	—	20 692 491	—
Due to other governmental agencies	—	—	—	—	—	—
Due to other funds (Note 10)	—	11 794	—	278 135	—	396 004
Due to component units	1 083 720	—	3 502 451	—	—	—
Deferred compensation	—	—	—	—	—	—
Escrow deposits	—	214 114	—	—	758 605	—
Unpaid claims (Note 13)	—	—	—	—	—	21 822 140
Liabilities related to restricted assets (Note 5)						
Accounts payable and accrued expenses	—	—	—	—	12 198 360	—
Escrow deposits	—	—	—	—	801 668	—
Assessments and connection charges—interest portion						
Billed	—	—	—	—	1 755 582	—
To be billed	—	—	—	—	55 705 365	—
Accrued liability for compensated absences (Note 6)	—	—	—	—	1 007 660	500 401
Accrued liability for revenue overcollection settlement (Notes 6 and 16)	—	—	—	—	—	—
Estimated landfill closure postclosure and remediation costs (Note 14)	—	—	—	—	41 202 558	—
Long term leases payable (Note 6)	—	—	—	—	—	—
Long term debt (Note 6)	—	—	—	—	311 721 910	—
Less current portion	—	—	—	—	(20 692 491)	—
Less deferred refunding loss	—	—	—	—	(10 053 757)	—
Deferred revenue	1 395 700	—	—	—	—	—
Total liabilities	21 223 330	356 918	10 278 060	278 135	423 129 595	23 176 894
Equity and Other Credits						
Investment in fixed assets	—	—	—	—	—	—
Contributed capital (Note 12)						
Contributed assets	—	—	—	—	499 386 246	4 013 924
Debt service contributions	—	—	—	—	76 907 360	—
Debt service deferred developer participation	—	—	—	—	21 890 875	—
Debt service unbilled assessments	—	—	—	—	103 617 853	—
Retained earnings (deficit) (Note 17)	—	—	—	—	(25 785 146)	(6 377 020)
Fund balances						
Reserved						
Encumbrances	5 595 966	1 177 341	13 462 245	—	—	—
Revenue Stabilization Fund (Note 11)	12 687 792	—	—	—	—	—
Student scholarships and other	—	—	—	—	—	—
Inventories	410 624	—	—	—	—	—
Employee retirement plans	—	—	—	—	—	—
Loan receivable	—	678 519	—	700 000	—	—
Unreserved						
Designated for subsequent year s expenditures	18 352 060	12 825 094	477 861	310 241	—	—
Designated for revenue collection settlement (Note 16)	821 412	—	—	—	—	—
Undesignated (deficit)	6 094 079	36 984 966	(1 438 996)	(278 135)	—	—
Total equity (deficit) and other credits	43 961 933	51 665 920	12 501 110	732 106	676 017 188	(2 363 096)
Total liabilities equity and other credits	$65 185 263	$52 022 838	$22 779 170	$1 010 241	$1 099 146 783	$20 813 798

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

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	Component Units			Totals (Memorandum Only)
Trust and Agency	General Long Term Debt	General Fixed Assets	Primary Government	Board of Education	Community College	Library	
$ 54 061	$ —	$ —	$ 34 894 583	$ 24 846 767	$ 3 398 644	$ 577 200	$ 63 717 194
—	—	—	20 692 491	—	—	—	20 692 491
—	—	—	—	794 222	—	—	794 222
—	—	—	685 933	2 208 161	335 014	—	3 229 108
—	—	—	4 586 171	—	—	—	4 586 171
19 242 282	—	—	19 242 282	—	—	—	19 242 282
8 744 085	—	—	9 216 804	2 692 224	—	—	11 909 028
—	—	—	21 822 140	—	—	—	21 822 140
—	—	—	12 198 360	—	—	—	12 198 360
—	—	—	801 668	—	—	—	801 668
—	—	—	1 755 582	—	—	—	1 755 582
—	—	—	55 705 365	—	—	—	55 705 365
—	8 728 283	—	10 036 344	25 360 374	631 643	393 620	36 421 981
—	821 412	—	821 412	—	—	—	821 412
—	—	—	41 202 558	—	—	—	41 202 558
—	484 539	—	484 539	8 279 241	275 670	—	9 039 450
—	299 059 076	—	610 780 986	—	—	—	610 780 986
—	—	—	(20 692 491)	—	—	—	(20 692 491)
—	—	—	(10 053 757)	—	—	—	(10 053 757)
—	—	—	1 395 700	367 917	2 524 174	—	4 287 791
28 040 428	309 093 310	—	815 576 670	64 548 906	7 165 145	970 820	888 261 541
—	—	529 013 238	529 013 238	560 930 977	27 098 643	1 602 335	1 118 645 193
—	—	—	503 400 170	—	—	—	503 400 170
—	—	—	76 907 360	—	—	—	76 907 360
—	—	—	21 890 875	—	—	—	21 890 875
—	—	—	103 617 853	—	—	—	103 617 853
—	—	—	(32 162 166)	—	—	—	(32 162 166)
—	—	—	20 235 552	18 134 143	17 185	369 848	38 756 728
—	—	—	12 687 792	—	—	—	12 687 792
—	—	—	—	—	1 564 082	—	1 564 082
—	—	—	410 624	1 369 023	—	—	1 779 647
391 707 943	—	—	391 707 943	—	—	—	391 707 943
—	—	—	1 378 519	—	—	—	1 378 519
—	—	—	31 965 256	—	1 390 297	13 553	33 369 106
—	—	—	821 412	—	—	—	821 412
—	—	—	41 361 914	(7 451 093)	648 573	—	34 559 394
391 707 943	—	529 013 238	1 703 236 342	572 983 050	30 718 780	1 985 736	2 308 923 908
$419 748 371	$309 093 310	$529 013 238	$2 518 813 012	$637 531 956	$37 883 925	$2 956 556	$3 197 185 449

ANNE ARUNDEL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
Year Ended June 30 1994

	Governmental Fund Types				Totals (Memorandum Only)	Component Units		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	Primary Government	Board of Education	Library	
Revenues								
General property taxes	$ 265 671 524	$ —	$ —	$ 1 918 262	$265 589 786	$ —	$ —	$ 265 589 786
Local income taxes	153 762 212	—	—	—	153 762 212	—	—	153 762 212
State shared taxes	16 850 727	—	—	—	16 850 727	—	—	16 850 727
Grants and aid	20 451 494	—	3 518 353	—	23 949 847	174 987 845	1 948 829	200 886 521
Recordation and transfer taxes	37 942 741	—	—	—	37 942 741	—	—	37 942 741
Local sales taxes	14 328 906	—	—	—	14 328 906	—	—	14 328 906
Licenses and permits	10 621 304	—	—	—	10 621 304	—	—	10 621 304
Food sales and subsidies	—	—	—	—	—	7 405 433	—	7 405 433
Investment income	4 034 674	1 408 278	—	—	5 442 952	745 952	—	6 188 904
Impact fees	—	8 216 961	—	—	8 216 961	—	—	8 216 961
Other	12 748 164	6 717 763	2 934 835	240 303	22 641 065	2 578 788	870 379	26 090 232
Total revenues	533 891 746	16 343 002	6 453 188	2 158 565	558 846 501	185 718 018	2 819 208	747 383 727
Expenditures								
Current								
Education (Note 11)	—	—	—	—	—	408 328 818	—	408 328 818
General Government	42 125 252	—	—	—	42 125 252	—	—	42 125 252
Public Safety	94 552 421	—	—	—	94 552 421	—	—	94 552 421
Public Works	34 377 616	—	—	—	34 377 616	—	—	34 377 616
Health	21 152 472	—	—	—	21 152 472	—	—	21 152 472
Libraries	—	—	—	—	—	—	11 174 007	11 174 007
Judicial	10 299 255	—	—	—	10 299 255	—	—	10 299 255
Recreation and Parks	7 388 590	—	—	—	7 388 590	—	—	7 388 590
Public Services	969 544	—	—	—	969 544	—	—	969 544
Social Services	2 285 034	—	—	—	2 285 034	—	—	2 285 034
Food Service	—	—	—	—	—	11 168 181	—	11 168 181
Other	—	4 522 524	—	39 898	4 562 422	5 867 368	—	10 429 790
Revenue overage to the State of Maryland	—	19 249	—	—	19 249	—	—	19 249
Capital outlay	2 629 409	371 908	31 607 185	173 206	34 781 708	23 548 738	132 176	58 462 622
Debt Service								
Interest payments on debt	15 346 856	—	542	264 679	15 612 077	—	—	15 612 077
Principal payments on debt	24 075 786	2 209	7 658	450 842	24 536 495	—	—	24 536 495
Interest payments on leases	77 707	—	—	—	77 707	—	—	77 707
Principal payment on leases	507 600	—	—	—	507 600	—	—	507 600
Total expenditures	255 787 542	4 915 890	31 615 385	928 625	293 247 442	448 913 105	11 306 183	753 466 730
Revenues over (under) expenditures	278 104 204	11 427 112	(25 162 197)	1 229 940	265 599 059	(263 195 087)	(8 486 975)	(6 083 003)

	Governmental Fund Types				Totals (Memorandum Only)	Component Units		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	Primary Government	Board of Education	Library	
Other Financing Sources (Uses)								
Operating transfers in								
Primary government—Board of Education	—	—	—	—	—	257 835 826	—	257 835 826
Primary government—Library	—	—	—	—	—	—	8 630 269	8 630 269
Other	102 361	400 736	10 084 829	—	10 587 926	—	—	10 587 926
Operating transfers out								
Component Unit—Board of Education	(238 139 350)	—	(19 696 476)	—	(257 835 826)	—	—	(257 835 826)
Component Unit—Library	(8 630 269)	—	—	—	(8 630 269)	—	—	(8 630 269)
Component Unit—Community College	(10 216 520)	—	(4 937 091)	—	(15 153 611)	—	—	(15 153 611)
Other	(8 692 862)	(1 891 360)	(3 704)	—	(10 587 926)	—	—	(10 587 926)
Proceeds of general obligation bonds	—	—	72 000 000	—	72 000 000	—	—	72 000 000
Proceeds of loan from State of Maryland	—	—	—	173 206	173 206	—	—	173 206
Proceeds of lease financing	—	—	—	—	—	4 929 148	—	4 929 148
Total other financing sources (uses)	(265 576 640)	(1 490 624)	57 447 558	173 206	(209 446 500)	262 764 974	8 630 269	61 948 743
Net increase (decrease) in fund balances	12 527 564	9 936 488	32 285 361	1 403 146	56 152 559	(430 113)	143 294	55 865 740
Fund balances July 1 as restated (Note 2)	31 434 369	41 732 923	(23 264 105)	2 808 814	52 712 001	12 482 186	240 107	65 434 294
Equity transfers (Note 12)	—	(3 491)	3 479 854	(3 479 854)	(3 491)	—	—	(3 491)
Fund balances June 30	$ 43 961 933	$51 665 920	$12 501 110	$ 732 106	$108 861 069	$ 12 052 073	$ 383 401	$ 121 296 543

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

ANNE ARUNDEL COUNTY
COMBINED STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL GENERAL SPECIAL REVENUE AND DEBT SERVICE FUNDS (NON GAAP)
Year Ended June 30 1994

	General			Special Re enue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
General property taxes	$266 479 680	$263 671 524	$(2 808 156)	$ —	$ —	$ —
Local income taxes	146 712 600	153 262 212	6 549 612	—	—	—
State shared taxes	15 820 900	16 850 727	1 029 827	—	—	—
Grants and aid	19 381 500	20 431 494	1 049 994	—	—	—
Recordation and transfer taxes	32 085 600	37 942 741	5 857 141	—	—	—
Local sales taxes	14 092 600	14 328 906	236 306	—	—	—
Licenses and permits	9 774 040	10 621 304	847 264	—	—	—
Investment income	3 175 800	3 592 255	416 455	—	—	—
Inter fund recoveries	7 067 530	8 027 382	959 852	—	—	—
Other	10 787 100	13 441 139	2 654 039	5 844 959	5 710 170	(134 789)
Total revenues	525 377 350	542 169 684	16 792 334	5 844 959	5 710 170	(134 789)
Expenditures						
Current						
Education	247 780 580	247 775 281	5 299	—	—	—
Higher Education	11 786 940	11 579 201	207 739	—	—	—
General Government	89 863 750	89 435 450	428 300	—	—	—
Public Safety	96 443 610	96 413 136	30 474	—	—	—
Public Works	36 255 930	36 247 276	8 654	—	—	—
Health	22 405 880	22 231 710	174 170	—	—	—
Libraries	8 632 360	8 630 269	2 091	—	—	—
Judicial	10 350 660	10 374 455	(23 795)	—	—	—
Recreation and Parks	7 472 990	7 456 698	16 292	—	—	—
Public Service	1 018 120	988 477	29 643	—	—	—
Social Services	2 352 200	2 209 009	143 191	—	—	—
Other	—	—	—	5 850 955	5 222 170	628 785
Total expenditures	534 363 020	533 340 962	1 022 058	5 850 955	5 222 170	628 785
Revenues over (under) expenditures	(8 985 670)	8 828 722	$17 814 392	(5 996)	488 000	$ 493 996
Fund balances budgetary July 1	16 438 829	16 438 829		777 171	957 784	
Equity transfer	—	—		—	—	
Fund balances budgetary June 30	$ 7 453 159	$ 25 267 551		$ 771 175	$1 445 784	

Fund balances	
Unreserved	
Designated for subsequent year s expenditures	$ 18 352 060
Designated for revenue overcollection settlement (Note 16)	821 412
Undesignated	6 094 079
	$ 25 267 551

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

Debt Service			Totals (Memorandum only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 2 250 760	$ 1 918 262	$(312 498)	$268 710 440	$265 589 786	$(3 120 654)
—	—	—	146 712 600	153 262 212	6 549 612
—	—	—	15 820 900	16 850 727	1 029 827
—	—	—	19 381 500	20 431 494	1 049 994
—	—	—	32 085 600	37 942 741	5 857 141
—	—	—	14 092 600	14 328 906	236 306
—	—	—	9 774 040	10 621 304	847 264
30 000	(291)	(30 291)	3 205 800	3 591 964	386 164
—	—	—	7 067 530	8 027 382	959 852
237 884	240 303	2 419	16 869 943	19 391 612	2 521 669
2 498 644	2 158 274	(340 370)	533 720 953	550 038 128	16 317 175
—	—	—	247 780 580	247 775 281	5 299
—	—	—	11 786 940	11 579 201	207 739
1 091 424	755 128	336 296	90 955 174	90 190 578	764 596
—	—	—	96 443 610	96 413 136	30 474
—	—	—	36 255 930	36 247 276	8 654
—	—	—	22 405 880	22 231 710	174 170
—	—	—	8 632 360	8 630 269	2 091
—	—	—	10 350 660	10 374 455	(23 795)
—	—	—	7 472 990	7 456 698	16 292
—	—	—	1 018 120	988 477	29 643
—	—	—	2 352 200	2 209 009	143 191
—	—	—	5 850 955	5 222 170	628 785
1 091 424	755 128	336 296	541 305 399	539 318 260	1 987 139
1 407 220	1 403 146	$ (4 074)	(7 584 446)	10 719 868	$18 304 314
2 108 814	2 108 814		19 324 814	19 505 427	
(3 479 854)	(3 479 854)		—	(3 479 854)	
$ 36 180	$ 32 106		$ 11 740 368	$ 26 745 441	

ANNE ARUNDEL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES—PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year Ended June 30 1994

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Pension Trust	
Operating Revenues				
Charges for services	$ 59 052 574	$17 975 922	$ —	$ 77 028 496
Landfill char es	7 715 549	—	—	7 715 549
Member contributions	—	—	5 549 126	5 549 126
Employer contributions	—	—	17 628 388	17 628 388
Investment income	—	—	8 115 675	8 115 675
Other	1 798 628	340 853	—	2 139 461
Total operating revenues	68 566 751	18 316 755	31 295 189	118 176 695
Operating Expenses				
Personal services	20 815 648	4 855 319	—	25 670 967
Contractual services	27 002 043	800 235	—	27 802 278
Supplies and materials	3 427 834	115 646	—	3 543 480
Business and travel	1 837 374	153 665	—	1 991 039
Cost of goods issued	—	6 002 064	—	6 002 064
Depreciation	20 272 609	214 938	—	20 487 547
Provision for claims and estimated losses	—	9 354 557	—	9 354 557
Annuity benefits	—	—	10 975 606	10 975 606
Refunds to terminated employees	—	—	499 154	499 154
Administrative costs	—	—	3 479 044	3 479 044
Landfill closure and postclosure costs (Note 14)	4 642 298	—	—	4 642 298
Other	3 910 899	896 390	—	4 807 289
Total operating expenses	81 908 705	22 392 814	14 953 804	119 255 325
Operating income (loss)	(13 341 954)	(4 076 059)	16 339 385	(1 078 628)
Non Operating Revenues and Expenses				
Assessments and connection charges billed—interest portion	6 009 256	—	—	6 009 256
Environmental protection fees	2 463 052	—	—	2 463 052
Investment income	5 276 109	428 834	—	5 704 943
Other revenue	494 241	—	—	494 241
Other expense	(502 438)	—	—	(502 438)
Interest expense	(9 628 001)	—	—	(9 628 001)
Net income (loss)	(9 229 735)	(3 647 225)	16 339 385	3 462 425
Other				
Add back portion of depreciation on property plant and equipment funded by externally restricted grants and developers contributions	7 179 259	—	—	7 179 259
Net change in retained earnings/fund balances	(2 050 476)	(3 647 225)	16 339 385	10 641 684
Retained earnings (deficit)/fund balances July 1 (Note 2)	(23 734 670)	(2 729 795)	375 368 558	348 904 093
Retained earnings (deficit)/fund balances June 30	$(25 785 146)	$(6 377 020)	$391 707 943	$359 545 777

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

ANNE ARUNDEL COUNTY
COMBINED STATEMENT OF CASH FLOWS—PROPRIETARY FUND TYPES
Year Ended June 30, 1994

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash Flows From Operating Activities			
Cash received for services	$ 67 315 158	$ 17 972 670	$ 85 287 828
Cash received from insurance companies	—	267 152	267 152
Cash payments to suppliers for goods and services	(34 354 753)	(8 233 053)	(42 587 806)
Cash payments to employees for services	(20 899 800)	(4 771 777)	(25 671 577)
Cash payments for insurance claims	—	(5 264 852)	(5 264 852)
Cash payments for landfill closure costs	(9 054 476)	—	(9 054 476)
Other operating revenues	1 674 611	121 568	1 796 179
Net cash provided by operating activities	4 701 240	91 688	4 792 928
Cash Flows From Noncapital Financing Activities			
Environmental protection fees	2 460 821	—	2 460 821
Negative cash balance implicitly financed	—	396 004	396 004
Prior year negative cash balance implicitly financed	—	(266 605)	(266 605)
Equity transfer	3 491	—	3 491
Net cash provided by noncapital financing activities	2 464 312	129 399	2 593 711
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of County bonds	54 500 000	—	54 500 000
Cash receipts from County bonds proceeds held by State of Maryland agency	5 642 226	—	5 642 226
Proceeds from grant funds	808 319	—	808 319
Proceeds from developers contributions (Note 12)	2 746 739	—	2 746 739
Refunds to developers	(458 515)	—	(458 515)
Cash receipts from assessments and connection charges	24 131 994	—	24 131 994
Payments of long term debt	(17 762 628)	—	(17 762 628)
Interest payments	(13 601 146)	—	(13 601 146)
User connection charge collections	583 970	—	583 970
Acquisition and construction of capital assets	(31 432 713)	(162 415)	(31 595 128)
Payments for debt issuance costs	(512 002)	—	(512 002)
Payments received on note receivable	841 358	(1 014)	840 344
Payments of arbitrage rebate	(717 677)	—	(717 677)
Net cash provided by (used for) capital and related financing activities	24 769 925	(163 429)	24 606 496
Cash Flows From Investing Activities			
Purchase of investment securities	(196 546 628)	(22 150 000)	(218 696 628)
Sale of investment securities	176 046 622	10 150 000	186 196 622
Interest on investments	5 906 358	428 311	6 334 669
Net cash used for investing activities	(14 593 648)	(11 571 689)	(26 165 337)
Net increase (decrease) in cash and cash equivalents	17 341 829	(11 514 031)	5 827 798
Cash and cash equivalents July 1	52 664 171	15 999 454	68 663 625
Cash and cash equivalents June 30	70 006 000	4 485 423	74 491 423
Investment in non cash equivalents	62 919 252	12 000 523	74 919 775
Total cash and temporary investments	$132,925,252	$ 16,485,946	$ 149 411,198
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	$ (13 341 954)	$ (4 076 059)	$ (17 418 013)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities			
Depreciation	20 272 609	214 938	20 487 547
Change in Assets and Liabilities			
Decrease (increase) in due from other governmental agencies	—	47 867	47 867
Decrease (increase) in accounts receivable	(47 350)	(3 252)	(50 602)
Decrease in inventories	82 596	(21 316)	61 280
Increase (decrease) in operating accounts payable and accrued expenses	1 755 127	(196 014)	1 559 113
Decrease in landfill closure and postclosure costs	(4 392 178)	—	(4 392 178)
Increase in unpaid claims	—	4 089 705	4 089 705
Increase (decrease) in escrow deposits	(23 873)	—	(23 873)
Increase in accrued liability for compensated absences	(97 978)	35 819	(62 159)
Other revenues classified as non operating	494 241	—	494 241
Net cash provided by operating activities	$ 4 701 240	$ 91 688	$ 4 792 928

Noncash Investing Capital and Financing Activities

In fiscal year 1994 facilities with an estimated market value of $18 944 992 were contributed to the Enterprise funds by developers These were primarily water and sewer lines placed in new developments

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

ANNE ARUNDEL COUNTY
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
COMMUNITY COLLEGE
Year Ended June 30 1994

	Current Funds		Totals (Memorandum Only)
	Unrestricted	Restricted	
Revenues			
Student tuition and fees	$12 341 182	$ —	$12 341 182
Federal government	—	2 295 501	2 295 501
State of Maryland	9 235 614	57 804	9 293 418
Auxiliary enterprises	5 103 232	—	5 103 232
Grants and contracts	—	94 039	94 039
Other revenues	211 758	104 227	315 985
Total revenues	26 891 786	2 551 571	29 443 357
Expenditures			
Instructional	17 798 325	335 550	18 133 875
Academic support	3 493 834	—	3 493 834
Student services	2 812 631	2 041 476	4 854 107
Plant operation and maintenance	3 324 239	—	3 324 239
Institutional support	4 514 383	—	4 514 383
Auxiliary enterprises	4 732 313	—	4 732 313
Grants and contracts	—	212 834	212 834
Mandatory transfer—matching funding for restricted grants	23 720	(23 720)	—
Total expenditures and mandatory transfers	36 699 445	2 566 140	39 265 585
Revenues over (under) expenditures	(9 807 659)	(14 569)	(9 822 228)
Elimination of annual leave liability	445 729	—	445 729
Nonmandatory transfers			
Primary Government	10 216 520	—	10 216 520
Net increase (decrease) in fund equity	$ 854 590	$ (14 569)	$ 840 021

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

ANNE ARUNDEL COUNTY
STATEMENT OF CHANGES IN FUND BALANCES
COMMUNITY COLLEGE
Year Ended June 30 1994

	Current Funds			Plant Funds	
	Unrestricted	Restricted	Endowment Fund	Unexpended	Investment in Plant
Revenues and Other Additions					
Educational and general	$12 541 182	$ —	$ —	$ —	$ —
Gifts and donations	—	104 277	12 520	—	—
Dividends and interest	203 932	—	15 760	27 799	—
Federal grants	—	2 295 501	—	—	—
State of Maryland	9 235 614	57 804	—	—	—
Other grants	—	94 039	—	—	—
Auxiliary enterprises	5 103 232	—	—	—	—
Miscellaneous income	7 826	—	—	875	—
Expended for Plant Fund facilities(including $1 851 002 charged to Current Funds expenditures)	—	—	—	—	6 927 897
Donation of equipment	—	—	—	—	108 770
Decrease in other liability	—	—	—	—	99 624
Total revenues and other additions	26 891 786	2 551 571	28 280	23 624	7 136 291
Expenses and Other Deductions					
Educational and general	31 943 412	2 471 065	—	—	—
Auxiliary enterprises	4 732 313	—	—	—	—
Sponsored scholarships	—	118 795	21 008	—	—
Depreciation	—	—	—	—	1 890 658
Expended for plant facilities	—	—	—	5 964 606	—
Increase in installment purchase obligations	—	—	—	—	240 292
Total expense and other deductions	36 675 725	2 589 860	21 008	5 964 606	2 130 950
Transfers Among Funds Additions to (Deductions From) Fund Balances					
Mandatory					
Nonmandatory	(23 720)	23 720	—	—	—
Primary Government	10 216 520	—	—	4 937 091	—
Total transfers among Funds	10 192 800	23 720	—	4 937 091	—
Total expenditures and transfers	26 482 925	2 566 140	21 008	1 027 515	2 130 950
Elimination of annual leave liability	445 729	—	—	—	—
Net increase (decrease) for the fiscal year	854 590	(14 569)	7 272	(1 003 891)	5 005 341
Fund balance July 1	1 201 465	67 113	569 184	1 938 973	22 093 302
Fund balance June 30	$ 2 056 055	$ 52 544	$576 456	$ 935 082	$27 098 643

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

(1) Summary of Significant Accounting Policies

Anne Arundel County Maryland is a municipal corporation governed by an elected County Executive and a seven member County Council with each serving separate executive and legislative functions

The financial statements of the County are prepared in accordance with generally accepted accounting principles applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature The following is a summary of the more significant policies

(A) Reporting Entity

For financial reporting purposes based on the standards established by GASB Statement 14 The Financial Reporting Entity the County includes the various departments agencies and other organizational units governed directly by the County Executive and the County Council of Anne Arundel County Maryland as the primary government hereafter referred to as the Primary Government The component units discussed in Note 1(B) are included in the reporting entity because the Primary Government approves the budgetary requests and provides a significant amount of funding for each of these units The reporting entity as a whole is hereafter referred to as the County

The County s officials are also responsible for appointing members of the boards of various organizations but the County s accountability for these organizations does not extend beyond making those appointments

(B) Component Units

Included as a blended component unit within the special revenue funds is the Anne Arundel County Economic Development Corporation Although this corporation is administered by a separate board sufficient control is maintained by the County to include this as a County agency The component unit columns in the combined financial statements include the financial data of the County s three discretely presented component units Each is reported in a separate column to emphasize that these units are legally separate from the Primary Government and each represents a functionally independent operation The Primary Government does not appoint the governing bodies of any of these component units but does approve their budgets and all are fiscally dependent on the Primary Government

1 The Board of Education and the Public Schools of Anne Arundel County (Board of Education) operates the public education system in the County for grades kindergarten through twelve Its budget is included as part of the Primary Government s General Fund budget even though it is a separate legal entity

2 The Anne Arundel Community College (Community College) operates a two year institution of higher education in the County

3 The Public Library of Annapolis and Anne Arundel County Incorporated (Library) operates the public library system throughout the County

The financial statements of the Board of Education and the Library are prepared in accordance with generally accepted accounting principles applicable to governmental units The financial statements of the Community College have been prepared using the accrual basis of accounting as defined by the AICPA Industry Audit Guide for Colleges and Universities As allowed by these standards the Community College has elected to record depreciation of fixed assets

Complete financial statements of the Board of Education and the Community College can be obtained from their respective administrative offices

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

Anne Arundel County Community College
101 College Parkway
Arnold MD 21012

The library does not issue separate financial statements

(C) Basis of Presentation—Fund Accounting

The accounts of the County are organized on the basis of funds or account groups each of which is considered a separate accounting entity The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets liabilities fund balance/retained earnings revenues and expenditures/expenses The various funds are summarized by type in the financial statements The following fund types and account groups are used by the County

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the Primary Government are financed The acquisition use and balances of the Primary Government s expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds The measurement focus is upon determination of changes in financial position rather than upon net income determination The following are the Primary Government s governmental fund types

General Fund

The General Fund is the general operating fund of the Primary Government It is used to account for all financial resources except those required to be accounted for in another fund

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than certain debt service major capital projects or trust fund revenues) that are legally restricted to expenditures for specified purposes

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed directly by proprietary funds)

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for and the payment of certain general long term debt principal interest and related costs

Proprietary Fund Types

Proprietary Funds are used to account for the Primary Government s ongoing organizations and activities which are similar to those often found in the private sector The measurement focus is upon determination of net income The following are the Primary Government s proprietary fund types

Enterprise Funds

Enterprise Funds are used to account for those activities of the Primary Government which are financed and operated in a manner similar to private business enterprises in that the costs and expenses including depreciation are recovered primarily through user charges

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Primary Government on a cost reimburse ment basis

Fiduciary Fund Type

Fiduciary Funds are used to account for assets held bv the Primary Government in a trustee capacity or as an agent for individuals private organizations other governmental units and/or other funds

Trust and Agencv Funds

Trust and Agency Funds include pension trust funds and agencv funds Pension trust funds are ac counted for and reported in a manner similar to proprietary funds since capital maintenance is critical Agency funds are accounted for and reported in a manner similar to governmental funds

Account Groups

Account groups are used to establish accounting control and accountability for the Primary Govern ment s general fixed assets and general long term debt The following are the Primary Government s account groups

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the Primary Government other than those accounted for in the Proprietary Funds

General Long Term Debt Account Group

This group of accounts is established to account for all long term debt of the Primary Government except that accounted for in the Proprietary Funds

(D) 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 Under the modified accrual basis of accounting

1 Expenditures are recorded when goods and services are received and the actual fund liabilities are incurred except for principal and interest on general long term debt obligations which are recorded when paid

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 they are both measurable and available Available means expected to be collected within 60 days after year end for general property taxes and soon enough after the year end to be used to pay liabilities of the current period for all other such revenues

3 Revenues not considered earned or available are recorded as deferred revenues

4 In applying the susceptible to accrual concept to intergovernmental revenues the legal and contractual requirements of the numerous individual programs are used as guidance Primarily monies must be expended on the specific purpose or project before any amounts will be paid to the County therefore revenues are recognized based upon the expenditures recorded

Accrual Basis of Accounting

The accrual basis of accounting and flow of economic resources measurement focus is followed in the Proprietary and Pension Trust Funds Under the accrual basis revenues are recognized when they are earned and expenses are recognized when liabilities are incurred Earned but unbilled Water and Waste water Fund utility service charges are recorded as revenue at year end

GASB Statement 20 allows governments to choose not to implement in Proprietary Fund Types pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30 1989 unless those pronouncements are specifically adopted by GASB (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types The County has elected not to implement FASB pronouncements issued after that date for any proprietary fund type activity of the primary government

(E) Budget Policy

Pursuant to County Charter the capital and operating budgets are presented by the County Executive to the County Council on May 1 The County Council holds public hearings and pursuant to County Charter an annual appropriation ordinance must be passed by the County Council by May 31 This resolution becomes effective July 1 and provides the spending authority at the department level for the operations of the County Government with the unexpended or unencumbered appropriation authority expiring the following June 30 except in the case of Capital Project Funds where appropriations do not lapse During the fiscal year budgetary transfers within a department may be made with the approval of the County Executive The County Council may adopt supplemental appropriations and approve appropriation transfers between departments Supplementary appropriations are disclosed in Note 11

Budgets are adopted for all Primary Government funds except for the Self Insurance Funds Fiduciary Funds and the Impact Fees Special Revenue Fund A budget is also adopted for the Library Component Unit Operating Fund All budgets are on an annual basis except those for the Capital Project Funds Generally budgets are adopted using the same basis of accounting as that used for reporting purposes except that for budgetary accounting encumbrances are treated as expenditures (See Note 11)

The budget adopted for the General Fund includes estimated revenues from all sources including the estimated unreserved fund balance for the fiscal year in progress and the total appropriations for the Board of Education The appropriations from the General Fund to the Board of Education (net of revenues received directly by them) are reflected in the General Fund budgetary information presented in the Combined Statement of Revenues Expenditures and Changes in Fund Balances—Budget and Actual

(F) Encumbrance Accounting

Encumbrance accounting under which purchase orders contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation is employed in the Governmental Funds Open encumbrances are treated as reservations of fund balances since the commitments will be honored through subsequent years expenditures

(G) Cash and Temporary Investments and Related Investment Income

Temporary investments of the County are recorded at cost which approximates market County cash receipt and disbursement transactions are initiated in the General Fund except for those relating to the Board of Education and Community College which maintain control over their own cash transactions Amounts applicable to other funds are transferred thereto through interfund receivable and payable accounts reflected in the financial statements as cash and temporary investments The balances of these interfund accounts represent the proportionate share of each fund in cash and temporary investments of the General Fund

Investment income is allocated to each fund based on the average month end balance in these interfund accounts

(H) Statements of Cash Flows

For purposes of presenting Statements of Cash Flows for Proprietary Fund Types cash and cash equivalents includes bank deposits and highly liquid investments readily convertible to cash with original maturities of three months or less Certain temporary investments do not qualify as cash equivalents for this purpose The total of such investments is disclosed on the Statement of Cash Flows

(I) Pension Investments

Investments of the Pension Trust Funds and the Deferred Compensation Agency Fund represent the ownership interests in the net assets of various investment funds The investments in these funds are recorded at estimated market values

(J) Real Property Taxes Receivable

The County s real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the County At that time a lien is placed against the property Assessed values are established by the Maryland State Department of Assessments and Taxation at predetermined percentages of estimated market value A revaluation of all property is required to be completed every three years Payments are due by September 30 Beginning October 1 interest is charged each month on taxes that remain unpaid Property represented by delinquent taxes is sold at a public auction during June

(K) Inventories

Inventories of materials parts and supplies are stated at cost as determined on the first in first out method

Inventories in the General Fund consist of expendable supplies held for consumption For budgetary accounting purposes the cost is recorded as an expenditure at the time individual inventory items are purchased (purchase method) The consumption method is used for financial reporting whereby reported inventories are equally offset by a fund balance reserve

Inventories in the Proprietary Funds are treated as expenses at the time items are used (the consump tion method)

(L) Fixed Assets

Fixed assets of the Primary Government other than those pertaining to the Proprietary Funds are accounted for in the General Fixed Assets Account Group All fixed assets including public domain (infrastructure) fixed assets such as roads bridges curbs and gutters streets and sidewalks drainage systems and lighting systems are capitalized No depreciation has been provided on general fixed assets nor has interest been capitalized

Fixed assets in the Proprietary Funds are depreciated generally on the straight line method over their estimated useful lives as follows 5 years for automotive equipment 10 years for other machinery and equipment 15 to 20 years for landfills 50 years for buildings 35 years for water and sewer plants and 50 years for water and sewer lines Interest is capitalized on Proprietary Fund fixed assets Depreciation on Proprietary Fund fixed assets funded through externally restricted grants and developers contributions is reflected as a charge to operations and then transferred to the related contributed capital accounts

All fixed assets are valued at historical cost or estimated historical cost Donated fixed assets are valued at their estimated fair value on the date donated

(M) Compensated Absences

Vacation benefits are earned by employees based on time in service and the rights to such benefits are vested Sick leave is also accumulated by employees based on time in service Accumulated sick leave

benefits only vest for certain employees who are paid a specified amount per day (which differs based on bargaining unit) for unused sick leave upon retirement Otherwise sick leave is not paid unless sickness causes employees to be absent

The County records vested vacation benefits and the accumulated vested sick leave liability as earned For the Governmental Funds the liabilities are recorded in the General Long Term Debt Account Group since none are to be paid from currently available financial resources The liabilities related to the Proprietary Funds are recorded in those funds as non current Other sick leave benefits are recorded when paid

(N) Deferred Compensation Plan

The Primary Government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 The plan available to all County employees except those of the Board of Education and Community College permits them to defer a portion of their salary until future years The deferred compensation is not available to employees until termination retirement death or unforeseeable emergency although they direct the County on how the amounts are to be invested

All amounts of compensation deferred under the plan all property and rights purchased with those amounts and all income attributable to those amounts property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of benefits under the plan) subject only to the claims of the County s general creditors Participants rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant

It is the opinion of the County Attorney that the County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future

(O) Arbitrage Rebate Payable

Federal tax laws require that certain investment income in excess of interest expense on nontaxable debt where the proceeds are not yet spent on the applicable project be rebated to the federal government While the requirements state that payments begin at the end of the fifth bond year the County has elected to establish a current liability for these excess earnings which amount is included in accounts payable Thus applicable investment income is stated net of any expected rebate liability

(P) Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are to facilitate financial analysis Data in these columns do not present financial position results of operations or cash flows in conformity with generally accepted accounting principles Such data are not comparable to a consolidation since the basis of accounting differs among the various funds and because interfund eliminations have not been made in the aggregation of these data

(2) Accounting Changes

In fiscal year 1994 the County adopted GASB Statements 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues Statement 16 Accounting for Compensated Absences Statement 22 Accounting for Taxpayer Assessed Tax Revenue in Governmental Funds and Statement 23 Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities Statement 24 Accounting and Financial Reporting for Certain Grants and Other Financial Assistance was adopted by the Primary Government and the Board of Education and Library component units While these statements (other than Statement 16) are not required to be implemented at this time all were encouraged for earlier application by the GASB The only statement which had a significant impact was Statement 23

Statement 23 requires deferral and amortization of the difference between the reacquisition price and the net carrying amount of the old debt when an advance refunding resulting in the defeasance of debt is

reported in a proprietary fund This deferred amount is then amortized over the shorter of the original life of the refunded debt or the life of the new debt Retroactive application of this statement is permitted and the County has so elected This resulted in a restatement of the beginning contributed capital account Contributed Assets for the Proprietary Type Enterprise Funds as follows

Balance as originally reported July 1 1993	$470 394 706
Effect on prior periods of deferring previously recognized losses	2 371 519
Balance restated July 1 1993	$472 766 225

Activities and balances of the Anne Arundel County Economic Development Corporation were not included in the County s 1993 financial statements The correction of this error results in an increase in the Special Revenue Fund Type fund balance at July 1 1993 by $795 651 from the previously reported $40 937 272 to $41 732 923

(3) Cash and Investments

The Primary Government maintains a cash investment pool available for use by all funds (as explained in Note 1 (E)) except the Pension Trust Funds and deferred compensation plan Similar cash investment pools are also maintained by the Anne Arundel County Economic Development Corporation the Board of Education and Community College The deposits and investments of the Pension Trust Funds and the County s deferred compensation agency fund are held separately from those of other Primary Government funds

At June 30 1994 the carrying amount of the Primary Government s bank deposits was $3 510 392 and the balance per bank records aggregated $2 984 331 Collected bank balances of $1 526 247 were fully secured by Federal Deposit Insurance and/or security pledged as collateral held in the County s name at the Federal Reserve It is the policy of the County s primary bank (agreed to by County management) to only collateralize collected balances based on guidance issued by the Federal Deposit Insurance Corporation

At times during the period from February 1 1994 to April 21 1994 portions of cash deposits related to child support payments were not collateralized or covered by Federal Deposit Insurance This was a result of a bank oversight Additional collateral was put in place on April 21 which corrected this situation

By statute the Primary Government is authorized to invest in obligations of the U S Government and agencies repurchase agreements related thereto mutual funds which invest in U S Government securities or repurchase agreements fully collateralized by U S Government securities and bankers acceptance agreements Additionally the Primary Government is authorized to participate in the local government pool maintained for the State of Maryland The Primary Government is also authorized to invest bond proceeds which are subject to arbitrage rebate requirements in state and local government obligations The Pension Trust Funds and deferred compensation agency fund are authorized to invest in commercial paper corporate bonds and common stocks as well as mortgage participations and real estate

The Primary Government uses an investment maximization policy for cash balances Under this policy collected cash balances in the Primary Government s depository accounts are invested by the bank prior to the close of the business day The funds invested are not included in the cash or investment balances since they reflect primarily checks which the Primary Government has already disbursed but which have not been processed by the bank At June 30 1994 those investments totaled $5 023 077 of Category Three repurchase agreement investments as defined below where market value is equal to cost

The Primary Government s investments at year end are summarized below classified as to level of risk assumed Category One includes investments held by the Primary Government s agent in the Primary Government s name Category Two includes uninsured and unregistered securities for which the securities

are held by the counterparty s trust department in the Primary Government s name Category Three includes uninsured and unregistered investments for which the securities are held by the counterparty but not in the Primary Government s name

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Repurchase agreements	$166 247 894	$ —	$ 10 207	$166 258 101	$166 258 101
U S Government Securities	12 388 578	—	—	12 388 578	12 620 695
U S Government Agencies	26 762 036	—	—	26 762 036	26 994 549
Bankers Acceptances	28 434 216	—	—	28 434 216	28 434 216
Commercial Paper	—	—	40 829 053	40 829 053	40 829 053
Corporate bonds	—	—	75 471 696	75 471 696	75 471 696
Common stocks	—	—	168 177 902	168 177 902	168 177 902
	$233 832 724	$ —	$284 488 858	518 321 582	518 786 212
Investments held by insurance companies under pension trust agreements					
Real estate related investments				13 973 495	13 973 495
Pooled pension investments				93 187 043	93 187 043
Investments in Local Government Investment Pool				1 111 516	1 111 516
Mutual funds				37 174 685	37 174 685
				$663 768 321	$664 232 951

Cash and investment balances are shown in the financial statements as follows	
Cash and temporary investments	$156 854 126
Pension investments	410 881 471
Restricted assets—cash and temporary investments	99 543 116
	$667 278 713
They are composed of	
Bank deposits	$ 3 510 392
Investments	663 768 321
	$667 278 713

The Pension Trust Funds own the investments that are in Category Three except for $10 207 of repurchase agreements

The Primary Government s investment policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement

All cash balances of the Board of Education and Community College component units are fully secured by Federal Deposit Insurance and/or security pledged as collateral held in the component unit s name at the Federal Reserve Their investments at year end are summarized below

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Repurchase agreements	$4 287 615	$521 326	$ —	$ 4 808 941	$ 4 808 941
Corporate bonds	22 000	—	25 149	47 149	51 824
	$4 309 615	$521 326	$25 149	4 856 090	4 860 765
Investments in pooled investment vehicles				29 414 474	29 414 474
Mutual funds				44 503	37 697
				$34 315 067	$34 312 936

(4) General Fixed Assets and Property Plant and Equipment

A summary of the components of and changes in the General Fixed Assets Account Group for the year ended June 30 1994 are shown below

	Balance July 1 1993	Additions	Transfers In (Out)	Retirements	Balance July 1 1994
Land and buildings	$232 975 510	$ —	$ 34 007 255	$ —	$266 982 765
Roads and bridges	131 660 709	—	3 100 837	—	134 761 546
Automobiles machinery and equipment	71 513 432	2 865 644	2 107 060	1 076 338	75 409 798
Construction work in progress	78 410 824	12 663 457	(39 215 152)	—	51 859 129
Total	$514 560 475	$15 529 101	$ —	$1 076 338	$529 013 238

A summary of Proprietary Funds property plant and equipment at June 30 1994 follows

	Proprietary	
	Enterprise	Internal Service
Land and buildings	$ 7 746 285	$3 383 301
Landfills	22 141 255	—
Water and sewer plants	252 658 452	—
Water and sewer lines	428 555 800	—
Automobiles machinery and equipment	20 224 483	2 450 063
	731 326 275	5 833 364
Less accumulated depreciation	122 906 643	3 127 928
	608 419 632	2 705 436
Construction work in progress	137 081 788	—
Total	$745 501 420	$2 705 436

(5) Restricted Assets and Liabilities—Enterprise Fund

Principal and interest payments for water and wastewater bonds are payable primarily from water and sewer assessments capital connection charges and a portion of transfer taxes Water and sewer usage charges are not used for debt service

Annual water and sewer assessments are designed to recover the County s cost of construction of water and sewer lateral lines and the interest on the related debt and are levied on individual properties for a period of thirty years from the date of installation Capital connection charges are designed to recover the County s cost of construction and the interest on the related debt (total project costs net of Federal and State grants) of water and sewer plants facilities and main lines Certain homeowners may elect to defer a portion of these charges which are then billed annually over a period of thirty years however the balance of the deferred charges becomes currently due if the ownership of the property is transferred

Assessments and charges levied and receivable in future years are reported as water and sewer assessments and capital connection charges receivable The principal portion is reported as contributed capital in the Proprietary Funds The portion of each of these charges related to debt service interest is deferred and subsequently recognized as non operating revenue in the year related debt service is recognized

In addition the proceeds of bond sales certain Federal and State grants and certain in aid of construction charges are restricted to construction of water and sewer systems The assets and related liabilities restricted for these two purposes at June 30 1994 are summarized below

	Restricted for		
	Construction	Debt Service	Total
Total restricted assets	$42 599 207	$264 654 045	$307 253 252
Total liabilities related to restricted assets	8 223 016	62 237 957	70 460 973
Net restricted assets	$34 376 191	$202 416 088	$236 792 279

(6) Long Term Debt

All long term bonded debt and certain loans payable of the County are issued as general obligation debt and are guaranteed by the full faith and credit of the County

A summary of long term debt at June 30 1994 is shown below

	Due Dates	Interest Rates	Amount Outstanding
Enterprise Funds			
Water and Wastewater Enterprise Fund			
Serial bonds applicable to 14% legal debt margin	1994 2024	2 00% to 9 25%	$277 581 910
Waste Collection Enterprise Fund			
Serial bonds applicable to 13% legal debt margin	1994 2010	3 00% to 8 40%	34 140 000
Total			311 721 910
General Long Term Debt Account Group			
Serial bonds applicable to 13% legal debt margin	1994 2014	3 00% to 8 70%	291 185 000
Loans payable	1994 2019	2 80% to 7 10%	7 874 076
Total			299 059 076
			$610 780 986

General Long Term Debt is paid primarily by the General Fund except for loans of $6 429 099 and bonds of $685 500 paid from Debt Service Funds and loans of $239 121 paid from Special Revenue and Capital Project Funds Changes in the General Long Term Debt Account Group during the year ended June 30 1994 were as shown below

	Bonds and Loan	Accrued Annual Leave	Leases Payable	Overcollection Settlement	Other	Total
Balance at beginning of year	$251 382 510	$7 901 260	$ 992 139	$1 425 784	$ 3 150 000	$264 849 695
General obligation bonds issued	72 000 000	—	—	—	—	72 000 000
Bonds retired	(25 220 351)	—	—	—	—	(25 220 351)
Bonds retired reimbursed by the State of Maryland	(316 649)	—	—	—	—	(316 649)
State Department of Natural Resources loan	173 206	—	—	—	—	173 206
Additional leases incurred						
Loans repaid	(999 497)	—	—	—	—	(999 497)
Maryland Department of Transportation bonds refunded	(3 538 124)	—	—	—	—	(3 538 124)
Maryland Department of Transportation bonds issued	3 577 981	—	—	—	—	3 577 981
Principal payments on lease payables	—	—	(507 600)	—	—	(507 600)
Changes in accrued annual leave	—	827 023	—	—	—	827 023
Amounts paid on liability for revenue overcollection settlement	—	—	—	(602 372)	—	(602 372)
Remove termination reserve paid in 1994	—	—	—	—	(3 150 000)	(3 150 000)
Balance at end of year	$299 059 076	$8 728 283	$ 484 539	$ 821 412	$ —	$309 093 310

As of August 22 1994 the County had authorized and unissued bonds in the amount of $198 185 215 to fund existing capital projects and those appropriated for fiscal year 1995 of which $86 675 989 (including $49 088 889 of water and sewer series bonds) are for revenue producing facilities

The County Charter authorizes the County Council by appropriate resolution to issue bonds other than water and sewer bonds up to a debt limit of 13% of the assessable base of the County and to issue general obligation water and sewer bonds up to a debt limit of 14% of the assessable base of property within the County s sanitary district Information related to these limitations as of June 30 1994 is as follows

	General Bonds	Water & Sewer Bonds
Legal limitation for the borrowing of funds and issuance of bonds	$1 586 834 037	$1 571 915 745
Bonded debt outstanding applicable to debt limit	$ 325 325 000	$ 277 581 910

The requirements to service all bonds loans and leases payable including interest payments of $283 646 529 are as follows

Year Ended June 30	Summary of Requirements			
	Water and Sewer	Solid Waste	General Including All Leases	Total
1995	$ 31 566 535	$ 4 975 818	$ 45 264 470	$ 81 806 823
1996	30 513 331	4 744 347	41 614 571	76 872 249
1997	29 904 400	4 501 380	38 810 020	73 215 800
1998	27 719 841	4 251 373	35 253 391	67 224 605
1999	26 634 731	3 120 224	32 895 868	62 650 823
2000 04	115 954 778	13 822 556	129 649 211	259 426 545
2005 09	82 133 547	9 845 450	71 632 367	163 611 364
2010 14	47 300 359	160 200	28 795 770	76 256 329
2015 19	26 111 107	—	322 788	26 433 895
2020 2024	7 459 378	—	—	7 459 378
	$425 298 007	$45 421 348	$424 238 456	$894 957 811

On August 5 1993 the County sold $74 000 000 of General Obligation Bonds the Consolidated Water and Sewer Series Refunding Bonds The proceeds of these bonds were used to defease the callable portion of certain series of bonds outstanding totaling $65 555 000 principal resulting in a gross cash flow savings for the Water and Sewer Enterprise of $6 576 818 with a present value savings of $4 097 497 As required by GASB Statement 23 the difference ($8 445 000) between the reacquisition price ($74 000 000) and the carrying value of the old debt ($65 555 000) is accounted for as a deferred cost and will be amortized over the remaining life of the old debt 27 years

The refunded bonds and their redemption dates are detailed in the table that follows

Series	Redemption Date	Water and Sewer Bonds
1986	Apr 1 1996	$ 9 880 000
1987	Mar 1 1997	15 300 000
1988	Mar 1 1998	19 000 000
1989	Jan 15 1999	9 500 000
1990	Apr 15 2000	11 875 000
		$65 555 000

On November 15 1993 the County participated in a refunding of bonds issued by the Maryland Department of Transportation (Department) The Department issued on behalf of the County $3 577 981 in refunding bonds to refund $3 538 124 in outstanding bonds The refunding will result in an overall savings in debt service to the County of $318 295 Since the entire transaction was administered by the Department no proceeds or expenditures are reflected in the County s financial statements

The trust account assets and liabilities for the defeased bonds are not included in the County s financial statements

Beginning in 1990 the County has participated in bond offerings of the Maryland Water Quality Financing Administration The County s debt is evidenced by bonds for the full amount of the borrowing Proceeds held by the State agency include proceeds of these bond issues which have not yet been expended and therefore are held by the Maryland Water Quality Financing Administration and are included among restricted assets in the combined balance sheet

Underlying municipal bonded debt in the County is not significant and the County is in compliance with its debt agreement provisions Under provisions of Article 41 Section 266A through 266I of the Annotated Code of Maryland the County has participated in Industrial Revenue Bonds for various projects within the County Neither the bonds nor the interest thereon constitute an indebtedness or contingent liability of the County and accordingly they are not included in general long term debt

(7) **Pension Plans**

County employees participate in five single employer deferred benefit pension plans and one deferred contribution plan which are administered by the County in separate trust funds and 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 under authority created by State legislation Current year covered payroll under all plans was $385 167 002 of the County s total current year payroll of $437 750 368

(A) Plan Description

SINGLE EMPLOYER PLANS

Information regarding the five County administered single employer defined benefit pension plans is as shown below

	Merit System Plan	Police Service Personnel Pension Plan	Fire Service Personnel Pension Plan	Detention Center Pension Plan	Appointed and Elected Officials Plan
Covered payroll for the year ended June 30 1994	$69 845 832	$19 638 035	$20 759 742	$5 024 420	$ 898 281
Funded pension expenditures	$ 5 543 914	$ 4 487 288	$ 4 741 777	$ 870 151	$1 950 983
Employees—retired	558	245	131	22	58
Active employees	2 113	544	592	194	34

Appointed and Elected Officials Plan Terminated February 1 1994

Merit System Plan

All permanent County employees not included in any of the other pension plans are eligible to participate in the plan Benefits vest after 5 years of service Normal retirement age is age 60 unless the employee has completed 30 years of service at age 55 At normal retirement the employee receives 2% of final average earnings (defined as the average rate of earnings the highest three years out of the last 5 years) times the years and months of credited service with a maximum of 60% The plan also provides death and disability benefits

Participants are required to contribute 4% of their compensation The County is required to contribute remaining amounts necessary to fund the plan

All benefits are subject to annual cost of living adjustments limited to 3% of the benefits payable at normal retirement

Police Service Personnel Retirement Plan

All permanent County employees in police service are eligible to participate in the plan Benefits vest at normal retirement age or 20 years of service Employees who retire at or after age 50 are entitled to an annual retirement benefit in an amount equal to 2 5% of final earnings (defined as highest average rate of earnings in any three consecutive years during the last 10 years before retirement) for each year of service up to 20 years plus 2% for each year of service between 20 and 30 years plus 2% for each year of active military service up to a 3 year maximum with a maximum benefit of 70% of final earnings Participants with 20 years

service may elect normal retirement regardless of age The plan also provides death and disability benefits It also provides for a cost of living adjustment annually to reflect changes in the consumer price index with an annual maximum of 4% of the benefit payable at normal retirement

Participants are required to contribute 6% of their annual salary to the plan The County is required to contribute the remaining amounts necessary to fund the plan

Fire Service Personnel Retirement Plan

All permanent County employees in fire service are eligible to participate in the plan Benefits vest at normal retirement age or 20 years of service Employees hired prior to January 1 1986 who retire at or after age 50 are entitled to an annual retirement benefit in an amount equal to 2 5% of final earnings (defined as highest average rate of earnings in any three consecutive years during the last 10 years before retirement) for each year of service up to 20 years plus 2% for each year of service between 20 and 30 years plus 2% for each year of active military service up to a 3 year maximum with a maximum benefit of 70% of final earnings For employees hired on or after January 1 1986 the normal retirement date is the 55th birthday and benefits are 2% of final earnings up to 25 years plus 1% for years 25 to 35 plus 2% for each year of active military service up to 3 years with a maximum benefit of 60% The plan also provides death and disability benefits It also provides for a cost of living adjustment annually to reflect changes in the consumer price index with an annual maximum of 4% of the benefit payable at retirement date

Participants are required to contribute 5% of their annual salary to the plan The County is required to contribute the remaining amounts necessary to fund the plan

Detention Center Pension Plan

All permanent County detention center officers and personnel are eligible to participate in the plan Benefits vest at 75% after 10 years of service and increase 5% per year to full vesting at 15 years of service There are two classes of members in the plan those who entered prior to July 1 1983 and those who entered on or after July 1 1983 The retirement age for the first class is age 50 for the other is age 55 Class 1 members (those entered prior to July 1 1983) may receive at retirement 2 5% of final average earnings (highest three years of earnings out of the last five) times service to a maximum of 20 years plus 2% of final average earnings for each additional year up to 10 years Those in class 2 receive 2% of final average earnings times service to a maximum of 25 years plus 1% of final average earnings for service over 25 years to a maximum of 10 years The plan also provides death and disability benefits All benefit payments are subject to annual cost of living adjustments not to exceed 4% of the benefit payable to the retiree at normal retirement

Participants are required to contribute 5% of their compensation to the plan The County is required to contribute the remaining amounts necessary to fund the plan

Appointed and Elected Officials Plan

This plan is limited to Primary Government officials appointed or elected prior to February 1 1994 Vested employees are those who have 5 years of service Normal retirement date is the earlier of the 50th birthday or 16 years of service for those appointed or elected prior to June 24 1991 the earlier of the 60th birthday or 16 years of service for those appointed or elected on or after June 24 1991 and prior to July 1 1993 and the earlier of 60th birthday or age 55 with 30 years of service for those appointed or elected after July 1 1993 and before February 1 1994 Appointed officials who retire at normal retirement receive 2% of the final average earnings (highest rate of average earnings on any three anniversary dates during 10 years before retirement) for each year of credited service up to 10 years plus 2 1/2% per year in excess of 10 up to a maximum of 70% of final average earnings with a minimum benefit of $4 800 annually Elected officials who retire at normal retirement receive 2% of final average earnings for each year of credited service at a maximum of 70% of final average earnings with a minimum benefit of $4 800 Credited service does not include any service after February 1 1994 The plan also provides death and disability benefits All benefits are subject to annual cost of living adjustments limited to 3% of the benefits payable at retirement date

Employees were required to contribute 4% of basic compensation to the plan with the County required to contribute the remaining amounts necessary to fund the plan

Defined Contribution Plan for Appointed and Elected Officials

On February 1 1994 the County created a defined contribution plan that provides pension benefits for all Primary Government appointed and elected officials of Anne Arundel County Maryland All officials are participants and are immediately vested as to participant s contributions and investment earnings Employ ers contributions and earnings are vested at 20% per year as of the calendar quarter end following the completion of the year of service beginning with 20% for one year of service up to full vesting after five years of service County ordinance requires participants to contribute 4% of their salary the County is required to contribute 4% of the covered payroll Participants are allowed to contribute up to an additional 12% of their salary with no additional County contribution As of June 30 1994 there were 37 officials participating in the plan 34 of whom are vested

Multiple Employer Pension Plans

Primary Government employees hired prior to July 1 1969 who elected not to transfer to the Merit System Plan are included as members in the Maryland State Employee Retirement and Pension Systems The covered payroll of the Primary Government under these systems was $930 748 for the year ended June 30 1994 Substantially all employees of the Board of Education Library and Community College participate in these and the Maryland State Teachers Retirement and Pension Systems Total covered payroll under the Employees Systems is $44 268 993 The Board of Education has covered payroll of $224 544 110 under the Teachers Systems

Plan members on December 31 1979 are members of the Employee or Teachers Retirement System unless they elected to join the respective Pension System No new Retirement System members were accepted after December 31 1979 Vested employees are those who have 5 years of service Employees are eligible for normal retirement after 30 years of creditable service or age 60 At retirement they receive 1/55 of average compensation for the three highest years as an employee for each year of service Death and disability benefits are also provided

Participants are required to contribute 5% of compensation to the plans The County is required to contribute the remaining amounts necessary to fund the plans

On behalf of the Board of Education Library and Community College the State of Maryland pays the employer s share of retirement costs for teachers professional librarians and related positions in accor dance with state law During the fiscal year ended June 30 1994 the State paid approximately $34 336 000 $847 000 and $1 600 000 respectively in retirement costs on their behalf The amount of such payments is not included in the financial statements of the Community College but in accordance with GASB Statement 24 these amounts have been shown as grant revenue and current expenses for the Board of Education and Library

(B) Funding Status

Single Employer Plans

The amount shown below for single employer plans as the Pension Benefit Obligation is a standard ized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and step rate benefits estimated to be payable in the future as a result of employee service to date The measures are intended to help users assess the funding status of the systems on a going concern basis assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons

among employers The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions The pension benefit obligation for the five single employer pension plans was determined as part of an actuarial valuation at January 1 1994 At that date the unfunded pension benefit obligation and significant actuarial assumptions were as follows

	Merit System Plan	Police Service Personnel Pension Plan	Fire Service Personnel Pension Plan	Detention Center Pension Plan	Appointed and Elected Officials Plan	Total
Actuarial Assumptions						
Interest rate (return on in estment)	8 00%	8 00%	8 00%	8 00%	8 00%	
Salary increases due to inflation merit and seniority	5 50%	5 50%	5 50%	5 50%	5 50%	
Other						
Retirement age	60	50	50	50	50	
Cost of living (compound)	3 00%	4 00%	4 00%	4 00%	3 00%	
Pension Benefit Obligation						
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 46 741 878	$ 58 230 859	$ 30 660 549	$ 4 089 100	$13 052 901	$152 775 287
Current employees						
Accumulated employee contributions including allocated investment income	23 642 418	11 680 187	11 640 998	1 355 945	556 177	48 875 725
Employer financed—vested	30 090 902	23 779 406	26 738 444	2 913 532	6 974 611	90 496 895
Employer financed—nonvested	37 430 591	40 642 042	40 943 184	4 091 483	450 107	123 557 407
Total pension benefit obligation	137 905 789	134 332 494	109 983 175	12 450 060	21 033 796	415 705 314
Market value of net assets available for benefits	146 104 667	129 027 830	105 493 203	9 643 612	10 455 711	400 725 023
Unfunded (assets in excess of) pension benefit obligation	$ (8 198 878)	$ 5 304 664	$ 4 489 972	$ 2 806 448	$10 578 085	$ 14 980 291

Separate actuarial assumptions for salary increases due to inflation and due to merit increases are not made

In September 1994 an issue was raised with respect to the County s funding of the cost of living adjustments (COLAs) for the Police Service Personnel and Fire Service Personnel Plans A review of this issue is in progress Management s current estimate of the maximum impact of the error if any is that the County s required annual contribution to the two plans will increase by a total of approximately $3 1 million beginning in the fiscal year ending June 30 1996

Multiple Employer Plans

The State s retirement contributions are appropriated annually based upon actuarial valuations In this regard the Systems have engaged an independent firm of consulting actuaries to prepare annual actuarial valuations and perform various actuarial consulting services Effective July 1 1980 in accordance with the law governing the Systems all benefits of the Systems are funded in advance The entry age normal cost method is the actuarial cost method used to determine the employers normal and accrued liability contribution rates and the unfunded actuarial accrued liability

Employer contributions for all participating entities in the State totaling $667 553 000 for fiscal year 1993 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30 1991 Employee contributions for fiscal year 1993 totaled $102 163 000 Employer contributions consisted of $377 955 000 of normal cost and $289 598 000 of amortization of the

unfunded actuarial accrued liability The Primary Government s required contributions were approximately 03% of the total of all required contributions The required contribution of the component units represents approximately 9 15% of the total of all required contributions

The liquidation period for the unfunded actuarial accrued liabilities (as provided by law) is 27 years from June 30 1993 Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation

	State Plans June 30 1993 (000 omitted)
Actuarial Assumptions	
Interest rate (return on investments of present and future assets)	7 50%
Salary increases due to inflation	5 00% to 6 00%
Salary increases due to seniority and merit	94% to 6 82%

	Employees Retirement & Pension Systems	Teachers Retirement & Pension Systems
Pension Benefit Obligation June 30 1993		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$2 945 898	$5 685 216
Current employees		
Accumulated employee contributions including allocated investment income	447 614	1 010 574
Employer financed—vested	2 552 235	5 986 770
Employer financed—nonvested	171 133	175 587
Total pension benefit obligation	6 116 880	12 858 147
Market value of net assets available for benefits	4 951 887	8 529 119
Unfunded pension benefit obligation	$1 164 993	$4 329 028

Pension expenditures by the Primary Government and its component units for the systems for the year ended June 30 1994 including amortization of a portion of the unfunded past service cost are summarized below The amounts paid by the State on behalf of the component units are not included

Anne Arundel County	$ 690 617
Board of Education	3 849 333
Community College	73 557
Library	60 513
Total	$4 674 020

(C) Actuarially Determined Contribution Requirements and Contributions Made

The County s funding policy provides for actuarially determined periodic contributions at rates that for individual employees increase gradually over time so that sufficient assets will be available to pay the benefits when due The rates for each plan s employee group as a whole has tended to remain level as a percentage of annual covered payroll The contribution rate for normal costs is determined using the frozen entry age normal cost method for the Merit System Plan the Detention Center Officer s Plan the Police Service Personnel Retirement Plan and the Fire Service Personnel Retirement Plan The aggregate actuarial cost method is used for Appointed and Elected Officials Plan The County uses the level percentage of payroll method to amortize unfunded liabilities over a thirty year period

The significant actuarial assumptions used to compute the actuarial contribution requirement are the same as those used to compute the pension benefit obligation as described above

The contributions to the plans for fiscal year 1994 were made based on actuarially determined requirements computed through an actuarial evaluation performed as of January 1 1993 Information related to the contributions for fiscal year 1994 is presented below

	Merit System Plan	Police Service Personnel Pension Plan	Fire Service Personnel Pension Plan	Detention Center Pension Plan	Appointed and Elected Officials Plan
Employer s actuarially required contribution	$ 5 529 313	$ 4 669 720	$ 4 907 816	$ 923 591	$5 185 846
Percent of payroll	8 35%	24 32%	24 36%	21 26%	226 55%
Total actual contribution	8 424 454	5 746 349	5 779 753	1 121 372	1 986 914
Normal cost contribution	6 989 598	5 746 349	5 779 753	893 121	1 986 914
Percent of payroll	10 01%	29 26%	27 84%	17 78%	221 19%
Amortization of unfunded liability	1 434 856	—	—	228 251	—
Percent of payroll	2 05%	—	—	4 54%	—
Total employer contribution	5 543 914	4 487 288	4 741 777	870 151	1 950 983
Percent of payroll	7 94%	22 85%	22 84%	17 32%	217 19%
Total employee contribution	2 880 540	1 259 061	1 037 976	251 221	35 931
Percent of payroll	4 00%	6 00%	5 00%	5 00%	4 00%
Covered payroll	69 845 832	19 638 035	20 759 742	5 024 420	898 281

(D) Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due To the extent available trend information for the Multiple Employer Plan is included in the Maryland State Retirement and Pension Systems Comprehensive Annual Financial Report for the year ended June 30 1993 Ten year trend information for the single employer plans is presented as required supplementary information immediately following the notes Trend information for the latest three years available is presented below

	January 1 Percentage of Pension Benefit Obligation Funded	January 1 Unfunded (Assets in Excess of) Pension Benefit Obligation as a Percentage of Covered Payroll	Employer Contribution for Fiscal Year as a Percentage of Covered Payroll
Merit System Plan			
1992	98 48%	2 69%	8 84%
1993	101 69	(3 19)	7 75
1994	105 95	(12 06)	7 94
Police Service Personnel Plan			
1992	116 85	(81 54)	22 21
1993	93 22	43 14	18 57
1994	96 05	27 21	22 85
Fire Service Personnel Plan			
1992	106 20	(26 47)	23 79
1993	93 08	34 96	19 03
1994	95 92	21 45	22 84
Detention Center Plan			
1992	93 82	14 12	34 23
1993	73 84	63 40	23 90
1994	77 46	56 60	17 32
Appointed and Elected Officials Plan			
1992	55 01	290 36	33 09
1993	39 48	605 13	55 41
1994	49 71	520 77	80 01

All contributions to the plans were made in accordance with actuarially determined requirements

(8) Other Post Retirement Benefits

Primary Government retirees who retire with a normal retirement and at least five years of service or on a service related disability retirement (regardless of length of service) or a non service related disability with 5 years of service continue to receive hospital surgical and major medical insurance with the Primary Government paying eighty percent of the cost These retirees have the option of retaining dental and vision benefits but must pay the full cost to do so There are currently approximately 500 retirees receiving health benefits The benefits are provided through an agreement between the Primary Government and the Police labor union and are extended to others by administration policy

Retirees of the Board of Education component unit who receive benefits from the State Retirement System and were members of the Board s basic group for a minimum of two years prior to retirement may elect to continue basic Blue Cross/Blue Shield health care benefits join a health maintenance organization offered through the Board s program or elect a Blue Cross/Blue Shield comprehensive program Retirees may also continue in the Board s dental vision or major medical programs Eighty percent of the cost of the basic health care and dental programs and fifty percent of the cost of the major medical program are paid by the Board These benefits are provided through an agreement between the Board and the Anne Arundel County Retired Teachers Association There are approximately 2 150 retirees eligible for benefits

Retirees of the Community College also receive certain health care and life insurance benefits subject to deductibles co payment provisions and other limitations Employees are eligible to receive these post retirement benefits if they receive benefits in the year immediately preceding retirement have 10 years of service and are 60 years of age or meet the criteria for retirement under the State Retirement System Expenditures for post retirement benefits are recognized as paid Retirees have no vested right to these benefits which are subject to modification by the Board of Trustees during the budgetary process

The total cost of these benefits on a pay as you go basis for June 30 1994 was approximately as follows

Anne Arundel County	$2 130 000
Board of Education	3 650 000
Community College	89 000
Total	$5 869 000

(9) Commitments

Encumbrances outstanding in Proprietary Fund Types at June 30 1994 include $30 205 930 in Enterprise Funds ($26 336 913 for construction activity) and $314 448 in Internal Service Funds

(10) Interfund Receivables and Payables

The interfund receivables and payables of the Primary Government consist of the following at June 30 1994

	Interfund Receivables	Interfund Payables
General Fund		
Central Stores Internal Service Fund	$396 004	$ —
Debt Service Tax Increment Fund	278 135	—
Special Revenue Funds		
Economic Development Fund		
Incentive Loan Program Fund	11 794	—
Incentive Loan Program Fund		
Economic Development Fund	—	11 794
Debt Service Fund		
Tax Increment Fund		
General Fund	—	278 135
Internal Service Funds		
Central Stores Internal Service Fund		
General Fund	—	396 004
	$685 933	$685 933

(11) Reconciliation Between GAAP and Budgetary Basis

The General and Debt Service Funds and all the Special Revenue Funds except the Impact Fees Fund have a legally adopted annual budget The Combined Statement of Revenues Expenditures and Changes in Fund Balance—Budget and Actual—General Special Revenue and Debt Service Funds is prepared on a basis consistent with those budgets The budgets are prepared using encumbrance accounting where encum brances are treated as an expenditure of the current period The Combined Statement of Revenues Expenditures and Changes in Fund Balance—All Governmental Fund Types is prepared on a basis consistent with GAAP where encumbrances are treated as a reservation of fund balance

The statements are reconciled as follows

	General Fund	Special Revenue Funds
Budgetary basis—revenues over (under) expenditures	$ 8 828 722	$ 488 000
Effect of encumbrances	1 288 113	63 007
Revenue recognized for GAAP purposes last year— Forfeit and Asset Seizure Special Revenue fund	—	(502 668)
Results of fund which is not controlled by budgets—Impact Fee Special Revenue Fund	—	9 909 713
Revenue Stabilization Fund (see below)	2 442 419	—
Transfer of encumbrance to Special Revenue	(25 686)	25 686
Other net	(6 004)	(47 250)
GAAP basis—net increase in fund balance	$12 527 564	$9 936 488

In 1993 the County created a Revenue Stabilization Fund and in 1994 transferred $2 000 000 from the General Fund to this fund which transfer is reported as a general government expenditure for budgetary

reporting This fund is combined with the general fund for GAAP reporting with the fund balance of the Revenue Stabilization Fund classified as reserved fund balance Budgetary information for this fund is as follows

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating transfer from General Fund	$ 2 000 000	$ 2 000 000	$ —
Investment income	—	442 419	442 419
Revenues	$ 2 000 000	$ 2 442 419	$ 442 419
Expenditures			
General Government	$ 2 000 000	$ —	$2 000 000
Revenues over expenditures	—	2 442 419	$2 442 419
Fund balance budgetary July 1	10 243 373	10 245 373	
Fund balance budgetary June 30	$10 243 373	$12 687 792	

The actual budget ordinance includes items as General Fund other than those treated as such for financial reporting purposes A reconciliation to the 1994 budget ordinance follows

	Budget	Actual	Variance Favorable (Unfavorable)
General Fund total expenditures for financial reporting purposes	$534 363 020	$533 340 962	$1 022 058
Less transfers to Board of Education	(238 128 270)	(238 139 350)	11 080
Board of Education	375 967 925	374 621 249	1 346 676
	$672 202 675	$669 822 861	$2 379 814
Budget originally appropriated	$662 812 480		
Supplementary appropriations due to unanticipated revenues	9 390 195		
	$672 202 675		

(12) Contributed Capital Accounts and Equity Transfers

A summary of changes in Proprietary Fund contributed capital accounts is shown below

	Enterprise				
	Contributed Assets	Debt Service Contributions	Debt Service Deferred Developer Participation	Unbilled Debt Service Assessments	Internal Service
Balance June 30 1993 as restated	$472 766 225	$65 635 915	$22 577 507	$100 649 185	$4 013 924
Developers contributions	18 944 992	—	—	—	—
Depreciation on fixed assets funded through grants and developers contributions	(7 179 259)	—	—	—	—
Federal and state grants	5 016 961	—	—	—	—
Assessments and capital connections billed—principal portions	—	21 834 679	—	—	—
Principal payments on long term debt	16 174 628	(15 487 996)	(686 632)	—	—
Equity transfer	(4 158 509)	4 162 000	—	—	—
Increase in contributed capital related to unbilled assessments and connection charges	—	—	—	2 968 668	—
Other	(178 792)	762 762	—	—	—
Balance June 30 1994	$499 386 246	$76 907 360	$21 890 875	$103 617 853	$4 013 924

The developer contributions classified as contributed assets represent contributions of infrastructure to the Primary Government enterprise fund No cash is involved in these transactions

The deferred developer participation relates to a $30 000 000 County water and wastewater project where a developer is contributing 77 5 percent of the funding This contribution is reflected in the financial statements as a $23 377 773 note receivable (including accrued interest) and deferred developer participation included in contributed capital The contribution is considered deferred because the principal is being paid to the County over a seventeen year period which ends in June 2009 coinciding with the principal payments on the debt incurred by the County to fund the project

Equity was transferred within the Water and Wastewater Enterprise from contributed assets to debt service contributions This was done to return balances to debt service previously transferred Other equity transfers are described below

During fiscal 1994 equity in excess of estimated necessary levels ($3 500 000) was transferred from the Tax Increment district Debt Service Fund to the General County Capital Projects Fund in accordance with legislation approved by the County Council

Certain tax districts previously reported in a capital projects fund were determined during fiscal year 1994 to be more properly classified as part of a Debt Service Fund The July 1 1993 fund balance of these districts ($20 146) is reported as an equity transfer

(13) Risk Management

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 and money and security coverage as well as school bus insurance for the bus contractors of the Board of Education

The Primary Government 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

Internal service fund liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated Liabilities include an amount for claims that have been incurred but not reported Claims liabilities are reevaluated periodically to take into consideration recently settled claims the frequency of claims and other economic and social factors

The internal service fund maintained to account for self insurance activity has an accumulated deficit of $8 285 967 (See Note 17) During 1994 the County commissioned a second annual actuarial valuation of the self insurance internal service fund A report based on June 30 1993 information indicated the need for larger claims reserves and annual contributions In order to provide for the effects of that study based on present information the County has provided an additional $2 481 475 in 1994 for existing claims exposures bringing the two year total to $7 978 963 representing substantially all of the accumulated deficit

Changes in the balances of claims liabilities during fiscal years 1993 and 1994 were as follows

	1994	1993
Liability balance July 1	$17 732 435	$13 292 714
Current year claims and changes in estimates	9 354 557	9 382 513
Claim payments	(5 264 852)	(4 942 792)
Liability balance June 30	$21 822 140	$17 732 435

(14) Landfill Closure Postclosure and Remediation

The Primary Government operated two landfills in 1994 One landfill stopped accepting trash in October 1993 The other larger landfill has closed cells and an active cell 22 4% full at June 30 1994 and one additional cell to construct and use The active and new cells have estimated lives to at least year 2007 The Primary Government has estimated the cost to close these landfills and landfill cells under federal and state regulations at current estimated cost ($57 882 000) and to provide postclosure care for these facilities for thirty years thereafter ($22 913 000) An estimated liability related to the cells no longer in use (including the closed landfill) and the portions of open cells used to date has been recorded at June 30 1994

In addition the Primary Government has recorded an estimated liability of $10 500 000 for remediation cost for a landfill closed in 1983 and $1 800 000 for postclosure care of that landfill These estimates represent the Primary Government s best judgment of the minimum cost required to correct identified problems

All estimates are based on current regulations and costs and are subject to periodic evaluation

(15) Segment Information—Enterprise Fund

Selected financial information as of and for the year ended June 30 1994 with respect to the two enterprises maintained by the Primary Government to provide water wastewater and solid waste disposal services to County residents is as follows

	Water and Wastewater Enterprise	Solid Waste Fund	Total
Operating revenues	$ 45 292 967	$ 23 273 784	$ 68 566 751
Depreciation expense	17 251 489	3 021 120	20 272 609
Operating income (loss)	(9 999 594)	(3 342 360)	(13 341 954)
Non operating revenues and expenses	4 606 995	(494 776)	4 112 219
Net income (loss)	(5 392 599)	(3 837 136)	(9 229 735)
Depreciation on fixed assets acquired by grants and developers contributions	7 179 259	—	7 179 259
Net increase (decrease) in retained earnings	1 786 660	(3 837 136)	(2 050 476)
Property plant and equipment additions	48 088 097	2 398 150	50 486 247
Net working capital (deficit)	(348 999)	17 258 370	16 909 371
Total assets	1 055 094 627	44 052 156	1 099 146 783
Estimated landfill closure postclosure and remediation costs	—	41 202 558	41 202 558
Serial bonds payable	277 581 910	34 140 000	311 721 910
Capital contributions	21 834 679	—	21 834 679
Total fund equity (deficit)	713 191 652	(37 174 464)	676 017 188

(16) Revenue Overcollection Settlement

In June 1992 the Primary Government agreed to a settlement with a major public utility serving the County related to local sales taxes collected by the utility for the Primary Government during fiscal years 1989 to 1991 During that period of time customers were erroneously billed for taxes on certain services which were not subject to the tax Under terms of the settlement the utility reimbursed its identified customers upon approval of the settlement by its public oversight board the Maryland State Public Service Commission At that time the utility began withholding from its remittances to the County of current tax collections 36 equal monthly installments of principal reimbursement only The remaining estimated liability per the settlement has been recorded as general long term debt The County administration has designated an equal amount of general fund balance for payment of this settlement

(17) Deficit Equity Balances

Solid Waste Enterprise Fund

The Solid Waste Enterprise Fund has an accumulated deficit of $37 174 464 at June 30 1994 This deficit is the result of recognizing the estimated liability for landfill closure and postclosure and remediation costs as required by generally accepted accounting principles

A rate study was completed for this enterprise in the spring of 1993 and rate increases were implemented as of July 1 1993 and July 1 1994 for both residential and commercial users Closure and remediation costs will be funded by general obligation bonds and annual rate increases are expected to pay required operating costs and debt service as well as to generate cash for trust funds required by Environmental Protection Agency regulations This funding plan and methodology is expected to recover the accumulated deficit over a period currently estimated at fourteen years Sufficient cash is currently on hand and is expected to continue to be generated to pay all operating and debt service costs

Self Insurance Internal Service Fund

The Self Insurance Internal Service Fund has an accumulated deficit of $8 285 967 at June 30 1994 The County increased funding beginning with the 1995 budget pursuant to an actuarial study which recommended funding of the accumulated deficit over a five year period

Tax Increment District Debt Service Fund

The Tax Increment District Debt Service Fund had a deficit fund balance of $278 135 at June 30 1994 This deficit will be eliminated in 1995 when revenues are projected to exceed expenditures and budgeted equity transfers

(18) Contingencies

At June 30 1994 the Primary Government held in a special revenue fund impact fees accumulated for construction of schools and roads in designated districts of the County The legislation authorizing the collection of such fees requires the Primarv Government to expend or encumber these fees by the end of the sixth fiscal year following collection and also to match with Primary Government funds the amounts spent As of June 30 1994 $30 599 443 is subject to return if not spent and the unfunded required Primary Government match is $26 096 474 In the fiscal year 1995 budget $7 641 960 is included for such Primary Government match leaving a required match in future budgets of $18 454 614

The County is currently a defendant in various tort and contract suits and suits alleging violations of individual rights The County has funded loss reserves in the Internal Service Funds for a substantial amount of the potential liabilities arising from such claims With respect to claims or matters for which reserves have not vet been funded in the judgment of the County Attorney the aggregate expected liability of the County will not exceed $1 000 000

The County has been named as a defendant in four cases in the Maryland Tax Court in which commercial or industrial users of electricity in Anne Arundel County allege that certain charges on their gas and electric utility bills namely the Customer and Demand Charges were subjected improperly to the County s Utility Tax The total of the claims in these four cases is $467 976 The County Attorney believes that it is probable that the County will prevail in convincing the Tax Court that its interpretation of the ordinance is correct

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

ANNE ARUNDEL COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
PENSION FUNDING PROGRESS
Last Nine Years

As of January 1	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded (assets in excess of) Pension Benefit Obligation (2) – (1)	(5) Annual Covered Payroll	(6) Unfunded (Assets in Excess of) Pension Benefit Obligation as a Percentage of Covered Payroll (4) / (5)
Merit System Plan						
1986	$ 41 432 394	$ 39 939 617	103 74%	$(1 492 777)	$38 111 491	(3 92)%
1987	49 505 669	46 304 193	106 91	(3 201 476)	41 724 626	(7 67)
1988	55 974 624	57 183 951	97 89	1 209 327	46 657 172	2 59
1989	64 532 829	67 630 254	95 42	3 097 425	51 790 295	5 98
1990	78 292 533	85 648 106	91 41	7 355 773	56 584 755	13 00
1991	87 265 494	100 861 555	86 52	13 596 061	63 881 658	21 28
1992	113 584 570	115 343 276	98 48	1 758 706	65 310 695	2 69
1993	127 316 645	125 202 992	101 69	(2 113 653)	66 236 134	(3 19)
1994	146 104 667	137 905 789	105 95	(8 198 878)	67 987 153	(12 06)
Police and Fireman Plan						
1986	98 230 629	107 976 605	90 97	9 745 976	24 116 601	40 41
1987	114 900 023	123 411 358	93 10	8 511 335	27 214 882	31 27
1988	125 137 368	138 330 966	90 46	13 193 598	29 669 959	44 47
1989	141 635 862	154 624 323	91 60	12 988 461	31 773 514	40 88
Police Service Personnel Plan						
1990	94 202 253	92 425 655	101 92	(1 776 598)	17 139 328	(10 37)
1991	78 299 420	78 938 528	99 19	639 108	18 756 634	3 41
1992	102 840 437	88 011 565	116 85	(14 828 872)	18 186 667	(81 54)
1993	113 956 307	122 238 379	93 22	8 282 072	19 199 394	43 14
1994	129 027 830	134 332 494	96 05	5 304 664	19 495 610	27 21
Fire Service Personnel Plan						
1990	72 175 937	74 561 372	96 80	2 385 435	17 527 547	13 61
1991	70 618 222	71 411 436	98 89	793 214	19 018 333	4 17
1992	86 835 559	81 763 148	106 20	(5 072 411)	19 161 674	(26 47)
1993	94 708 110	101 750 745	93 08	7 042 635	20 147 064	34 96
1994	105 493 203	109 983 175	95 92	4 489 972	20 930 014	21 45
Detention Center Plan						
1986	1 213 386	2 774 670	43 73	1 561 284	1 551 219	100 65
1987	1 692 994	3 596 563	47 07	1 903 569	1 687 042	112 83
1988	2 247 133	4 470 965	50 26	2 223 832	1 960 270	113 45
1989	2 992 881	5 253 835	56 97	2 260 954	2 245 597	100 68
1990	3 939 467	5 423 676	72 63	1 484 209	2 369 750	62 63
1991	5 157 794	6 380 524	80 84	1 222 730	2 997 511	40 79
1992	6 674 980	7 115 005	93 82	440 025	3 116 173	14 12
1993	7 777 884	10 532 918	73 84	2 755 034	4 345 260	63 40
1994	9 643 612	12 450 060	77 46	2 806 448	4 958 132	56 60
Appointed and Elected Officials Plan						
1986	3 607 818	4 488 744	80 37	880 926	1 253 788	70 26
1987	4 250 398	5 175 905	82 12	925 507	1 395 319	66 33
1988	4 677 525	5 928 756	78 90	1 251 231	1 718 579	72 81
1989	5 589 644	7 592 349	73 62	2 002 705	1 887 759	106 09
1990	7 081 515	9 435 668	75 05	2 354 153	2 176 434	108 17
1991	5 728 132	8 793 360	65 14	3 065 228	2 277 689	134 58
1992	7 431 541	13 510 009	55 01	6 078 468	2 093 425	290 36
1993	9 036 478	22 888 457	39 48	13 851 979	2 289 087	605 13
1994	10 455 711	21 033 796	49 71	10 578 085	2 031 224	520 77

Analysis of the dollar amounts of net assets available for benefits pension benefit obligation and unfunded pension benefit obligation in isolation can be misleading Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of funding status on a going concern basis Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker Generally the greater of this percentage the stronger the plan Trends in unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due Generally the smaller this percentage the stronger the plan

ANNE ARUNDEL COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE
PENSION FUNDS
Last Ten Fiscal Years

Fiscal Year	Revenues by Source: Employee Contributions	Employer Contributions	Investment Income	Total	Employer Contribution as a Percentage of Covered Payroll	Expenses by Type: Benefits	Refunds	Administrative Expenses	Total
Merit System Plan									
1985	$1 375 236	$2 631 135	$ 4 300 127	$ 8 306 498	N/A	$ 897 517	$450 265	$ 154 940	$ 1 502 522
1986	1 608 842	2 988 742	6 169 724	10 767 308	N/A	1 005 94	572 728	164 022	1 542 544
1987	1 836 905(a)	3 268 462	5 163 243	10 268 610	N/A	1 186 462	558 830	250 677	1 775 969
1988	1 786 270	3 850 458	2 628 254	8 264 982	N/A	1 421 475	535 138	196 012	2 150 623
1989	2 021 537	5 229 577	7 146 227	12 397 141	6 41%	2 200 913	26 334	401 291	2 628 538
1990	2 404 050	4 307 158	10 619 687	17 330 895	7 96	2 486 037	41 706	549 080	3 076 823
1991	2 475 429	4 099 586	11 122 008	17 694 823	6 35	2 311 282	345 099	720 727	3 377 108
1992	3 071 343	5 707 751	10 504 929	19 234 023	8 84	2 550 099	345 733	942 500	3 838 332
1993	2 900 457	5 573 560	17 746 715	26 220 532	7 75	4 016 893	471 963	849 188	5 338 044
1994	2 880 540	5 543 914	5 171 035	11 595 489	7 94	4 296 670	386 895	1 179 742	5 863 307
Police and Fireman Plan (b)									
1985	1 169 070	4 523 952	12 426 326	18 119 348	N/A	1 816 142	69 152	136 115	2 021 409
1986	1 344 431	5 268 207	16 426 164	23 038 802	N/A	2 096 838	58 585	134 710	2 290 133
1987	1 539 951	5 979 379	12 103 981	19 623 311	N/A	2 583 094	103 343	464 765	3 151 202
1988	1 554 931	6 009 727	6 331 388	13 896 046	N/A	3 026 893	133 827	568 643	3 729 363
1989	1 808 098	7 012 946	15 509 316	24 330 360	20 26	3 471 444	84 003	423 679	3 979 126
1990	614 471	3 798 848	2 218 887	6 632 206	11 40	1 265 503	134 925	467 907	1 868 335
Police Service Personnel									
1990	588 643	2 064 339	6 418 960	9 071 942	22 73	23 938 557(c)	139 818	285 698	24 364 073
1991	979 221	4 473 982	9 588 335	15 041 538	22 76	671 693	52 532	365 315	1 089 540
1992	1 116 752	4 365 849	8 353 282	13 835 883	22 21	968 013	70 626	764 937	1 803 576
1993	1 376 355	3 811 573	17 086 493	22 274 421	18 57	2 997 950	2 076	753 697	3 753 723
1994	1 259 061	4 487 288	2 950 657	8 697 006	22 85	3 502 481	44 440	1 041 117	4 588 038
Fire Service Personnel									
1990	603 175	2 118 609	4 423 654	7 145 438	22 81	9 529 785(c)	91 096	206 187	9 827 068
1991	973 282	3 633 777	5 550 688	10 157 747	18 23	421 531	29 979	247 565	699 075
1992	1 141 947	4 742 808	7 461 678	13 346 433	23 79	666 857	47 200	492 543	1 206 600
1993	1 144 689	4 105 414	9 342 539	14 592 642	19 03	2 006 436	43 876	399 042	2 449 354
1994	1 037 976	4 741 777	1 574 007	7 353 760	22 84	2 080 454	13 353	756 588	2 850 395
Detention Center Plan									
1985	85 656	222 566	82 051	390 273	N/A	8 843	7 014	18 649	34 506
1986	100 339	266 979	127 123	494 441	N/A	22 138	15 725	21 222	59 085
1987	145 333	300 854	171 660	617 847	N/A	28 270	13 008	31 464	72 742
1988	106 088	347 089	206 206	659 383	14 00	110 637	6 397	34 157	151 191
1989	134 861	887 465	397 064	1 419 390	37 86	124 016	20 058	48 355	192 429
1990	148 734	650 765	398 278	1 197 777	28 22	169 378	—	74 015	243 393
1991	130 587	753 198	463 827	1 347 612	29 20	163 903	31 269	140 612	335 784
1992	186 288	882 993	687 312	1 756 593	34 23	182 629	6 702	24 925	214 256
1993	230 062	1 079 481	810 738	2 120 281	23 90	261 393	31 020	48 097	340 510
1994	251 221	870 151	82 031	1 203 403	17 32	301 779	54 466	87 757	444 002
Appointed and Elected Officials Plan									
1985	38 595	251 215	429 527	719 337	N/A	142 606	23 877	31 223	197 706
1986	57 074	274 416	536 565	868 055	N/A	149 537	19 650	30 301	199 488
1987	66 282	309 167	392 856	768 305	N/A	153 138	4 907	33 946	191 991
1988	99 076	335 998	365 095	800 169	19 10	185 753	8 388	50 396	244 537
1989	166 555	944 317	607 116	1 717 988	39 29	203 583	4 467	16 287	224 337
1990	159 767	631 187	618 196	1 409 150	21 26	2 845 580(c)	21 645	130 039	2 997 264
1991	143 586	1 090 556	724 460	1 958 602	37 64	141 437	587	90 664	232 688
1992	125 199	958 731	966 957	2 050 887	33 09	524 011	27 390	110 357	661 758
1993	121 314	1 595 782	524 545	2 241 641	55 41	642 099	—	39 481	681 580
1994	86 053	1 950 983	337 741	2 374 777	80 01	794 222	—	413 840	1 208 062

(a) Adjusted for transfer in 1988 to adjust for Amounts deposited in incorrect plan in 1987
(b) Separate Police and Fire Plans were begun November 1 1990
(c) In Changing pension trust custodians during 1990 annuities were purchased for all retired employees Since the County no longer controls this asset these purchases are considered benefits paid in 1990

APPENDIX B

CERTAIN INFORMATION

CONCERNING

BALTIMORE COUNTY MARYLAND

CERTAIN INFORMATION CONCERNING

BALTIMORE COUNTY MARYLAND

General

Baltimore County Maryland is a body corporate and politic which performs all local governmental functions within its jurisdiction as there are no incorporated towns villages municipalities or other political subdivisions with separate taxing authority Accordingly other than debt incurred in connection with the Metropolitan District there is no overlapping debt in the County

The County is situated in the geographic center of the State and surrounds the City of Baltimore almost completely Its location is in a metropolitan area with a population of approximately 2 5 million The City of Baltimore and the County are entirely separate political units

During the last two decades the basic demography of the County has changed from predominantly rural to a suburban and rural mix Within its approximately 608 square miles (plus approximately 28 additional square miles of water) are situated at least 25 identifiable unincorporated communities which as of 1990 ranged in population size from approximately 4 500 to 6 500 The County seat of government is located at Towson The County s total population in 1980 was 655 615 and in 1994 was 711 783 The County has the fourth largest population and third largest land area of any political subdivision in the State of Maryland

Under home rule charter since 1957 the County is governed by an elected County Executive and a seven member County Council with each serving separate executive and legislative functions Without referendum the County is authorized to issue bonds subject to certain indebtedness limitations for the purpose of financing its Metropolitan District capital projects and to issue notes having a maturity not in excess of 12 months for other general County purposes Following referendum the County is authorized to incur debt to finance its other capital projects

Ratings

The last issuance of general obligation bonds of Baltimore County issued 1995 were rated Aaa by Moody s Investors Service AAA by Fitch Investors Service Inc and AA+ by Standard & Poor s Corporation

CURRENT OPERATING BUDGET

Fiscal Year 1996 Operating Budget

On April 12 1995 the County Executive submitted his budget proposal for Fiscal Year 1996 to the County Council The General Fund Operating Budget submittal of $916 698 986 represents an increase of 2 1 percent from the adjusted Fiscal Year 1995 budget Special Fund allocations in the amount of $373 458 761 raise the amount of the Fiscal Year 1996 Total Operating Budget to $1 290 157 747 This proposed Total Budget is an increase of 1 8 percent over the adjusted Fiscal Year 1995 Total Operating Budget

In the FY 1996 submitted budget the County proposes to further the transition of certain recreational activities from general fund budget support to a self supporting enterprise fund a process which began in FY 1994 The enterprise fund which includes the County s golf courses is proposed to be expanded to include the County s beaches fishing center and conference center at Oregon Ridge

The FY 1996 submitted budget also proposes to incorporate the health insurance costs of the public schools into the County s self insurance fund The other component units of government the public libraries and the community colleges have already been incorproated into the County s Self Insurance Fund

In order to stimulate long term growth in the County s income and property tax base the FY 1996 Operating Budget proposes a reduction in closing costs for homebuyers through a partial exemption to the transfer tax To fund this exemption the Budget also proposes to reduce by half the discount paid for early payment of property taxes

The table below compares General Fund revenues and expenditures between Fiscal Years 1995 and 1996 by category Final action on the budget by the County Council is expected by May 26 1995 The Baltimore County Charter specifies that the County Council may not increase expenditures recommended by the County Executive in his budget proposal See Financial Information Budgetary Procedure

GENERAL FUND
BUDGETED REVENUES AND EXPENDITURES

	1995 R s d B dget	1996 Proposed B dg t	/ Change
R e			
Taxe	$806 547 765	$814 346 376	0 97 /
L s s	2 946 841	2 974 271	0 93 /
Int go emm tal	52 324 119	56 811 472	8 58 /
Charges f S rvices	8 228 940	8 23 885	0 06 /
F s and Forfe tu e	1 635 205	2 047 189	25 19 /
R mbursem t from Oth F d	3 044 561	2 983 252	2 01 /
Int st o In stm ts	5 775 000	9 565 167	65 63 /
Mi llan	10 131 267	15 926 044	57 20 /
Total	$890 633 698	$912 887 656	2 50 /
E p d tu and E mb an es			
G al G v rmm t	53 534 309	55 382 566	45 /
Publ S f ty	151 486 449	156 661 930	3 42 /
Publ W k	52 032 829	53 817 282	3 43 /
Health and Welfare	24 272 025	24 600 927	1 36 /
C ltu and R e t o	10 250 529	9 966 840	3 87 /
Ed t o	11 000	11 000	0 00 /
E om c Opportu ty	973 123	1 028 650	5 71 /
D bt S rv	66 603 000	64 021 923	3 88 /
P Plan C trib t	15 004 458	16 730 081	11 50 /
Op t g T ansf O t	10 354 184	10 013 447	3 29 /
T an f st C mpo t U t	450 551 872	468 004 599	3 87 /
M llan	59 756 465	56 459 741	5 52 /
R St b l zat o R s rv	2 943 938	0	
			100 00 /
T t l	$897 774 181	$916 698 986	2 11 /

Fiscal Years 1994 and 1995 Interim Budget Comparison

The following statement presents the County s actual revenues and expenditures and encumbrances for the first ten months of FY 1994 and FY 1995 using the budgetary basis of accounting and calculates the percentage of estimated revenues received and the percentage of budgeted expenditures paid through the first ten months of each fiscal year The last column computes the percentage of increase or decrease of revenues and expenditures and encumbrances for the first ten months of FY 1995 over the first two months of FY 1994

BALTIMORE COUNTY MARYLAND
INTERIM STATEMENT OF REVENUES
EXPENDITURES AND ENCUMBRANCES GENERAL FUND
FIRST TEN MONTHS ACTUAL FY 1994 AND FY 1995
COMPARED WITH TOTAL BUDGET FY 1994 AND FY 1995
($ in 000 s)

	Fiscal Year 1994		Fiscal Year 1995		/ Increase (Decrease)
	Actual Through 4/30/94	/ of Budget*	Actual Through 4/30/95	/ of Budget*	Actual 1st Ten Mos FY 95 v FY 94
Revenues					
Taxes	$643 369	82 47 /	$652 366	80 88 /	1 38 /
Licenses	2 419	99 46 /	2 232	75 74 /	8 38 /
Intergovernmental	35 778	73 90 %	40 943	78 25 /	12 62 /
Charges for Services	6 152	75 94 /	7 125	86 58 /	13 66 /
Fines and Forfeitures	1 090	66 34 /	1 796	109 85 /	39 31 /
Reimbursement from Other Funds	948	31 89 /	2 194	72 05 /	56 79 /
Interest on Investments	5 198	98 08 /	8 518	147 50 /	38 98 /
Miscellaneous	6 594	70 83 /	6 814	67 26 /	3 23 /
Total	$701 548	81 73 /	$721 988	79 09 /	2 83 %
Expenditures and Encumbrances					
General Government	$42 635	82 50 /	$45 297	84 61 /	5 88 /
Public Safety	119 692	83 85 /	127 683	84 29 /	6 26 /
Public Works	44 781	86 67 /	44 291	85 12 /	1 11 /
Health and Welfare	19 507	82 02 /	20 033	82 54 %	2 63 /
Culture and Recreation	8 160	83 44 /	8 677	84 64 /	5 96 /
Education	11	100 00 /	10	90 91 /	10 00 /
Economic Opportunity	671	82 74 /	825	84 79 /	18 67 /
Debt Service	68 902	94 99 /	64 290	96 53 /	7 17 /
Pension Plan Contributions	14 158	99 99 /	15 000	100 00 /	5 61 /
Transfers Out	355 798	82 16 /	381 889	82 86 /	6 83 /
Miscellaneous	38 499	66 18 /	41 866	70 06%	8 04 /
Revenue Stabilization Reserve	0		2 944	100 00 /	100 00 /
Total	$712 814	83 04 /	$752 805	83 85 /	5 31 /

*Includes budget revisions through April of each year

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE FISCAL YEARS 1990 TO 1994

	1990(1)	1991(1)	1992	1993	1994
R n					
Tax s	$ 656 820 538	$ 679 883 ? ?	$ 701 511 865	$ 756 082 ?65	$783 030 760
L s and P rm t	? 730 256	324 98?	2 950 273	? 97 158	149 018
Int go rnme tal	80 ?86 490	79 69 74?	5? 1?? 978	45 858 405	51 118 ?71
Charg s f S rv	10 3 ? 688	9 916 046	11 357 73	11 828 ?97	8 ?2 775
F and F rfe t	1 664 996	1 697 6?8	1 95 475	1 65 046	1 40 040
I t to I tm t	1 74 907	1 147 681	8 951 ?15	? 455 664	? 492 7 ?
Mi llan	8 ?5? 639	13 958 ?17	9 ??? 238	8 ?7? 600	7 ?08 ? 4
T t l R s	$ 774 12/ 514	$ 800 6?1 858	$ 787 544 17	$ 8 1 ? 7 5	$859 6?? 47
E p d tu					
Ge al Go rmm t	$ 47 606 16?	$ 51 1 8 380	$ 49 160 168	$ 48 12 661	$ 51 ?27 ?86
Publ Saf tv	138 456 33	14? 18 968	14? 290 213	141 14 435	140 44? 466
P bl W k	38 490 49?	40 6 5 399	41 000 ?93	41 343 999	49 085 697
Health and Welfare	4? 530 4?0	46 7?9 66?	41 077 373	33 985 161	? 29 364
C ltu e and R t o	1? 94? 370	13 34 413	12 924 547	11 1 4 520	9 571 ?39
Ed c tio	9 400	9 300	9 600	10 100	11 000
E o om c Opportu ty	1 399 283	1 286 284	1 033 555	858 176	768 657
D bt S rvice					
Pri c pal Retu m t	23 39 571	27 243 121	32 958 094	35 708 033	38 928 586
Int st and F al Charg s	28 875 18?	33 076 561	33 005 934	3? 391 843	30 026 044
Pe s o Plan Contrib t o s	16 622 684	14 860 621	13 415 059	13 024 485	14 158 930
Misc llan s	38 412 361	42 495 458	19 555 ?36	(2) 19 384 931	20 589 631
Total E p d tu s	$ 388 684 264	$ 416 023 167	$ 389 430 072	$ 377 319 34	$378 139 ?00
E ss f Re O E p d tu s	$ 385 443 250	$ 384 598 691	$ 398 114 645	$454 806 392	$481 486 ?73
Oth F an g Sou ces (U s)					
Proc ds f Refund g B ds		$ 8 678 145	$ 68 880 000	$45 461 637	$43 692 803
Pro eeds from Not		--			
P oc ds fr m St te Loan	(156 152)				
Op t g T an f s fr m Primary Go ernm t	425 844	429 161	448 274	351 679	161 308
Ope t g T an f s from C mpo t U ts	--	510 293			
Ope at ng T ansfers Out	(18 985 395)	(17 078 329)	(32 917 329)	(2) (34 879 228)	(51 475 573)
Op t ng T ansf t C mpo t U ts	(382 148 613)	(397 455 987)	(400 488 614)	(411 191 164)	(417 181 230)
P ym t t Refu ded Esc w Ag t		(83 678 145)	(68 880 000)	(45 461 637)	(43 692 803)
Oth		(165 783)	(191 157)	(1 250 747)	
Tot l Oth F anc g So c (Uses)	$(400 864 316)	$(413 760 645)	$(433 148 826)	$(446 969 460)	$(468 495 495)
E ss (d f c y) f R en s and Oth Sou s o e E p d tu es and Othe Use	$ (15 421 066)	$ (29 161 954)	$ (35 034 181)	$7 836 932	$12 990 778
F d B lanc at Beginn g of Year	87 193 456	69 715 742	55 908 562	(3) 20 662 420	28 485 902
Re d al Equ ty T ansf	(2 056 648)	(825 008)	(211 961)	(13 450)	(14 557)
F d Balanc t E d of Year	$ 69 715 742	$ 39 728 780	$ 20 662 420	$ 28 485 902	$46 462 123
F d Balan s Pe e t of R e e	9 01/	4 96/	2 62/	3 42/	4 82/

(1) Eff t J ly 1 1991 th C ty dopted th p ovis o s of St t m nt No 14 of th Go ernm tal A o t g Standards Board (GASB) el t g to the f an l port g nt ty The hange s ltı g from th s stat m t s the d st ct o b tw the Co nty as primary go rnm t and ts compo e t un ts P o sly th ompo t ts we bl d d w th the Co ty s ac o ts fo f anc al st t me t purpo s The f anc al st teme t format on p se t d fo the f scal y ars end d June 30 1990 and 1991 h s bee estated to comply with the pro sto s of GASB Stateme t No 14

(2) Eff ct J ly 1 1991 th Co ty e t d to a lf fu dı g arrangeme t f c rtaı h alth car st Th tran f from th Ge l F d t th H alth In an F d wh h pp m t ly $23 m ll FY 1992 and $26 m ll o FY 1993 are c nt d f as op t g tran f o t Prio to FY 1992 th p ym t fo mploy s h alth an we made to an o ts de and a t d f as m sc llan o s e p ditu

(3) D rı g th y ar d d J 30 1992 th C unty hang d ts m th d f ru g om tax e e Inc m tax s l t g t J e f th rr t f s al y ar ar w o ded th rr t f s l y ar Fo p rpo of th g e al p rpo f an al st t m t th chang w s c d d as of J ly 1 1991 and es lted an f $16 179 782 the b g nn g fu d balan f th G al F d

BALTIMORE COUNTY MARYLAND

COMBINED BALANCE SHEET
ALL FUND TYPES ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

EXHIBIT 1 — JUNE 30 1994

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Gene al Long Term Debt		
Assets and other debits										
Cash cash equivalents and restricted deposits (note 2)	$19 558 071	$ 21,560 131	$68 966 544	$1 937 999	$27 715 327	$ 31 181 566	$ —	$ —	$ 170 919 638	$ 36 613 383
Investment securities (note 2)	—	—	—	—	—	1 122 508 970	—	—	1 122 508 970	—
Receivables (net, where applicable of allowances for estimated uncollectible amounts) (note 4)										
Taxes including interest (note 3)	2 233 788	—	—	—	—	—	—	—	2 233 788	—
Accounts	8 183 372	254 152	22 386	—	18 675	—	—	—	8 478 585	12 436 746
Other governmental units	31 102 584	6 843 623	480 975	—	—	—	—	—	38 427 182	6 646 338
Assessments	—	331 157 380	754 756	—	—	—	—	—	331 912 136	—
Loans	561 364	59 905	—	4 279 439	—	—	—	—	4 900 708	1 163
Investments sold	—	—	—	—	—	12 075 799	—	—	12 075 799	—
Interest and dividends	—	—	—	12 968	—	7 127 378	—	—	7 140 346	—
Due from other funds	—	—	—	—	2 283 517	—	—	—	2 283 517	8 263 594
Due from primary government	—	—	—	—	—	—	—	—	—	1 329 603
Inventories	2 371 280	—	—	148 777	149 297	—	—	—	2 669 354	2 151 480
Prepaid costs	247 684	20 367	—	—	—	—	—	—	268 051	22 911
Deferred charges	—	—	—	—	—	—	—	—	—	70 341
Work in progress	—	—	—	104 888	—	—	—	—	104 888	—
Property plant and equipment net (note 6)	—	—	—	263 680	345 356	—	405 891 985	—	406 501 021	675 429 706
Amount to be provided for retirement of long term debt (note 7)	—	—	—	—	—	—	—	909 017 939	909 017 939	27 152 853
Total assets and other debits	$64 258 143	$359 895,558	$70 224 661	$6 747 751	$30 512 172	$1 172 893 713	$405 891 985	$909 017 939	$3 019 441 922	$770 118 118

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt		
Liabilities										
Cash overdraft	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2 819 118
Accounts payable										
For investments purchased	—	—	—	—	—	16 244 834	—	—	16 244 834	—
Investment expenses	—	—	—	—	—	418 693	—	—	418 693	—
Other	5 524 997	2 533 774	9 367 990	132 612	3 940 061	232 771	—	—	21 732 205	15 636 073
Accrued expenses	9 065 382	892 909	—	90 784	193 935	—	—	—	10 243 010	26 419 618
Due to other governmental units	92 212	1 587 436	—	51 429	—	280 216	—	—	2 011 293	—
Outstanding claims	—	—	—	—	20 041 600	—	—	—	20 041 600	—
Due to other funds	—	2 283 517	—	—	—	—	—	—	2 283 517	8 263 594
Due to component units	753 523	576 080	—	—	—	—	—	—	1 329 603	—
Other liabilities	7 359 906	674 779	3 496 349	—	146 833	59 689 156	—	—	71 367 023	5 609 648
Deferred revenue	—	331 157 380	—	—	—	—	—	—	331 157 380	5 240 030
Long term debt (note 7)										
General long term debt	—	—	—	—	—	—	—	557 940 000	557 940 000	—
Metropolitan District long term debt	—	—	—	—	—	—	—	281 317 768	281 317 768	—
Other borrowings	—	—	—	—	—	—	—	28 355 193	28 355 193	—
Accrued liability for vested compensated absences	—	—	—	—	—	—	—	19 304 191	19 304 191	6 395 572
Supplemental obligations to retirees	—	—	—	—	—	—	—	—	—	5 009 085
Capital leases	—	—	—	—	—	—	—	—	—	12 028 196
Estimated landfill closing costs	—	—	—	—	—	—	—	20 821 080	20 821 080	—
Disputed tax liability	—	—	—	—	—	—	—	1 279 707	1 279 707	—
Notes payable	—	—	—	—	—	—	—	—	—	113 836
Certificate of participation	—	—	—	—	—	—	—	—	—	3 720 000
Total liabilities	22 796 020	339 705 875	12 864 339	274 825	24 322 429	76 865 670	—	909 017 939	1 385 847 097	91 254 770
Fund equity and other credits										
Contributed capital (note 9)										
Investment in fixed assets	—	—	—	4 877 573	5 979 083	—	—	—	10 856 656	—
General	—	—	—	—	—	—	330 117 819	—	330 117 819	—
Metropolitan District	—	—	—	—	—	—	75 774 166	—	75 774 166	—
Component units	—	—	—	—	—	—	—	—	—	672 009 677
Retained earnings										
Unreserved	—	—	—	1 595 353	210 660	—	—	—	1 806 013	3 891 485
Fund balance										
Reserved for										
Encumbrances	6 521,554	1 807 095	—	—	—	—	—	—	8 328 649	10 470 432
Higher education programs	—	—	—	—	—	—	—	—	—	2 764 065
Inventories	2 371 280	—	—	—	—	—	—	—	2 371 280	137 444
Imprest funds	65,280	—	—	—	—	—	—	—	65 280	—
Prepaid costs	247 684	20 367	—	—	—	—	—	—	268 051	—
Non-current loans receivable (note 8)	561 364	59 905	—	—	—	—	—	—	621 269	—
Employees retirement benefits	—	—	—	—	—	1 085 921 794	—	—	1 085 921 794	—
Debt service	—	—	—	—	—	4 318 292	—	—	4 318 292	—
Unreserved										
Designated for disputed taxes	1 279 707	—	—	—	—	—	—	—	1 279 707	—
Designated for specific projects	—	1 956 700	—	—	—	5 786 174	—	—	7 742 874	516
Designated for subsequent years expenditures	7 140 483	5 796 323	—	—	—	—	—	—	12 936 806	—
Designated for economic stabilization	23 274 771	—	—	—	—	—	—	—	23 274 771	—
Undesignated (deficit)	—	10 549 293	57 360 322	—	—	1 783	—	—	67 911 398	(10 410 271)
Total fund equity and other credits	41 462 123	20 189 683	57 360 322	6 472 926	6 189 743	1 096 028 043	405 891 985	—	1 633 594 825	678 863 348
Total liabilities fund equity and other credits	$64 258 143	$359 895,558	$70 224 661	$6 747 751	$30,512 172	$1 172 893 713	$405 891 985	$909 017 939	$3 019 441 922	$770 118 118

See accompanying notes to general purpose financial statements

BALTIMORE COUNTY MARYLAND

COMBINED STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES (AND SIMILAR TRUST FUNDS) AND DISCRETELY PRESENTED COMPONENT UNITS

EXHIBIT 2 — YEAR ENDED JUNE 30 1994

	Go ernmental Fund Types			Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Board of Education and Board of Library Trustees Component Units
	General	Special Revenue	Capital Projects	Expendable Trust		
Revenues						
Taxes	$ 783 030 760	$ —	$ 336 600	$ —	$ 783 367 360	$ —
Licenses and permits	3 149 018	933,573	—	—	4 082 591	—
Intergovernmental	51 118,571	56 944 165	6 923,301	—	114 986 037	169 962 638
Charges for services	8,222 775	70 978 340	10 427 935	—	89 629 050	2 170 360
Assessments	—	13 189 825	4 945,371	—	18 135 196	—
Fines and forfeitures	1 403 040	—	—	—	1 403 040	—
Interest on investments	5 492 775	1 908 584	—	373 575	7 774 934	—
Miscellaneous	7,208,534	9 095 283	166 632	6 797	16 477,246	7 729,253
Total revenues	859 625 473	153 049 770	22 799 839	380 372	1 035 855 454	179 862 251
Expenditures						
Current.						
General government	51,227,586	2,533,569	—	—	53 761 155	—
Public safety	140 442 466	1 024 792	—	2 361 622	143 828 880	—
Public works	49 085 697	45 719 611	—	—	94 805 308	—
Health and welfare	23 329 364	45,297 064	—	—	68 626 428	—
Culture and recreation	9,571,239	372 041	—	12,300	9 955,580	22 586,219
Community development block grants	—	5 057,277	—	—	5 057,277	—
Education	11 000	—	—	—	11 000	542 449 789
Economic opportunity	768 657	7 423 816	—	—	8 192 473	—
Debt service						
Principal retirement	38 928,586	23 640 544	—	4 055 000	66 624 130	6 162,250
Interest and fiscal charges	30 026 044	14,315 169	—	1 868 040	46 209,253	3 374 742
Pension plan contributions	14 158 930	—	—	—	14 158 930	—
Miscellaneous	20,589 631	761 341	—	—	21 350 972	—
Capital projects	—	—	64 650 198	—	64 650 198	26 188,552
Total expenditures	378 139,200	146 145 224	64 650 198	8 296 962	597 231,584	600 761,552
Excess (deficiency) of revenues over expenditures	481 486,273	6 904,546	(41 850,359)	(7 916,590)	438 623 870	(420 899 301)
Other financing sources (uses)						
Proceeds of refunding bonds	43 692 803	16,574 491	—	—	60 267,294	—
Proceeds of capital lease obligations	—	—	—	—	—	13,585 715
Proceeds of bonds						
General obligation	—	—	55 000 000	—	55 000 000	—
Metropolitan District Facilities	—	—	45 000 000	—	45 000 000	—
Maryland Water Quality Financing Administration	—	—	879,360	—	879 360	—
Operating transfers in	161,308	3,239 403	13 193 631	5 799 325	22 393 667	—
Operating transfers from primary government	—	—	—	—	—	412,277 950
Operating transfers out	(51 475,573)	(3 137 031)	(3 851 653)	(23 637)	(58 487 894)	—
Operating transfers to primary government	—	—	—	—	—	(3 515 457)
Operating transfers to component units	(417 181,230)	(1 765 325)	(21,317 481)	—	(440 264 036)	—
Payment to refunded bond escrow agent	(43 692 803)	(16,574 491)	—	—	(60 267,294)	—
Total other financing sources (uses)	(468 495 495)	(1 662,953)	88 903 857	5 775 688	(375 478 903)	422 348,208
Excess (deficiency) of revenues and other sources over expenditures and other uses	12 990 778	5,241,593	47 053 498	(2,140 902)	63 144 967	1 448 907
Net income from food service operations	—	—	—	—	—	253 345
Fund balances at beginning of year	28 485 902	14 948 090	10,306 824	12,247 151	65 987 967	3 495 057
Contributions to proprietary funds (note 9)	(14,557)	—	—	—	(14,557)	—
Fund balances at end of year	$ 41 462 123	$ 20 189 683	$ 57 360 322	$10 106 249	$ 129 118 377	$ 5 197 309

See accompanying notes to general purpose financial statements

BALTIMORE COUNTY MARYLAND

COMBINED STATEMENT OF REVENUES EXPENDITURES AND ENCUMBRANCES AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL GENERAL AND BUDGETED SPECIAL REVENUE FUNDS

EXHIBIT 3 — YEAR ENDED JUNE 30 1994

	General Fund			Budgeted Special Revenue Funds		
	Budget	Actual	Variance — Favorable (Unfavorable)	Budget	Actual	Variance — Favorable (Unfavorable)
Revenues						
Taxes	$780 088,387	$783 030 759	$ 2 942,372	$ —	$ —	$ —
Licenses and permits	2 561 084	3 149 018	587 934	891 557	933,573	42 016
Intergovernmental	48 413 971	51 118,570	2 704,599	—	—	—
Charges for services	8 096 101	8,222 775	126 674	71 934,557	70 978 340	(956,217)
Assessments	—	—	—	13 122,524	13 189 825	67 301
Fines and forfeitures	1 643 060	1 403 040	(240 020)	—	—	—
Reimbursement from other funds	2 972 880	2 829 156	(143 724)	5 722,561	—	(5 722,561)
Interest on investments	5 300 000	5 492 775	192 775	1 370 000	1 901,573	531,573
Miscellaneous	9 153,364	8 923 411	(229 953)	98 475	4 333 974	4,235 499
Operating transfers in	161 308	161 308	—	—	—	—
Total revenues	858 390 155	864,330 812	5 940 657	93 139 674	91 337,285	(1 802 389)
Expenditures and encumbrances						
General government	53 314 491	52 088 932	1,225,559	335 374	325 871	9,503
Public safety	143 072,528	141,578 378	1 494 150	—	—	—
Public works	51 751 111	51 472 822	278,289	47 050,288	45 875 787	1 174 501
Health and welfare	23 765,568	23,294 886	470 682	—	—	—
Culture and recreation	9 745 029	9 677 718	67,311	—	—	—
Education	11 000	11 000	—	—	—	—
Economic opportunity	810 952	767 049	43 903	—	—	—
Debt service						
Principal retirement	38 587,586	38 928,586	(341 000)	23 416 544	23 640,544	(224 000)
Interest and fiscal charges	32,710 680	30 036 124	2,674,556	16,334 925	14,323 651	2,011,274
Pension plan contributions	14 158 950	14 158 930	20	—	—	—
Operating transfers out	51 475,573	51 475,573	—	2,517 961	2,517 961	—
Operating transfers to component units	417 889 921	417 181,230	708 691	—	—	—
Miscellaneous	21 082,209	20 643,328	438 881	—	—	—
Total expenditures and encumbrances	858 375,598	851,314,556	7 061 042	89 655 092	86 683 814	2 971,278
Excess of revenues over expenditures and encumbrances (budgetary basis)	$ 14,557	13 016,256	$13 001 699	$ 3 484 582	$ 4 653 471	$ 1 168 889
Adjustments required under generally accepted accounting principles						
Net change during year in reserve for encumbrances		272 830			1,250 171	
Other GAAP adjustments		(91 972)			(1 155,261)	
Net change in reserve for inventories imprest funds and other programs		(1 714 877)			—	
Prior year encumbrance liquidations		1,508,541			69 017	
Net activity in unbudgeted special revenue funds		—			424 195	
Fund balances at beginning of year		28 485 902			14 948 090	
Contributions to proprietary funds		(14,557)			—	
Fund balances at end of year		$ 41 462 123			$20 189 683	

See accompanying notes to general purpose financial statements

BALTIMORE COUNTY MARYLAND

COMBINED STATEMENT OF REVENUES EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES (AND SIMILAR TRUST FUNDS)

EXHIBIT 4 — YEAR ENDED JUNE 30 1994

	Proprietary Fund Types		*Fiduciary Fund Type*	*Total Primary Government (Memorandum Only)*
	Enterprise	*Internal Service*	*Pension Trust*	
Operating revenues				
Charges for services	$2 684 356	$ 7,211 953	$ —	$ 9 896 309
Investment income				
Interest and dividends	—	—	57 078 461	57 078 461
Gain on sale of investments	—	—	14 998 223	14 998 223
Contributions	—	6 661 690	32 682 952	39 344 642
Miscellaneous	46 383	1 490 993	17 045	1 554 421
Total revenues	2 730 739	15 364 636	104 776 681	122 872 056
Operating expenses				
Personal services	933,505	1 971 028	—	2 904,533
Materials	189 701	2 837 487	—	3 027 188
Depreciation	26 980	1 001 768	—	1 028 748
General fund overhead distribution	452 700	508,269	—	960 969
Rents and utilities	144 971	154 763	—	299 734
Supplies and maintenance	226 731	470 196	—	696 927
Benefit payments	—	—	62 867 959	62 867 959
Refunds	—	—	1 601 874	1 601 874
Investment expenses	—	—	2 369 879	2,369 879
Self insured claims	—	45 710,537	—	45 710,537
Other expenses	107,257	72 816	73 793	253 866
Total expenses	2,081 845	52 726 864	66 913,505	121 722 214
Operating income (loss)	648 894	(37 362,228)	37 863 176	1 149 842
Non operating revenues and expenses				
Interest on investments and loans	165 078	518 493	—	683,571
Loss on sale of fixed assets	—	(2 134,552)	—	(2 134,552)
Net non-operating revenues (expenses)	165 078	(1 616 059)	—	(1 450 981)
Income (loss) before operating transfers	813 972	(38 978 287)	37 863 176	(301 139)
Operating transfers in	—	36 094 227	—	36 094,227
Operating transfers from component units	—	9 156 471	—	9 156 471
Net operating transfers	—	45,250 698	—	45 250 698
Net income	813 972	6,272,411	37 863 176	44 949,559
Fund equity (deficit) at beginning of year	5,281 381	(97,225)	1 048 058 618	1 053 242 774
Contributions from other funds and account groups	377,573	14,557	—	392 130
Fund equity at end of year	$6 472 926	$ 6 189 743	$1 085 921 794	$1 098,584 463

See accompanying notes to general purpose financial statements

BALTIMORE COUNTY MARYLAND

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

EXHIBIT 5 — YEAR ENDED JUNE 30 1994

	Proprietary Fund Types		Total Primary Government (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities			
Operating income (loss)	$ 648 894	$(37 362 228)	$(36 713 334)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	26 980	1 001 768	1 028 748
Changes in assets and liabilities			
(Increase) decrease in due from other funds	—	4 770 086	4 770 086
(Increase) decrease in accounts receivable	—	(15 175)	(15 175)
(Increase) decrease in inventories	(148 777)	(6 306)	(155 083)
(Increase) decrease in prepaid costs	—	90 544	90 544
(Increase) decrease in due to other funds	—	(627 071)	(627 071)
(Increase) decrease in work in progress	(104 888)	—	(104 888)
Increase (decrease) in accounts payable accrued expenses and deferred revenue	223 396	315 963	539 359
Increase (decrease) in due to other governmental units	51 429	—	51 429
Increase (decrease) in other liabilities	—	25 471	25 471
Increase (decrease) in outstanding claims	—	(3 175 425)	(3 175 425)
Net cash provided by (used in) operating activities	697 034	(34 982 373)	(34 285 339)
Cash flows from investing activities —			
Interest on investments	172 945	518 493	691 438
Cash flows from non capital financing activities			
Repayments of loans	740,560	—	740,560
Issuance of loans	(60 000)	—	(60 000)
Operating transfers in	—	36 094 227	36 094 227
Operating transfers from component units	—	9 156 471	9 156 471
Net cash provided by (used in) non-capital financing activities	680 560	45,250 698	45 931 258
Cash flows from capital and related financing activities			
Purchase of property plant and equipment	—	(228 633)	(228 633)
Proceeds from sale of property plant and equipment	86 913	375 104	462 017
Contributions of capital	—	14 557	14 557
Net cash used in capital and related financing activities	86 913	161 028	247 941
Net increase in cash and cash equivalents	1 637 452	10 947 846	12 585,298
Cash cash equivalents and restricted deposits at beginning of year	300,547	16 767 481	17 068 028
Cash cash equivalents and restricted deposits at end of year	$1 937 999	$ 27 715 327	$ 29 653 326

See accompanying notes to general purpose financial statements

BALTIMORE COUNTY MARYLAND

COMBINED BALANCE SHEET — COMMUNITY COLLEGES BOARD OF EDUCATION AND BOARD OF LIBRARY TRUSTEES

EXHIBIT 6 — JUNE 30 1994

	Community Colleges	Board of Education	Board of Library Trustees	Total
Assets and other debits				
Cash and cash equivalents	$ 9 792 255	$ 26 077 613	$ 743 515	$ 36 613 383
Accounts receivable	6 361 162	5 889,236	186 348	12 436 746
Due from other governmental units	—	6 579 788	66 550	6 646 338
Loans receivable	1 163	—	—	1 163
Due from other funds	1 971 661	6 262 458	29 475	8 263,594
Due from primary government	576 080	—	753 523	1 329 603
Inventories	930 184	1 083 852	137 444	2 151 480
Prepaid costs	22 911	—	—	22 911
Deferred charges	70,341	—	—	70 341
Property plant and equipment, net	101 463,298	565 127,555	8 838 853	675 429 706
Amount to be provided for retirement of long term debt	—	26 016,284	1 136 569	27 152 853
Total assets and other debits	121 189 055	637 036 786	11 892 277	770 118 118
Liabilities				
Cash overdraft	2 819 118	—	—	2,819 118
Accounts payable	6 680 691	8,357 333	598 049	15 636 073
Accrued expenses	—	23 071 178	728 276	23 799 454
Due to other funds	1 971 661	6,262 458	29 475	8,263,594
Other liabilities	2,085 870	3 523 778	—	5 609 648
Deferred revenue	2 751 126	2 410 443	78 461	5 240 030
Accrued liability for vested compensated absences	2 620 164	5,597 304	798 268	9 015 736
Supplemental obligations to retirees	—	4 969 085	40 000	5 009 085
Capital leases	—	11 729 895	298,301	12 028 196
Notes payable	—	113 836	—	113 836
Certificate of participation	—	3 720 000	—	3 720 000
Total liabilities	18 928 630	69 755,310	2,570 830	91 254 770
Fund equity and other credits				
Investments in fixed assets	100 604 063	562,566 761	8 838 853	672 009 677
Retained earnings				
Unreserved	—	3 891 485	—	3 891 485
Fund balance				
Reserved for				
Encumbrances	1,294 618	8 834 097	341 717	10 470 432
Higher education programs	2,764 065	—	—	2,764 065
Inventories	—	—	137 444	137 444
Unreserved				
Designated for specific projects	—	—	516	516
Undesignated (deficit)	(2 402,321)	(8 010 867)	2 917	(10 410,271)
Total fund equity and other credits	102,260 425	567,281 476	9 321 447	678 863 348
Total liabilities fund equity and other credits	$121 189 055	$637 036 786	$11 892 277	$770 118 118

See accompanying notes to general purpose financial statements

BALTIMORE COUNTY MARYLAND

COMBINING STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND EQUITY — BOARD OF EDUCATION AND BOARD OF LIBRARY TRUSTEES

EXHIBIT 7 — YEAR ENDED JUNE 30 1994

	Board of Education	Board of Library Trustees	Total
Revenues			
Intergovernmental	$168 069,232	$ 1 893 406	$169 962 638
Charges for services	—	2 170 360	2 170 360
Miscellaneous	5 134 223	2 595 030	7 729 253
Total revenues	173,203 455	6 658 796	179 862,251
Expenditures			
Culture and recreation	—	22 586 219	22 586,219
Education	542 449 789	—	542 449 789
Debt service			
Principal retirement	6 162,250	—	6 162,250
Interest and fiscal charges	3,374 742	—	3 374 742
Capital projects	26 188,552	—	26 188,552
Total expenditures	578 175,333	22 586,219	600 761,552
Deficiency of revenues over expenditures	(404 971 878)	(15 927 423)	(420 899 301)
Other financing sources (uses)			
Proceeds of capital lease obligation	13,585 715	—	13,585 715
Operating transfers from primary government	395,252 476	17 025 474	412,277 950
Operating transfers to primary government	(2 184 053)	(1 331 404)	(3 515 457)
Net other financing sources	406 654 138	15 694 070	422 348 208
Excess (deficiency) of revenues and other sources (uses) over expenditures and other uses	1 682,260	(233 353)	1 448 907
Net income from food service operations	253,345	—	253 345
Fund equity at beginning of year as restated (note 14)	2 779 110	715 947	3 495 057
Fund equity at end of year	$ 4 714 715	$ 482,594	$ 5 197 309

See accompanying notes to general purpose financial statements

BALTIMORE COUNTY MARYLAND

STATEMENT OF REVENUES EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
COMMUNITY COLLEGES

EXHIBIT 8 — YEAR ENDED JUNE 30 1994

	Current Funds		Loan	Plant Funds		
	Unrestricted	Restricted	Funds	Unexpended	Invested in Plant	Total
Revenues and other additions						
Student tuition and fees	$25 009 100	$ —	$ —	$ —	$ —	$ 25 009 100
Intergovernmental	28 170 958	—	—	—	—	28 170 958
Interest income	283 479	—	—	—	—	283 479
Miscellaneous	2 076 255	56,527	8 119	870 041	—	3 010 942
Auxiliary enterprises	6 316,226	—	—	—	—	6 316,226
Scholarship funds	—	915 676	—	—	—	915 676
Grant funds	—	12,524 367	—	—	—	12 524 367
Expended for plant facilities	—	—	—	—	4 745 022	4 745 022
Total revenues and other additions	61 856 018	13 496,570	8 119	870 041	4 745 022	80 975 770
Expenditures and other deductions						
Educational and general expenditures	76,315 998	15,503 128	—	—	—	91 819 126
Auxiliary enterprises	5 979 963	—	—	—	—	5 979 963
Plant operations	—	—	—	1,238 689	—	1,238 689
Disposal of property plant, and equipment	—	—	—	—	1,578 415	1,578 415
Miscellaneous	2 028 961	—	3 345	—	7 885	2 040 191
Total expenses and other deductions	84 324 922	15,503 128	3 345	1,238 689	1 586 300	102,656 384
Transfers						
Operating transfers from primary government	25,228 481	2,015,325	—	542 391	199 888	27 986 085
Operating transfers to primary government	(5 641 014)	—	—	—	—	(5 641 014)
Total transfers	19,587 467	2 015,325	—	542 391	199 888	22 345 071
Net increase (decrease) in fund balances	(2 881 437)	8 767	4 774	173 743	3 358 610	664 457
Fund balances at beginning of year as restated (note 14)	3 836 706	(24,590)	28 718	509 681	97 245 453	101,595 968
Fund balances (deficit) at end of year	$ 955,269	$ (15 823)	$33 492	$ 683 424	$100 604 063	$102 260 425

See accompanying notes to general purpose financial statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Baltimore County Maryland (the County ') is a body corporate and politic which performs all local governmental functions within its jurisdiction Under home rule charter since 1957 the County is governed by an elected County Executive and a seven member County Council with each serving executive and legislative functions

As required by generally accepted accounting principles the accompanying financial statements include the various departments agencies and other organizational units governed by the County Executive and County Council (the primary government) and the County s component units Blended component units although legally separate entities are in substance part of the County s operations and are reported as such Discretely presented component units are reported separately from the primary government to emphasize that they are legally separate from the County The component units are included as part of the County s reporting entity because of the significance of their operational or financial relationships with the County The component units are fiscally dependent on the County and have no taxing authority of their own

Blended Component Unit

The Employees Retirement System of Baltimore County (System) a public employees retirement system (PERS) provides retirement benefits for most employees of the primary government and certain employees of the component units and related organizations A board of trustees is responsible for the operation of the System The System is reported as a pension trust fund within the primary government.

Discretely Presented Component Units

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

1 The Board of Education of Baltimore County operates all public schools (grades K through 12) within the County

2 The Board of Library Trustees operates all public libraries within the County

3 The community colleges (Catonsville Dundalk and Essex) operate a two-year college program The community colleges financial statements have been prepared using the accrual basis of accounting as defined by the American Institute of Certified Public Accountants Industry Audit Guide for Colleges and Universities

A Comprehensive Annual Financial Report can be obtained from the respective administrative offices listed below

Board of Education of Baltimore County
6901 North Charles Street
Towson, Maryland 21204

Baltimore County Employees
Retirement System
400 Washington Avenue
Towson Maryland 21204

A Component Unit Financial Report can be obtained from the respective administrative offices listed below

Board of Library Trustees
320 York Road
Towson, Maryland 21204

Catonsville Community College
800 South Rolling Road
Catonsville Maryland 21228

Dundalk Community College
7200 Sollers Point Road
Dundalk Maryland 21222

Essex Community College
7201 Rossville Boulevard
Baltimore Maryland 21221

Related Organizations

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

Economic Development Commission
Board of Recreation and Parks
Adult Public Guardianship Review Board
Board of Architectural Review
Mental Health Advisory Committee
Electrical Administrative Board
Landmarks Preservation Commission
Substance Abuse Advisory Council
Commission of Arts & Sciences
Agricultural Preservation Board
Human Relations Commission
Revenue Authority
Board of Health
Board of Social Services
Planning Board
Liquor Board
Plumbing Board
Ethics Commission
Commission on Disabilities
Private Industry Council
Minority Advisory Council
Commission for Women
Commission on Aging
Animal Welfare Board
Children & Youth Council

The amounts that the County appropriated to these organizations during the year ended June 30 1994 were immaterial to the general purpose financial statements taken as a whole

The accounting policies of the County conform to generally accepted accounting principles (GAAP) The following is a summary of the more significant of such policies

Fund Accounting

The accounts of the County are organized on the basis of funds and account groups each of which is a separate accounting entity The operations of each fund are accounted for through a set of self balancing accounts which comprise its assets liabilities fund equity revenues and expenditures/expenses The various funds are summarized by type in the financial statements The memorandum totals included in the general purpose financial statements are presented only for informational purposes and are not intended to represent the financial position results of operations or the cash flows of the County as a whole

The following funds fund types and account groups are used by the County

Governmental Funds

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

Special Revenue Funds — Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes These funds include

Metropolitan District Operations Fund — The Metropolitan District is a distinct area within the County which provides water supply and sewerage systems to residents of the County within the District. Water principally from County sources is treated delivered and billed by Baltimore City to County residents at rates sufficient to reimburse the City for water at cost, including treatment and distribution expenses Similarly sewage is pumped into the City system for treatment and disposal for which the County charges its residents and reimburses the City at cost. County residents connected to the water and sewer systems are billed assessments for sewer and/or water pipe and service charges sufficient to support the utility operation The Metropolitan District Operations Fund receives the revenue from such assessments Expenditures are for the limited maintenance debt service and operation of the segments of the water and sewerage systems within the County Due to its limited function the Baltimore County Metropolitan District is not treated as an Enterprise Fund

Liquor License Fund — accounts for the revenues and expenditures relating to the issuance and regulation of licenses for the sale of alcoholic beverages by the Board of Liquor License Commissioners Any surplus funds remaining from this function are transferred to the General Fund

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

Economic Development Loan Program Fund — established to account for loans financed by grants that provide funds for investment in designated geographic areas of the County

Job Training Partnership Act Fund — accounts for grants received under the Job Training Partnership Act.

Capital Projects Funds — Capital Projects Funds are used to account for costs of construction and related funding sources Capital improvements are authorized by capital budget ordinances Projects are funded by County General Obligation and Metropolitan District bonds pay as you go appropriations and participation by developers property owners the State of Maryland and the Federal Government. Completed assets of a stewardship nature are transferred to the General Fixed Assets Account Group These funds include

General Public Facilities Fund — accounts for the costs of construction and related funding sources for capital projects of a general nature

Public Schools Facilities Fund — accounts for the costs of construction and related funding sources for school related capital projects

Community Colleges Facilities Fund — accounts for the costs of construction and related funding sources for capital projects at the County s community colleges

Metropolitan District Facilities Fund — accounts for the costs of construction and related funding sources for capital projects serving the County s Metropolitan District.

Proprietary Funds

Enterprise Fund — An Enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges The Capital Revolving

Financing Fund is used to account for monies loaned to certain independent volunteer fire ambulance and rescue companies to finance the purchase of equipment, land or the construction or repair of certain facilities The Golf Courses Fund accounts for the operations of the County s three courses

Internal Service Funds — Internal Service Funds are used to account for goods or services provided by one department or agency to other departments or agencies of the County or to other governmental units on a cost reimbursement basis and for the County s self insurance program The risk of loss has not been transferred to the Self Insurance Fund Accordingly interfund charges for insurance are accounted for as operating transfers rather than as expenditures of the insured funds Internal Service Funds include

Vehicle Operations and Maintenance Fund — accounts for costs of operating a maintenance facility and the County s motor pool for all passenger vehicles and trucks up to and including 3/4 of a ton

Central Stores Fund — accounted for the costs of operating a supply house for the various supplies and materials used routinely by County employees except for stationery This fund was closed in fiscal year 1994 Agencies now purchase materials directly from vendors

Central Printing Services Fund — accounts for the costs of operating a print shop

Central Electronic Services Fund — accounted for the costs of operating an electronic maintenance facility to service the County s various communications systems This fund was closed in fiscal year 1994 and replaced by an operating program in the General Fund

Self Insurance Program Fund — accounts for the costs of maintaining workers compensation insurance for the County Board of Education and the Board of Library Trustees In addition the fund accounts for uninsured personal injury and property damage claims filed against the County and the Board of Library Trustees

Central Equipment Fund — accounted for the costs of operating and maintaining trucks over 3/4 of a ton and construction equipment. This fund was closed in fiscal year 1994 Agencies using this equipment will be responsible for the purchase and some operative costs associated with the equipment.

Fiduciary Funds

Transactions related to assets held by the County in a trustee capacity or as an agent for individuals private organizations and other governments are accounted for in the fiduciary fund types Fiduciary fund types are comprised of

Trust Funds — Trust Funds are used to account for assets held by the County in a trustee capacity These include pension trust funds and expendable trust funds These funds include

Pension Trust Funds

Employees Retirement System Fund — accounts for the accumulation of assets which are used for retirement benefits in the Employee s Retirement System of Baltimore County

Police Fire and Widows Pension Fund — accounts for the bond proceeds used to fund retirement benefits in these pension plans

Expendable Trust Funds

Recreation and Parks Fund — accounts for grants devices gifts or bequests made to the Department of Recreation and Parks through the Baltimore County Recreation and Parks Councils Expenditures from this fund are conditioned to the donors requests

Capital Outlay Financing Fund — accounts for the acquisition of equipment and buildings financed with the proceeds of borrowings other than general obligation bonds This allows the County to obtain timely financing for certain fast track purchases and projects

Agency Funds — Agency Funds are used to account for assets held for other funds governments or individuals Agency funds are custodial in nature that is assets equal liabilities and they do not involve measurement of operations These funds include

Deferred Compensation Fund — accounts for funds that are held in conjunction with the County s Employees Deferred Compensation Plan

Section 8 Housing Fund — accounts for housing subsidies to lower income families based on Department of Housing and Urban Development regulations

Account Groups

General Fixed Assets Account Group — The General Fixed Assets Account Group reflects the cost of fixed assets of a stewardship nature (certain land buildings certain improvements other than

buildings furniture machinery equipment, vehicles and work in progress) acquired or constructed by the reporting entity except the assets of the proprietary fund types and the component units Public domain (infrastructure) fixed assets consisting of roads bridges storm drains underground water and sewer facilities and certain other property are recorded as expenditures in the Capital Projects Funds and are not capitalized in the General Fixed Assets Account Group Donated fixed assets are valued at their estimated fair market value on the date donated No depreciation has been provided in the General Fixed Assets Account Group

Long Term Debt Account Group — The Long Term Debt Account Group accounts for all long term debt backed by the full faith and credit of the County other than long term debt recorded in the enterprise funds and the component units

Basis of Accounting

The modified accrual basis of accounting is followed by the governmental funds expendable trust funds and agency funds The measurement focus of these funds is the determination of financial position and changes in financial position (financial flow focus) Under the modified accrual basis of accounting revenues are recorded when susceptible to accrual which is defined as when the revenues are both measurable and available Property sales and income taxes developers assessments interest income and various inter governmental revenues comprise the significant revenues susceptible to accrual Property taxes and accounts receivable are reduced by an allowance for uncollectible accounts Accrued sales and income taxes relate solely to amounts held by or due to agents for the County as of year end Other accrued revenues represent measurable amounts related to current or prior periods which will be received within sixty days Taxes receivable greater than two years old are fully provided for in the allowance for uncollectible accounts Grant revenues already received may be deferred to the extent the earning process is considered incomplete Licenses and permits charges for services fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received Encumbrance accounting more fully described below is employed as an additional modification of the accrual basis of accounting on the budgetary basis financial statements only Expenditures other than principal and interest on long term debt and employee annual vacation and sick leave are recorded when the liability is incurred Principal and interest on general long term debt are recorded as fund liabilities when due Expenditures for annual leave are recorded when paid.

The accrual basis of accounting is utilized by the proprietary funds and the pension trust funds The measurement focus of these funds is the determination of net income and financial position (capital maintenance focus)

Agency funds are custodial in nature and do not present the results of operations or have a measurement focus

Budgetary Data

As required by Article VII of the Baltimore County Charter the annual operating budget and the capital budget are prepared by the County Executive and submitted to the County Council for adoption Such budgets are prepared on the modified accrual basis of accounting described above and reflect encumbrance accounting (as described below) Certain expenditures accrued in accordance with GAAP are not recognized in the budget. Prior to adoption of the budgets the County Council may decrease or delete any item with the exception of those required by the general laws of the State of Maryland, provisions for debt service on outstanding obligations and provisions for estimated cash deficits Requests for supplementary and emergency appropriations may be prepared during the year by the County Executive and adopted by the County Council During the fiscal year ended June 30 1994 supplementary and emergency appropriations of approximately $37 500 000 were adopted

The operating budget reflects appropriations for the General Fund and certain Special Revenue Funds (Liquor License Metropolitan District Operations and Gifts and Grants) on a function/agency/program basis Expenditures and encumbrances of such funds may not legally exceed appropriations at the program level Inter program transfers of no more than ten percent of appropriations may be authorized by the County Administrative Officer All other transfers must be approved by the County Executive and the County Council Except for the Gifts and Grants Fund all unencumbered appropriations in the operating budget lapse at the end of the fiscal year

The capital budget reflects appropriations for the Capital Projects Funds at the individual project level Expenditures and encumbrances may not legally exceed appropriations at that level and unencumbered appropriations lapse at the completion or abandonment of individual projects All transfers of appropriations between projects must be approved by the County Executive and County Council

The budget and actual comparison for Special Revenue Funds included in the Combined Statement of Revenues Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual

— General and Budgeted Special Revenue Funds reflects the budgeted and actual amounts for the Metropolitan District Operations and Liquor License funds

In fiscal year 1994 the County recorded a liability in the Metropolitan District Operations Fund for wastewater treatment services provided by Baltimore City This liability was not reflected in the Fund s budgetary basis statements resulting in another GAAP adjustment of $1 2 million

The other Special Revenue Funds have not been included in the comparison because either they are not budgeted or they are not budgeted on an annual basis The net actual activity of these funds has been included in the statement as a single amount in order to reconcile to the total combined fund balances of the Special Revenue Funds

Pooled Cash Cash Equivalents and Investment Income

Except for the Employees Retirement Trust Fund the County maintains a cash and investment income pool for all funds through which all interfund transactions are settled Based on the availability of cash in various funds marketable securities are purchased and income on investments is credited to these funds All Capital Projects Fund interest income on investments has been recorded in the General Fund and Special Revenue Fund cash.

For purposes of the Combined Statement of Cash Flows the County considers all cash balances deposited in checking accounts and investments with original maturities of less than ninety days when purchased to be cash and cash equivalents

Restricted Cash

The Self Insurance Fund contains restricted deposits which represent funds held by the County s claims managers to settle certain claims on the fund

Debt Retirement

General obligation long term debt retirements are appropriated and paid from the General Metropolitan District Operations Special Revenue and the Capital Revolving Financing Enterprise funds The Metropolitan District Operations Special Revenue Fund includes approximately $331 000 000 of receivables for future billings for front foot assessment charges for water and sewer lateral pipe abutting properties within the district. Revenue recognition of these receivables has been deferred because such amounts are not considered to be measurable and available in as much as their collection will not be realized for an indefinite future period These assessments which are levied on individual properties for a period of forty years from the date of installation represent a significant revenue designated to retire the Metropolitan District long term debt.

Encumbrances

Encumbrance accounting under which purchase orders contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation is employed in the General and certain Special Revenue funds Under generally accepted accounting principles encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities Encumbrances are reported with expenditures in all budgetary basis statements

Investments

Investment securities of the pension trust funds are carried at cost and related transactions are recognized on a trade-date basis Investment securities in the Deferred Compensation Fund are reported at market value Other marketable securities are carried at cost which approximates market.

Inventories

Inventories are valued at cost. Cost is determined on the first in first out basis A reservation of fund balance for the amount of General Fund inventories has been made to reflect the non availability of those amounts for appropriation or expenditure Of the approximately $2 4 million of year end governmental fund type inventories $1 7 million represents inventories that are recorded as expenditures when purchased and $ 7 million represents inventories that will be recorded as expenditures when consumed.

Fixed Assets — Proprietary Fund Types

Furniture machinery equipment and buildings of the Proprietary Fund Types are carried at historical cost. An allowance for depreciation has been provided using the straight line method over the estimated useful lives which range from two to ten years for furniture machinery and equipment and twelve to forty five years for buildings

Outstanding Claims

The outstanding claims liability includes estimates for all known workers compensation, personal injury and property damage and health claims at June 30 1994 and an estimate for claims incurred but not reported The liability is accounted for in the Self Insurance Fund.

Reservations of Fund Balances
Reserves for encumbrances and inventories are described above The reserve for employees retirement benefits reflects the segregation of these amounts in a separate trust fund The reserve for higher education programs represents funds restricted by grantors to specific programs of the Community Colleges The remaining reserves indicate funds not available for appropriation

Designations of Fund Balances
Designations for disputed taxes are discussed in note 10 Designations for specific projects represent grant activities in the Special Revenue Funds and equipment purchases in the Trust and Agency Funds Designations for subsequent years expenditures represent funds that will be used to fund in part, the applicable fiscal year 1995 operating budgets Designations for economic stabilization are intended to protect the County against future revenue shortfalls and may be used upon County Council approval only when certain criteria have been met

Vacation and Sick Leave
Under terms of union contracts County employees are granted vacation and sick leave in varying amounts In the event of termination an employee is reimbursed for accumulated vacation days up to a maximum of 75 days vacation Employees are not reimbursed for accumulated sick leave Payments made to employees for annual leave are charged as expenditures when paid. Accumulated vacation benefits are shown as obligations in the General Long Term Debt Account Group since these amounts are not expected to be paid from currently available resources

2 CASH AND MARKETABLE SECURITIES AND PENSION TRUST FUND INVESTMENT SECURITIES

Baltimore County maintains an aggressive cash and investment program which includes a graduated incentive of 1% discount per month up to 2% for prepayment of property taxes The County maintains cash balances in four local banks These were fully covered by FDIC insurance and/or collateral pledged to Baltimore County accounts and held at the Federal Reserve in the County s name at year end The collateral pledged by the banks consists of obligations issued by the U S Government and U S agencies

In accordance with the terms of Section 15 4 of the Baltimore County Code the depository shall make no changes substitution or exchanges to the collateral delivered to the custodian subject to the duty of the depository at all times to maintain the total amount of assets pledged at least in the amount required for all public deposits secured thereby without the prior written approval of the Director of Finance This policy has been strictly adhered to by all participating banks

The Annotated Code of Maryland authorizes the County to invest in U S obligations U S agencies repurchase agreements bankers acceptances state s local government investment pool money market funds limited to U S obligations and repurchase agreements fully collateralized by U S obligations collateralized deposits in banks or savings and loan associations in the State of Maryland and municipal obligations for bond sale proceeds only Additionally the Employees Retirement System and the Deferred Compensation Fund may invest in stocks corporate bonds and notes and real estate The County has funded the Police Fire and Widows Pension Plan through the sale of bonds and invested the proceeds in a diversified dedicated cash matched portfolio of tax exempt securities The securities held at year end are representative of securities held throughout the year

At June 30 1994 the carrying amount of the primary government s bank deposits was $(1 325 266) and the balance per bank records aggregated $576,518 The carrying amount of bank deposits for the component units was $3 389 358 The bank balances of deposits were fully secured by Federal Depository Insurance and/or by collateral held by the County s agent in the County s name

Deficit cash, cash equivalent and restricted deposits balances in any particular fund are covered by advances from the Self Insurance Fund. At June 30 1994 an analysis of the cash and cash equivalent pool is as follows

Fund Type	*Equity in Pool*	*Advances*
General	$ 19 558 071	$ —
Special revenue	21,560 131	2,283,517
Capital projects	68 966,544	—
Enterprise	1 937 999	—
Internal service	27 715 327	—
Trust and agency	31 181,566	—
Total	170 919 638	$2,283,517
Less advances	2 283,517	
Pooled cash and cash equivalents	$168 636 121	

Primary Government

	Category 1	Category 2	Category 3	Carrying Value	Market Value
Repurchase agreements	$ 45,500 000	$ —	$ —	$ 45 500 000	$ 45 500 000
U S securities and agencies	73 666 135	—	—	73 666 135	73 003 352
Municipal bonds	183 802 990	—	—	183 802 990	196 825 844
Foreign bonds	5,524 892	—	—	5 524 892	5 103 338
Corporate bonds	39,235 204	—	—	39 235 204	37 095 088
Stocks	160,345 701	—	—	160 345 701	205,523 227
Notes	500 000	—	—	500 000	500 000
	$508,574 922	$ —	$ —	508 574 922	563 550 849
Money market funds				126 744 896	126 744 896
Real estate equity funds				89 632 631	70 423 811
Bond mutual funds				269 543 212	264 389 483
Stock mutual funds				240,569 049	317 504 977
Deferred compensation investments — principally fixed annuities				59 689 164	59 689 164
Total — Primary Government				$1,294 753 874	$1 402 303 180

Component Units

	Category 1	Category 2	Category 3	Carrying Value	Market Value
Repurchase agreements					
Board of Education	$ —	$ —	$6 893 766	$ 6 893 766	$ 6 893 766
Board of Library Trustees	—	1 101 000	—	1 101 000	1 101 000
Community Colleges	—	1 430 000	148 094	1 578 094	1 578 094
	$ —	$2,531 000	$7 041 860	9 572 860	9 572 860
Money market fund					
Board of Education				4 661 134	4 661 134
Local government investment pool					
Board of Education				13 141 425	13 141 425
Community Colleges				5 848 606	5 848 606
Total — Component Units				$ 33 224 025	$ 33 224 025

The reporting entity s investments are categorized above to give an indication of the level of risk assumed by the reporting entity at year end Category 1 includes investments that are insured or registered or for which the securities are held by the reporting entity or its agent in the reporting entity s name Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party s trust department or agent in the reporting entity s name Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party s trust department or agent but not in the reporting entity s name

Restricted deposits in the Self Insurance Program Internal Service Fund consist of monies deposited in an escrow account for the payment of approved claims An outside administrator pays claims directly from the escrow account.

3 Property Tax

The major portion of the County s property tax is levied each July 1 on the assessed value listed as of that date for all real and personal property located in the County Assessed values are established by the State of Maryland Department of Assessments and Taxation at various rates of estimated market value As of July 1 1994 all real property was assessed at $13 635 493 060 which was approximately 40% of the estimated fair market value

The property tax rate for the year ended June 30 1994 was $2 865 per $100 of assessed valuation and current tax collection for the year then ended was 99 2% of the tax levied Property taxes are recorded as receivables in the General Fund at the levy date with appropriate allowances for estimated uncollectible amounts as described in Notes 1 and 4

The full year property tax calendar is as follows

July 1 — Full year levy assessed for current fiscal year lien date
*July 31 — Bills paid during July are granted a 2% discount
*August 31 — Bills paid during August are granted a 1% discount
September 30 — Gross amount of levy is due
October–April — Taxes are delinquent and interest accrues at the rate of 1% a month from October 1 to date of payment
May — Delinquent real properties are sold at the annual tax sale

**For bills dated other than July a 2% discount is granted if paid within 30 days then interest accrues*

4 ALLOWANCE FOR ESTIMATED UNCOLLECTIBLES

At June 30 1994 the allowance for estimated uncollectibles was comprised of the following

	Primary Government	*Component Units*
	General Fund	*Community Colleges*
Taxes	$9,550,395	$ —
Accounts receivable	—	897,335
Student loans	—	515 468
Total	$9,550 395	$1 412 803

5 BENEFIT PLANS

I Employees' Retirement System

A Plan Description

The County contributes to the Baltimore County Employees Retirement System (the System') a fiduciary fund of the County The System is a cost sharing multiple employer public employee retirement system that acts as a common investment and administrative agent for the County and certain employees of the component units and the Revenue Authority The payroll for employees covered by the System for the fiscal year ended June 30 1994 was $246 970 987 Total payroll for the fiscal year ended June 30 1994 was $275 665 105 The authority to establish and maintain the System is specified in Section 23 1 of the Baltimore County Code Membership in the System is open to all regular employees in either the classified or unclassified service of the reporting entity and the Revenue Authority except direct appointees of the Governor of Maryland, temporary employees and employees for whom there are existing pension provisions Presently membership in the System is compulsory for merit system employees after two years of service Membership in the System is optional for part time employees

Benefits vest after five years of service Members of the System are eligible for normal service retirement upon reaching the age of 60 or the age at which the member completes 30 years of creditable service whichever is earlier except for police officers firefighters and correctional officers Police officers are eligible for normal service retirement upon reaching the age of 55 or the age at which the member completes 20 years of creditable service whichever is earlier Firefighters are eligible for normal service retirement upon reaching the age of 55 or the age at which the member has completed 20 years of creditable service and attained the age of 50 whichever age is earlier Correctional officers are eligible for normal service retirement upon reaching the age of 60 or the age at which the member completes 20 years of creditable service whichever is earlier The System provides disability benefits as established by Sections 23 53 and 23 55 of the Baltimore County Code The amount of benefits paid is based on the highest average final compensation and the number of years of service The rate of contribution is determined by the age of the member at the time the member actually joins the System. The County is required to contribute an actuarially determined amount annually to fund the System as specified by Section 23 38 of the Baltimore County Code

At June 30 1994 the date of the most recent annual actuarial valuation the Employees Retirement System membership consisted of

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	
General and correctional	3,504
Police and fire	1 017
Total	4,521
Current employees	
Full time	
Vested	
General and correctional	3 797
Police and fire	2 151
Non Vested	
General and correctional	1,217
Police and fire	387
	7,552
Part time	1,305
Members electing county council option	7
Total	8 864

B Summary of Accounting Policies and Significant Plan Asset Matters

The System was established as of January 1 1945 and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits for employees

The County contracts with an actuary a pension consultant, a custodian and 14 investment managers for the purpose of administering the System Of the 14 investment managers one is an index manager three are active equity managers three are active fixed income managers two are international equity managers and five are real estate equity managers Investments are accounted for on the accrual basis Security transactions are recorded as of trade date Short term instruments totaling approximately 2% of the total market value of the fund are invested both in house and by the custodian The summary of assets held by investment type in the System as of June 30 1994 is shown below

Description	*Cost*	*Market*
Cash and cash equivalents	$ 18 033 487	$ 18 033 487
Bonds	394 834 779	385,322 119
Stocks	400 914 750	523 028,204
Real estate equity funds	89 632,631	70 423 811
Total	$903 415 647	$996 807 621

C Funding Status and Progress

The amount shown below as the 'pension benefit obligation is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to June 30 1994 The measure is intended to help users assess the funding status of the System on a going-concern basis assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System

Significant actuarial assumptions used to determine the pension benefit obligation include the following

(a) An assumed rate of return on the investment of present and future assets of 7⅞% per annum compounded annually for 1994 and 8% per annum for years prior to 1994

(b) Assumed projected salary increases ranging from (i) 7 75% at age 25 to 5.50% at age 40 and after for General Employees and (ii) 7.50% at age 25 to 5 25% at age 40 and after for Firefighters and Police officers for 1994 and ¼% per annum less for years prior to 1994 4% of each increase is attributable to inflation while the remainder is due to merit or seniority

(c) No post retirement benefit increases assumed in the future (except for those provided for by the current balance in the post retirement increase fund)

Total unfunded pension benefit obligation applicable to the Employees Retirement System was $48 4 million at June 30 1994 as follows (in millions)

Pension benefit obligation	
Members and dependents currently receiving benefits and terminated members not yet receiving benefits	
Current members	$497 3
Accumulated member contributions with interest	
System financed vested	151 7
System financed nonvested	109 1
Total pension benefit obligation	191 4
Net assets available for benefits at cost (market value is $994 5)	949.5
Unfunded pension benefit obligation	901 1
	$ 48 4

D Contributions Required and Contributions Made

Baltimore County Employees Retirement System funding policy provides for annual employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are sufficient assets to pay benefits when due Level percentages of payroll employer contribution rates are determined using the entry age actuarial funding method.

An employer contribution requirement of $17 336 291 for the year ended June 30 1994 was determined based on the actuarial valuation performed as of June 30 1992 Employee contribution rates were individually determined as described above and were applied against actual covered payroll for the year ended June 30 1994 resulting in required employee contributions of $15 342,591

Contributions actually received for the year ended June 30 1994 consisted of the following components

	Amount	*Percent of Covered Payroll*
Employer		
Normal Cost	$15,390 213	6.2%
Amortization of unfunded actuarial liability	1 946 078	0 8%
Total Employer	$17,336 291	7 0%
Employee		
Normal Cost	$14 415 437	5 8%
Amortization of unfunded actuarial liability	927 154	0 4%
Total Employee	$15 342 591	6 2%

Normal cost is the amount necessary to finance benefits earned by employees during the current service year

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation for years prior to 1994 as discussed in (c) above

E Historical Trend Information

Historical trend information which provides information about Baltimore County Employees Retirement System s progress made in accumulating sufficient assets to pay benefits when due is presented in a separately issued financial report.

For the three years ended June 30 1992 1993 and 1994 available assets were sufficient to fund 98 1% 97 1% and 94 9% respectively of the pension benefit obligation The unfunded pension benefit obligation represented 6 4% 10 7% and 19 6% of the annual covered payroll for the three fiscal years ended June 30 1992 1993 and 1994 respectively In addition for the three fiscal years ended June 30 1992 1993 and 1994 the County s contributions to the System all made in accordance with actuarially determined requirements were 6 2% 6 2% and 7 0% respectively of annual covered payroll

II Police Fire and Widows Pension Plan

A Plan Description

Baltimore County is the administrator of a single-employer pension plan (the Pension Plan) providing benefits to County firefighters and County police officers hired prior to October 1 1959 and the widows of County firefighters and police officers hired prior to October 1 1959 The Pension Plan was created pursuant to Article III of Title 23 of the Baltimore County Code The Pension Plan has not added any new members since October 1 1959 and contains no provisions to add any new members in the future The payroll for employees covered by the Pension Plan for the fiscal year ended June 30 1994 totaled $135 679 The pension for retired firefighters and retired police officers shall at all times be equal to one half of the salary of an active member of the Fire Department and Police Department, respectively of the same rank the pensioner held at the time of his retirement. The pension allowance to the spouse shall be one fourth of the base salary of the active or pensioned member of the County Police and Fire Departments The member is required to make a contribution of 3% of base pay to the Pension Plan The County has funded the Pension Plan through the issuance of tax exempt bonds

At June 30 1994 the membership of the Pension Plan consisted of

Retirees and beneficiaries currently receiving benefits	
Police	265
Fire	139
Widows and dependents	234
Total	638
Current employees	
Police	0
Fire	1
Total	1
Grand Total	639

B Summary of Significant Plan Asset Matters

The Pension Plan s investment assets consist primarily of municipal tax-exempt bonds and U S securities and agencies structured in a dedicated, cash matched portfolio The credit quality at the time the securities are purchased must be at least A by Moody s and A– by Standard and Poors The overall credit quality of the portfolio reflects a Moody s rating average A1 and a Standard & Poor s rating averaging AA– The following investments represent five per cent or more of net assets available for benefits

Issuer	Percent of Portfolio
Intermountain Power Agency	9 6%
Georgia Electric Authority	8 3
Louisiana State	5 1

C Funding Status and Progress

The amount shown as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to June 30 1994 The measure is intended to help users assess the funding status of the System on a going-concern basis assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System The estimated pension benefit obligation was determined on the basis of the actuarial assumptions used to prepare the results of the June 30 1987 actuarial valuation of the Pension Plan and projected to June 30 1994 Significant actuarial assumptions used to determine the estimated pension obligation include the following

(a) An assumed rate of return on the investment of present and future assets to be allocated by the County of 8% per annum compounded annually
(b) Assumed projected annual salary increases of 5% for all ages
(c) Post retirement annual benefit increases of 5% assumed in the future

Estimated surplus of net pension assets over benefit obligation applicable to the Police Fire and Widows Pension Plan was $(9 9) million at June 30 1994 as follows (in millions)

Estimated pension benefit obligation.	
Members and dependents currently receiving benefits and terminated members not receiving benefits	$177 8
Current members	
Accumulated member contributions	1
County financed vested	.3
County financed non vested	1
Total estimated pension benefit obligation	178 3
Net assets available for benefits at cost (market value is $199 1)	188 2
Unfunded pension benefit obligation (surplus)	$ (9 9)

D Contribution Required and Contribution Made

The liabilities of the Pension Plan have been funded with the purchase by the County in 1988 of a portfolio of bonds sufficient to cash match the expected benefit payments of the Pension Plan Because the benefits of the Pension Plan are currently funded the County is not required to make any contribution to the Pension Plan The employee contribution requirement is not actuarially determined but was established by Sections 23 143 23 173 and 23 197 of the Baltimore County Code Active members are required to make a contribution of 3% of base pay to the Pension Plan Accordingly employees contributed $4 070 (3% of current covered payroll) to the Pension Plan for the fiscal year ended June 30 1994

E Historical Trend Information

Historical trend information which provides information about Baltimore County Police Fire and Widow s Pension Plan s progress made in accumulating sufficient assets to pay benefits when due is presented as required supplementary information immediately following the notes to general purpose financial statements

For the fiscal years ended June 30 1992 1993 and 1994 available assets were sufficient to fund 100.5% 99 8% and 105 6% of the pension benefit obligation, respectively For the fiscal years ended June 30 1992 1993 and 1994 there was an unfunded pension benefit obligation (surplus) of (8) 3 and (9 9) million dollars respectively In addition, for the fiscal years ended June 30 1992 1993 and 1994 no employer contribution was required

III Summary of Baltimore County Retirement Systems

A summary of Baltimore County s public employee retirement systems at June 30 1994 is presented below (in millions)

	Employees Retirement System	Police Fire and Widows Pension Plan	Total
Pension benefit obligation	$949.5	$178 3	$1 127 8
Net assets at cost	901 1	188 2	1 089 3
Unfunded pension benefit obligation (surplus)	$ 48 4	$ (9 9)	$ 38.5

IV Other Pension Plans

Baltimore County is also the administrator of single employer public plans providing retirement benefits for two unfunded defined benefit pension plans through appropriations in the General Fund. These plans include the Judges and Judges Widows Pension Plan and the Pension Plan for Survivors of Volunteer Fire Members There is no covered payroll for either of these plans The respective costs of these plans to the County is not significant.

Substantially all employees of the component units who do not participate in the System participate in the State of Maryland Teacher s Retirement and Pension Systems Employer contributions

to the Teacher s Systems of approximately $56 million for the year ended June 30 1994 were made directly by the State of Maryland on behalf of the Board of Education and the Community Colleges according to State statute

V Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 The plan available to all primary government employees permits them to defer a portion of their salary until future years The deferred compensation is not available to employees until termination retirement, death or unforeseeable emergency

All amounts of compensation deferred under the plan all property and rights purchased with those amounts and all income attributable to those amounts property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County (without being restricted to the provisions of benefits under the plan) subject only to the claims of the County s general creditors Participants rights under the plan are equal to those of the general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the County Attorney that the County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future

Assets and liabilities of this plan are reported in an agency fund

VI Post Employment Benefits

In addition to providing pension benefits the primary government provides certain health care and life insurance benefits in accordance with State statutes and various labor agreements to retired employees Currently 5 008 retirees of the primary government meet these eligibility requirements for health care and life insurance The County allows such retirees to continue coverage under the group plans and contributes between 50% and 90% for health care premiums (based on the date of retirement, years of service and type of retirement) and between 80% and 90% for life insurance depending on the retiree s bargaining unit. The cost of retiree health care and life insurance benefits is recognized as an expenditure as costs are incurred During the year ended June 30 1994 these costs totaled approximately $10 1 million for the primary government.

6 PROPERTY PLANT AND EQUIPMENT

A summary of changes in general fixed assets follows

	Balance July 1 1993	Additions/ Transfers	Dispositions	Balance June 30 1994
Primary government				
General government fixed assets				
Land	$ 72 072 656	$ 4 132 992	$ 1 503	$ 76 204 145
Buildings	123 477 771	6,328 610	977 276	128 829 105
Furniture fixtures and other equipment	35,500 688	14 138 733	2 400 960	47 238 461
Motor vehicles	21 194 370	14 414 191	2,240 636	33 367 925
Construction in progress	35 151 399	16,354 079	7 027 295	44 478 183
Total general fixed assets	287 396 884	55 368 605	12 647 670	330 117 819
Metropolitan district fixed assets				
Land	844,215	217,251	—	1 061 466
Buildings	1 801 371	—	—	1 801 371
Improvements other than buildings	32 886 074	—	—	32 886 074
Furniture fixtures and other equipment	1,332 076	237,383	120 775	1 448 684
Motor vehicles	4 418 830	25 036	18 869	4 424 997
Construction in progress	32 379,223	1 772,351	—	34 151,574
Total metropolitan district fixed assets	73 661 789	2 252 021	139 644	75 774 166
Total primary government	361 058 673	57 620 626	12 787 314	405 891 985
Component units				
Board of Education	528,254 385	36 985,211	2 672 835	562 566 761
Board of Library Trustees	7,259 434	1 879 978	300 559	8 838 853
Total component units	535,513 819	38 865 189	2 973,394	571 405 614
Total reporting entity	$896,572 492	$96 485 815	$15 760 708	$977 297,599

The following is a summary of general fixed assets by source at year end.

	General	Metro	Total Primary Government	Board of Education	Board of Library Trustees	Total Reporting Entity
General Metropolitan District Board of Education and Board of Library Trustees Fixed Assets						
Land	$ 76,204 145	$ 1 061 466	$ 77,265 611	$ 43,283 917	$ —	$120 549,528
Buildings	128 829 105	1 801,371	130 630 476	458,266 972	—	588 897 448
Improvements	—	32 886 074	32 886 074	—	—	32,886 074
Equipment	47,238 461	1 448 684	48 687 145	28 062,710	8 441 490	85 191 345
Vehicles	33,367 925	4 424 997	37 792,922	18 080 716	397,363	56,271 001
Leased equipment	—	—	—	12,305 827	—	12,305 827
Leased vehicles	—	—	—	2,566 619	—	2,566 619
Construction in progress	44 478 183	34 151,574	78 629 757	—	—	78 629 757
Total	$330 117 819	$75 774 166	$405 891 985	$562,566 761	$8 838 853	$977 297,599
Investment in General, Metropolitan District, Board of Education and Board of Library Trustees Fixed Assets						
General Metropolitan and Board of Education operation revenue	$ 16,271 234	$ 1 838	$ 16,273 072	$314 613 863	$ —	$330 886 935
General Metropolitan and Board of Education obligation bonds	162 443 458	32 001 136	194 444 594	—	—	194 444,594
Federal grants	3 921 769	2,309 005	6,230 774	1 495 662	—	7 726 436
State grants	3 426 291	704 618	4 130 909	228 400 777	—	232,531 686
Gifts	18,551 188	13,288	18,564 476	—	—	18,564 476
Developers	417 400	719 026	1 136 426	—	—	1 136 426
Special assessment	1 910	—	1 910	2 444 028	—	2 445 938
Authorized resources	125 084,569	40 025,255	165 109 824	—	8 838 853	173 948 677
Long term lease	—	—	—	15 612 431	—	15 612 431
Total	$330 117 819	$75 774 166	$405 891 985	$562,566 761	$8 838 853	$977 297,599

A summary of changes in the primary government s general fixed assets by function and activity follows

Function and Activity	General Fixed Assets 7/1/93	Additions and Transfers	Dispositions	General Fixed Assets 6/30/94
General government				
Control				
Legislative	$ 116 830	$ 2 615	$ —	$ 119 445
Executive	114,217	17 757	5 953	126 021
Judicial	229 890	11,264	4 815	236 339
Total control	460 937	31 636	10 768	481 805
Staff agencies				
Elections	1 860 975	5 360	98 195	1 768 140
Finance	4,585 720	1,255,332	8 313	5 832 739
Law	856 454	9 156	10 612	854 998
Recording and reporting	182,883	5 653	—	188,536
Administrative officers and boards	341 910	15 724	8 078	349,556
Planning and zoning	700,561	76,211	75 133	701 639
Personnel administration	399 419	3,217	13 054	389,582
Research and investigation	70 655	—	—	70 655
General government buildings	102,569 145	11 406 952	101 626	113 874 471
Community promotion	179 724	106 040	9 495	276,269
Total staff agencies	111 747 446	12 883 645	324 506	124 306,585
Total general government	112,208 383	12 915,281	335 274	124 788 390
Public safety				
Police protection	10,294 878	6 061 967	1 354 665	15 002 180
Fire protection	19 736,554	758,337	503 615	19 991,276
Protective inspection	301 154	—	5 422	295 732
Other inspections	571,526	58 866	925	629 467
Correction	705 276	2 875	13 798	694 353
Total public safety	31 609 388	6 882 045	1 878 425	36 613 008
Highways	16,269 637	614 967	81 927	16 802 677
Sanitation and waste removal	9 622,817	13 839 014	2,244,557	21,217,274
Metropolitan District	41,282,566	479 670	139 644	41 622,592
Health and hospitals	5,545,266	55 478	65 743	5,535 001
Public welfare	1 118,505	62 627	62 364	1 118 768
Recreation	64,259 178	4 645 114	952,085	67 952,207
Culture	11 612,311	—	—	11 612,311
Construction in progress	67,530 622	18 126 430	7 027 295	78 629 757
Total for primary government	$361 058 673	$57 620 626	$12 787,314	$405 891 985

Communications equipment purchased in prior years comprises approximately $11 million of the equipment recorded in fiscal year 1994

Property plant and equipment recorded in the Proprietary and Community College Fund types as of June 30 1994 consist of the following

	Primary Government		Board of Education
	Internal Service	Enterprise	Enterprise
Proprietary fund types			
Buildings	$ —	$ 979 414	$ 822 977
Furniture fixtures and other equipment	18 166 302	748 949	3,261 089
	18 166,302	1 728,363	4 084 066
Less accumulated depreciation	17 820 946	1 464 683	1,523,272
Total	$ 345 356	$ 263 680	$2,560 794
Community Colleges			
Land		$ 4 797 824	
Buildings		69 910 181	
Furniture fixtures and other equipment		25 674,281	
Work in progress		1 081 012	
Total		$101 463,298	

7 Long Term Obligations

The principal long term obligations of the County are general obligation bonds issued to finance the construction of county wide public facilities general obligation bonds issued to finance the construction of water and sewer facilities within the County s Metropolitan District, and the pension obligations described in note 5

Other long term obligations include the accrued liability for vested compensated absences other borrowings estimated landfill closing costs and disputed tax liability which is described in note 10 Of the primary government s general long term debt, only the liability for landfill costs is expected to be paid with bond proceeds

The County considers all non proprietary vested compensated absences to be long term debt.

Other borrowings of the primary government consist primarily of notes payable and obligations under capital leases

The County Charter authorizes the County Council by appropriate resolution to issue bonds other than water and sewer bonds up to a debt limit of 10% of the assessable base of the County and to issue bonds up to a debt limit of 8% of the assessable base of property within the Metropolitan District. Information related to these limitations is as follows

	General Bonds	Metropolitan District
Legal limitation for the borrowing of funds and issuance of bonds	$1,584 535 895	$1 157 033 959
Bonded debt outstanding applicable to debt limit	557 940 000	281 317 768

Since 1971 the State of Maryland has assumed responsibility for the majority of local school construction costs Further the State has undertaken to reimburse local subdivisions for the majority of local debt service costs related to school construction which occurred prior to 1969 General long term debt includes $630 000 in outstanding principal which is covered by the State s reimbursement provisions Principal debt service payments reimbursed by the State for the fiscal year ended June 30 1994 totaled $609,582

General obligation bonds approved by voter referendum appropriated in the Capital budget but not issued as of June 30 1994 were $181 911 779 General obligation bonds approved but not yet appropriated, were $80 290 102 Metropolitan District bonds which may be issued without approval by voter referendum appropriated in the Capital Budget but not yet issued at June 30 1994 were $314 128 907

On October 13 1993 the County issued $16 820 000 Metropolitan District Bonds — 1993B Refunding Series and $44 340 000 Consolidated Public Improvement Bonds — 1993B Refunding Series with an average interest rate of 4.51% for the purpose of advance refunding $4 500 000 principal amount of the Baltimore County Metropolitan District Bonds (58th Issue) and $8 100 000 principal amount of the Baltimore County Consolidated Public Improvement Bonds — 1986 Series with an average interest rate of 6 67% and $10 000 000 principal amount of the Baltimore County Metropolitan District Bonds (62nd Issue) and $30 000 000 principal amount of the Baltimore County Consolidated Public Improvement Bonds — 1991 Series with an average interest rate of 6 49% The net proceeds of $60 152 020 (after payment of $115,274 in underwriting fees and other issuance costs) were used to purchase U S Treasury securities Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded issues As a result, the refunded issues are considered to be defeased, and the liability for those bonds has been removed from the General Long Term Debt Account Group

The County advance refunded these issues to reduce its total debt service payments over the next 18 years by $2 838 910 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2 442 949

In prior years the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds

Accordingly the trust account assets and the liability for the defeased bonds are not included in the County s financial statements On June 30 1994 $163 765 000 of bonds outstanding from refundings in prior years are considered defeased

A summary of the reporting entity s long term obligations as of June 30 1994 and transactions during the year then ended follows

	Balance July 1 1993	*Increase*	*Decrease*	*Balance June 30 1994*
Primary Government				
General long term debt.				
General obligation bonds (consolidated public improvement) 2 5%–8% 1994–2014	$369,390 000	$ 99 340 000	$ 79 410 000	$389 320 000
General obligation bonds (pension funding) 3 2%–8 9% 1994–2016	170 715 000	—	2 095 000	168 620 000
General obligation bonds (metropolitan district) 0 1%–8% 1994–2014*	257 772 490	61 820 000	38,274 722	281 317 768
Accrued liability for vested compensated absences	18,390 055	914 136	—	19 304 191
Estimated landfill closing costs	16 300 000	4,521 080	—	20 821 080
Disputed tax liability	2 030,264	—	750,557	1 279 707
Other borrowings 4 2%–10% 1994–2000	36 869 379	1,201 372	9 715 558	28 355 193
Total — primary government	871 467 188	167 796,588	130 245 837	909 017 939
Component Units				
Community Colleges				
Accrued liability for vested compensated absences	2,556 740	63 424	—	2 620 164
Board of Education.				
Accrued liability for vested compensated absences	5 071 933	525 371	—	5,597,304
Supplemental obligations to retirees	6 962 675	2 169 112	4 162,702	4 969 085
Capital leases	4 746 193	13,585 715	6 602 013	11 729 895
Notes payable	221,365	—	221,365	—
Certificates of participation	4 285 000	—	565 000	3 720 000
Total — Board of Education	21 287 166	16,280 198	11 551 080	26 016,284
Board of Library Trustees				
Accrued liability for vested compensated absences	770 346	27 922	—	798,268
Retirement incentive program	80 000	—	40 000	40 000
Capital leases	540,599	—	242 298	298 301
Total — Board of Library Trustees	1,390 945	27 922	282,298	1 136,569
Total reporting entity	$896 702 039	$184 168 132	$142 079,215	$938 790 956

** Includes three General Obligation pledges which represent loan agreements with the Maryland Water Quality Financing Administration As of June 30 1994 the outstanding balance of the loans was $15,574 768*

The following is a schedule of principal and interest payments to service long term bonded obligations and other borrowings of the County

	General Long Term Debt							
	General Bonds Payable		M tropolitan District Bonds Payable		Other Borrowing		T tal	
Primary Government — July 1 to June 30	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Intere t*	*Principal*	*Intere*
1994–1995	$ 41 085 000	$ 32,376,574	$ 22,711 109	$ 14 642,718	$ 5 442 120	$1 728 846	$ 69,238,229	$ 48 748 138
1995–1996	42,225 000	29 797,323	24,592,943	13,287,837	5 437 880	1,394,580	72,255 823	44 479 740
1996–1997	39,865 000	27,325,574	23 437,928	11,975,990	5,571 865	1 056 839	68 874 793	40,358 403
1997 1998	36,540 000	24,983,527	22,041 119	10 740,991	5 493,328	705 115	64 074 447	36 429 633
1998–1999	34,370 000	22,847,324	20,588,569	9,580 691	3 095 000	334 739	58 053,569	32,762 754
1999–2004	141 645 000	87,201,222	82,780 034	33,397,925	3,315 000	114,368	227 740 034	120 713,515
2004–2009	106,415 000	51 465 152	53,245,912	15,552,968	—	—	159 660 912	67 018 120
2009–2014	85 075,000	22,204 862	31,920 154	3 614 433	—	—	116,995 154	25,819,295
2014–2017	30 720,000	3 149,000	—	—	—	—	30 720 000	3 149 000
Total borrowings	$557 940,000	$301,350,558	$281,317 768	$112,793,553	$28,355 193	$5,334 487	$867 612 961	$419 478,598

As of June 30 1994 the County has implemented Governmental Accounting Standards Board Statement No 18 Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs (GASB 18) to account for the liability for closure and postclosure care costs for one active and three closed landfills Of the liability recorded in the General Long Term Debt Account Group at June 30 1994 $12 000 000 is related to the estimated closing costs for the inactive landfills

State and federal laws require the County to place a final cover on its open landfill when it stops accepting waste in approximately 2010 and to perform certain maintenance and monitoring functions at the site for thirty years after closure Although closure and post closure costs will be paid only near or after the date that the landfill stops accepting waste the County reports a portion of these costs as a liability in the General Long Term Debt Account Group based on the landfill capacity used as of each balance sheet date The $8 82 mil lion included in the landfill closure and postclosure care costs liabil ity at June 30 1994 for the open landfill represents the cumulative amount reported to date based on the use of 32 percent of the esti mated capacity of the landfill The County will recognize the remain ing estimated cost of closure and postclosure care of $18 66 million as the remaining estimated capacity is filled. The actual cost may be higher due to inflation changes in technology or changes in regula tions In implementing GASB 18 the County has not restated the landfill closure and postclosure care costs liability as of June 30 1993 due to immateriality

The Maryland Department of the Environment (MDE) on behalf of the United States Environmental Protection Agency (EPA) has undertaken a site inspection of the closed Parkton Landfill Site inspection is a preliminary step in consideration for listing on the EPA s National Priorities List (NPL) Placement on the NPL could result in further studies and possible remedial action

As of June 30 1994 the MDE has completed its preliminary site inspection MDE has advised the County that Parkton Landfill does not appear to qualify for placement on the NPL

During the years ended June 30 1989 June 30 1992 June 30 1993 and June 30 1994 the Board of Education offered an incentive program to eligible employees who consented to retire effective July 1 1990 July 1 1992 July 1 1993 and July 1 1994 respectively Under the program the retirees will receive annual payments for a maximum of five years The amount and number of such payments is based upon the eligible employees compensation level and number of years the employee is retiring prior to 'normal retirement, as defined in the Maryland State Teachers Retirement or Pension Sys tem or the Baltimore County Retirement System As of June 30 1994 the Board s liability for future payments under the program is $4 969 085

8 Loans Receivable/Loans Payable

The Baltimore County Revenue Authority has lent to Baltimore County $1 300 000 which in turn has lent this amount to the Mary land Economic Development Corporation (MEDCO) MEDCO will use these funds to purchase a dry dock from Bethlehem Steel This dry dock will then be leased back to Bethlehem Steel Amounts paid to MEDCO under this agreement will be used to pay back the bor rowing directly to the Revenue Authority Baltimore County acts as guarantor for the outstanding balance of this loan As of June 30 1994 the balance of the loan is $561 364

In addition, Baltimore County is guarantor (in part) on three loans made in 1988 between the Maryland Department of Economic Development and MEDCO for the development of an aluminum extruding facility an industrial park (in part) and a building As of June 30 1994 the aggregate amount of the guarantees may not exceed $2 000 000

9 CONTRIBUTED CAPITAL AND RETAINED EARNINGS — PROPRIETARY FUND TYPE

Th following table summarizes the changes in the Proprietary Fund type s contributed capital and retained earnings for the year ended June 30 1994

	Primary Government			
	Enterprise		Internal Service	
	Retained Earnings	Contributed Capital	Retained Earnings	Contributed Capital
Balance July 1 1993	$ 781,381	$4,500 000	$(12 968 058)	$12,870 833
Amount contributed by:				
General Fund	—	—	—	14,557
Disolution of Central Stores Fund	—	—	145 972	(145,972)
Central Electronic Services	—	—	46,244	(46,244)
Central Equipment Fund	—	—	6 714 091	(6 714 091)
Non-cash donations of buildings and equipment	—	377,573	—	—
Net income	813 972	—	6,272,411	—
Balance June 30 1994	$1,595,353	$4 877,573	$ 210 660	$ 5 979 083

10 LITIGATION

The Court of Special Appeals affirmed a Maryland Tax Court ruling that the County could not collect its electricity tax on the demand and customer charge portions of electricity billings Subsequently the Court of Appeals confirmed the previous finding The County s remaining liability for this matter which has been recorded in the General Long Term Debt Account Group is $1 279 707 including interest. Additional claims for refunds of the tax of approximately $1 600 000 have been filed against the County The ultimate amount of the County s liability with respect to these additional claims can not be estimated. As of June 30 1994 the County designated approx imately $1 300 000 of the unreserved fund balance of the General Fund in connection with these matters On September 6 1991 an amendment to the electricity tax legislation defining certain terms in the tax law authorizing the application of the tax to gross sales was enacted.

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

11 COMMITMENTS

Leases

The following is a schedule by years of future minimum rental payments for facilities and equipment under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30 1994

	Primary Government			Component Units		
	Facilities	Equipment	Total	Facilities	Equipment	Total
Year ending June 30						
1995	$ 2,705 436	$ 934,348	$ 3 639 784	$1 150 115	$ 431 660	$1,581 775
1996	2,210 035	857 437	3 067 472	1 025 468	431 660	1 457 128
1997	1 482 762	857 437	2,340 199	837,561	431 660	1,269,221
1998	1,229 580	857 437	2,087 017	770,234	431 064	1 201,298
1999	1 150 058	857 437	2,007 495	285 001	431 064	716 065
Later years	12 930 684	3 787 013	16 717 697	882 030	1 903 866	2 785 896
	$21 708,555	$8 151 109	$29 859 664	$4 950 409	$4 060 974	$9 011 383

The total rental expenditures for the year ended June 30 1994 for all leases except those with terms of a month or less that were not renewed were approximately $3 000 000 for the primary government and $1 900 000 for the component units

Contracts and Other Commitments

Unencumbered amounts committed for future expenditure in the Capital Projects Funds approximated $499 000 000 at June 30 1994 Such amounts will be funded by future bond proceeds approved federal and state grants and future assessments

Encumbered contracts in the General Public Facilities Fund and the Metropolitan District Facilities Fund amounted to approximately $22 300 000 and $20 500 000 respectively at June 30 1994

12 CONTINGENCIES

The County participates in a number of federal grant programs including principally the Job Training Partnership Act, Community Development Block Grants and the Lower Income Housing Assistance Program These programs are subject to financial and compliance audits by the grantors or their representatives The audits of certain programs for or including the year ended June 30 1994 have not yet been conducted Accordingly the County s compliance with applicable grant requirements will be established at some future date The amounts if any of expenditures which may be disallowed by the granting agencies cannot be determined at this time Based on prior experience the County expects such amounts if any to be minimal

13 INDIVIDUAL FUND DISCLOSURES

At June 30 1994 the Vehicle Operations and Maintenance Fund of the Internal Service Funds had a deficit retained earnings balance of $4 925 540

This deficit will be eliminated through future operating revenues

14 ACCOUNTING CHANGES

On July 1 1993 the administrative functions of the Carroll County branch of Catonsville Community College were assumed by Carroll County For purposes of the general purpose financial statements the following changes were recorded as of July 1 1993

	Unrestricted	*Restricted*	*Invested in Plant*
Fund equities July 1 1993 as previously reported	$4 413 138	$(22 828)	$98 836 470
To eliminate Catonsville Community College — Carroll County campus as a part of this component unit	(576 432)	(1 762)	(1 591 017)
Fund equities July 1 1993 as restated	$3 836 706	$(24 590)	$97 245 453

In addition, beginning fund equity on the Combining Statement of Revenues Expenditures and Changes in Fund Equity — Board of Education and Board of Library Trustees has been corrected to agree with the prior year ending fund equity as shown on the prior year s balance sheet.

BALTIMORE COUNTY MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT AND PENSION SYSTEMS
ANALYSIS OF FUNDING PROGRESS
JUNE 30 1994

Fiscal Year	(A) Net Assets Available for Benefits(1)	(B) Pension Benefit Obligation	(C) Percentage Funded (A)/(B)	(D) Unfunded Pension Benefit Obligation (Surplus)	(E) Annual Covered Payroll	(F) Unfunded Pension Benefit Obligation (Surplus) as a % of Covered Payroll (D)/(E) (2)
Police Fire and Widows Pension Plan (in millions)						
1987 (3)	$ 0 7	$171 9	0 4%	$171 2	$0 9	—
1988	171 3	174 0	98 4	2 7	0 9	—
1989	172 4	175 6	98 2	3.2	0 8	—
1990	175 0	176 4	99 2	1 4	0 8	—
1991	176 9	176 8	100 1	(1)	0 7	—
1992	178 0	177 2	100 5	(8)	0 4	—
1993	177 7	178 0	99 8	3	0 1	—
1994	188.2	178 3	105 6	(9 9)	0 1	—

Analysis of the dollar amounts of net assets available for benefits pension benefit obligation and unfunded pension benefit obligation in isolation can be misleading Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of Baltimore County s funding status on a going concern basis Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker Generally the greater this percentage the stronger the system Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Baltimore County s progress made in accumulat ing sufficient assets to pay benefits when due Generally the smaller the percentage the stronger the system This information should be presented for 10 years however during the transition period when 10 years of the standardized measure of the pension obligation is unavaila ble all required information is disclosed for as many years as the information is available

(1) Net assets available for benefits are shown at cost

(2) The pension benefit obligation as a % of covered payroll is not shown because it is statistically distorted Annual covered payroll is virtually non existent since the system was closed to new members on October 1 1959 As of June 30 1994 there was only one active employee

(3) This plan was funded on a pay as you go basis until fiscal year 1988 when the County issued tax exempt bonds to fund the County s pension liability

BALTIMORE COUNTY MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT AND PENSION SYSTEMS
REVENUES BY SOURCE
JUNE 30 1994

Fiscal Year	Employee Contributions	Employer Contributions	Employer Contributions as a % of Covered Payroll	Investment Income	Miscellaneous	Total
Police Fire and Widows Pension Fund (1)						
1985	$50 286	$ 9 719,208	580 0%	$ —	$ 8 905	$ 9 778 399
1986	39 857	10 460 000	787 0	—	7 172	10 507 029
1987	28 029	10 852 000	1 162 0	—	7 245	10 887,274
1988	26 719	10 431 000	1 171 0	1 785 377	7 505	12 250 601
1989	26 843	—	—	13,307 136	7 955	13,341 934
1990	25 050	—	—	15 412 441	14 835	15 452 326
1991	20 873	—	—	15 078 385	14 325	15 113,583
1992	12 086	—	—	14 433 764	—	14 445 850
1993	5 742	—	—	12 967 795	17 481	12 991 018
1994	4 070	—	—	20 099 014	17 045	20 120 129

(1) Contributions were made on a pay-as you go basis of financing until May 2 1988 when the System was funded through the issuance of general obligation bonds

BALTIMORE COUNTY MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT AND PENSION SYSTEMS
EXPENSES BY TYPE
JUNE 30 1994

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Miscellaneous	Total
Police Fire and Widows Pension Fund.					
1985	$ 9 982,308	—	$ —	—	$ 9 982 308
1986	10,517,564	—	—	—	10,517,564
1987	11,206,299	—	—	—	11 206,299
1988	11 471 642	—	—	—	11 471 642
1989	11 977 079	—	267 711	—	12 244 790
1990	12,764 772	—	27 974	—	12 792 746
1991	13 254 827	—	—	—	13 254 827
1992	13,258,521	—	108 454	—	13 366 975
1993	12,970 961	—	344 394	—	13,315,355
1994	12 650 426	—	299 727	—	12 950 153

APPENDIX C

CERTAIN INFORMATION

CONCERNING

HOWARD COUNTY MARYLAND

CERTAIN INFORMATION CONCERNING

HOWARD COUNTY MARYLAND

General

Howard County Maryland is 251 square miles in area and is home to over 200 000 residents The County is located directly between Baltimore Maryland and Washington D C and at its closest point is less than four miles from the former and 15 miles from the latter The County was formed in 1851 and bears the name of Colonel John Eager Howard the fifth Governor of Maryland The County was predominately agricultural in character until 1966 when construction began on the new town of Columbia The County s population has grown approximately 275 percent since then and is among the wealthiest in the nation Under a home rule charter since 1968 the County is governed by an elected county executive and five member council

Ratings

The last issuance of general obligation bonds of Howard County issued 1995 were rated AAA by Fitch Investors Service Inc Aa1 by Moody s Investors Service and AA– by Standard & Poor s Corporation

The following table presents the County s General Fund activity for the ten month periods ended April 30 1994 and 1995 is compared with the annual budgets adopted for fiscal years 1994 and 1995

Interim Statement of General Fund Revenues and Expenditures
(Budget vs Actual) (1)

	Fiscal Year 1994(4)		Fiscal Year 1995(4)	
	Annual Budget	7/1/93 04/30/94	Annual Budget	7/1/94 04/30/95
Revenues (2)				
Local Property Taxes	$154 615 159	$157 769 222	$167 385 745	$166 128 682
Local Income Taxes	93 239 000	49 257 603	103 469 000	51 673 073
Local Other Taxes	9 685 000	9 100 604	10 760 000	8 264 011
State Shared Taxes	6 350 000	5 472 924	7 020 000	5 689 486
Revenues from Other Agencies				
Federal Grants	40 000		25 000	21 900
State Grants	2 540 500	1 999 738	3 166 100	2 498 054
Charges for Services	9 897 000	7 276 778	7 902 000	7 385 481
Interest on Investments	10 195 000	2 817 788	10 342 300	5 443 470
Licenses and Permits	2 694 700	2 442 351	2 784 800	2 586 615
Interfund Reimbursements	8 888 531	8 146 905	9 109 095	8 348 932
Fines and Forfeitures	192 000	344 909	300 100	553 848
Miscellaneous Revenues	78,000	454,002	2,224,500	188,760
Total Revenues	298,414,890	245 082,824	324,488,640	258,562,312
Appropriations from Fund Balance				
Total Revenues and Appropriations from Fund Balance	$298 414 890	$245 082 824	$324 488 640	$258 562 512
Percent of Budget		82 1/		80 0%
Expenditures and Encumbrances (3)				
General Government	$ 26 973 795	$ 22 526 828	$ 29 231 130	$ 24 683 952
Public Works	24 292 800	18 965 034	23 828 860	18 710 145
Public Safety	26 998 530	22 927 239	30 943 870	25 455 457
Recreation and Parks	4 818 740	3 883 076	5 225 560	4 075 233
Health	3 508 660		3 405 140	
Social Services	2 523 050	1 155 623	2 608 610	988 910
Education	160 076 980	130 885 961	171 235 870	141 081 328
Libraries	6 762 520	5 625 335	7 013 080	5 844 230
Debt Service				
Principal Payments on Debt	15 559 110	14 192 002	17 480 950	16 048 137
Interest Payments on Debt	20 844 070	12 570 100	25 347 940	14 518 930
Capital Improvements	1 453 000	1 453 000	695 000	695 000
Miscellaneous	4,603,635	3,670,654	7,472,630	3,938,750
Total Expenditures and Encumbrances	$298,414,890	237,854,852	$324,488,640	$256,038,052
Percentage of Budget		79 7%		78 9%
Excess (Deficiency) Revenues and Appropriations from Balance over (under) Expenditures and Encumbrances		$7,227,972		$2,524,260

(1) Th f rm tu th tabl p t d tl am f rm t th C tys C rr t B dg t Amo t ar d t d
(2) Re s sh wn ar ru d th o gh April 30 pt th t p op rty tax s ar e o d d as e at th t me of th l vy tl m t ar m as rabl
(3) E p d t s ar d d wh g od and rv ar d d th tu l l b l t rr d pt fo d bt rv
(4) F fi cal y ar 1994 th C ty o trib t t th Stat H lth D partme t tl lf pp rt g t t of th R t and P k D p rtm t d ll t t f th C ty f d d w th t g l t w l s f d f m th G l F d t s parat Sp l R F d

The following table presents the General Fund activity for the last five fiscal years on a budgetary basis along with the annual budget adopted for fiscal year 1995

Statement of General Fund Revenues and Expenditures (Budgetary Basis)(1)(2)

	Fiscal Year Ended June 30					Annual Budget
	1990	1991	1992	199	1994(4)	1995(4)
Revenues						
Local Property Taxes	$110 8 /76	$118 87/ 19	$1 8 45? 07	$149 790 5	$1 7 92 0	$167 8 74
Local Income Taxes	74 571 189	77 596 401	81 83/ 086	89 202 605	94 277 99	10 469 000
Local Other Taxes	8 877 401	6 780 00/	8 576 0?	10 450 188	11 ?64 887	10 760 000
State Shared Taxes	11 74 096	11 09 /1?	4 490 01	(1 001 ?9)( )	7 17? 68	7 0?0 000
Revenues from Other Agencies						
Federal Grants	4 488 841	4 1?5 0	4 555 259	5 8 858	19 701	?5 000
State Grants	049 940	4 17 54	4 1?8 00	9/ 314	2 641 979	3 166 100
Other	1 11/ ? 9	1 5?? 6?	1 163 99	1 389 017		
Charges for Services	10 6 9 059	9 050 6 1	11 49? 707	13 468 155	9 015 855	7 90? 000
Interest on Investments	87 96	6 607 90/	657 421	3 511 801	2 896 07?	10 42 300
Licenses and Permits	?46 574	2 549 5 ?	5 157 487	? 788 055	3 274 092	2 784 800
Interfund Reimbursements	6 850 269	12 ?49 97?	10 ?21 844	8 127 156	8 901 376	9 109 095
Fines and Forfeitures	?2? 345	246 150	327 639	244 747	371 726	00 100
Miscellaneous Revenues	1 27,096	1,816,062	2 682,829	404,062	885,622	2,224,500
Total Revenues	?40 594 7 7	256 436 675	276 303 169	287 111 154	298 595 039	524 488 640
Appropriations from Fund Balance	22 601 654	21 572,856				
Total Revenues and Appropriations from Fund Balance	$262 996 3 1	$278 009 529	$276 503 169	$287 111 154	$298 595 039	$324 488 640
Expenditures and Encumbrances						
General Government	$18 204 567	$26 159 954	$?5 429 518	$25 527 870	$26 870 456	$29 072 970
Public Works	27 865 759	?4 044 531	22 011 815	2? 305 244	24 394 701	23 758 860
Public Safety	2 894 259	?7 618 828	? 151 854	25 936 254	26 909 653	30 934 870
Recreation and Parks	6 175 96	6 876 54	6 660 476	7 696 971	4 754 835	5 225 560
Health	876 074	4 ?48 067	4 361 417	4 356 187	3 508 660	5 405 140
Social Services	2 579 649	?9 751	2 660 002	? 270 137	2 513 871	2 486 610
Education	126 456 150	145 453 110	140 7 5 840	144 658 526	160 076 980	171 235 870
Libraries	5 071 490	670 164	5 183 630	5 529 425	6 762 520	7 013 080
Debt Service						
Principal Payment on Debt	10 420 000	11 240 000	11 892 703	14 279 470	15 492 002	17 480 950
Interest Payment on Debt	8 705 725	1? 884 627	1? 561 335	13 634 329	13 180 567	25 347 940
Capital Improvements	5 5 000	2 642 704	266 000	1 255 500	1 453 000	695 000
Intergovernmental	6 6 9 21	8 108 756	7 979 508	8 167 688		
Miscellaneous	? 537 /75	5 31 104	3 477 407	3 850 397	4 119 991	7 831 790
Total Expenditures and Encumbrances	$249 928 787	$281 210 921	$268 169 505	$279 445 998	$290 037 036	$ 24 488 640
Excess (Deficiency) Revenues and Appropriations from Fund Balance over (under) Expenditures and Encumbrances	$ 13 067,564	$ (5,201 392)	$ 8 133,664	$ 7,665,156	$ 8,558,003	$

(1) The information in this table is presented in the same format as set forth in the County's Current Budget

(2) The information in this table should be read in conjunction with the audited financial statements appearing in Appendix A of this Official Statement

(3) Represents reductions in State aid to the County

(4) For fiscal years 1994 and 1995 the County's contribution to the State Health Department the self supporting expenditures of the Recreation and Parks Department and all activities of the County funded with categorical grants have been re classified from the General Fund to separate Special Revenue Funds

Howard County Maryland
Combined Balance Sheet
All Fund Types Account Groups and Discretely Reported Component Units
June 30 1994

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
Assets and Other Debits	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Long Term Obligations	Component Units
Equity in pooled cash and cash equivalents	$ 1 191 753	$16 320 222	$ 11 697 419	$ 13 943 982	$13 153 609	$ 4 590 330	$	$	$ 43 022 665
Investments		4 165 458				33 667 001			
Receivables									
Service billings				5 052 012					
Property taxes	3 452 562	241 922		13 996		89 728			
Due from other governmental agencies	15 098 131	1 718 910	640 718			394 812			11 636 446
Other	1 233 582	5 231 526	153 368	4 473	80 106	990 189			7 286 101
Due from primary government									4 711 856
Interfund receivable	12 080 276								
Materials and supplies	56 719	31 691		396 792	88 700				384 409
Deferred compensation plan investments						16 973 493			1 801 501
Other assets	83 690					11 610			150 830
Restricted assets									
Equity in pooled cash and cash equivalents				31 898 276					
Due from other governmental agencies				668 012					
Water & sewer assessments receivable				131 243 288					
Other receivables				88 107					
Materials and supplies				30 444					
Property plant and equipment at cost				388 935 872	6 412 579		334 608 230		389 201 422
Accumulated depreciation				(97 397 794)	(4 572 033)				(470 506)
Amount to be provided for long term obligations								384,648,527	3,045,134
Total Assets and Other Debits	$33 196 713	$27 709 729	$ 12,491,505	$474 877,460	$15,162,961	$56 717,163	$334,608,230	$384,648,527	$460,769,859

Howard County Maryland
Combined Balance Sheet
All Fund Types Account Groups and Discretely Reported Component Units
June 30 1994

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Long Term Obligations	Component Units
Liabilities									
Accounts payable / accrued expenses	$ 6 673 988	$ 883 292	$ 5 855 962	$ 4 505 207	$ 2 569 182	$ 473 799	$	$	$ 36 025 583
Due to component units	652 000					4 059 856			
Interfund payable			11 571 750		250 159	258 367			
Deposits and connection fees		50 533	297 254			723 183			
Deferred revenues	3 189 269	2 296 624							1 045 795
Due to other governmental agencies						89 554			612 908
Deferred compensation plan payable						16 973 493			1 801 501
Related to restricted assets									
Accounts payable				1 977 870					
Deposits and connection fees				429 260					
Developer agreement deposits				19 154 380					
Deferred water and sewer assessments				52 497 315					
General county bonds and notes								299 889 600	
Metropolitan district bonds payable				108 504 678					
Other long term debt				14,843 949				84,758 927	3,207,898
Total Liabilities	10,515,257	3,230 449	17,724,966	201 912,659	2,819 341	22 578 252		384 648 527	42,693 685
Equity and Other Credits									
Investment in general fixed assets							334 608 230		387 854 759
Contributed capital				227 990 771	136 892				498 553
Retained earnings									
Reserved for insurance claims					9 065 035				
Reserved for construction				50 612 597					
Unreserved (deficit)				(5 638 567)	3 141 693				5 783 623
Fund balance									
Reserved for encumbrances	2 328 967	1 719 341	14 726 281						9 357 779
Reserved for contingencies	4 814 679								
Reserved for noncurrent loans receivable		4 491 746							3 999 581
Reserved for college programs						34 138 911			
Reserved for retirement system									
Unreserved									
Designated for subsequent year s expenditures									1 712 327
Undesignated (deficit)	15,537,810	18,268,193	(19,959,742)						8,869,552
Total Equity and Other Credits	22,681,456	24,479 280	(5 233 461)	272,964 801	12,343,620	34,138 911	334,608 230		418 076,174
Total Liabilities Equity and Other Credits	$33,196,713	$27,709,729	$ 12,491,505	$474,877,460	$15,162,961	$56 717 163	$334,608 230	$384,648 527	$460,769,859

The accompanying notes are an integral part of these financial statements

Howard County Maryland
All Governmental Fund Types and Discretely Reported Component Units
Combined Statement of Revenues Expenditures and Changes in Fund Balances
For the Year Ended June 30 1994

	General	Special Revenue	Capital Projects	Component Units
Revenues				
Property taxes	$157 923 053	$ 13 364 631	$	$
Other local taxes	105 492 880	4 386 225	9 455 749	
State shared taxes	7 172 683			
Revenues from other governmental agencies	2 661 680	8 014 006	1 706 288	100 970 475
Charges for services	9 015 855	5 966 564		14 143 227
Interest on investments	2 896 072	791 948		923 629
Licenses and permits	3 274 092			
Recoveries for interfund services	2 876 874			
Fines and forfeitures	371 726			561 010
Miscellaneous	884,521	2,236,705	616,598	3 208 136
Total Revenues	292 569 436	34 760 079	11 778 635	119 806 477
Other Sources of Financial Resources				
Operating transfers in	4 811 044	6 137 200	13 859 420	
Operating transfers from primary government/component units	1,213,458			166,839,500
Total Revenues and Other Sources of Financial Resources	298 593,938	40,897,279	25,638,055	286,645,977
Expenditures				
Current				
General government	26 944 473			
Public works	23 593 739			
Public safety	26 980 154	13 201 819		
Recreation and parks	4 765 267			
Health		4 771 290		
Social services	2 428 130			
Education				237 717 872
Libraries				7 518 277
Intergovernmental		8 337 609		
Miscellaneous	3 652 563	6 787 142		
Capital improvements		2 375 117	60 138 279	37 492 027
Debt Service				
Principal payments on debt	15 492 002	172 000		
Interest payments on debt	13 180 367	2 875 698		
Principal payments on leases	337 355			
Interest payments on leases	46,408			
Total Expenditures	117 420 458	38 520 675	60 138 279	282 728 176
Other Uses of Financial Resources				
Operating transfers out	5 489 200	997 113	18 048 893	
Operating transfers to primary government/component units	166 839 500			1 213 458
Payment to refunded bond escrow agent			56,735,000	
Total Expenditures and Other Uses of Financial Resources	289,749,158	39 517 788	134 922 172	283 941 634
Excess (deficiency) of Revenues and Other Sources of Financial Resources over Expenditures and Other Uses of Financial Resources	8 844 780	1 379 491	(109 284 117)	2 704 343
Fund Balance July 1 1993	13,836,676	23,099,789	104,050,656	27,018,519
Fund Balance (deficit) June 30 1994	$ 22,681,456	$ 24,479,280	$ (5,233,461)	$ 29,722,862

The accompanying notes are an integral part of these financial statements

Howard County Maryland
General and Special Revenue Funds
Combined Statement of Revenues Expenditures Encumbrances and Changes in Fund Balances Budgetary Basis
For the Year Ended June 30 1994

	General Fund			Special Revenue Funds		
	Final Budget	Actual	Variance (under) over	Final Budget	Actual	Variance (under) over
Revenues						
Property taxes	$154 615 159	$157 923 053	$ 3 307 894	$ 16 448 470	$ 13 364 631	$ (3 083 839)
Other local taxes	102 924 000	105 492 880	2 568 880	4 581 794	4 386 225	(195 569)
State shared taxes	6 350 000	7 172 683	822 683			
Revenues from other governmental agencies	2 580 500	2 661 680	81 180	11 326 950	8 014 006	(3 312 944)
Charges for services	9 897 000	9 015 855	(881 145)	10 867 850	5 971 006	
Interest on investments	10 195 000	2 896 072	(7 298 928)	363 000	791 948	428 948
Licenses and permits	2 694 700	3 274 092	579 392			
Recoveries for interfund services	3 656 830	2 876 874	(779 956)			
Fines and forfeitures	192 000	371 726	179 726			
Miscellaneous	78,000	885,622	807,622	14 600 864	2,273 571	(12 327 293)
Total Revenues	293 183 189	292 570 537	(612 652)	58 188 928	34 801 387	(18 490 697)
Other Sources of Financial Resources						
Operating transfers in	5 231 701	6 024 502	792 801	3 778 660	5 732 487	1 953 827
Appropriation from fund balance				1,352 752	1,352,752	
Total Revenues and Other Sources of Financial Resources	298,414,890	298,595,039	180,149	63,320,340	41,886,626	(16,536,870)
Expenditures and Encumbrances						
Current						
General government	27 178 795	26 870 456	(308 339)			
Public works	24 409 600	24 394 701	(14 899)			
Public safety	26 968 930	26 909 653	(59 277)	16 391 665	13 277 907	(3 113 758)
Recreation and parks	4 818 740	4 754 835	(63 905)			
Health				8 650 730	4 947 562	(3 703 168)
Social services	2 523 050	2 513 871	(9 179)			
Intergovernmental				11 899 760	9 131 266	(2 768 494)
Miscellaneous	4 188 835	3 997 391	(191 444)	21 106 032	6 092 861	(15 013 171)
Capital Improvements				250 000	2 375 544	2 125 544
Debt Service						
Principal payments on debt	15 563 446	15 492 002	(71 444)	168 000	172 000	4 000
Interest payments on debt	20 839 734	13 180 367	(7 659 367)	3 812 070	2 875 698	(936 372)
Total Expenditures and Encumbrances	126 491 130	118 113 276	(8 377 854)	62 278 257	38 872 838	(23 405 419)
Other Uses of Financial Resources						
Operating transfers out	171,923,760	171,923,987	227	1,042,083	997 113	(44,970)
Total Expenditures and Other Uses of Financial Resources	298,414,890	290,037,263	(8,377,627)	63,320,340	39,869,951	(23,450,389)
Excess of Revenues and Other Sources of Financial Resources over Expenditures and Encumbrances and Other Uses of Financial Resources	$	8 557 776	$ 8,557,776	$	2 016 675	$ 6,913,519
Less appropriation from fund balance					(1 352 752)	
Fund Balance budgetary basis July 1 1993		13 557 235			22 096 016	
Fund Balance budgetary basis June 30 1994		$ 22,115,011			$ 22 759 939	

The accompanying notes are an integral part of these financial statements

Howard County Maryland
All Proprietary Fund Types and Similar Trust Funds
Combined Statement of Revenues Expenses and Changes in Retained Earnings/Fund Balances
For the Year Ended June 30 1994

	Proprietary Fund Types		
	Enterprise	Internal Service	Pension Trust
Operating Revenues			
User charges	$ 17 515 155	$ 14 927 928	$
Employer and employee contributions			3 971 376
Investment income			2 791 369
Miscellaneous sales and services	1 286 414	34 397	
Total Operating Revenues	18 801,569	14 962 325	6 762 745
Operating Expenses			
Salaries and employee benefits	6 332 952	8 759 113	
Contractual services	3 547 511	1 795 453	269 418
Supplies and materials	1 222 864	574 696	
Business and travel	64 630	61 897	
Purchased water and transmission charges	3 359 811		
Sewage treatment charges	2 741 535		
Share of county administrative expense	1 708 950		
Other	10 363	1 099 272	869 784
Depreciation expense			
Applicable to capital grants	3 792 099		
Applicable to assets financed with bonds	5 102 295		
Other	207 380	402 322	
Less house connection and capitalized overhead costs	(962 583)		
Total Operating Expenses	27 127 807	12,692 753	1 139 202
Operating income (loss)	(8 326 238)	2 269 572	5 623 543
Nonoperating Revenues (Expenses)			
Ad valorem charges	10 240 635		
Water and sewer assessment charges (interest portion)	2 713 611		
Interest on investments	1 809 755	515 521	
Charges for services	848 860		
Interest expense	(5 980 698)		
Other income net	153,221	159,105	
Net Income (Loss) Before Operating Transfers	1 459 146	2 944 198	5 623 543
Operating Transfers Out		(272 458)	
Net Income	1 459 146	2 671 740	5 623 543
Add depreciation on assets acquired from grants externally restricted for capital construction	3,792,099		
Increase in Retained Earnings/Fund Balance	5 251 245	2 671 740	5 623 543
Retained Earnings/Fund Balance July 1 1993	39,722,785	9,534,988	28,515,368
Retained Earnings/Fund Balance June 30 1994	$ 44,974,030	$ 12,206,728	$ 34,138,911

The accompanying notes are an integral part of these financial statements

Howard County Maryland
Proprietary Fund Types
Combined Statement of Cash Flows
For the Year Ended June 30 1994

	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities		
Operating income (loss)	$ (8 326 238)	$ 2 269 572
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	9 101 774	402 322
Increase in service billings receivable	(669 775)	
Increase (decrease) in accounts payable and accrued expenses	(764 820)	570 077
Increase in interfund payable		250 159
Decrease in property taxes receivables	6 128	
Decrease (increase) in materials and supplies	38 841	(33 089)
Decrease in other receivables		4 904
Other	139 372	159 565
Net Cash provided by (used in) Operating Activities	(474,718)	3 623 510
Cash Flows from Noncapital Financing Activities		
Operating transfers out		(272 458)
Cash Flows from Capital and Related Financing Activities		
In aid of construction charges	2 876 370	
Developer contributions	962 025	
Ad valorem charges	10 240 635	
Water and sewer assessment charges	6 602 038	
Charges for services	848 860	
Revenue from other governmental agencies	239 529	
Interest	(5 968 543)	
Construction of water and sewer system	(15 858 671)	
Acquisition of equipment	(57 723)	(1 382 543)
Principal payments on long term debt	(6 460 000)	
I suance of other long term debt	3 855 544	
Retirement of other long term debt	(192,094)	
Net Cash used in Capital and Related Financing Activities	(2,912,030)	(1,382,543)
Cash flows from Investing Activities Interest on Investments	1,809,755	515,521
Net Increase (Decrease) in Cash and Cash Equivalents	(1 576 993)	2 484 030
Cash and Cash Equivalents July 1 1993	47,419,251	10,669,579
Cash and Cash Equivalents June 30 1994	$ 45,842,258	$ 13,153,609

The accompanying notes are an integral part of these financial statements

Howard County Maryland
Combining Balance Sheet
Component Units
June 30 1994

	Board of Education	Library	Community College	Total
Assets and Other Debits				
Equity in pooled cash and cash equivalents	$ 38 437 488	$ 1 293 905	$ 3 291 272	$ 43 022 665
Receivables				
Due from other governmental agencies	7 899 474	1 609	3 735 363	11 636 446
Other	7 085 085		201 016	7 286 101
Due from primary government	4 711 856			4 711 856
Materials and supplies	156 127		228 282	384 409
Deferred compensation plan investments		1 801 501		1 801 501
Other assets		21 040	129 790	150 830
Property plant and equipment at cost	345 518 025	10 446 815	33 236 582	389 201 422
Accumulated depreciation	(470 505)			(470 505)
Amount to be provided for long term obligations	2,692,049	353,085		3,045 134
Total Assets and Other Debits	$ 406,029,599	$ 13,917,955	$ 40,822,305	$ 460,769,859
Liabilities				
Accounts payable and accrued expenses	$ 33 404 445	$ 307 175	$ 2 313 963	$ 36 025 583
Deferred revenues	464 800		580 995	1 045 795
Due to other governmental agencies			612 908	612 908
Deferred compensation plan payable		1 801 501		1 801 501
Other long term debt	2 842 049	353 085	12 764	3 207 898
Total Liabilities	36 711 294	2 461 761	3 520 630	42 693 685
Equity and Other Credits				
Investment in general fixed assets	344 829 537	10 446 815	32 578 407	387 854 759
Contributed capital	498 553			498 553
Retained earnings	5 783 623			5 783 623
Fund balance				
Reserved for encumbrances	9 124 246	233 533		9 357 779
Reserved for college programs			3 999 581	3 999 581
Unreserved				
Designated for subsequent year s expenditures	988 640		723 687	1 712 327
Undesignated	8 093 706	775,846		8 869 552
Total Equity and Other Credits	369 318 305	11 456 194	37 301,675	418 076 174
Total Liabilities Equity and Other Credits	$ 406,029,599	$ 13,917,955	$ 40,822,305	$ 460,769 859

The accompanying notes are an integral part of these financial statements

Howard County Maryland
Combining Statement of Revenues Expenditures and Changes In Equity
Component Units
For the Year Ended June 30 1994

	Board of Education	Library	Community College	Total
Revenues				
Revenues from other governmental agencies	$ 91 451 715	$ 491 085	$ 9 027 675	$ 100 970 475
Charges for services	4 857 328		9 285 899	14 143 227
Interest on investments	782 091		141 538	923 629
Fines and forfeitures		561 010		561 010
Miscellaneous	2,831,238	8,909	367,989	3,208,136
Total Revenues	99 922 372	1 061 004	18 823 101	119 806 477
Other Sources of Financial Resources				
Operating transfers from primary government	151 841,980	6,762 520	8 235 000	166 839 500
Total Revenues and Other Sources of Financial Resources	251,764,352	7 823 524	27 058 101	286,645 977
Expenditures				
Current				
Education	212 223 273		25 494 599	237 717 872
Libraries		7 518 277		7 518 277
Capital improvements	37 492,027			37 492 027
Total Expenditures	249 715 300	7 518 277	25 494 599	282 728 176
Other Uses of Financial Resources				
Operating transfers to primary government	1,153,727		59 731	1,213,458
Total Expenditures and Other Uses of Financial Resources	250,869,027	7,518,277	25,554,330	283,941,634
Excess of Revenues and Other Sources of Financial Resources over Expenditures and Other Uses of Financial Resources	895 325	305 247	1 503 771	2 704 343
Fund Equity July 1 1993	23,094,890	704,132	3,219,497	27,018,519
Fund Equity June 30 1994	$ 23,990,215	$ 1,009,379	$ 4,723,268	$ 29 722,862

The accompanying notes are an integral part of these financial statements

1 The Reporting Entity and Description of Funds and Account Groups

A The Reporting Entity

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

The combined financial statements include Howard County Maryland as the primary government and its significant component units in accordance with generally accepted accounting principles The component units include the activities of the Howard County Board of Education the Library and the Community College The component units are included in the County s reporting entity because of the significance of their operational or financial relationship with the County in that the County approves budgetary requests and provides a significant amount of funding These separate entities have been included in the County s financial statements because County elected officials are financially accountable for the component units activities The reporting entity includes the County as the primary government and the aforementioned component units The primary government is also hereinafter referred to as the County

The financial activities of the Howard County Housing Commission and the Economic Development Authority which are also component units of the County are excluded due to immateriality

The financial activities of the Volunteer Fire Districts Circuit Court Department of Social Services Cooperative Extension Services Soil Conservation District Health Department and Grant in Aid Organizations are not considered part of the County s reporting entity and therefore are not included in the annual financial report The County is not financially accountable for these agencies These agencies are not required to submit a complete budget to the County for approval Additionally the County does not establish spending limits nor is it responsible for funding deficits of these agencies Also the County does not exercise control over the assets of these agencies Thus only the County s portion of these agencies costs are included in this annual report

B Description of Funds and Account Groups

The County s accounts are organized on the basis of funds and account groups A fund is defined as an accounting entity with a self balancing set of accounts recording assets and other financial resources together with all related liabilities and residual equities or balances and changes therein The following fund types and account groups which are summarized by type in the financial statements are used by the County

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the County are financed The acquisition use and balances of the County s expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds The measurement focus is upon determination of changes in financial position rather than upon net income determination The following are the County s governmental fund types

General Fund The General Fund is the general operating fund of the County The County uses this fund for the collection of State and County Taxes fees and other revenues and funds due to the County and for the disbursement of all expenditures not accounted for in any other fund

Special Revenue Funds Special Revenue Funds are used to account for the proceeds of specific revenue sources which by law are designated to finance particular functions or activities of the County These funds include

Historic Properties Fund which operates County-owned historic sites and facilities Presently this fund operates the historic Waverly site in Marriottsville

Community Renewal Program Fund which deals primarily with the management and construction of public housing projects

Agricultural Land Preservation Fund which supports the agricultural land preservation program that is designed to preserve the open character and agricultural use of County land

Public Service Communications Fund which accounts for revenues received from a cable television company

Fire Tax Reserve Fund which accounts for the activities of the two fire districts During fiscal 1994 the County restructured it s existing six fire districts into two a metropolitan and a rural district The new districts are divided along the western boundary of the County s planned water and sewer service area

Grants Fund which contains all categorical grants received by the County from federal state and local sources These grants are given to the County for a specific purpose

Health Department Fund which accounts for the County s portion of the financial activities of the local health department

Recreation Program Fund which supports the County recreation and parks self sustaining programs User fees support the entire costs of these programs

Previously the Grants Health Department and Recreation Program Funds were a part of the County s General Fund They have been separated this year for better financial disclosure

Capital Projects Funds Capital Projects Funds are used to account for all resources for the construction or acquisition of fixed assets except those accounted for in proprietary fund types The County accumulates costs relative to capital programs in the following funds General Improvements Fund Fire Service Building and Equipment Fund Public Libraries Fund Recreation and Parks Fund Storm Drainage Fund Highway Fund and Police Buildings and Equipment Fund

Proprietary Fund Types
Proprietary Funds are used to account for the County s ongoing organizations and activities which are similar to those often found in the private sector The measurement focus is upon determination of net income The following are the County s proprietary fund types

Enterprise Fund This fund is used to account for the County s water and sewer operations

Internal Service Funds These funds account for goods and services furnished by certain County agencies to other County agencies primarily on a cost reimbursement basis These funds include

Central Stores Fund which provides centralized purchasing of stationery and supplies and printing and duplicating services In addition the Central Stores Fund provides a motor pool facility to other County agencies Revenues are generated on a user charge basis

Information Systems Services Fund which charges the cost of centralized data processing operations to other County agencies Revenues are generated from County agencies using these services

Risk Management Self Insurance Fund which includes the County s risk management activities for workers s compensation general liability vehicle physical damage and property damage Revenues are generated from County agencies using these services

Employee Benefits Self Insurance Fund which pools County employee benefits costs Revenues are generated from County agencies providing employee benefits

Radio Maintenance Fund which provides for the maintenance and replacement of the County s radio communications systems Revenues are generated from County agencies using radios

Fiduciary Fund Type - Trust and Agency Funds
Pension Trust Funds are used to account for the activities of the County s single-employer public employee retirement system Agency Funds are used to account for assets held for other funds governments or individuals Agency funds are custodial in nature that is assets equal liabilities and they do not involve measurement of operations These funds include

Police and Fire Employees Pension Trust Fund which is used to account for the activities of the County s Police and Fire Employees Retirement Plan

Street Light District Fund which is used to account for the monies collected from property owners to construct street lights in a particular district

School Construction Fund which is used to account for the payment by the County of capital construction expenditures financed with bond and transfer tax monies on behalf of the Board of Education

State Property Tax and Interest Fund which is used to account for taxes billed and collected by the County on behalf of the State

Road Surety Deposit Fund which is used to account for bonds posted by individuals or developers for road maintenance agreements and for constructing water and sewer facilities

Community College Construction Fund which is used to account for the payment by the County of capital construction expenditures financed with bonds on behalf of the Community College

Deferred Compensation Fund which is used to account for the activities of the County s deferred compensation plan established in accordance with Internal Revenue Code Section 457

Account Groups
Account groups are used to establish accounting control and accountability for the County s general fixed assets and general long term debt The following are the County s account groups

General Fixed Assets Account Group Fixed assets of the County other than those pertaining to the proprietary funds are recorded substantially at historical cost in the General Fixed Assets Account Group Such assets do not include roads bridges rights-of way storm drainage lighting systems and sidewalks since such assets are immovable and of value only to the County No depreciation is provided on general fixed assets

Long Term Obligations Account Group This account group is used to account for all long term debt of the County except that accounted for in the Proprietary Funds and the component units

C **Component Units**
The financial data of the County s component units are discretely presented in a column separate from the financial data of the primary government They are reported in a separate column to emphasize that they are legally separate from the County The following are the County s component units

The Board of Education of Howard County is responsible for the operation of special education elementary middle and high schools The Board is governed by five members elected by County voters The County is responsible for levying taxes and has budgetary control over the Board of Education

The Howard County Library operates various library branches throughout the County The Library is governed by a seven member board nominated by the County Executive and appointed by the County Council The County is responsible for levying taxes and has budgetary control over the Library

The Howard Community College provides educational services to County citizens by offering two-year associate degrees and a continuing education program The Community College is governed by a seven member board appointed by the governor of Maryland The County is responsible for levying taxes and has budgetary control over the Community College The financial statements of the Community College have been prepared in accordance with generally accepted accounting principles which were promulgated by the American Institute of Certified Public Accountants (AICPA)

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

Howard County Board of Education
10910 Route 108
Ellicott City Maryland 21043

Howard County Library
10375 Little Patuxent Parkway
Columbia Maryland 21044

Howard Community College
10901 Little Patuxent Parkway
Columbia Maryland 21044

2 Summary of Significant Accounting Policies

The accounting and financial reporting policies of the reporting entity conform to generally accepted accounting principles (GAAP) as applicable to governmental units The following is a summary of the more significant policies

Basis of Accounting

The Proprietary Pension Trust and the Community College funds of the reporting entity are reported on the accrual basis of accounting except that no depreciation has been provided on Community College plant and equipment Under this method of accounting revenues are recognized when earned and expenses are recorded when liabilities are incurred In the Enterprise Fund an estimated amount of user charges is recorded for services rendered but not yet billed at year end

The Governmental and Agency Funds of the reporting entity are maintained and reported on the modified accrual basis of accounting Revenues including property local and state shared taxes investment income and revenues from other governments are recorded when they become both measurable and available Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period All other revenues are generally not susceptible to accrual because they are not measurable in advance of collection Expenditures for these funds are recorded when liabilities are incurred and become payable in the current period except for principal and interest on long term debt which are recorded as an expenditure when due

Budgetary Process

Pursuant to County Charter the County Executive s capital and operating portions of the budget for all County funds are submitted to the County Council by April 1 and 21 respectively The County Council holds public hearings and pursuant to County Charter an annual budget appropriation ordinance must be passed by the County Council or the Executive s proposed budget ordinance stands adopted The adopted ordinance or budget becomes effective July 1 and provides the spending authority at the individual agency department level for the operations of the County Government with the unexpended or unencumbered appropriation authority of the operating budget expiring the following June 30 Capital unencumbered appropriations continue until the specific capital project is closed

During the fiscal year the County Council upon the request of the County Executive may approve transfers between projects in the capital budget but it may not increase the total size of the capital budget With regard to the operating budget the County Council at anytime during the fiscal year may approve supplemental budgets upon request of the County Executive from the budgeted contingency reserve which may not exceed 4% of the budget After April 1 of each year the Council may also at the request of the Executive approve transfers between departments in the operating budgets The Council may also approve supplemental budgets from unappropriated funds only in emergencies affecting life health and property Additionally the County Executive has the authority to make transfers within a department at any time during the year without approval of the County Council During the 1994 fiscal year the Council approved numerous capital and operating budget transfers No supplemental budgets or emergency appropriations were requested

Encumbrances
Encumbrance accounting under which purchase orders contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation is employed in the Governmental Funds Open encumbrances are treated as reservations of fund balances since the commitments will be honored through subsequent years expenditures

Cash Equivalents
For purposes of the statement of cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents

Investments
Investments in the Special Revenue Fund Type are for the Agricultural Land Preservation Fund and represent stripped-coupon U S Treasury securities stated at cost plus amortized discount Pension Trust Fund and pooled investments are reported at cost which approximates market Deferred compensation plan investments are reported at market value

Materials and Supplies
Materials and supplies are valued at cost which approximates market using the first in/first-out (FIFO) method Materials and supplies are recorded as an asset when purchased and charged to expenditures/expenses when consumed

Property, Plant and Equipment Proprietary and Community College Funds
Property plant and equipment of the Proprietary Funds are stated at historical cost Contributed assets are recorded at fair market value at the time received Depreciation on proprietary fund assets has been provided over the estimated useful lives using the straight line method The estimated useful lives are as follows

Buildings	40 years
Water and sewer utility plant	40 years
Furniture fixtures and equipment	5 20 years

Depreciation applicable to assets acquired with grants and shared revenues is charged to operations and then transferred to the related contributed equity accounts The Community College s plant and equipment are stated at cost and no depreciation is provided

Compensated Absences
Vacation benefits including the FICA portion are earned by employees of the County based on time in service and the rights to such benefits are vested Sick leave is also accumulated by employees based on time in service However accumulated sick leave benefits do not vest and are not paid unless sickness causes employees to be absent except that accumulated sick time is credited to month of service in the calculation of employees retirement benefits

The County records vested vacation benefits as earned in accordance with Governmental Accounting Standards Board Statement No 16 In the Governmental Funds the total amount of vacation benefits is recorded as a liability in the Long Term Obligations Account Group as the current portion of this liability is considered to be immaterial The liability related to the Enterprise Fund is accrued as an expense and liability in that fund Sick leave benefits are recorded when paid

Self Insurance
Accounts payable and accrued expenses in the self insurance funds include liabilities for unpaid claims based upon individual case estimates for claims reported at June 30 1994 There were no material amounts of incurred but not reported claims as of year-end

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

3 Reconciliation Between GAAP and Budgetary Basis

The General Fund and all Special Revenue Funds of the primary government each have a legally adopted annual budget The Combined Statement of Revenues Expenditures Encumbrances and Changes in Fund Balances - Budgetary Basis General and Special Revenue Funds is prepared on a basis consistent with those budgets The budgets are prepared using encumbrance accounting wherein encumbrances are treated as an expenditure of the current period Also the budgets include appropriations of prior year fund balances as other sources in the current year and account for payroll expenditures on a cash basis The Combined Statement of Revenues Expenditures and Changes in Fund Balances All Governmental Fund Types is prepared on a basis consistent with GAAP where encumbrances are treated only as a reservation of fund balance prior year fund balances are not included as other sources and payroll expenditures are recorded on an accrual basis

The statements are reconciled as follows

	General Fund	Special Revenue Funds
Budgetary basis excess of revenues and other sources over expenditures and encumbrances and other uses	$8 557 776	$2 016 675
Adjustments		
Appropriation of prior year fund balances		(1 352 752)
Current year encumbrances outstanding	2 326 899	1 719 341
Prior year encumbrances expended this year	(1 696 393)	(962 465)
Prior year encumbrances lapsed during the current fiscal year	(1 101)	(41 308)
Effect of recording payroll expenditures on an accrual basis	(342 401)	
GAAP basis excess of revenues and other sources over expenditures and other uses	$8 844 780	$1 379 491

The ending fund balances are reconciled as follows

	General Fund	Special Revenue Funds
Budgetary basis June 30 1994	$22 115 011	$22 759 939
Adjustments		
Reserve for encumbrances	2 328 967	1 719 341
Payroll expenditures recorded on an accrual basis	(1 762 522)	
GAAP basis June 30 1994	$22 681 456	$24 479 280

For financial reporting purposes the General Fund budget and actual data also includes these amounts budgeted as separate funds in the County s Budget general fund ($289 114 890) and bond anticipation notes fund ($9 300 000) for a total of $298 414 890 The budget variance for interest on investments and interest payment on debt is due to the bond anticipation notes fund Debt service on these notes is budgeted at a 15% interest rate ceiling to cover any contingencies

4 Equity in Pooled Cash and Cash Equivalents

The County maintains a cash and investment pool that is available for use by all funds Each fund is allocated interest income on a daily basis based on their share of the investment pool Each fund type s portion of this pool is displayed on the combined balance sheet as Equity in Pooled Cash and Cash Equivalents The carrying amount of total deposits including certificates of deposit was $8 079 678 and the bank balance was $3 539 127 at June 30 1994 The bank balance was covered by Federal Depository Insurance or by collateral held by the County s agent in the County s name Any fund that has issued checks in excess of its share of the cash balance will report an interfund payable

Except for the Police and Fire Employee s Retirement Plan statutes authorize the County to invest in obligations of the U S Treasury and Federal Government agencies bankers acceptances repurchase agreements and certificates of deposit secured by Federal Government obligations the State Treasurer s Investment Pool and mutual funds dealing in government securities The Police and Fire Employees Retirement Plan s investment policy established under Section 20 001 of the County Code establishes fundamental limitations and provides current asset limitation targets and guidelines for permitted debt and equity securities Except for investments in U S Government obligations no more than 5% of the Police and Fire Employees Retirement Plan s total invested assets may be invested in securities of a single issuer

County policy requires that collateral securities underlying repurchase agreements and certificates of deposit must have a market value at least 102 percent of the cost of the investment This policy has been complied with Repurchase agreements and certificates of deposit at June 30 1994 mature at various dates through July 11 1994

The County s investments are categorized on the following schedule to give an indication of the level of risk assumed at year-end Category 1 includes investments for which the securities are held by the County s agent in the County s name Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution s counterparty s trust department in the County s name Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty but not in the County s name The investments of the deferred compensation plan and the pension trust fund are held separately from those of other County funds The investments at year end are representative of those investments purchased during the fiscal year

	Category			Carrying
	1	2	3	Amount
Repurchase agreements	$11 038 508			$11 038 508
U S Government securities	18 557 453			18 557 453
U S Government agency notes	57 093 619			57 093 619
Bankers acceptances	11 755 046			11 755 046
Corporate stocks	13 390 979			13 390 979
Corporate bonds	2 858 030			2 858 030
Total	$114 693 635			114 693 635
Investment in State Treasurer s investment pool				500 000
Fidelity U S Treasury investment pool				4 538 783
Deferred compensation plan investment in mutual funds				16 973 493
Police and fire pension trust fund investments in mutual funds				2 815 954
Total investments				$139 521 865

The following table reconciles the County s deposits ($8 079 678) and investments ($139 521 865) to the combined balance sheet

Equity in pooled cash and cash equivalents	$60 897 315
Investments	57 852 459
Deferred compensation plan investments	16 975 495
Restricted equity in pooled cash	31 898 276
Total	$147 601 543

The following disclosures are provided for the component units The carrying amount of total deposits including certificates of deposit was $1 939 446 and the bank balance was $6 838 249 at June 30 1994 Of the bank balance $1 845 403 was covered by Federal Depository Insurance or by collateral held by the component unit s agent in the component unit s name $4 875 274 was covered by collateral held in the pledging bank s trust department or by the pledging bank s agent in the component unit s name and $117 572 was uninsured and uncollateralized

For the component units investments $22 000 000 were repurchase agreements under category 1 $9 849 000 were repurchase agreements under category 2 $9 215 328 were in the State Treasurer s investment pool $1 801 501 were deferred compensation plan investments and $18 891 were in a U S Treasury portfolio fund

5 Due From Other Governmental Agencies

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

6 Property Tax and Transfer Tax

The County s real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the County Assessed values are established by the State Department of Assessments and Taxation at predetermined percentages of estimated market value There is no one lien date used by the State rather properties are assessed by the State for tax purposes throughout the year A revaluation of all property is required to be completed every three years A discount of 1% and 1/2% is allowed if payment is made in July or August respectively Beginning October 1 interest is charged each month that taxes remain unpaid Property represented by delinquent taxes is sold at a public auction during April Property taxes levied during the current year are recorded as receivables and revenue net of estimated uncollectible amounts The net receivables uncollected sixty days after year-end are recorded as deferred revenues

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

7 General Fixed Assets and Property Plant and Equipment

A summary of the components of and changes in general fixed assets for the primary government follows Construction in progress retirements consist principally of immovable stewardship type assets

	Balance July 1 1993	Additions	Transfer In (Out)	Retirements	Balance June 30 1994
Land	$40 061 822	$	$1 953 955	$	$42 015 777
Buildings	68 755 300		3 291 192		72 046 492
Improvements other than buildings	316 776				316 776
Equipment	35 114 716	1 129 628	4 101 703	623 260	39 722 787
Construction in progress	142 359 382	62 513 395	(9 346 850)	15 019 529	180 506 398
Total	$286 607 996	$63 643 023	$	$15 642 789	$334 608 230

A summary of primary government Proprietary Funds and the component units property plant and equipment at June 30 1994 follows

	Proprietary Fund Types		Component Units		
	Enterprise	Internal Service	Board of Education	Library	Community College
Land	$ 7,290 130	$	$ 3 623 090	$ 12 869	$ 562 505
Buildings	5 016 080		232 287 627	156 007	19 955 454
Water and sewer utility plant	337 870 497				
Furniture fixtures and equipment	3 822 342	6 412 579	30 880 546	10,277 939	8 717 777
Less accumulated depreciation	(97 397 794)	(4 572 033)	(470 505)		
Construction in progress	34 936 823		78 726 762		4 000 846
Total	$291 538 078	$1 840 546	$345 047 520	$10 446 815	$33,236 582

Construction in progress is composed of the following

	Project Budget	Expended to June 30 1994	Encumbered as of June 30 1994
Capital Projects Funds			
Gen ral improvements fund	$103 976 500	$99 992 179	$2 200 878
Fire service building and equipment fund	6 616 024	2 254 663	479 650
Public libraries fund	13 178 000	11 823 994	707 057
Storm drainage fund	7 975 000	2 553 560	263 183
Police building and equipm nt fund	30 000		
Recreation and parks fund	58 621 870	30 537 623	5 295 113
Highway fund	59 145 800	25 702 950	7 780 420
Special Revenue Funds			
Community renewal fund	5 160 000	5 564 483	55 543
Agricultural land preservation fund	69 030 000	2 296 946	66 761
Enterprise Fund	146 968 000	34 936 823	9 904 518
Board of Education	141 972 700	78 726 762	
Community College	6 801 000	4 000 846	
Total Construction in progress	$619 472 894	$298 170 829	$24 730 903

8 Debt

A summary of long term debt outstanding for the primary government at June 30 1994 is as follows

	Due Dates	Interest Rates	Amount Outstanding
Enterprise fund			
Metropolitan district bonds	1995 2023	0 10% to 8 50%	$108 504 678
Major water and sewer agreements	various	not applicable	2 018 515
State water quality revolving loan	1995 2015	4 40% to 6 55%	12 825 434
Long term obligations account group			
General obligation bonds	1995 2013	3 00% to 8 80%	239 889 600
General obligation bond anticipation notes	1995	variable	60 000 000
Other long term debt.			
Obligations under capitalized leases	1995 1996	7 19%	464 858
Vested vacation benefits	various	not applicable	5 481 510
Installment obligation debt (see note 10)	1995 2022	8 00% to 8 60%	35 155 000
Local government insurance trust obligations	1995 2010	6 10% to 7 125%	1 923 851
Landfill closure obligation (see note 11)	various	not applicable	40 863 628
State promissory note	various	6 90%	570 080
Kiwanis club installment purchase agreement	1995 1999	7 00%	300 000
Total oth r long term debt			84 758 927
Total debt			$507 997 154

The County is subject to State and County law which limits the amount of applicable General County debt outstanding to 12 per cent of assessed values At June 30 1994 the statutory debt limit was $756 515 644 providing a debt margin of $516 626 044 The authorized unissued General County and Metropolitan District Bonds at June 30 1994 were $134 150 862 and $48 530 605 respectively There is no overlapping municipal bonded debt in the County and the County is in compliance with its debt agreement provisions

The changes in long term debt for the primary government for the year ended June 30 1994 are as follow

	Balance July 1 1993	Additions	Retirements and Defeasances	Balance June 30 1994
Metropolitan district bonds	$114 964 678	$-	$6 460 000	$108 504 678
Major water & sewer agreements	2 209 609		191 094	2 018 515
State water quality revolving loan	8 970 890	3 855 544	1 000	12 825 434
General county bonds	311 974 602		72 085 002	239 889 600
General county bond anticipation notes	60 000 000			60 000 000
Obligations under capitalized leases	802,212		337 354	464 858
Vested vacation benefits	4 786 274	695 236		5 481 510
Installment obligation debt	35 327 000		172 000	35 155 000
Insurance trust obligations	1 988 766		64 915	1 923 851
Landfill closure obligation	22 454 545	18 409 083		40 863 628
State promissory note	597 167		27 087	570 080
Kiwanis club installment purchase agreements	350 000		50 000	300 000
Total	$564 425 743	$22 959 863	$79 388 452	$507 997 154

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

Industrial revenue bonds issued by the County for the benefit of private businesses in the County are not debt of or charges against the general credit or taxing power of the County These amounts are not included in general long term debt

The County participates in the Maryland Local Government Insurance Trust which provides insurance for claims in excess of coverage provided by the County s self insurance funds During 1990 the Trust issued certificates of participation to various local government entities in order to capitalize its excess liability and environmental coverage pools The County s unpaid portion of these certificates is $1 923 851 at June 30 1994

Beginning in fiscal year 1993 the County has participated in the State water quality revolving loan program Under this program the State makes loans to local governments with interest rates that are below the market rate for tax-exempt financings The proceeds of the loan will be used to expand the County s wastewater treatment plant The total loan amount available is $15 211 855 of which the County has borrowed $12 825 434 as of June 30 1994

A summary of debt service requirements to maturity including principal and interest for certain long term debt is as follows as of June 30 1994

Fiscal Year Ending June 30	Metropolitan District Bonds	General County Bonds and BANS	Installment Obligation Debt	Insurance Trust Obligations
1995	$11 636 924	$89 022 888	$2 979 610	$200 518
1996	11 746 430	28 103 923	3 005 065	199 984
1997	11 432 965	26 995 556	2 953 795	200 398
1998	11 178 400	26 202 626	2 987,250	200 398
1999	10 871,251	24 103 071	2 931 979	199 973
2000 2004	46 620 525	108 062 504	14 629 368	1 001,213
2005 2009	31 981 476	73 714 846	14 312 312	1 001 638
2010 2014	19 912 762	31 208 200	14 083 980	200 325
2015 2019	14 110 950		13 766 924	
2020 2024	3 670 875		35 490 748	
Total	$173 162 558	$407 413 614	$107 141 031	$3,204 447

The County has entered into various capital leases for certain personal property The following is a schedule of future minimum leases together with the present value of the net minimum lease payments for the primary government as of June 30 1994

Fiscal Year Ending June 30	
1995	$346 116
1996	144 215
Total minimum lease payments	490 331
Less amount representing interest	25 473
Present value of net minimum lease payments	$464 858

Pursuant to an escrow deposit agreement associated with the refunding bond issue of 1993 the County had reserved the right to elect to direct the escrow agent to liquidate some or all of the securities held in trust and apply the proceeds of such liquidation to either redeem the $60 000 000 1993 Bond Anticipation Notes outstanding or to refund the 1991 and 1992 series General Obligation bonds totaling $56 735 000 On June 20 1994 the County enacted legislation which waived the County s right to direct the escrow deposit agent to liquidate any securities held in trust and apply the proceeds of the liquidation to the redemption of the $60 000 000 1993 Bond Anticipation Notes outstanding As a result the 1991 and 1992 series General Obligation bonds totaling $56 735 000 are considered defeased and the liability for these bonds has been removed from the Long Term Obligations Account Group

In prior years the County defeased certain General County and Metropolitan District bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds Accordingly the trust account assets and the liability for the defeased bonds are not included in the Long Term Obligations Account Group and the Enterprise Fund At June 30 1994 $83 995 000 of General County bonds and $60 420 000 of Metropolitan District bonds are considered defeased from prior years

9 Restricted Asset and Liabilities Enterprise Fund

Federal and State grants water and sewer assessments in aid-of-construction charges developer contributions and bonds proceeds for purposes of construction of the water and sewer system are restricted Developer contributions primarily represent water and sewer projects constructed by developers on behalf of the County in connection with the development of privately owned property The agreements between the developers and the County relating to such projects provide for specific refunds to the developer from bond proceeds based upon house connections within a specified period of years Any amounts not refunded at the end of the specified time period are transferred to contributed capital The cumulative amounts of other nonoperating revenues are available for construction activities and reflected as a reservation of retained earnings

10 Agricultural Land Preservation Program

Under its agricultural land preservation program the County acquires development rights in a particular parcel of agricultural property by entering into an installment purchase agreement with the property owner Under the terms of the agreement the County pays the property owner semiannual interest payments for 30 years and minimal portions of the installment purchase price for 29 years The remaining amount of the purchase price is paid at the end of 30 years with a balloon payment Upon execution of an agreement the County purchases stripped-coupon U S Treasury obligations in amounts sufficient to equal the balloon payment in 30 years and records the obligation in the Long Term Obligations Account Group The County acquires the development rights to the land in perpetuity

11 Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on the County s landfill when closed in approximately 2002 and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure The County recognizes a portion of these costs in each operating period based on landfill capacity used as of each balance sheet date However many of the closure and postclosure care costs will be paid after each cell is filled to capacity Total closure and postclosure care costs as determined through engineering studies will approximate $63 190,000 This cumulative amount reported to date is based on the use of 40% of the estimated capacity of the landfill Actual costs may be higher due to inflation As of June 30 1994 the County has recognized $40 863 628 of these costs in the Long Term Obligations Account Group The County intends to finance these costs through the proceeds of bonds

12 Retirement Plans

Generally all employees of the primary government except certain policemen and firemen participate in the State of Maryland Employees Retirement and Pension Systems The systems are cost sharing multiple employer systems Certain police and fire personnel participate in a single-employer pension plan (the Howard County Police and Fire Employees Retirement Plan (Police and Fire Plan)) The Maryland State Retirement Systems administer the Employees Retirement System (established October 1 1941) and the Employees Pension System (established January 1 1980) under the provisions of Article 73B of the Annotated Code of Maryland The Police and Fire Plan was established and operates under the provisions of the Howard County Code Sections 1 4 and 1 401 effective March 31 1990 All full time and permanent part time employees of the County must be members of one of the plans All police and fire officers hired on or after July 1 1990 must enroll in the Police and Fire Plan All other employees hired after December 31 1979 must enroll in the Pension Systems The payroll for employees covered by the State Systems for the year ended June 30 1994 was $4 627 681 for Employees Retirement System and $36 112 477 for Employees Pension System The payroll for police and fire employees covered by the Police and Fire Plan for the year ended June 30 1994 was $17 536 909 The County s total payroll for all systems was approximately $62 630 000

Under the terms of the Retirement System a member may retire after 30 years of service regardless of age or at age 60 or over regardless of years of service A member is eligible for vesting after 5 years of service however his contributions must be left in the Retirement System in order to qualify for benefits at age 60 The annual retirement allowance is computed as 1/55 of the member s average final compensation multiplied by the total years of creditable service The member may choose to receive this allowance for the remainder of his life or he may choose a modified allowance under an option to provide for a beneficiary

Under the conditions of the Pension System a member may retire after 30 years of service regardless of age at age 65 with two years of service at age 64 with three years of service at age 63 with four years of service or at age 62 with at least five years of service An employee may also take early retirement with reduced benefits between ages 55 and 62 with 15 years of service The annual pension payment is computed as 0 8 percent of an employee s final average salary up to the Social Security integration level plus 1 5 percent of average final salary in excess of the integration level multiplied by years of service The Social Security integration level is defined as the average annual earnings for which Old Age and Survivors Benefits would be provided under Title II of the Social Security Act for a male employee age 65 computed as though for the prior year he had paid the maximum annual FICA tax

The Employees Retirement and Pension Systems are jointly contributory according to State statute The County s contribution to both plans includes both current service cost and amortization of a portion of the unfunded actuarial accrued liability The employer contribution requirements for the year was $1 289 860 for the Retirement System and $2 025 593 for the Pension System These contributions represented 27 9% and 5 6% of covered payroll respectively The employee contribution requirement was $295 652 for the Retirement System This contribution represented 6 4% of covered payroll No employee contributions were required for the Pension System All County contributions have been paid to the State as of year end Both systems also provide death and disability benefits

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and step rate benefits estimated to be payable in the future as a result of employee service to date The measure which is the actuarial present value of credited projected benefits is intended to help users assess the systems funding status on a going-concern basis assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among other systems and employers The systems do not make separate measurements of assets and pension benefit obligation for individual employers The pension benefit obligation is not yet determined for the systems as of June 30 1994 The computation as determined through the latest actuarial valuation date June 30 1993 is as follows for the systems pension benefit obligation $6 116 880 000 net assets at market value $4 951 887 000 and unfunded pension benefit obligation $1 164 993 000

The County s 1994 contribution for each separate plan represented 1% of total contributions required of all participating entities To the extent available historical trend information showing the systems progress in accumulating sufficient assets to pay benefits when due is presented in the Maryland State Retirement and Pension Systems June 30 1993 comprehensive annual financial report and supplements thereto

The Police and Fire Plan is considered part of the County s reporting entity and is included in the County s financial statements as a pension trust fund All of the County s full time career police and fire officers are eligible to participate in the Police and Fire Plan Employees attaining the age of 62 who have completed five years of creditable service and employees who have completed 25 years of creditable service are eligible to a normal retirement benefit of two percent of their final average compensation multiplied by the number years of creditable service not greater than 30 years The Police and Fire Plan permits early retirement following the completion of 20 years of creditable service The benefit depends upon the amount of time the early retirement precedes the normal retirement date Participants and their beneficiaries may also be eligible for disability and death benefits which vary if incurred in the line of duty based on years of creditable service and average final compensation Employees are required to contribute 7 7% of their annual compensation to the Police and Fire Plan The County is required to fund the remainder of the cost of its employees participation in the Police and Fire Plan The contribution requirement for the year ended June 30 1994 was $3 971 376 which consisted of $2 612 504 from the County and $1 358 872 from employees These contributions represented 14 7% and 7 7% of total covered payroll respectively

The number of employees covered and current membership classification at July 1 1993 are as follows

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	30
Active employees	
Fully vested	310
Non vested	170

The pension benefit obligation was determined as part of an actuarial valuation at July 1 1993 Significant actuarial assumptions used include (1) a rate of return on the investment of present and future assets of 8% per year compounded annually (2) projected salary increases of 13 5% for the first year 10 5% for the second year 8 0% annually for the next three years and 6 5% annually thereafter and 2% per year compounded annually attributable to inflation and (3) benefit increases after retirement according to the CPI U for the Baltimore area but in no event more than 2%

The unfunded pension benefit obligation of the Police and Fire Plan at July 1 1993 is as follows (in millions)

Pension benefit obligation	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$10 0
Current employees	
Accumulated employee contributions including allocated investment income	3 9
Employer financed vested	17 8
Employer financed nonvested	18 0
Total pension benefit obligation	49 7
Net assets available for benefits at market	32 5
Unfunded pension benefit obligation	$17.2

The Police and Fire Plan s funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll are sufficient to accumulate sufficient assets to pay benefits when due Level percentages of payroll employer contribution rates are determined using the projected unit credit actuarial cost method Contributions during the year ended June 30 1994 were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at July 1 1993 Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation

Trend information for the Police and Fire Employees Retirement Plan for the years ended June 30 1991 1992 and 1993 respectively is as follows available assets were sufficient to fund 47% 56% and 65 4% of the pension benefit obligation the unfunded pension benefit obligation represented 129 2% 122 3% and 97 8% of the annual payroll for employees covered by the plan and the County s contributions to the plan all made in accordance with actuarially determined requirements were 14 3% 14 8% and 14 7% of annual covered payroll Other historical trend information showing the Plan s progress in accumulating sufficient assets to pay benefits when due is presented to the extent available in the Plan s June 30 1994 separately issued financial statements

Generally all employees of the component units participate in the State of Maryland Employees Retirement and Pension Systems and the Teacher s Retirement and Pension Systems The component units employer contributions to the Employees Systems were $1 222 466 for the year ended June 30 1994 Contributions to the Teacher s Retirement and Pension Systems are made directly by the State of Maryland according to State statute These amounts are unavailable

13 Other Postemployment Benefits

The County provides a postemployment health insurance program through the General Fund in addition to the pension benefits described in note 12 These postemployment benefits were created in accordance with County statute All employees who retire from the County may participate in the program In order to be eligible the retiree must have a minimum of ten years of County service have passed his 50th birthday and possess a combination of age and County service which total a minimum of 75 years The County will pay a percentage of the retiree s health insurance premium based upon this criteria Other retirees who do not meet the eligibility criteria are permitted to participate in the retirees health insurance program by paying the full premium at the group rate Currently 104 employees meet these eligibility requirements The County accounts for these benefits on a current funding basis at a cost of $121 592 for fiscal year 1994

14 Deferred Compensation Plan

The County participates in a deferred compensation plan agreement with the National Association of Counties (NACO) This plan available to all County employees was established in accordance with Internal Revenue Code Section 457 A deferred compensation plan offers employees an opportunity to defer a portion of their salary along with the related Federal and State income tax until future years The deferred compensation is not available to employees until termination retirement death or unforeseeable emergency NACO has agreed to sponsor the plan and has selected the Public Employees Benefit Services Corporation (PEBSCO) to be the plan administrator

The plan administrator has the responsibility for investing the deferred monies as directed by the employees maintaining detailed accounting records for both the individual employee and the County and disbursing funds to plan participants The plan assets including all income earned and rights purchased are the exclusive property of Howard County and are subject to all the claims of creditors of the County The assets of the plan are reported at their fair market value in an agency fund The rights of employees are those of general creditors of the County The County believes that it is unlikely that it will use the plan assets to satisfy the claims of general creditors in the future The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor

15 Risk Management

The County is exposed to various risks of loss related to torts theft of damage to and destruction of assets errors and omissions injuries to employees and natural disasters The reporting entity excluding the Board of Education has established two internal service funds to account for and finance its uninsured risks of loss The reporting entity s risk financing techniques include a combination of risk retention through self insurance and risk transfer through the use of a risk pool The Employee Benefits Fund provides full coverage for employee benefits and long term disability claims For the long term disability program the funds budgeted for employee benefits are the County s share Employees also contribute a percentage of the cost of benefits The Risk Management Fund provides coverage up to a maximum of $1 000 000 for each automotive physical damage claim $1 000 000 for each general liability claim $100 000 for each property damage claim and full coverage on each worker s compensation claim

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

All funds of the reporting entity participate in the risk management program and make payments to the internal service funds based on a combination of actuarial estimates and historical cost information These amounts are needed to pay prior and current year claims and to establish a reserve for catastrophic losses

As of June 30 1994 the reserve for catastrophic losses was $9 065 035 and is reported as reserved for insurance claims in the internal service funds The claims liability of $2 274 584 in accounts payable is based on the requirements of Governmental Accounting Standards Board Statement no 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated Changes in the self insurance funds claims liability in fiscal 1993 and 1994 were

	Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	End of Year
1993	$1 520 757	$949 141	$(735 121)	$1 734 777
1994	1 734 777	1 041 859	(502 132)	2,274 584

16 Contributed Equity

The changes in contributed equity for the primary government are summarized as follows

	Enterprise Fund	Internal Service Fund
Balance July 1 1993	$223 439 592	$136 892
Shared revenue externally restricted for construction	4 077 924	
Principal portion of Water & Sewer assessments	4,265 354	
Depreciation on assets acquired from capital grants	(3 792 099)	
Balance June 30 1994	$227 990 771	$136 892

17 Individual Fund Disclosures

The deficit fund balances of the General Improvements Fund ($11 288 454) the Public Libraries Fund ($1 614 615) and the Recreation & Parks Fund ($2 555 780) will be eliminated through future bond sales The deficit fund balance of the Grants Fund ($284 812) will be eliminated through receipt of intergovernmental revenues

The reserved for contingencies fund balance on the general fund was established to retain revenues for future use to be used to maintain a consistent level of service without requiring a substantial tax increase if estimated revenues decline substantially during the course of the budget year

Expenditures exceeded appropriations in the Community Renewal Program fund due to capital improvements which are budgeted on an ongoing basis as opposed to expenditures made on an annual basis

Interfund assets and liabilities consist of the following

Receivable Fund	Payable Fund	Amount
Due from/to primary government and component units		
Board of education	General	$652 000
Board of education	School construction	4 059 856
Total		$4 711 856
Interfund receivable/payable		
General	General improvements	$8 988 050
General	Public libraries	487 587
General	Recreation and parks	2 096 113
General	Central stores	250 159
General	Community college construction	258 367
Total		$12 080,276

18 Commitments and Contingencies

Grants

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

Litigation

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

APPENDIX D

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE PRINCIPAL LEGAL DOCUMENTS

DEFINITIONS OF CERTAIN TERMS

In addition to terms defined elsewhere in this Official Statement the following are definitions of certain terms contained in this Official Statement Terms used but not defined herein shall have the meanings set forth in the Indenture or the Intergovernmental Agreement as the case may be

Act means the Maryland Environmental Service Act being codified as Sections 3 101 through 3 130 inclusive of the Natural Resources Article of the Annotated Code of Maryland (1989 Replacement Volume and 1994 Cumulative Supplement) and all future acts supplemental thereto or amendatory thereof

Additional Bonds means any bond note or other Indebtedness of the Service issued pursuant to the Indenture

Additional Facilities means any project undertaken by the Service that is financed or refinanced pursuant to the Act and the Indenture by the issuance of Additional Bonds that is required in order to restore maintain improve or increase the disposal capacity of the Project or otherwise to permit the Service to meet its Yard Debris disposal obligations under the Inter governmental Agreement including (without limitation) the completion of the acquisition and construction of the Composting Facility Additional Facilities may include (without limitation) land easements rights of way leaseholds and other interests in real property and any improvement addition or betterment to or any construction replacement remodeling or equipping of any such project

Agency Obligations means direct obligations (including bonds notes or participation certificates) of or obligations the timely payment of the principal of premium if any and the interest on which are unconditionally guaranteed by any of the following agencies or instrumentalities of the United States of America or their successors Government National Mortgage Association Federal Land Banks Federal Home Loan Banks Federal Intermediate Credit Banks Tennessee Valley Authority United States Postal Service Export Import Bank of the United States Farmers Home Administration General Services Administration United States Maritime Administration Small Business Administration United States Department of Housing and Urban Development Federal Housing Administration and Resolution Trust Corporation

Alternative Facility means any composting or solid waste disposal facility other than the Composting Facility located a commercially reasonable distance from the Composting Facility and designated by the Service in consultation with the Baltimore Regional Counties to receive all or a portion of the Yard Debris required to be accepted by the Service under the Intergovernmental Agreement

Applicable Law means any law regulation requirement or order of any federal state or local agency court or other governmental body applicable from time to time to the acquisition design construction equipping financing ownership possession or operation of the Project or the performance of any obligations under the Intergovernmental Agreement or any other agreement entered into in connection therewith

Authorized Officer of the Service means the Director the Deputy Director or the Treasurer of the Service and a person who by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Service by its Director and its Secretary is designated on behalf of the Service to perform any act including (without limitation) the execution of any Indebtedness certificates deeds leases mortgages agreements or other documents or instruments

Balloon Long Term Indebtedness means Long Term Indebtedness 25% or more of the principal amount of which matures in the same 12 month period which portion of such principal amount is not required by the documents governing such Long Term Indebtedness to be amortized by redemption prior to such period

Baltimore Regional Counties means respectively Howard County Maryland Baltimore County Maryland and Anne Arundel County Maryland and their respective successors and permitted assigns

Bond or Bonds means the Series 1995 Bonds and any Additional Bonds collectively

Bond Counsel means the law firm of Piper & Marbury L L P Baltimore Maryland subject to further action by the Service

Bondholder means the registered owner of a Bond

Business Day means a day other than a Saturday Sunday or legal holiday in the State of Maryland observed as such by the Service or a day on which banking institutions in the State of Maryland or in the city in which the principal office of the Trustee as designated by the Trustee is located are authorized or obligated to remain closed

Code means the Internal Revenue Code of 1986 as amended from time to time or any successor federal income tax statute or code and the applicable regulations thereunder

Completion Date means when used with respect to the Project or any Additional Facilities the date on which the Authorized Officer of the Service files the certificates required by the Indenture with the Trustee certifying the completion or acquisition of each and every portion of the Project or such Additional Facilities

Composting Facility means the Yard Debris composting facility which the Service anticipates developing on an approximately 56 acre parcel of land located in Howard County Maryland in the vicinity of U S Route 1 and the proposed Dorsey Run Road and which is intended to receive Yard Debris from the Baltimore Regional Counties under the Intergovernmental Agreement The Composting Facility shall include a compost pad a scale and scale house internal access roads and such other ancillary Yard Debris composting facilities as the Service deems necessary or appropriate

Composting Facility Revenues means for any Fiscal Year the aggregate amount of any revenues fees and income received by the Service in connection with the operation of the Composting Facility and the provision of Yard Debris composting services to the Baltimore Regional Counties under the Intergovernmental Agreement including (without limitation) (a) revenues from the Processing Fee and any other tipping fees charged to users of the Composting Facility (b) other operating revenues of the Composting Facility including (but not limited to) charges for services or use of property or equipment or proceeds from the sale of composted Yard Debris collected by the Service (c) the proceeds from any award of damages or settlement given to the Service in connection with a condemnation of all or a portion of the Composting Facility (d) the proceeds from any award of damages or settlement given to the Service in connection with any claim suit or proceeding brought by the Service against any subcontractor hired pursuant to of the Intergovernmental Agreement against any other person hired by the Service to provide services or materials in furtherance of the Service s obligation under the Intergovernmental Agreement or against any person who may cause the Service to incur costs under the Intergovernmental Agreement and (e) interest earnings on money held by the Service in the Special Purpose Fund but not including interest earnings on any accounts or reserves created under the Intergovernmental Agreement provided however that Composting Facility Revenues do not include (x) gifts grants bequests contributions or donations to the Service which constitute non operating revenue of the Service or (y) any balance in the Special Purpose Fund on the first day of a Fiscal Year carried over from any previous Fiscal Year

Concluding Payment means an amount equal to the product of the fair market value of the Composting Facility (as determined (a) utilizing one or more generally accepted appraisal approaches approved by the American Institute of Real Estate Appraisers or (b) from the purchase price in an arm s length sale of the Composting Facility) multiplied by the Total Proportionate Share

Consumer Price Index means the Consumer Price Index for the Baltimore Maryland Standard Metropolitan Statistical Area All Items for Urban Wage Earners and Clerical Workers seasonally adjusted published by the United States Department of Labor or if such index is no longer published or its method of computation is substantially modified an index approved by the Service

Cost as applied to the Project and any Additional Facilities includes the cost of construction or acquisition including the purchase price of any existing project or the cost of

acquiring all right title or interest in the Project or any Additional Facilities and the amount to be paid to discharge all obligations necessary to vest title to the Project or any Additional Facilities or any part of it or them in the Service or the owner the cost of any reconstruction extension enlargement alteration repair or improvement the cost of all lands properties rights easements interests franchises and permits acquired the cost of all labor machinery and equipment financing charges interest prior to and during construction and for such period after completion of construction as the Service deems appropriate the cost of revenue estimates engineering and legal services plans designs specifications surveys investigations demonstrations studies estimates of cost other expenses necessary or incident to determining the feasibility or practicability of any such acquisition improvement or construction administrative expenses and other expenses necessary or incidental to the financing herein authorized and to the acquisition operation maintenance improvement construction of the Project or any Additional Facilities and the placing of the Project or any Additional Facilities in operation including reasonable provision for working capital reserves for principal and interest and for extensions enlargements additions and improvements Any obligation or expense incurred prior to the issuance of bonds or notes under the provisions of this title in connection with the foregoing items of cost may be regarded as a part of such costs

Coverage Ratio means when used with respect to any particular Fiscal Year the quotient obtained by dividing (i) the aggregate of the Net Income Available for Debt Service for such Fiscal Year by (ii) the Debt Service Requirements on all Outstanding Long Term Indebtedness as of the last day of such Fiscal Year provided however that in any calculation of the actual or projected Coverage Ratio for any Fiscal Year that occurs prior to the first Fiscal Year in which the principal of or any Sinking Fund Installment with respect to any Long Term Indebtedness issued to finance Additional Facilities becomes due and payable or any interest on such Long Term Indebtedness ceases to be paid from amounts irrevocably deposited in escrow for the payment of interest on such Long Term Indebtedness such Long Term Indebtedness shall not be taken into account in calculating Debt Service Requirements

Credit Facility means any Liquidity Facility letter of credit bond insurance policy bond purchase agreement guaranty line of credit surety bond or similar credit or liquidity facility securing any Bond or other Indebtedness of the Service

Credit Facility Agreement means the agreement if any pursuant to which any Credit Facility is issued

Credit Facility Provider means the issuer of any Credit Facility then in effect

Debt Service means an amount equal to (i) the amount of any principal of and premium if any and interest on the Indebtedness or any other financing by or on behalf of the Service to finance costs related to the Composting Facility or the provision of services under the Intergovernmental Agreement plus (ii) fees and expenses (including fees and expenses of counsel to the Service) of the Service the Trustee and any remarketing agent letter of credit

bank or other credit facility provider and tender agent if any for the Indebtedness and administrative fees and expenses of the Service under the Indenture and any other financing documents relating to the Indebtedness including (without limitation) the amount necessary to eliminate deficiencies in any debt service reserve fund relating to the Indebtedness and any other amount payable by the Service under any Supplemental Indenture for any Indebtedness

Debt Service Requirements means when used with respect to any Long Term Indebtedness for any Fiscal Year or year (as the case may be) as of any particular date of calculation the amount required to pay the sum of (a) the interest on such Long Term Indebtedness payable during the period from the second day of such Fiscal Year or year (as the case may be) through the first day of the immediately succeeding Fiscal Year or year (as the case may be) and (b) the principal of the Sinking Fund Installment for and any other amount required to effect any mandatory redemption of such Long Term Indebtedness if any during the period from the second day of such Fiscal Year or year (as the case may be) through the first day of the immediately succeeding Fiscal Year or year (as the case may be) less any amount of such interest or principal for the payment of which moneys or Investment Obligations the principal of and interest on which when due will provide for such payment are irrevocably held in trust including (without limitation) any accrued interest and capitalized interest on deposit in any fund or account established under the Indenture For the purpose of calculating the Debt Service Requirements

(i) with respect to any Variable Rate Indebtedness

(A) for the purpose of calculating the Debt Service Reserve Fund Requirement the amount required to be deposited in any debt service reserve fund for any Bond and the principal amount of Balloon Long Term Indebtedness constituting Variable Rate Indebtedness payable in any Fiscal Year or year described in clause (ii)(D) below such Indebtedness shall be deemed to bear interest at the fixed rate that it would have borne had it been issued at a fixed rate for the term thereof as evidenced by a certificate of an Authorized Officer of the Service and a certificate of an investment banking firm or financial advisor knowledgeable in financial matters relating to the Service and the Project who may be without limitation the financial advisor to the Service confirming such interest rate assumption as reasonable and

(B) for all other purposes of the Indenture such Variable Rate Indebtedness shall be deemed to bear interest at an annual rate equal to 110% of (1) in the case of any period during which such Indebtedness shall have been outstanding the weighted average interest rate per annum borne by such Indebtedness during such period and (2) in any other case the higher of (a) the weighted average interest rate per annum borne by such Indebtedness during the 12 month period ending on the date of calculation (or in the case of any Variable Rate Indebtedness to be issued or issued during the immediately preceding 12 month period the weighted average interest rate per annum borne by other outstanding Indebtedness having comparable terms and issued by or secured by agreements issued by entities of comparable

creditworthiness as the obligors with respect to such Variable Rate Indebtedness during the immediately preceding 12 month period as evidenced by a certificate of an investment banking firm or a financial advisor knowledgeable in financial matters relating to the Service and the Project who may be without limitation the financial advisor to the Service) and (b) the interest rate per annum borne by such Indebtedness on the date of calculation

(ii) with respect to any Balloon Long Term Indebtedness

(A) unless such Indebtedness meets the requirements of clause (B) (C) or (D) below the principal amount of such Indebtedness shall be deemed to be payable during the Fiscal Year or year in which such principal amount becomes due except as provided in clause (E) below

(B) if a Liquidity Facility is then in effect with respect to such Indebtedness the principal amount of such Indebtedness payable in each Fiscal Year or year as of any date of calculation may be deemed to be the amount that would be payable during such Fiscal Year or year (as the case may be) if such Liquidity Facility was used or drawn upon to purchase or retire such Indebtedness on the stated maturity date thereof or on any date established for the mandatory redemption thereof less the aggregate amount required to be on deposit in any irrevocable sinking fund established to provide for the payment of such Indebtedness in accordance with clause (C) below during such Fiscal Year or year (as the case may be)

(C) if (1) pursuant to an indenture entered into by the Service an irrevocable sinking fund shall have been established to provide for the payment of such Indebtedness when due (2) deposits to such sinking fund are current and timely and (3) verification of such timely deposits is contained in the most recent audited financial statements of the Service or a letter to the Service from an Independent Public Accountant then the principal amount of such Indebtedness payable in each Fiscal Year or year (as the case may be) may be deemed to be the amount required to be deposited in such sinking fund for such Fiscal Year or year (as the case may be)

(D) In the case of any Balloon Long Term Indebtedness in an aggregate principal amount that does not exceed 20% of the Revenues for the most recent Fiscal Year the principal amount of such Indebtedness payable in each Fiscal Year or year (as the case may be) may be deemed to be the amount that would have been payable during such Fiscal Year or year (as the case may be) if such Indebtedness were required to be amortized in full from the date of its issuance or in the case of any such Indebtedness issued to finance or refinance the Project or any Additional Facilities a date on or before the completion of the Project or other any Additional Facilities in substantially equal annual installments of principal (such principal to be rounded to the nearest $5 000) and interest over a term equal to the shorter of (1) 20 years and (2) 100% of the weighted average economic life of the facilities financed or refinanced thereby as evidenced by a certificate of an Independent Public Accountant provided however that if any principal amount of such Indebtedness is stated to mature or is unconditionally subject to

mandatory redemption within the 12 month period immediately succeeding the date of calculation then such principal amount shall be deemed to be payable on the stated maturity date thereof or on the date established for the mandatory redemption thereof and

(E) for purposes of calculating the Debt Service Reserve Fund Requirement and the amount required to be deposited in any debt service reserve fund for any Bond the principal amount of such Indebtedness payable in each Fiscal Year or year shall be determined in accordance with clause (D) above without regard to the aggregate principal amount of such Indebtedness outstanding from time to time

(iii) with respect to any Optional Tender Indebtedness

(A) unless such Indebtedness meets the requirements of clause (B) below the principal amount of such Indebtedness payable in each Fiscal Year or year as of any date of calculation shall be deemed to be the principal amount of such Indebtedness that could be payable by the Service during such Fiscal Year or year (as the case may be) in connection with any demand for the purchase or redemption of such Indebtedness by any holder thereof or any termination of any Credit Facility securing such Indebtedness except as provided in clause (C) below

(B) if a Liquidity Facility is then in effect with respect to such Indebtedness the principal amount of such Indebtedness payable in each Fiscal Year or year as of any date of calculation may be deemed to be the amount that would be payable during such Fiscal Year or year (as the case may be) if such Liquidity Facility were used or drawn upon to purchase or retire such Indebtedness on the earliest date on which such Indebtedness may be required to be purchased or redeemed at the option of the holder thereof or in connection with any expiration of any Credit Facility securing such Indebtedness except as provided in clause (C) below and

(C) for purposes of calculating the Debt Service Reserve Fund Requirement and the amount required to be deposited in any debt service reserve fund for any Bond the principal amount of such Indebtedness payable in each Fiscal Year or year (as the case may be) shall be determined in accordance with clause (ii)(D) above without regard to the aggregate principal amount of such Indebtedness outstanding from time to time and

(iv) with respect to any Credit Facility Agreement except as provided in clauses (ii)(B) and (iii)(B) above so long as no demand for payment under the Credit Facility issued under such Credit Facility Agreement shall have been made the debt service requirements of such Credit Facility Agreement shall be excluded from such calculation

Debt Service Reserve Fund Credit Facility means any Credit Facility which is rated in the highest rating category of each Rating Agency held to the credit of the Debt Service Reserve Fund

Debt Service Reserve Fund Requirement means except as otherwise provided in the Supplemental Indenture authorizing any Additional Bonds with respect to such Additional Bonds for each Series of outstanding Bonds an amount equal to the least of (i) the greatest amount required in the then current or any future Fiscal Year to pay the Debt Service Requirements of the outstanding Bonds of such Series (ii) 125% of the average annual Debt Service Requirements of the Bonds of such Series determined as of the date of issuance thereof and (iii) 10% of the proceeds of the Bonds of such Series determined as of the date of issuance thereof and in the case of any Bonds that constitute Tax Exempt Bonds in accordance with Section 148 of the Code

Designated Hauler means a Hauler designated by a Baltimore Regional County to deliver Yard Debris to the Composting Facility for the account of the Baltimore Regional County

Due for Payment means when used with respect to any date in connection with the payment of the principal of any Series 1995 Bonds the stated maturity date of such Series 1995 Bonds or any date on which the principal of such Series 1995 Bonds is due to be paid by the application of a required Sinking Fund Installment for such Series 1995 Bonds and when used with respect to any date in connection with the payment of the interest on any Series 1995 Bonds any date on which the interest on such Series 1995 Bonds is payable in accordance therewith

Event of Default has the respective meanings specified in the Indenture and the Intergovernmental Agreement

Fiscal Year means the year commencing on July 1 of any calendar year and ending on June 30 of the succeeding calendar year

Fiscal Year Quarter means the three month period that begins as the case may be on either July 1 October 1 January 1 or April 1 of each year

Government Obligations means direct obligations of or obligations that are unconditionally guaranteed by the United States of America

Guaranteed Annual Payments means an amount equal to the product of the Processing Fee then applicable under the Intergovernmental Agreement multiplied by the then applicable Guaranteed Annual Tonnage

Guaranteed Annual Tonnage means unless modified pursuant to the Intergovernmental Agreements fifteen (15) thousand tons per year for Anne Arundel County seven (7) thousand tons per year for Baltimore County and eight (8) thousand tons per year for Howard County

Hauler means any Person other than a Designated Hauler or a Baltimore Regional County who provides Yard Debris hauling or disposal services and who has received permission from the Baltimore Regional Counties to deliver Yard Debris to the Composting Facility and whose name and address has been provided to the Service in writing by one of the Baltimore Regional Counties

Hazardous Waste has the meaning set forth in COMAR 26 13 01 03B as amended from time to time

Holder or holder or any term similar (i) when used with reference to a Bond means a Bondholder and (ii) when used with reference to any Subordinate Obligation the owner of such Subordinate Obligation determined in accordance with the Supplemental Resolution authorizing or approving the issuance thereof

Holiday means any day that the Service and the Baltimore Regional Counties designate in writing as a Holiday

Indebtedness means any bonds notes commercial paper or other obligations issued by the Service from time to time for borrowed money relating to the Composting Facility or the provision of Yard Debris composting services under the Intergovernmental Agreement Indebtedness may include and be issued for any Cost as such term is defined in The Maryland Environmental Service Act being codified in 3 101 through 3 129 of the Natural Resources Article of the Annotated Code of Maryland (1989 Replacement Volume and 1994 Cumulative Supplement) as amended from time to time

Indenture means the Indenture of Trust between the Service and the Trustee dated as of June 1 1995 as amended modified or supplemented from time to time by Supplemental Indentures

Independent Consultant means an independent consulting firm having a favorable national reputation for skill and experience with respect to the design construction and operation of Yard Debris composting facilities or the determination of the economic feasibility of such facilities appointed in accordance with the Indenture

Independent Counsel means any attorney or attorneys duly admitted to practice law before the highest court of any state who have regularly engaged in the practice of law as their primary occupation for at least five years and who are not officers or full time employees of the Service or the Trustee Bond Counsel to the Service may be deemed Independent Counsel

Independent Engineer means any form of Engineers of recognized standing designated by the Service with the approval of the Baltimore Regional Counties

Independent Public Accountants means any independent certified public accountant or firm of independent certified public accountants of recognized standing designated by the Service

Inflation Factor means a fraction the numerator of which is the Consumer Price Index most recently published prior to June 30 of the preceding Fiscal Year and the denominator of which is the Consumer Price Index most recently published prior to June 30 1995

Insurance Trustee means United States Trust Company of New York as trustee or its successors

Intergovernmental Agreement means the Yard Debris Composting Intergovernmental Agreements between the Service and each of the Baltimore Regional Counties as each of the same may from time to time be amended modified or supplemented in accordance with the terms thereof

Investment Obligations means

(a) Government Obligations

(b) Agency Obligations

(c) Obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years and rated in the highest general rating category of each of the Rating Agencies (without regard to any refinement or gradation of such rating category by numerical modifier or otherwise)

(d) United States dollar denominated deposit accounts federal funds and banker s acceptances with domestic commercial banks the short term certificates of deposit of which are rated with the highest letter and numerical rating by at least one nationally recognized statistical rating organization on the date of their purchase and which mature no more than 360 days from the date of their purchase (provided that the ratings assigned to any holding company of any such commercial bank shall not be deemed to be the ratings of such commercial bank for the purposes of this paragraph)

(e) obligations of any state of the United States of America or of any agency instrumentality or local governmental unit of any such state which are not subject to redemption at the option of the issuer thereof prior to their maturity or as to which irrevocable instructions for the redemption thereof on the date specified in such instructions have been given by the issuer thereof and (A) which are rated based on the escrow established therefor in the highest general rating category of one of the Rating Agencies or (B)(i) which are fully secured as to principal and interest and redemption premium if any by a fund consisting only of cash or Government Obligations which fund may be applied only to the payment of such

principal of and interest and redemption premium if any on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions as appropriate and (ii) which fund is sufficient as verified by a nationally recognized independent certified public accountant to pay principal of and interest and redemption premium if any on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above as appropriate

(f) commercial paper which has received the highest letter and numerical rating from at least one of the statistical rating services and which matures not more than 270 days after the date of its purchase and the total investment of which may not exceed 3% of the total investments

(g) investments in a taxable or tax exempt money market fund rated at the highest rating possible from at least one of the statistical rating services and

(h) any other forms of investments approved in writing by AMBAC Indemnity

Liquidity Facility means a written commitment to provide money to purchase or retire any Indebtedness if (i) on the date of delivery of such Liquidity Facility the unsecured indebtedness of the provider of such Liquidity Facility is rated by each Rating Agency in a rating category not lower than the rating category in which the Bonds are then rated and (ii) as of any particular date of determination no amount realized under such Liquidity Facility for the payment of the principal or the purchase or redemption price of such Indebtedness (exclusive of amounts realized for the payment of accrued interest on such Indebtedness) shall be required to be repaid by the Service for a period of at least one year

Long Term Indebtedness means all Bonds together with all of the following Indebtedness incurred or assumed by the Service

(i) any obligation for the payment of principal and interest with respect to money borrowed for an original term or renewable at the option of the borrower for a period from the date originally incurred longer than one year

(ii) any obligation for the payment of money under leases that are required to be capitalized under generally accepted accounting principles

(iii) any obligation for the payment of money under installment purchase contracts having an original term in excess of one year

(iv) any obligation that would constitute Short Term Indebtedness if a Liquidity Facility were not in effect with respect thereto and

(v) any guaranty of any Indebtedness that would be described in item (i) (ii) (iii) or (iv) above if such Indebtedness were incurred directly by the Service

Maximum Annual Debt Service means when used with reference to any Long Term Indebtedness for any year or Fiscal Year as of any particular date of computation the greatest amount required in the then current or any future year or Fiscal Year respectively to pay the Debt Service Requirements of such Long Term Indebtedness

Minimum Monthly Payment has the meaning given in Section 3 4 of the Intergovernmental Agreement

Net Income Available for Debt Service means for any period an amount determined in accordance with generally accepted accounting principles by deducting (i) the expenses of operating the Project or any Additional Facilities exclusive of depreciation interest amortization of financing expenses from (ii) the sum of all operating and nonoperating revenues of the Service derived from or in connection with the Project or any Additional Facilities (including without limitation all revenues of the Service under the Intergovernmental Agreement) provided however that there shall be excluded from such calculation any nonoperating gains or losses on the sale or disposition of any asset or on the extinguishment of debt

Operations Commencement Date means the date on which the Composting Facility is capable of receiving Yard Debris in accordance with Applicable Law provided however that the Operations Commencement Date shall be no later than October 1 1995 irrespective of whether the Composting Facility is capable at such time of receiving Yard Debris The Service shall provide the Baltimore Regional Counties no less than fourteen (14) days prior written notice of the Operations Commencement Date

Optional Tender Indebtedness means any Indebtedness that is subject to optional or mandatory tender by the holder thereof (including without limitation any mandatory tender in connection with the expiration of any Credit Facility securing such Indebtedness) for purchase or redemption prior to the stated maturity date thereof if the purchase or redemption price of such Indebtedness is under any circumstances payable by the Service

Outstanding means as of any particular date (a) when used with reference to Bonds all Bonds authenticated and delivered under the Indenture except (i) any Bond canceled by the Trustee (or delivered to the Trustee for cancellation) at or before such date (ii) any Bond for the payment of the principal or Redemption Price of and interest on which provision shall have been made as provided in the Indenture and (iii) any Bond in lieu of or in substitution for

which a new Bond shall have been authenticated and delivered pursuant to the Indenture and (b) when used with reference to any other Indebtedness all Indebtedness theretofore issued or incurred other than any such Indebtedness that is deemed to have been paid and discharged under generally accepted accounting principles

Permissible Bypassed Yard Debris means Yard Debris that the Service is not required to process but is required to accept under the Intergovernmental Agreement

Permissible Diverted Yard Debris means Yard Debris that the Service is not required to accept under the Intergovernmental Agreement

Permitted Encumbrance means

(a) any lien arising by reason of any deposit by the Service to secure any public or statutory obligation or to secure or in lieu of any surety stay or appeal bond and any deposit as security for the payment of taxes or assessments or other similar charges

(b) any lien arising by reason of any deposit with or the giving of any form of security to any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license or to enable the Service to maintain self insurance or to participate in any funds established to cover any insurance risk or in connection with workers compensation unemployment insurance any pension or profit sharing plan or other social security or to share in the privileges or benefits required for the participation of the Service in such arrangements

(c) any right reserved to or vested in any municipality or public authority by the terms of any right power franchise grant license permit or provision of law any lien for taxes assessments levies fees water and sewer rents or charges and other governmental and similar charges and any lien of any mechanic laborer supplier or vendor for work or services performed or materials furnished in connection with such property that is not due and payable or that is not delinquent or the amount or validity of which is being contested and execution thereon stayed

(d) any lien granted for the benefit of all holders of the Bonds in accordance with the Indenture

(e) any lien upon Revenues pledged to the payment of Subordinate Obligations

(f) any lien placed upon any real or tangible personal property being acquired by the Service to secure all or a portion of the purchase price thereof and

(g) such easements rights of way servitudes restrictions and other defects liens and encumbrances as the Service with the consent of AMBAC Indemnity shall determine do not materially impair the use of the Project or any Additional Facilities for their intended purpose or the value of the Project or any Additional Facilities

Person means any individual corporation partnership joint venture association joint stock company or unincorporated organization or any government unit or agency or political subdivision

Processing Fee means the per ton fee payable by the Baltimore Regional Counties for Yard Debris composting services pursuant to the Intergovernmental Agreement

Project means the acquisition design construction equipping and operation of the Composting Facility including the approximately 56 acre site on which the Composting Facility is located and all necessary access roads attendant facilities and equipment and all necessary or appropriate improvements thereto as the Project may be amended in accordance with the Indenture the definition of the Project set forth hereinabove shall not in any way limit the items that may be financed with the proceeds of the Bonds as permitted by the Act

Project Waste means Qualified Residue and waste materials generated at the Composting Facility by the provision of composting services under the Intergovernmental Agreement

Proportionate Share of a Baltimore Regional County means respectively for Anne Arundel County fifty percent for Baltimore County twenty three and 33/100 s percent and for Howard County twenty six and 67/100 s percent unless otherwise adjusted pursuant to the Intergovernmental Agreement

Qualified Residue means residue that meets the quality and quantity standards specified in the Service Agreement

Rating Agency means Moody s Investors Service Inc Standard & Poor s Corporation or any other securities rating agency that at the request of the Service shall have assigned a rating that is then in effect with respect to any Bonds and their successors and assigns and Rating Agencies means each such Rating Agency collectively

Receiving Hours means 7 a m to 5 p m Monday through Saturday unless otherwise agreed by the Service and the Baltimore Regional Counties

Redemption Price means when used with respect to any Bond or portion thereof the principal amount of such Bond or such portion thereof plus the applicable premium if any payable upon redemption thereof pursuant to the Indenture

Registrar means the Trustee in its capacity as Bond registrar under the Indenture

Reloading Fee means a surcharge as set forth in the Service Agreement to each ton of Unacceptable Material removed in accordance with the Service Agreement

Replacement Bonds means Bonds issued in accordance with the Indenture

Residue means the material that remains after Yard Debris has been processed and removed

Revenues means (i) all payments to the Service or the Trustee pursuant to the Intergovernmental Agreement (ii) all moneys and securities on deposit in the funds and accounts created by this Indenture and (iii) all other receipts of the Service attributable to the ownership leasing or operation of the Project and the financing and refinancing of the Project and any Additional Facilities with the proceeds of Bonds Revenues do not include moneys received by the Service from Howard County for construction of access roads relating to the Composting Facility

Serial Bonds means the Bonds of any series that are stated to mature in consecutive annual installments

Series means any series of Bonds authorized by the Indenture

Series 1995 Bonds means the Maryland Environmental Service Revenue Bonds (Regional Yard Debris Composting Project) Series 1995 dated as of July 1 1995 authorized by the Indenture

Service means Maryland Environmental Service a body politic and corporate constituting an instrumentality of the State of Maryland created by the Act and performing an essential governmental function of the State of Maryland and its successors

Service Agreement means the Service Agreement between the Service and the subcontractor which shall provide for the operation of the Composting Facility by the subcontractor

Short Term Indebtedness means any Indebtedness (i) incurred or assumed by the Service for a term not exceeding 365 days except any such Indebtedness with respect to which a Liquidity Facility is then in effect and (ii) any guaranty of any Indebtedness that would be described in clause (i) above if such Indebtedness were incurred directly by the Service

Sinking Fund Installment means the amount of money provided in the Indenture and in each Supplemental Indenture authorizing any Series of Additional Bonds to redeem or pay at maturity Term Bonds at the times and in the amounts provided in the Indenture or such

Supplemental Indenture (as the case may be) less the amount of any credit against such amount arising from the purchase of Term Bonds in any prior year as provided in the Indenture

Special Purpose Fund means the Composting Facility Services Fund established on the books of the Service for the purpose of maintaining discrete financial accounting records of transactions undertaken pursuant to the Intergovernmental Agreement and described in the Intergovernmental Agreement

State means the State of Maryland

Subordinate Obligations means any subordinate Indebtedness issued by the Service as described under Summary of Certain Provisions of the Indenture Subordinate Obligations below

Supplemental Fee means the quarterly fee payable by the Baltimore Regional Counties to the Service for Yard Debris composting services under the Intergovernmental Agreement and as defined therein

Supplemental Indenture means any indenture of trust between the Service and the Trustee amending modifying or supplementing the Indenture any Supplemental Indenture or any Bond delivered and becoming effective in accordance with the terms of the Indenture

Surcharge means the amount set forth in the Service Agreement for each ton of Unacceptable Material that is delivered to the Project and not removed in accordance with the Service Agreement

Tax Exempt Bonds means the Series 1995 Bonds and any other Bonds with respect to which there shall have been delivered to the Service an opinion of Bond Counsel to the effect that the interest on such Bonds is excludable from gross income for federal income tax purposes

Term Bonds means the Bonds of any series other than Serial Bonds payable prior to or at their stated maturity from Sinking Fund Installments deposited in the Sinking Fund Account

Tipping Fee means the per ton fee paid by a Hauler to dispose of Yard Debris at the Composting Facility

Ton means a short ton of two thousand (2 000) pounds

Total Costs means with regard to any Fiscal Year all costs or expenses of the Service or amounts payable by the Service in connection with the ownership or operation of the Composting Facility or the performance by the Service of its obligations under the Intergovernmental Agreement including (without limitation) the sum of

(a) Debt Service for the Fiscal Year and

(b) an amount equal to the aggregate costs of operation maintenance repair equipping and management of the Composting Facility and the provision of Yard Debris composting services under the Intergovernmental Agreement for the Fiscal Year including (but not limited to) (i) the reasonable costs of any services provided under operating contracts service charges or rentals or tipping fees paid to owners or operators of Alternative Facilities (ii) the costs of disposal of Unacceptable Material (iii) the reasonable costs of direct labor (including without limitation labor and services provided by the Service to supervise and manage the Company) supervision on site clerical support fringe benefits insurance taxes materials supplies transportation utilities tools equipment rentals and lease payments (iv) the cost of providing and operating monitoring wells with respect to the Composting Facility (v) all costs liabilities and penalties under the Comprehensive Environmental Response Compensation and Liability Act (42 U S C 9601 et seq) the Solid Waste Disposal Act (42 U S C 6901 et seq) and the Maryland Hazardous Substances Spill Response Law (Maryland Annotated Code Health Environmental Article §§7 201 et seq) or comparable local State or federal law (vi) all indirect costs to the Service for administrative financial engineering and other oversight and support services (including fees and expenses of counsel to the Service) and (vii) any amounts paid to the Sub contractor in accordance with the Service Agreement and all costs of the Service incurred in conjunction with the sale of the Composting Facility in accordance with the Intergovernmental Agreement

Total Guaranteed Annual Payment means for a Fiscal Year the aggregate of Guaranteed Annual Payments of the Baltimore Regional Counties

Total Proportionate Share of a Baltimore Regional County means at any time of calculation the fraction the numerator of which is the total amount of Yard Debris delivered by the Baltimore Regional County to the Composting Facility during the entire term of this Intergovernmental Agreement and the denominator of which is the aggregate amount of Yard Debris delivered by or on behalf of the Baltimore Regional Counties to the Composting Facility during the same entire term

Trust Estate means all moneys and securities that from time to time are deposited or are required to be deposited or to be held in trust under any of the provisions of the Indenture and all property rights and other assets that from time to time may be pledged and assigned to the Trustee under the Granting Clauses of the Indenture

Trust Indenture means any trust indenture bond resolution or comparable instrument under which Indebtedness is issued by the Service in connection with the financing or refinancing of the Composting Facility or otherwise in connection with the provision of services under the Intergovernmental Agreement or any modifications thereof or additions thereto which Indebtedness is in whole or in part payable from the revenues credited to the Special Purpose Fund

Unacceptable Material means

(a) Hazardous Waste and

(b) any materials that are not Yard Debris

Variable Rate Indebtedness means as of any particular date Long Term Indebtedness the interest rate on which is not established at a fixed rate or rates for the remaining term thereof

Waste Allowance means five percent (5%) by weight of the total monthly amount of accepted Yard Debris

Yard Debris means leaves grass clippings brush and tree trimmings and any other materials which the Service determines may be disposed of at the Project

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture It is not a complete recital of the terms of the Indenture and reference should be made to the Indenture for a complete statement of its terms Words and terms used in this summary shall have the same meanings as in the Indenture except where otherwise noted

Creation of Funds and Accounts (Sections 4 01)

The following funds and separate accounts within funds are created by the Indenture for the benefit of the holders of all Bonds Outstanding under the Indenture Revenue Fund Construction Fund Debt Service Fund (Interest Account Principal Account and Sinking Fund Account) Debt Service Reserve Fund Redemption Fund Insurance and Condemnation Award Fund and Rebate Fund Each such fund or account shall be held by the Trustee The Rebate Fund is not pledged to the payment of any Bonds

Application of Proceeds of Series 1995 Bonds, Transfers of Funds and Accounts (Section 4 02)

Upon the receipt of the proceeds of the Series 1995 Bonds by the Trustee on behalf of the Service in trust for the benefit of the holders from time to time of the Bonds the Trustee shall make payments from such proceeds as follows (i) any accrued interest on the Series 1995 Bonds shall be deposited in the Interest Account (ii) an amount equal to the Debt Service Reserve Fund Requirement shall be deposited in the Debt Service Reserve Fund and (iii) the balance of such proceeds shall be deposited in the Construction Fund

Application of Moneys in the Construction Fund (Section 4 03)

Moneys deposited in the Construction Fund shall be used only to finance or refinance the Costs of or relating to the Project and any Additional Facilities Payments from the Construction Fund shall be made in accordance with requisitions meeting the requirements of the Indenture

Upon completion of the Project or any Additional Facilities in accordance with the Indenture the Trustee shall pay the balance of moneys then remaining in the Construction Fund less any amounts to be retained in the Construction Fund to pay any unpaid Costs of the Project or such Additional Facilities (as the case may be) as follows and in the following order of priority (i) to the Debt Service Reserve Fund such amount necessary to make the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement and (ii) to the Redemption Fund any balance or deposit in the Construction Fund after making the payment required above

Deposit of Revenues (Section 4 05)

The Revenues received pursuant to the Indenture and any other moneys that are required to be deposited in the Revenue Fund shall be deposited by the Trustee in the Revenue Fund Except as otherwise set forth below the Trustee shall transfer moneys in the Revenue Fund upon deposit thereof as follows and in the following order of priority

FIRST to the Interest Account the amount if any necessary to make the amount on deposit therein equal to the amount of interest accrued and unpaid on the Bonds Outstanding on the first day of the immediately succeeding month (in the case of any Outstanding Bonds that constitute Variable Rate Indebtedness calculated on the basis of the actual interest rates borne by such Bonds through the date of such transfer and assuming such Bonds bear interest during any period after the date of such transfer at an annual rate equal to 110% of the interest rate borne by such Bonds on the date of such transfer)

SECOND (i) to the Principal Account the lesser of (A) one twelfth (1/12) of the amount of any principal of the Bonds Outstanding becoming due on the immediately succeeding September 1 and (B) the amount required to make the amount on deposit in the Principal Account equal to the principal amount if any becoming due on the Bonds Outstanding on the immediately succeeding September 1

(ii) to the Sinking Fund Account the lesser of (A) one twelfth (1/12) of the amount of any Sinking Fund Installment for the Bonds Outstanding due on the immediately succeeding September 1 and (B) the amount necessary to make the amount credited to the Sinking Fund Account equal to the Sinking Fund Installment if any becoming due on the Bonds on the immediately succeeding September 1 and

THIRD to the Debt Service Reserve Fund beginning in the month immediately succeeding any month in which the Service receives notice of any deficiency in the Debt Service Reserve Fund pursuant to the Indenture one twelfth (1/12) of the amount of such deficiency until the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement

After making the payments required above any balance remaining in the Revenue Fund on the last day in any month shall be paid to the Service unless such amount constitutes the proceeds of Bonds or the investment earnings thereon in which case such amount shall be transferred to such funds and accounts as the Service upon advice of Bond Counsel shall direct

The Service shall pay over to the Trustee and the Trustee shall immediately deposit in the Insurance and Condemnation Award Fund upon receipt thereof (i) all proceeds received under any title insurance policy relative to all or any portion of the Project or any Additional Facilities (ii) the proceeds of all or any portion of the Project or any Additional Facilities taken in the exercise of the power of eminent domain condemnation or through the exercise of any right or any obligation on the part of any public authority to purchase the same or as a result of any agreement between the Service and any such public authority and (iii) any insurance proceeds payable in connection with the loss damage or destruction of all or any portion of the Project or any Additional Facilities

The Service shall pay over to the Trustee and the Trustee shall immediately deposit the proceeds of any use and occupancy insurance policy (A) to the Interest Account to the extent of the amount of such proceeds that represents interest accruing on the Bonds for the period covered by such payment and (B) to the Principal Account and the Sinking Fund Account to the extent of the amount of such proceeds that represents the amount if any payable by the Service during the period covered by such payment in respect of the principal of or Sinking Fund Installment for the Bonds

Application of Moneys in the Debt Service Fund (Section 4 06)

The Trustee shall pay from the Interest Account the interest due on the Outstanding Bonds on each interest payment date and any amounts required for the payment of accrued interest upon any purchase or redemption of Outstanding Bonds

The Trustee shall on each September 1 pay from the Principal Account the principal amount due if any on the Outstanding Bonds upon presentation and surrender of the requisite Bonds The Trustee shall take all action necessary to effect the timely redemption of Outstanding Term Bonds from the Sinking Fund Account in accordance with the Sinking Fund Installments

Application of Moneys in the Debt Service Reserve Fund (Section 4 07)

If on any interest payment date the amount in the Interest Account shall be less than the amount of interest due on the Outstanding Bonds or if on any September 1 the amount credited to the Principal Account or the Sinking Fund Account shall be less than the amount of the principal and the Sinking Fund Installment (either or both as the case may be) then due on the Bonds the Trustee forthwith shall transfer any moneys from the Debt Service Reserve Fund first to the Interest Account and second to the Principal Account and Sinking Fund Account to the extent necessary to make good any deficiency

For the purposes of the Indenture in the case of the Debt Service Reserve Fund a deficiency shall mean that the value of the assets of the Debt Service Reserve Fund is less

than the Debt Service Reserve Fund Requirement and a surplus shall mean that the value of the assets of the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement

The Trustee shall determine the value of the assets in the Debt Service Reserve Fund in the manner prescribed in the Indenture as of the close of business (i) on September 1 and March 1 in each year during the period between the date of delivery of the Series 1995 Bonds and the Completion Date of the Project and between the date of delivery of any series of Additional Bonds and the Completion Date of any Additional Facilities financed with the proceeds of such Additional Bonds (ii) on September 1 in each year during any other period (iii) on the date of any withdrawal from the Debt Service Reserve Fund and on the last Business Day of each month thereafter until a deficiency no longer exists in the Debt Service Reserve Fund (iv) on any date on which the Trustee obtains actual knowledge that any Debt Service Reserve Fund Credit Facility is no longer entitled to be credited against the Debt Service Reserve Fund and (v) on any other date on which the Service shall direct

The Trustee shall transfer the amount of any surplus that exists in the Debt Service Reserve Fund from time to time upon the direction of the Service as follows

> FIRST to the Construction Fund during the period between the date of delivery of the Series 1995 Bonds and the Completion Date of the Project and unless the Supplemental Indenture authorizing the issuance of any Additional Bonds shall otherwise provide during the period between the date of delivery of such Additional Bonds and the Completion Date of any Additional Facilities financed with the proceeds of such Additional Bonds and
>
> SECOND to the Debt Service Fund for deposit in such accounts as the Service shall direct

Redemption Fund Application of Moneys (Section 4 08)

On any date that a determination of the value of the assets of the Debt Service Reserve Fund discloses a deficiency therein the Trustee shall transfer to the Debt Service Reserve Fund from the Redemption Fund any amount on deposit in the Redemption Fund (other than moneys required to pay the Redemption Price on any Bonds theretofore called for redemption and moneys set aside for the purchase of Bonds theretofore contracted to be purchased) to the extent of such deficiency The Trustee shall notify the Service of such transfer and the amount thereof Upon the direction of the Service the Trustee may set aside any amount on deposit in the Redemption Fund for the redemption of particular Bonds by the delivery of irrevocable written instructions to the Trustee Amounts set aside for the redemption of Bonds and investment earnings on such amounts shall be applied to the payment of the

interest due on such Bonds on or prior to the redemption date of such Bonds to the extent provided in such instructions

Moneys in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds of such Series and maturities as the Service shall direct provided however that if any Supplemental Indenture authorizing the issuance of any Series of Additional Bonds shall so provide moneys available for the redemption or purchase of Bonds on any date shall be allocated among all Series of Bonds in proportion (as nearly as practicable) to the aggregate principal amount of Bonds of each such Series subject to redemption from such amounts on such date and the Bonds of such Series of Additional Bonds to be purchased or redeemed on any date shall be selected in accordance with the provisions of such Supplemental Indenture

Application of Moneys in the Insurance and Condemnation Award Fund (Section 4 09)

(a) The Service may elect within six months of any loss damage destruction or taking of the Project or any Additional Facilities to apply the proceeds resulting therefrom on deposit in the Insurance and Condemnation Award Fund to the repair or replacement of the lost damaged destroyed or taken property if

(i) the Service delivers to the Trustee a certificate of an Authorized Officer of the Service in form and substance satisfactory to the Trustee setting forth his estimate of the cost of repairing or replacing the lost damaged destroyed or taken property to be repaired or replaced and the time required therefor and

(ii) the Service delivers to the Trustee a certificate of an Authorized Officer of the Service in form and substance satisfactory to the Trustee that (1) the amount of such proceeds together with any other moneys deposited or available for deposit in the Insurance and Condemnation Award Fund (which may include without limitation amounts available to be drawn under a letter of credit guaranty or other instrument in form and substance satisfactory to the Trustee delivered to the Trustee for the credit of the Insurance and Condemnation Award Fund) will be sufficient to pay the costs of repairing or replacing the lost damaged destroyed or taken property to be repaired or replaced (2) the Coverage Ratio for each of the two Fiscal Years following restoration of the Project or any Additional Facilities (taking into account proceeds of insurance available to the Service for each Fiscal Year during the period of restoration) is projected to be at least 1 00 and (3) neither the Service nor any of the Baltimore Regional Counties is in default in the performance or observance of any of the covenants conditions agreements or provisions

of the Intergovernmental Agreement and the Intergovernmental Agreement is in full force and effect

(b) The Service may elect within six months of any loss damage destruction or taking of the Project or any Additional Facilities to apply any proceeds resulting therefrom on deposit in the Insurance and Condemnation Award Fund to the redemption of Outstanding Bonds if

(i) the Service either delivers to the Trustee a certificate of an Authorized Officer of the Service in form and substance satisfactory to the Trustee to the effect that (after giving effect to the redemption of such Bonds) the Coverage Ratio for each Fiscal Year during the period covered by projections contained in such certificate which shall be a period of at least two full Fiscal Years or such longer period as shall be deemed advisable by the Service is projected to be at least 1 00 or

(ii) the Service shall pay to the Trustee for deposit in the Insurance and Condemnation Award Fund an amount of money that together with any other moneys held to the credit of the funds and accounts created by the Indenture shall be sufficient to provide for the redemption of all Outstanding Bonds in the manner provided by the Indenture

(c) The Service may elect to apply a portion of such proceeds to the repair or replacement of the lost damaged destroyed or taken property and to apply the remaining proceeds to the redemption of Outstanding Bonds so long as the Service shall satisfy the requirements of paragraph (a) above

(d) The Service shall elect to apply such proceeds in accordance with paragraph (a) (b) or (c) above within six months of such loss damage destruction or taking If the Service does not make such election or is not entitled to apply such proceeds in accordance with paragraph (a) (b) or (c) above the Trustee shall employ an Independent Consultant at the expense of the Service within six months of such loss damage destruction or taking to submit a written report and recommendations as to the use of such proceeds that would result in the maximum feasible Coverage Ratio Such report shall include a financial projection for a period extending at least through the second full Fiscal Year after the date of completion of any repairs or replacements recommended by such Independent Consultant Such proceeds shall be applied in accordance with the recommendations of such Independent Consultant

(e) If any portion of the Project or any Additional Facilities shall be lost damaged or destroyed as a result of a casualty as to which insurance has not been maintained as required under the terms of the Indenture and if the amount of such loss damage or destruction is in excess of $100 000 multiplied by the Inflation Factor the Service shall elect promptly after such loss damage or destruction either to expend for repairs restoration or replacement of the property lost damaged or destroyed such sum as may be required therefor or to pay such sum

to the Trustee provided however that if in any single Fiscal Year such loss damage or destruction is in an aggregate amount equal to or in excess of $200 000 multiplied by the Inflation Factor and the Service shall not have elected to repair or replace the lost damaged or destroyed property within six months of such loss damage or destruction then the Service shall either (i) deliver to the Trustee a certificate of an Authorized Officer of the Service in form and substance satisfactory to the Trustee to the effect that the Coverage Ratio for each Fiscal Year during the period covered by projections contained in such certificate which shall be a period of at least two full Fiscal Years or such longer period as shall be deemed advisable by the Service is projected to be at least 1 00 or (ii) forthwith pay to the Trustee for deposit in the Insurance and Condemnation Award Fund the amount that together with any other moneys in the funds and accounts established by the Indenture shall be sufficient to provide for the redemption of all Outstanding Bonds Notwithstanding any other provision of this paragraph the Service may elect within such six month period to repair or replace some of the lost damaged or destroyed property and to pay the remaining sum (and any additional moneys) to the Trustee to be applied to the redemption of Outstanding Bonds if the Service s certificate delivered to the Trustee pursuant to clause (i) above indicates that the Coverage Ratio for each Fiscal Year during the period extending through the second full Fiscal Year after the date of completion of such repairs or replacements is projected to be at least 1 00

(f) As used in this Section the terms repair and replace include (without limitation) the construction or acquisition of replacement or substitute property structures machinery equipment or other improvements having a fair market value (but not necessarily the same function) at least equal to the fair market value immediately prior to loss damage destruction or taking of the property lost damages destroyed or taken The election of the Service to repair or replace any lost damaged destroyed or taken property shall be made by a written certification of an Authorized Officer of the Service to the effect that the Service has entered into substantial binding commitments for such repair or replacement

(g) The Service shall adjust losses under property and business interruption insurance policies which shall be maintained pursuant to Section 5 08 of the Indenture related to the Project or any Additional Facilities as promptly as practicable and with due regard to the interests of the Trustee and the holders of Bonds Any adjustment of any loss damage or destruction in an amount in excess of $20 000 under any policy of casualty insurance and any settlement or payment of indemnity in an amount in excess of $20 000 under any such policy shall be evidenced by an appropriate certificate filed with the Trustee signed by an Authorized Officer of the Service

(h) If any public authority or other entity in the exercise of its power of eminent domain or condemnation power or through the exercise of any right or obligation on the part of such entity or as a result of any agreement between the Service and such entity made in lieu of condemnation proceedings takes or damages the Project or any Additional Facilities or any part thereof the Service shall take prompt and appropriate measures to protect and enforce its rights and interests and those of the Trustee in connection with any condemnation proceeding

Prompt written notice of any taking loss damage or destruction of any part of the Project or any Additional Facilities or of any official notice thereof or of the institution of any proceeding therefor by any public instrumentality body agency or officer shall be given to the Trustee

(i) If moneys on deposit in the Insurance and Condemnation Award Fund are to be used to pay the costs of repair or replacement of lost damaged destroyed or taken property such moneys shall be disbursed by the Trustee from time to time to or at the direction of the Service in accordance with requisitions meeting the requirements of the Indenture

If moneys on deposit in the Insurance and Condemnation Award Funds are to be applied to the redemption of Bonds such moneys shall be transferred by the Trustee to the Redemption Fund to be applied to the extraordinary redemption of Bonds on the earliest practicable redemption date

Investments (Section 4 10)

Moneys in any of the funds and accounts established pursuant to the Indenture shall be invested by the Trustee as shall be directed by an Authorized Officer of the Service but only in Investment Obligations maturing in such amounts and on such dates as may be necessary to provide moneys to meet payments from such funds and accounts Notwithstanding the foregoing (i) so long as no Insurance Default shall have occurred and be continuing moneys in the Interest Account which constitute capitalized interest or accrued interest on the Series 1995 Bonds shall be invested only in Government Obligations or with the consent of AMBAC Indemnity in any other Investment Obligations and (ii) moneys in the Debt Service Reserve Fund shall be invested only in Investment Obligations maturing or redeemable at the option of the holder not later than ten years following the date of their purchase

Subject to the provisions of the Indenture interest earned profits realized and losses suffered by reason of any investment of the funds and accounts created by the Indenture shall be credited or charged as the case may be to the fund or account for which such investment shall have been made provided however that during the period between the date of delivery of the Series 1995 Bonds and the Completion Date of the Project and unless the Supplemental Indenture authorizing the issuance of any Additional Bonds shall otherwise provide during the period between the date of delivery of any Additional Bonds and the Completion Date of any Additional Facilities financed with the proceeds of such Additional Bonds the Trustee shall pay to the Construction Fund from the Interest Account an amount equal to the interest earned from the investment of money in the Interest Account which together with other money on deposit in the Interest Account is in excess of the amount required to pay interest on the Bonds on each interest payment date prior to the Completion Date

Interest earned profits realized and losses suffered by reason of any investment of the Debt Service Reserve Fund shall be calculated by the Trustee on each date on which the Trustee is required to determine the value of the assets of the Debt Service Reserve Fund in

accordance with the Indenture If the net investment result for the Debt Service Reserve Fund for any such period is a gain (by virtue of either interest earned or profits realized) the amount of such investment gain shall be credited to the Debt Service Reserve Fund to the extent that there exists a deficiency therein and the balance of such investment gain if any shall be paid by the Trustee from time to time upon the direction of the Service as follows (i) to the Construction Fund during the period between the date of delivery of the Series 1995 Bonds and the Completion Date of the Project and unless the Supplemental Indenture authorizing the issuance of any Additional Bonds shall otherwise provide during the period between the date of delivery of any Additional Bonds and the Completion Date of any Additional Facilities financed with the proceeds of such Additional Bonds and (ii) in any other case to the Debt Service Fund for deposit in such accounts as the Service shall direct

In addition in determining the value of the assets of the Debt Service Reserve Fund there shall be credited to the Debt Service Reserve Fund the amount that can be realized by the Trustee under any Debt Service Reserve Fund Credit Facility if each of the following conditions is met (i) on the date of delivery of such Debt Service Reserve Fund Credit Facility to the Trustee and throughout the period during which such Debt Service Reserve Fund Credit Facility is credited to the Debt Service Reserve Fund the unsecured long term indebtedness or the claims paying ability of the issuer of such Debt Service Reserve Fund Credit Facility or its parent holding company or other controlling entity is rated by each Rating Agency which maintains a rating on the Bonds secured thereby in a rating category not lower than the rating category in which the Bonds are then rated (ii) such Debt Service Reserve Fund Credit Facility permits the Trustee to realize amounts thereunder (A) at such times as the Trustee is required to transfer any amount (other than any surplus) from the Debt Service Reserve Fund in accordance with the Indenture and (B) immediately prior to the expiration date of such Debt Service Reserve Fund Credit Facility unless all Bonds secured thereby have been paid in accordance with the Indenture prior to such date or there shall have been deposited in the Debt Service Reserve Fund money or securities authorized for investment of the Debt Service Reserve Fund (including without limitation any substitute Debt Service Reserve Fund Credit facility meeting the requirements of this paragraph) equal to the Debt Service Reserve Fund Requirement (iii) in connection with the delivery of such Debt Service Reserve Fund Credit Facility the Trustee shall have agreed to make the drawings permitted by clause (ii) above and (iv) if amounts realized under such Debt Service Reserve Fund Credit Facility are under any circumstances payable from the Revenues such amounts shall be payable in no fewer than 12 equal monthly installments

The Trustee shall not be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts created by the Indenture shall be invested or for any loss arising from any permitted investment

The Rebate Fund (Section 4 12)

The Service shall (i) hold and invest Bond Proceeds within its control (if such proceeds are invested) (ii) direct the Trustee to transfer amounts on deposit in any fund or account created by the Indenture to the Rebate Fund and (iii) deposit funds with the Trustee for deposit to the Rebate Fund or otherwise make funds available for the payment of rebates to the United States of America all in accordance with the expectations of the Service set forth in its Tax and Section 148 Certificate

The Service shall make timely payment but only from the Revenues of any rebate amount (or installment thereof) required to be paid to the United States of America in order to preserve the excludability from gross income for federal income tax purposes of interest paid on the Tax Exempt Bonds and shall include with any such payment such other documents certificates or statements as shall be required to be included therewith under then applicable law and regulations

Upon receipt of written notice from an Authorized Officer of the Service directing the transfer of amounts on deposit in any fund or account created by the Indenture to the Rebate Fund the Trustee shall make the transfer referred to therein any other provision of the Indenture to the contrary notwithstanding Amounts on deposit in the Rebate Fund from time to time required to be rebated to the United States of America pursuant to Section 148 of the Code shall be made available by the Trustee to the Service for the payment of such rebates upon the written direction of an Authorized Officer of the Service and shall not be pledged to the payment of the principal or Redemption Price of or interest on any Bonds

As used in the above paragraphs rebate means the required rebate payable to the United States of America and any penalty in lieu of rebate pursuant to Section 148(f) of the Code

Additional Bonds (Section 2 05)

The Indenture authorizes the issuance of Additional Bonds by the Service pursuant to a Supplemental Indenture for any one or more of the following purposes (i) to refund or advance refund Outstanding Bonds (ii) to obtain funds necessary to pay the Cost of Additional Facilities required in order to restore maintain improve or increase the disposal capacity of the Project or otherwise permit the Service to meet its Yard Debris composting obligations under the Service Agreement or (iii) to obtain funds necessary to pay the Cost of completing the Project and any Additional Facilities Additional Bonds may be issued to pay the costs incurred in connection with the issuance and sale of any Bonds to establish reserves and to pay interest on any Bonds prior to and during the acquisition and construction and (if deemed advisable by the Service) for a limited period after the completion of the Project or any Additional Facilities as the case may be The issuance of Additional Bonds shall be authorized by a Supplemental Indenture and on a parity with and shall be entitled to the same benefit and security of the

Indenture (including the pledge of the Revenues made by the Indenture) as the Series 1995 Bonds and any other series of Additional Bonds that may be issued from time to time as provided in the Indenture

The Supplemental Indenture authorizing the issuance of any Series of Additional Bonds may provide that funds on deposit in any debt service reserve fund or proceeds realized under any Credit Facility securing the payment of such Additional Bonds shall not be available to pay the principal or Redemption Price of or interest on or the purchase price of the Series 1995 Bonds or any other series of Additional Bonds

Any Supplemental Indenture authorizing the issuance of Additional Bonds may provide that (i) such Series of Bonds shall be secured by the Debt Service Reserve Funds maintained for the Series 1995 Bonds (ii) such Series of Additional Bonds shall not be secured by a Debt Service Reserve Fund or (iii) such Additional Bonds shall be secured by a separate Debt Service Reserve Fund

The Indenture requires that prior to the delivery of each series of Additional Bonds there must be delivered to the Trustee among other things

(a) a counterpart of the applicable Supplemental Indenture authorizing the issuance of such Additional Bonds executed by the parties hereto

(b) an opinion of Bond Counsel to the effect that (i) the Supplemental Indenture of the Service authorizing the issuance of such Additional Bonds has been duly authorized executed and delivered by the Service and assuming the due authorization execution and delivery thereof by the Trustee constitutes the valid and binding obligation of the Service (ii) the Service is duly authorized and entitled to issue such Additional Bonds and Bonds executed authenticated and delivered as provided in such Supplemental Indenture have been duly and validly issued and constitute valid and binding limited obligations of the Service and (iii) the issuance of such Additional Bonds will not adversely affect the excludability from gross income for federal income tax purposes of interest paid on any Tax Exempt Bonds theretofore issued

(c) a certificate of an Authorized Officer of the Service to the effect that on the date of the authentication and delivery of such Additional Bonds (i) the Service is not in default in the performance or observance of any of the covenants conditions agreements or provisions of the Indenture and (ii) neither the Service nor the any of the Baltimore Regional Counties is in default in the performance or observance of any of the covenants conditions agreements or provisions of any of the Intergovernmental Agreement provided however that the Trustee shall not be required to have received the certificate described in this paragraph (c) in connection with the issuance of any Bonds issued for the purpose of refunding or advance refunding any Outstanding Bonds

(d) a written order of the Service directing the authentication and delivery of such Additional Bonds describing the Additional Bonds to be authenticated and delivered designating the purchasers to whom such Additional Bonds are to be delivered stating the purchase price of such Additional Bonds and stating that all items required by the Indenture are therewith delivered to the Trustee in form and substance satisfactory to the Service and

(e) the amount if any required to be paid to the Debt Service Reserve Fund to make the amount on deposit in the Debt Service Reserve Fund equal the Debt Service Reserve Fund Requirement upon the issuance of such Additional Bonds and

(f) a certificate of an Authorized Officer of the Service to the effect that the Coverage Ratio for the most recent Fiscal Year of the Service for which audited financial statements are available is not less than 1 00

Notwithstanding the foregoing the Trustee shall not be required to have received the items required under paragraph (f) above in connection with the issuance of any Additional Bonds issued for the purpose of (i) refunding or advance refunding any Outstanding Bonds if the Trustee shall have received a certificate of an Authorized Officer of the Service to the effect that after giving effect to the proposed refunding or advance refunding Maximum Annual Debt Service on all Outstanding Bonds will not be increased by more than five percent or (ii) financing or refinancing the cost of completion of any portion of the Composting Facility

Additional Bonds may be authenticated delivered and paid for in installments of less than the total authorized principal amount of a series of Bonds from time to time as the Service may direct in its written requests

The Municipal Bond Insurance Policy (Section 4 13)

So long as no Insurance Default shall have occurred and be continuing the Service and the Trustee agree to comply with the following provisions

(a) At least one (1) day prior to each March 1 and September 1 the Trustee will determine whether there will be sufficient amounts in the Debt Service Fund and the Debt Service Reserve Fund to pay the principal of or the interest due on the Series 1995 Bonds on the immediately succeeding March 1 or September 1 If the Trustee shall determine on any date that there will be insufficient amounts in the Debt Service Fund and the Debt Service Reserve Fund to pay the principal of or the interest due on the Series 1995 Bonds on the immediately succeeding March 1 or September 1 the Trustee shall so notify AMBAC Indemnity Such notice shall specify the amount of the anticipated deficiency the Series 1995 Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest or both In the case of any deficiency in the payment of the principal of or the interest on any Series 1995 Bonds due on any March 1 or September 1 in which the Trustee shall have given notice of such deficiency in accordance with this paragraph no later than one day prior to

such March 1 or September 1 AMBAC Indemnity shall make payments of principal or interest due on the Series 1995 Bonds on such March 1 or September 1 in any other case AMBAC Indemnity will make payment of principal or interest due on the Series 1995 Bonds on or before the first day next following the date on which AMBAC Indemnity shall have received such notice of nonpayment from the Trustee in accordance with this paragraph

(b) The Trustee shall after giving notice to AMBAC Indemnity as provided in paragraph (a) above make available to AMBAC Indemnity and at AMBAC Indemnity s written direction to the Insurance Trustee the registration books of the Service maintained by the Trustee and all records relating to the funds and accounts maintained under this Indenture

(c) The Trustee shall provide AMBAC Indemnity and the Insurance Trustee with a list of the Holders of Series 1995 Bonds entitled to receive payments of interest thereon or principal thereof from AMBAC Indemnity under the terms of the Municipal Bond Insurance Policy and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Holders of Series 1995 Bonds entitled to receive full or partial interest payments from AMBAC Indemnity and (ii) to pay principal of Series 1995 Bonds upon presentation and surrender thereof to the Insurance Trustee by the Holders of Series 1995 Bonds entitled to receive full or partial principal payments from AMBAC Indemnity

(d) The Trustee shall at the time it provides notice to AMBAC Indemnity pursuant to paragraph (a) above and at the expense of AMBAC Indemnity notify Holders of Series 1995 Bonds entitled to receive payments of interest thereon or principal thereof from AMBAC Indemnity (i) as to the fact of such entitlement (ii) that AMBAC Indemnity will remit to them all or a part of the interest payments next coming due on the Series 1995 Bonds held by them upon proof of Bondholder entitlement to such interest payments and delivery to the Insurance Trustee in form satisfactory to the Insurance Trustee of an appropriate assignment of the Bondholder s right to such payment (iii) that should they be entitled to receive full payment of the principal of the Series 1995 Bonds held by them from AMBAC Indemnity they must surrender their Series 1995 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 1995 Bonds to be registered in the name of AMBAC Indemnity) for payment to the Insurance Trustee and not the Trustee and (iv) that should they be entitled to receive partial payment of the principal of the Series 1995 Bonds held by them from AMBAC Indemnity they must surrender their Series 1995 Bonds for payment thereon first to the Trustee which shall note on such Series 1995 Bonds the portion of the principal thereof paid by the Trustee and then along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to the Insurance Trustee which will then pay the unpaid portion of the principal of such Series 1995 Bonds

(e) In the event that the Trustee has actual knowledge that any payment of principal of or interest on a Series 1995 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Service has been deemed a preferential transfer and

theretofore recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final nonappealable order of a court having competent jurisdiction the Trustee shall at the time AMBAC Indemnity is notified pursuant to paragraph (a) above and at the expense of AMBAC Indemnity notify all Holders of Series 1995 Bonds that in the event that any Bondholder s payment is so recovered such Bondholder shall be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available and the Trustee shall furnish to AMBAC Indemnity its records evidencing the payments of principal of and interest on the Series 1995 Bonds which have been made by the Trustee and subsequently recovered from Bondholders and the dates on which such payments were made

(f) So long as all of the Series 1995 Bonds are maintained in book entry form the Insurance Trustee shall disburse principal and interest to a Holder of the Series 1995 Bonds only upon evidence satisfactory to the Insurance Trustee and AMBAC Indemnity that the ownership interest of such Bondholder in the right to payment of such principal and interest has been effectively transferred to AMBAC Indemnity on the books maintained for such purpose AMBAC Indemnity shall be fully subrogated to all of such Bondholders rights to payments to the extent of insurance disbursements so made

(g) In addition to those rights granted AMBAC Indemnity under this Indenture AMBAC Indemnity shall to the extent it makes payment of principal of or interest on Series 1995 Bonds become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest the Trustee shall note AMBAC Indemnity s rights as subrogee on the registration books of the Service maintained by the Trustee upon receipt from AMBAC Indemnity of proof of the payment of interest thereon to the Holder of the Series 1995 Bonds entitled thereto and (ii) in the case of subrogation as to claims for past due principal the Trustee shall note AMBAC Indemnity s rights as subrogee by the Trustee upon surrender of the Series 1995 Bonds by the Holders thereof together with proof of the payment of principal thereof

Amendment of the Project and of Additional Facilities (Section 5 05)

The Service shall not consent to any amendment of the Project or any Additional Facilities which shall (i) increase the cost of the Project or such Additional Facilities to an amount in excess of the amount of moneys available or reasonably expected to become available for the payment of such costs or (ii) decrease the scope of the Project or such Additional Facilities so that the Project or such Additional Facilities as decreased in scope would cease to be an economically feasible or functional facility

Nothing contained in the Indenture shall be construed to prohibit the Service from exercising its judgment and discretion in reducing the scope of the Project or any Additional Facilities in the event that (i) unforeseen circumstances would result in inadequate money to

complete the Project or such Additional Facilities and (ii) such inadequacy could not reasonably be remedied by the issuance of Bonds or otherwise

Subordinate Obligations Authorized (Section 2 11)

In addition to any Additional Bonds issued in accordance with the Indenture the Service may issue from time to time other Indebtedness for any purpose for which Additional Bonds may be issued under the Indenture The Service may pledge the Revenues to the payment of any Subordinate Obligations but any such pledge shall be junior and subordinate to the pledge of the Revenues to secure the Bonds So long as no Event of Default under the Indenture shall have occurred and be continuing the Service may pay or prepay or authorize the payment or prepayment of the principal of and interest on any Subordinate Obligation and no recourse shall be had by the holder of any Bond against the person to whom any such payment shall have been made unless such person shall have had at the time of receipt of such payment actual knowledge of the insolvency of the Service During the continuance of any Event of Default under the Indenture no payments shall be made with respect to the principal of or interest on any Subordinate Obligation

Performance of Covenants, Undertakings and Agreements, Representations as to Authorization and Validity of Bonds (Section 5 02)

The Service shall faithfully perform at all times all of its covenants undertakings and agreements contained in the Intergovernmental Agreement and any Bond executed authenticated and delivered under the Indenture or in any proceedings of the Service pertaining thereto The Service shall take all legally available action to cause the Baltimore Regional Counties to perform fully all duties and acts and comply fully with the covenants of the Baltimore Regional Counties contained in the Intergovernmental Agreement

The Service shall take all legally available action to cause the subcontractor to perform fully all duties and acts and comply fully with the covenants of the subcontractor contained in the Service Agreement

The Service represents and covenants that (i) it is duly authorized under the Constitution and laws of the State of Maryland particularly the Act to issue the Bonds and to enter into the Intergovernmental Agreement and to pledge the Trust Estate in the manner and to the extent set forth in the Indenture (ii) all action on its part for the issuance of the Series 1995 Bonds has been duly and effectively taken and (iii) the Series 1995 Bonds are and will be valid and binding limited obligations of the Service according to their terms

Liens, Encumbrances and Charges (Section 5 03)

The Service shall not create and shall not suffer to remain any lien encumbrance or charge upon its interest in the Revenues except for the pledge created for the security of the Bonds and to the extent provided in the Indenture any Additional Bonds and Subordinate Obligations and Permitted Encumbrances The Service will cause to be discharged or will make adequate provisions to satisfy and discharge within 60 days after the same shall accrue all lawful claims and demands that if unpaid might by law become a lien upon its interest in the Revenues provided however that nothing contained in this Section shall require the Service to pay or cause to be discharged or make provision for any such lien encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings Except for Subordinate Obligations so long as any Bonds or Additional Bonds shall be Outstanding the Service shall not issue any bonds notes or other evidences of indebtedness other than the Bonds secured by any pledge of or other lien or charge on the Revenues under the Indenture The Service shall not create or cause to be created any lien or charge on the Revenues other than the lien on and pledge of the Revenues authorized by the Indenture to secure the Bonds Additional Bonds and any Subordinate Obligations Anything in this Section to the contrary notwithstanding the Service may dispose of Revenues at any time unless it is in default under the Indenture

AMBAC Indemnity shall have the right to visit or inspect the Composting Facility at any reasonable time upon giving the Service reasonable notice Any such visits shall be conducted in a manner so as to cause minimum interference with Yard Debris composting and disposal operations In connection with such visits and inspections AMBAC Indemnity shall comply with all reasonable rules and regulations adopted by the Service Such rules and regulations may include requirements set forth in the Service Agreement

Rate Covenant (Section 5 07)

(a) The Service shall fix charge and collect the Processing Fee in each Fiscal Year which together with other Composting Facility Revenues for such Fiscal Year shall be at least equal to Total Costs for such Fiscal Year

(b) If the Processing Fee together with other Composting Facility Revenues imposed and collected by the Service shall be less than the amount required under paragraph (a) of this above in any Fiscal Year the Service shall immediately employ an Independent Consultant to submit a written report and recommendations with respect to such Processing Fee and Composting Facility Revenues and with respect to improvements or changes in the operations of or the services rendered by Service under the Intergovernmental Agreement The Service shall require any Independent Consultant employed hereunder to file its report and recommendations within 150 days from the end of any such Fiscal Year with the Service and the Trustee

(c) Any Independent Consultant retained by the Service pursuant to this Section may recommend with respect to the Processing Fee or other charges imposed and collected by the Service and with respect to improvements or changes in the operations of or the services rendered by the Service under the Intergovernmental Agreement that the Service either (A) make no change or (B) make some change even though such recommendation is not calculated to result in compliance with the requirements of paragraph (a) of this Section if the Independent Consultant includes in its written report and recommendations a statement to the effect that compliance with such recommendations should result in compliance with such requirements to the maximum extent feasible

(d) To the extent permitted by Applicable Law the Service promptly shall revise its Processing Fee and other charges in conformity with any recommendation of the Independent Consultant retained by the Service pursuant to this Section and shall otherwise follow the recommendations of such Independent Consultant If the Service shall revise such Processing Fee and other charges in conformity with the reasonable recommendations of the Independent Consultant and otherwise follow the reasonable recommendations of the Independent Consultant then the failure of the Service to meet the requirements of paragraph (a) of this Section for such Fiscal Year shall not constitute an Event of Default under the Indenture

(e) Nothing set forth in this Section shall be construed to excuse the Service from the payment in timely manner of all amounts due under the Indenture or the performance of any other obligation of the Service under the Indenture

Insurance (Section 5 08)

(a) The Service shall maintain or cause to be maintained insurance of the types and in the amounts ordinarily and customarily maintained on facilities such as the Project

(b) The Service may satisfy the requirements of paragraph (a) above by (i) causing to be maintained by any operator of the Composting Facility insurance in amounts and for such purposes as the Service determines to be necessary or appropriate (ii) establishing and maintaining a self insurance plan that protects the Service against the risks required to be insured against by paragraph (a) of this Section or (iii) participating in any self insurance plan that protects the Service against the risks required to be insured against by paragraph (a) of this Section and that is established and maintained by the State of Maryland

Amendments or Modifications of the Indenture and the Service Agreements (Sections 8 01, 8 02 and 8 04)

Without notice to or the consent of the holders of the Bonds the Service and the Trustee may enter into at any time or from time to time a Supplemental Indenture supplementing modifying or amending the Indenture or any Supplemental Indenture for one or more of the following purposes (i) to grant to or confer upon the Trustee for the benefit of the holders of

the Bonds any additional rights remedies powers authority or security that may lawfully be granted to or conferred upon the Trustee for the benefit of such holders (ii) to add to the covenants and agreements of the Service contained in the Indenture other covenants and agreements thereafter to be observed relative to the acquisition construction equipping operation maintenance development or administration of the Project or relative to the application custody use or disposition of the proceeds of Bonds or Subordinate Obligations so long as no such covenant or agreement shall prejudice in any material respect the rights of the holders of the Bonds Outstanding at the date as of which such covenant or agreement shall become effective (iii) to surrender to the Trustee any right power or privilege reserved to or conferred upon the Service by the Indenture (iv) to confirm as further assurance any pledge under and the subjection to any lien on or claim or pledge of (whether created or to be created by the Indenture) the Trust Estate (v) to cure any ambiguity or to cure or correct any defect or inconsistent provisions contained in the Indenture (vi) to provide for the terms of Additional Bonds including (without limitation) any modifications or amendments required to grant to or otherwise secure for the holders of such Additional Bonds a parity interest in the security granted to the holders of the Series 1995 Bonds and any other then Outstanding Bonds in accordance with the Indenture or to authorize approve or provide the terms for (including without limitation any change necessary in connection with the issuance of any Subordinate Obligation) the issuance of Subordinate Obligations in accordance with the Indenture (vii) to permit the qualification of the Indenture or any Supplemental Indenture under any federal statute now or hereafter in effect or under any state blue sky law (viii) to obtain or to maintain any ratings on Bonds from any nationally recognized securities rating agency so long as no provision of any such Supplemental Indenture shall prejudice in any material respect the rights of the holders of the Bonds Outstanding at the date as of which such Supplemental Indenture shall become effective (ix) to make any other change in the Indenture which the Trustee determines shall not prejudice in any material respect the rights of the holders of the Bonds Outstanding at the date as of which such change shall become effective (x) to provide for the issuance of any Bonds in coupon form or in book entry form provided however that prior to the effective date of any such amendment there shall be delivered to the Service and the Trustee an opinion of Bond Counsel to the effect that the issuance of any such Bonds in coupon or book entry form (as the case may be) will not adversely affect the excludability from gross income for federal income tax purposes of the interest paid on any Tax Exempt Bonds theretofore issued or (xi) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Tax Exempt Bonds theretofore issued

So long as no Insurance Default shall have occurred the Trustee shall not amend any provision of the Indenture affecting the rights of AMBAC Indemnity without its prior written consent and shall deliver a copy of each Supplemental Indenture entered into pursuant to the Indenture to AMBAC Indemnity

With the prior written consent of the holders of a majority of the Bonds (which consent may be given by AMBAC Indemnity so long as no Insurance Default shall have occurred and be continuing) the Service and the Trustee may enter into at any time and from time to time

Supplemental Indentures amending or supplementing the Indenture any Supplemental Indenture or any Bond to modify any of the provisions thereof or to release the Service from any of the obligations covenants agreements limitations conditions or restrictions therein contained provided however that nothing contained herein shall permit (i) a change in any terms of redemption or purchase of any Bond the due date for the payment of the principal of or interest on any Bond or any reduction in the principal Redemption Price or purchase price of or interest rate on any Bond without the consent of the Holder of such Bond or (ii) except as expressly permitted hereby the creation of a claim or lien upon or a pledge of the Trust Estate ranking prior to or on a parity with the claim lien and pledge created by the Indenture a preference or priority of any Bond over any other Bond or a reduction in the percentage of Bonds the consent of the Holders of which is required for any modification of the Indenture without the unanimous consent of the holders of all Outstanding Bonds

Without notice to or the consent of the Bondholders the Service may at any time and from time to time enter into any amendment change or modification of the Intergovernmental Agreement that is (i) required or permitted by the provisions of the Intergovernmental Agreement or (ii) required to cure any ambiguity or formal defect or omission therein or (iii) required or permitted pursuant to the provisions of the Indenture in connection with the issuance of any Additional Bonds or Subordinate Obligations respectively or (iv) not prejudicial in any material respect to the rights of the holders of the Bonds in the judgment of the Service

Except as provided above the Service shall not enter into any amendment change or modification of the Intergovernmental Agreement without the prior written consent of the Trustee and the Holders of a majority of the Bonds Outstanding at the effective date of such amendment change or modification (consent of the Holders of a majority of the Bonds Outstanding at the effective date of such amendment change or modification may be given by AMBAC Indemnity so long as no Insurance Default shall have occurred and be continuing)

Events of Default and Remedies

Events of Default (Sections 7 01 and 7 02)

Each of the following events among others is declared to constitute an event of default under the Indenture (i) payment of the principal of any of the Bonds shall not be made when due and payable either at maturity or by proceedings for redemption or otherwise or payment of the purchase price of any of the Bonds required by their terms to be purchased from the Holders thereof by the Service on any date prior to their stated maturity shall not be made in accordance with the terms thereof on such date (ii) payment of interest on any of the Bonds shall not be made when due and payable (iii) an order or decree shall be entered with the acquiescence of the Service appointing a receiver of the Revenues and shall not have been vacated or discharged or stayed on appeal within 60 days after the entry thereof (iv) any proceeding shall be instituted with the acquiescence of the Service for the purpose of effecting a composition between the Service and its creditors or for the purpose of adjusting the claims of

such creditors pursuant to any federal or state statute now or hereafter enacted if the claims of such creditors are under any circumstances payable from the Trust Estate (v) the Service shall default in the due and punctual performance of any of the covenants conditions agreements and provisions contained in any of the Bonds or in the Indenture on the part of the Service to be performed which default except for those defaults described in (i) through (iv) inclusive shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Service by the Trustee which may give such notice in its discretion and shall give such notice at the written request of not less than 25% of the Bondholders

Upon the happening and continuance of any Event of Default specified in the Indenture the Trustee may and upon the written request of not less than 25% of the Bondholders shall by a notice in writing to the Service declare the principal of all of the Outstanding Bonds to be due and payable The Trustee also shall declare the principal of all Outstanding Bonds to be due and payable upon the written direction of the Service following the occurrence of any Event of Default under the Intergovernmental Agreement Notwithstanding the foregoing the Trustee may not declare the principal of any Series of Bonds other than the Series 1995 Bonds to be due and payable without the prior written consent of AMBAC Indemnity (so long as no Insurance Default shall have occurred and be continuing) without the prior written consent of any person whose consent shall be required for such declaration under the terms of the Supplemental Indenture authorizing the issuance of such Bonds

Upon the occurrence of any Event of Default specified in the Indenture so long as no Insurance Default shall have occurred and be continuing AMBAC Indemnity may direct the Trustee to declare the aggregate principal amount of the Series 1995 Bonds to be due and payable if AMBAC Indemnity irrevocably deposits with the Trustee or the Insurance Trustee an amount that together with any other funds available to the Trustee or the Insurance Trustee to pay the Series 1995 Bonds shall be sufficient to pay all amounts due on the Series 1995 Bonds on the date to which such payments are accelerated

Upon the giving of notice of such declaration such principal shall become and be immediately due and payable anything in the Bonds or in the Indenture to the contrary notwithstanding At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the Indenture the Trustee may (but in the event that such declaration has been made upon the request of the Bondholders only with the written consent of not less than 25% of the Bondholders) by written notice to the Service annul such declaration and its consequences if all defaults shall have been remedied pursuant to the Indenture

Enforcement and Priority of Payments Following Default (Sections 7 03 and 7 04)

Upon the happening and continuance of any Event of Default the Trustee may proceed and upon the written request of not less than 10% of the holders of Bonds shall proceed to protect and enforce its rights and the rights of the holders of Bonds under the laws of the State of Maryland and under the Indenture and any Credit Facility (including any Debt Service Reserve Fund Credit Facility) by such suits actions or special proceedings in equity or at law as the Trustee shall deem most effectual to protect and enforce such rights

If at any time there shall have occurred and be continuing an Event of Default after payment of all amounts owing to the Trustee under the Indenture amounts held by the Trustee hereunder together with any moneys thereafter becoming available for such purpose whether through exercise of the remedies provided in this Article or otherwise shall be applied as follows

(a) unless the principal of all Outstanding Bonds shall have become or shall have been declared due and payable all such moneys shall be applied

FIRST to the payment to the persons entitled thereto of all installments of interest then due on the Bonds Outstanding in the order in which such installments became due and payable and if the amount available shall not be sufficient to pay in full any particular installment then to the payment of such installment ratably according to the amounts due on such installment to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds

SECOND to the payment to the persons entitled thereto of the unpaid principal of any Outstanding Bonds that shall have become due and payable in the order of their due dates with interest upon the principal amount of such Bonds from the respective dates upon which they shall have become due and payable and if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular date together with such interest then first to the payment of such interest ratably according to the amount of interest due on such date and then to the payment of such principal ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds and

THIRD to the payment of the interest on and the principal of the Bonds Outstanding as the same become due and payable and

(b) if the principal of all Outstanding Bonds shall have become due by their terms or the principal of all Outstanding Bonds subject to acceleration shall have become due and

payable by a declaration of acceleration all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest or of any Bond over any other Bond ratably according to the amounts due respectively for principal and interest to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds

Interest Payment Date (Section 2 02)

All interest due on the Series 1995 Bonds shall be payable to the person in whose name the Series 1995 Bonds are registered on the bond registration books maintained by the Trustee and registrar (such entity and any successor in such capacity being referred to herein as the Trustee) as of the close of business on the fifteenth day of the calendar month immediately preceding the interest payment date upon which such interest is due and payable (a Regular Record Date) and shall be made by check mailed to the address of such owner as it appears on the bond registration books maintained by the Trustee provided that if there is a default in the payment of interest due on the Series 1995 Bonds such defaulted interest shall be payable to the persons in whose names the Series 1995 Bonds are registered as of the close of business on a special record date that is at least 10 and not more than 15 days before the date set for the payment of such defaulted interest Notice of any such special record date will be given by first class mail to the registered owners of the Series 1995 Bonds not later than 10 days before such special record date As provided in the Indenture so long as all of the Series 1995 Bonds are maintained in book entry form with The Depository Trust Company New York New York (DTC) interest on the Series 1995 Bonds will be paid in next day funds to the owners thereof as of the Regular Record Date or the special record date

Restrictions Upon Action by Individual Holders (Section 7 07)

No holder of any Bond shall have any right to institute any suit action or proceeding in equity or at law on any Bond for the execution of any trust hereunder or for any other remedy hereunder unless (i) such holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit action or proceeding is to be instituted and (ii) the holders of not less than 10% of the Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action as the case may be shall have accrued and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action suit or proceeding in its or their name and (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time Such notification request and offer of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy hereunder provided however that notwithstanding the

foregoing provisions of this Section and without complying therewith the holders of not less than 10% of the Bonds may institute any such suit action or proceeding in their own names for the benefit of all holders of Bonds

Defeasance (Section 9 01)

If the Service shall pay or cause to be paid the principal or Redemption Price of and interest on all Bonds and Subordinate Obligations at the times and in the manner stipulated therein in the Indenture and in any Supplemental Indenture authorizing or approving the issuance of any Additional Bonds or Subordinate Obligations then the pledge of the Trust Estate to the Trustee for the benefit of the Bondholders and the holders of Subordinate Obligations and all other rights granted hereby to the Trustee the Bondholders or the holders of Subordinate Obligations shall be discharged and satisfied

A Bond shall be deemed to have been paid within the meaning of and with the effect expressed in this Section if (i) money for the payment or redemption of such Bond shall be held by the Trustee (through deposit by the Service of moneys for such payment or redemption or otherwise regardless of the source of such moneys) whether at or prior to the maturity or the redemption date of such Bond or (ii) if the maturity or redemption date of such Bond shall not have arrived provision shall have been made by the Service for the payment of the principal or Redemption Price of and interest on such Bond on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations the principal of and the interest on which when due will provide for such payment and the Service shall have made provision satisfactory to the Trustee for notice to the Holder of such Bond as required by the Indenture that such moneys are so available for such payment provided however that if such Bond is to be redeemed prior to the maturity thereof the Service shall have irrevocably taken all action necessary to redeem such Bond and notice of such redemption shall have been duly and irrevocably given or provisions satisfactory to the Trustee shall have been irrevocably made for the giving of such notice

Notwithstanding the foregoing provisions in the event that the principal of or interest on any Series 1995 Bond shall be paid by AMBAC Indemnity pursuant to the terms of the Municipal Bond Insurance Policy such Series 1995 Bond shall not be deemed to be paid within the meaning of and with the effect expressed in this Section and shall continue to be Outstanding hereunder and AMBAC Indemnity shall be fully subrogated to all of the rights of the Holder thereof in accordance with the terms and conditions of the Indenture and the Municipal Bond Insurance Policy In such event the pledge of the Revenues made hereby and all covenants agreements and other obligations of the Service under this Indenture shall continue to exist and this Indenture shall not be deemed to have been discharged until AMBAC Indemnity shall be repaid in full

Anything in the Indenture to the contrary notwithstanding at the written request of the Service any moneys held by the Trustee in trust for the payment of any of the Bonds or

Subordinate Obligations that remain unclaimed for five years after the later of the date at which such Bonds or Subordinate Obligations became due and payable and the date of deposit of such moneys shall be repaid by the Trustee to the Service or to such officer board or body as may then be entitled by law to receive such moneys as its absolute property and free from trust and the Trustee shall thereupon be released and discharged

An Additional Bond or Subordinate Obligation shall be deemed to have been paid within the meaning of the Indenture if it is deemed to be paid in accordance with the provisions of the Supplemental Indenture authorizing the issuance thereof

Service Protected in Acting in Good Faith (Section 10 06)

In the exercise of the powers of the Service and its members officers employees and agents under the Indenture and the Intergovernmental Agreement including (without limitation) the application of moneys and the investment of funds the Service and its members officers employees and agents shall not be accountable to the Trustee or any holder of any Bond or Subordinate Obligation for any action taken or omitted by it or its members officers employees and agents in good faith and believed in good faith by it or them to be authorized or within the discretion or rights or powers conferred by the Indenture or by the Intergovernmental Agreement

No recourse shall be had by the Trustee or any holder of any Bond or Subordinate Obligation for any claims based on the Indenture or the Intergovernmental Agreement or on any Bond Subordinate Obligation Credit Facility or Credit Facility Agreement against any member officer employee or agent of the Service alleging personal liability on the part of such person unless such claims are based upon the bad faith fraud or deceit of such person

SUMMARY OF CERTAIN PROVISIONS OF THE INTERGOVERNMENTAL AGREEMENT

The following is a summary of certain terms of the Yard Debris Composting Intergovernmental Agreement (the Intergovernmental Agreement) It is not a complete recital of the terms of the Intergovernmental Agreement and reference should be made to the Intergovernmental Agreement for a complete statement of its terms

Delivery and Acceptance of Yard Debris (Section 2 1)

Beginning on the Operations Commencement Date and throughout the term of the Intergovernmental Agreement but subject to certain provisions of the Intergovernmental Agreement each Baltimore Regional County shall deliver or cause to be delivered to the Service an amount of Yard Debris equal to the Guaranteed Annual Tonnage in accordance with

the provisions of the Intergovernmental Agreement and without cost to the Service provided however that so long as each Baltimore Regional County pays its Minimum Monthly Payment and its Proportionate Share of the Supplemental Fee the failure to deliver such Yard Debris to the Service shall not constitute or give rise to a breach of the Intergovernmental Agreement or an Event of Default under the Intergovernmental Agreement by the Baltimore Regional County The Service shall accept the specified amount of Yard Debris from each of the Baltimore Regional Counties subject to the provisions of the Intergovernmental Agreement

All deliveries shall be made to the Composting Facility unless the Service notifies the Baltimore Regional Counties that the Composting Facility is not capable of accepting deliveries of Yard Debris in which event the Service after first consulting with the Baltimore Regional Counties shall direct that Yard Debris be delivered to the Alternative Facility designated by the Service In designating an Alternative Facility the Service shall first consider and give reasonable preference to an alternative composting facility over other types of solid waste disposal facilities In no event will use by the Service of Alternative Facility constitute or give rise to a breach of the Intergovernmental Agreement or an Event of Default under the Intergovernmental Agreement by the Service

During the month of January of each Fiscal Year the Service shall notify the Baltimore Regional Counties as to whether the Composting Facility has the capacity to accept an amount of Yard Debris that is greater than the aggregate of the then Guaranteed Annual Tonnage of the Baltimore Regional Counties Each Baltimore Regional County in its sole discretion may with in sixty (60) days receipt of such notice notify in writing to the Service with copies to the other Baltimore Regional Counties that it intends to utilize a portion of such excess capacity not to exceed an amount equal to that Baltimore Regional County s then Proportionate Share of the existing capacity If the Baltimore Regional County notifies the Service that it intends to utilize an amount of the excess capacity that is less than its Proportionate Share of the total amount of such excess capacity then for the Fiscal Year following receipt of the Baltimore Regional County s notice provided under this paragraph the Service may make the unutilized portion of the excess capacity available first to the other Baltimore Regional Counties and then to Haulers in accordance with the Intergovernmental Agreement and for the next Fiscal Year thereafter shall make such unutilized portion of excess capacity available to the Baltimore Regional Counties as provided in the Intergovernmental Agreement The Baltimore Regional County s Guaranteed Annual Tonnage shall be increased by the amount of any excess capacity that it utilizes in accordance with this paragraph up to the amount equal to the Baltimore Regional County s Proportionate Share of the excess capacity made available to it

The Baltimore Regional County with the prior written consent of the Service and the other Baltimore Regional Counties (which consent may not be unreasonably withheld) may assign all or a portion of its Guaranteed Annual Tonnage to another Baltimore Regional County if the other Baltimore Regional County assumes in a writing given to the Service and the other

Baltimore Regional Counties all of the Baltimore Regional County s obligations with respect to such assigned Guaranteed Annual Tonnage

Commencement of Operations, Subcontracting (Section 2 2)

The Service s current estimate (which is non binding) of the approximate Operations Commencement Date is October 1 1995 The Service shall notify the Baltimore Regional Counties at any time it reasonably anticipates any change in such estimate of the Operations Commencement Date which results in a cumulative deviation of more than 30 days from the estimate most recently given to the Baltimore Regional Counties The Service shall give the Baltimore Regional Counties at least fourteen days prior notice of the date expected to be the actual Operations Commencement Date

The Baltimore Regional Counties acknowledge that the Service intends to provide the Composting Facility by designing and constructing the Composting Facility and by subcontracting with a company to operate it The Service shall not enter into an agreement with any other subcontractor to operate the Composting Facility without the prior express written consent of the Baltimore Regional Counties Except as otherwise provided under the Intergovernmental Agreement the failure or inability of the subcontractor to perform its obligations shall not relieve or excuse the Service from otherwise providing the Composting Facility

Receiving Hours (Section 2 3)

The Service shall keep the Composting Facility open (or use reasonable efforts to cause any Alternative Facility to be kept open) for the receiving of Yard Debris from 7 00 a m until 5 00 p m Monday through Saturday except Holidays (as defined in the Intergovernmental Agreement) The estimate to be given to the County pursuant to the Intergovernmental Agreement shall be accompanied by a statement indicating the days of the week on which the Service will observe any Holidays during the next calendar year

Emergency Operation (Section 2 4)

In the event that due to a natural disaster or other emergency condition there is delivered to the Service Yard Debris in quantities substantially in excess of those normally delivered during such season the Service shall use reasonable efforts to accommodate the additional service demands provided however that the Service s determination as to its methods of operation and its ability to provide all such Yard Debris composting services as demanded on a timely basis shall be final Additional charges for deliveries under this paragraph of Yard Debris at hours other than the Receiving Hours shall be payable by the Baltimore Regional Counties as provided in the Intergovernmental Agreement

Additional Hours of Operation (Section 2 5)

The Service at its discretion may keep the Composting Facility open until 6 00 p m Monday through Saturday or such other hours as shall be permitted by the Baltimore Regional Counties and upon the reasonable request of the Baltimore Regional Counties shall receive Yard Debris at hours other than the Receiving Hours to the extent permitted by Applicable Law The Service shall receive Yard Debris at hours other than the Receiving Hours to the extent permitted by Applicable Law if a Baltimore Regional County shall have given the Service three (3) days prior written notice of the delivery thereof Additional charges for operations outside of the Receiving Hours pursuant to this paragraph shall be payable as provided by the Intergovernmental Agreement

Repairs and Maintenance (Section 2 6)

Except as otherwise provided in the Intergovernmental Agreement the Service shall maintain the Composting Facility in good condition including necessary repairs and replacement consistent with normal and accepted Yard Debris handling practices and shall maintain the safety of the Composting Facility at a level consistent with Applicable Law The Service shall maintain all of the facilities buildings grounds equipment and systems used to provide Yard Debris composting services under the Intergovernmental Agreement in good repair and in a neat and orderly condition to protect them against deterioration and to maintain the aesthetic quality of the Composting Facility site

The Service shall require and enforce similar standards with regard to repair replacement safety maintenance and appearance in its arrangements with any operators under subcontract

Access and Security (Section 2 7)

The Baltimore Regional Counties shall have the right to visit or inspect the Composting Facility at any reasonable time upon giving the Service reasonable notice Any such visits shall be conducted in a manner so as to cause minimum interference with Yard Debris composting operations In connection with such visits and inspections the Baltimore Regional Counties and any agent or representative of the County shall comply with all reasonable rules and regulations adopted by the Service and as set forth in the Intergovernmental Agreement

Regulatory Requirements (Section 2 8)

The Service shall operate (or cause to be operated) the Composting Facility in a manner which will not violate any Applicable Law The Service shall not be deemed to have breached its obligations under the preceding sentence in respect of any period during which it may in good faith be contesting the validity or application of any such law or regulation or be

diligently attempting to comply therewith in each case to the extent that Applicable Law permits continued operation pending resolution of said dispute

Except as otherwise provided in the Intergovernmental Agreement the Service shall use its best efforts to obtain and maintain all governmental permits required for the Composting Facility and shall submit all reports required by the permits In the event the Intergovernmental Agreement is terminated as provided for in the Intergovernmental Agreement the Service to the extent permitted by law shall transfer any permits obtained in its name to the Baltimore Regional Counties or their designee Unless the Intergovernmental Agreement shall be terminated pursuant Article IV of the Intergovernmental Agreement the Service shall neither apply for nor acquire any permits for the Composting Facility that name the Baltimore Regional Counties as permitee

Weighing Records (Section 2 9)

The Service shall operate and maintain motor truck scales calibrated to the accuracy required by Maryland law to weigh all vehicles delivering Yard Debris to the Service for composting or for removing Project Waste or composted or other Yard Debris The Service shall weigh each loaded vehicle and complete a weight record with regard thereto The weight record shall contain gross weight tare weight date and time description of material in the road vehicle vehicle identification and identification of the origin of material

The Service shall maintain daily records of the total tonnage of Yard Debris delivered to the Service the tonnage of Yard Debris accepted by the Service and the tonnages of Project Waste Permissible Diverted Yard Debris Permissible Bypassed Yard Debris and after the Operations Commencement Date Composted Yard Debris that is removed from the Composting Facility The Service shall furnish to the County each month such information as may be reasonably required by the County within ten days after the end of such month Copies of all weigh tickets will be maintained by the Service for a period of at least five years filed separately for each Baltimore Regional County

Ownership of Waste (Section 2 10)

Nothing in the Intergovernmental Agreement shall impose upon the Baltimore Regional Counties or the Service title to any Yard Debris or any other material delivered to the Composting Facility The Baltimore Regional Counties and the Service acknowledge that ownership of the Yard Debris shall transfer to the Company upon delivery of the Yard Debris to the Composting Facility except for Permissible Diverted Yard Debris

Unacceptable Waste (Section 2 11)

In the event that the Baltimore Regional Counties or any of their Designated Haulers deliver any load which is determined by the Service to contain more than five percent

(5%) (by weight) of Unacceptable Material the Service shall promptly notify the proper Baltimore Regional County and either (a) remove and dispose of such material at the cost and expense of the proper Baltimore Regional County or (b) permit the proper Baltimore Regional County to remove and dispose of such material by the closing time of the Composting Facility on the next Business Day after the material s delivery to the Composting Facility Any invoice submitted in respect of costs and expenses to be borne bv a Baltimore Regional County under this paragraph Agreement shall be payable by that Baltimore Regional County within 30 days of the date thereof

The Service shall maintain cost records with respect to (i) the removal and disposal of Unacceptable Material that the Service elects to remove and dispose of under the above paragraph and (ii) the cost of correcting damage and cleaning up spillage for which a Baltimore Regional County is responsible under its Intergovernmental Agreement and (iii) any Surcharge or Reloading Fee paid to the Company as provided in the Service Agreement all in accordance with generally accepted accounting principles Such cost records shall be made available for inspection by the Baltimore Regional Counties at such times during normal business hours as the Baltimore Regional Counties may reasonably request

Manner of Deliveries (Section 2 12)

Each Baltimore Regional County shall provide the Service with the following information about each Baltimore Regional County vehicle and Designated Hauler delivering Yard Debris to the Service for the account of a Baltimore Regional County including among other things name and address make body type and motor vehicle registration number of each vehicle used area of collection and status as Baltimore Regional County vehicle operator or contract hauler

Each Baltimore Regional County shall use its best efforts to deliver only loads of Yard Debris that contain less than five percent (5%) (by weight) of Unacceptable Material and not to bring any vehicle into the Composting Facility or an Alternative Facility which is carrying refuse which may leak spill allow Yard Debris to be blown or scattered before unloading all in accordance with the Service s regulations Each Baltimore Regional County shall be responsible for the cost of correcting any damage or cleaning up any spillage caused by its employees or the employees of its Designated Haulers if the Service is unsuccessful after reasonable effort in obtaining reimbursement for such costs from the Designated Hauler and shall reimburse the Service on demand for all such costs

Refusal of Deliveries (Section 2 13)

(a) Extent of Refusal Rights

Notwithstanding any other provision of the Intergovernmental Agreement to the contrary the Service may refuse delivery of

(i) any Yard Debris in excess of the daily maximum amounts that the Service is required to accept under the Intergovernmental Agreement

(ii) any Yard Waste delivered at hours other than Receiving Hours or such other hours as otherwise may be established under the Intergovernmental Agreement

(iii) any Yard Debris which the Service is not obligated to accept under the Intergovernmental Agreement and

(iv) any Unacceptable Material

(b) Inspection of Delivered Waste

The Service shall have the right but not the obligation to inspect all vehicles delivering Yard Debris to the Composting Facility under the Intergovernmental Agreement and shall have the right to require that a Baltimore Regional County a Designated Hauler or a Hauler remove from any such vehicle before it is unloaded (i) any Hazardous Waste and (ii) any amount of Unacceptable Material that exceeds a specified percentage by weight of the vehicle load If the Service determines that it is impractical to separate Yard Debris from Unacceptable Material in any such vehicle or the Baltimore Regional County Designated Hauler or Hauler as the case may be delivering such material is unwilling to make such separation then the Service may reject the entire vehicle

Other Contracts for Yard Debris Delivery (Section 2 15)

The Baltimore Regional Counties acknowledge and agree that the Service may accept Yard Debris from Haulers other than the Baltimore Regional Counties provided however that (i) tipping fees are charged and collected from other Haulers in accordance with the Intergovernmental Agreement and (ii) acceptance of such Yard Debris does not impair the ability of the Service to perform its obligations under the Intergovernmental Agreement Anything in the Intergovernmental Agreement to the contrary notwithstanding the Service shall not accept any Yard Debris generated or collected outside of the Baltimore Regional Counties or delivered by a Hauler (i) without the prior written consent of the Baltimore Regional Counties or (ii) unless one or more of the Baltimore Regional Counties is in default under the Intergovernmental Agreement

Processing Fee (Section 3 2)

The Baltimore Regional Counties shall pay to the Service as provided in the Intergovernmental Agreement a Processing Fee for each ton of Yard Debris that they deliver to

the Service and is accepted under the Intergovernmental Agreement The Processing Fee may be adjusted from time to time as determined in good faith by the Service upon advice and recommendation of the Baltimore Regional Counties provided however that any such advice or recommendation shall not be binding upon the Service or a condition to the fixing or adjustment of the Processing Fee by the Service The Processing Fee fixed by the Service shall be the same for all of the Baltimore Regional Counties however the Processing Fee may otherwise vary as permitted by the Intergovernmental Agreement In each Fiscal Year the Service shall fix charge and collect the Processing Fee which together with other Composting Facility Revenue plus the Supplemental Fee for each such Fiscal Year shall be at least equal to Total Costs for each such partial or full Fiscal Year

The Baltimore Regional Counties acknowledge that they are obligated at all times during the term of the Intergovernmental Agreement to use reasonable efforts to deliver or cause to be delivered through their respective Yard Debris collection program their respective Guaranteed Annual Tonnage of Yard Debris for composting by the Service provided however that the obligations of the Baltimore Regional Counties under the Intergovernmental Agreement shall not interfere with the obligations of the Baltimore Regional Counties under Applicable Law

Yard Debris delivered by any Hauler other than the Baltimore Regional Counties or their Designated Haulers shall be accepted by the Service at a tipping fee which is no less than the Processing Fee established under the Intergovernmental Agreement

Processing Fee Payments (Section 3 3)

All amounts payable in respect of the Processing Fee the Minimum Monthly Fee and the Supplemental Fee with respect to any month shall be invoiced to each of the Baltimore Regional Counties by the Service no earlier than the seventh day of the following month and shall be paid by each of the Baltimore Regional Counties within 30 days of the date of such invoice

Amounts charged to any Hauler other than the Baltimore Regional Counties under the Intergovernmental Agreement shall be collected by the Service at the time of delivery or invoiced monthly to such Hauler in accordance with normal Service practices

Minimum Monthly Payment, Supplemental Fee and Quarterly Estimated Payments (Section 3 4)

Notwithstanding any other provision of the Intergovernmental Agreement each month after the month in which the Operations Commencement Date occurs each Baltimore Regional County shall pay to the Service the greater of (i) the aggregate Processing Fee due under the Intergovernmental Agreement for the amount of Yard Debris accepted by the Service from such Baltimore Regional County during such month or (ii) the Minimum Monthly

Payment The Minimum Monthly Payment shall be an amount equal to the product of the Processing Fee then applicable under the Intergovernmental Agreement multiplied by one twelfth (1/12) of the then applicable Guaranteed Annual Tonnage

To the extent that the Minimum Monthly Payment for any month under the preceding paragraph exceeds the amounts otherwise due from a Baltimore Regional County for such month under the Intergovernmental Agreement such Baltimore Regional County shall receive a credit in the amount of such excess which credit shall be applicable to amounts thereafter payable by such Baltimore Regional County for the following month under the Intergovernmental Agreement

In addition to the provisions of the Intergovernmental Agreement related to the Minimum Monthly Payment each Baltimore Regional County shall in each Fiscal Year pay to the Service its Proportionate Share of the Supplemental Fee The Supplemental Fee shall be an amount equal to the amount if any by which Total Costs exceed the sum of (i) Composting Facility Revenues plus (ii) any unpaid portion of the Total Guaranteed Annual Payment The Service and the Baltimore Regional Counties have determined that the Processing Fee and the Supplemental Fee as established and adjusted as provided in the Intergovernmental Agreement represent reasonable terms for the payment by the Baltimore Regional Counties of the cost of accepting and composting Yard Debris

Each Baltimore Regional County s Proportionate Share of the Supplemental Fee shall be payable in four estimated quarterly payments Beginning with the Fiscal year Quarter in which the Operations Commencement Date occurs the quarterly amount billed to each Baltimore Regional County for the Supplemental Fee shall be computed by multiplying each Baltimore Regional County s Proportionate Share by an amount equal to (A) the sum of (i) estimated Total Costs for such Fiscal Year Quarter and (ii) the excess of actual Total Costs over estimated Total Costs for the Fiscal Year Quarter immediately preceding the Fiscal Year Quarter in which the invoice is prepared minus (B) the sum of (i) Composting Facility Revenue received in the Fiscal Year Quarter immediately preceding the Fiscal Year Quarter in which the invoice is prepared and (ii) the unpaid portion of the Total Guaranteed Annual Payment due from the other Baltimore Regional Counties

Prior to the Operations Commencement Date each Baltimore Regional County shall pay to the Service and the Service shall maintain at all times an amount not less than one quarter of such Baltimore Regional County s Proportionate Share of the estimated Total Costs for a full Fiscal year of operation of the Composting Facility

Payment for Out of-Hours Deliveries (Section 3 5)

The Service shall establish and make available to the Baltimore Regional Counties a schedule of charges for deliveries of Yard Debris outside of Receiving Hours which charges shall be in addition to the Processing Fee and any other fees payable under the

Intergovernmental Agreement in respect of such deliveries Such schedule may be amended from time to time by the Service on at least 30 days prior notice to the Baltimore Regional Counties Such charges shall reimburse the Service for actual additional costs incurred in accepting deliveries outside of Receiving Hours The Service shall furnish the Baltimore Regional Counties on request reasonably detailed justification for such charges

No Set Off (Section 3 6)

The obligation of the Baltimore Regional Counties to pay the amounts to be paid by them from time to time under the Intergovernmental Agreement shall not be subject to diminution by reason of any set off abatement counterclaim existence of a dispute or any other reason known or unknown foreseeable or unforeseeable which might otherwise constitute a legal or equitable defense or discharge of the liabilities of the Baltimore Regional Counties under the Intergovernmental Agreement or limit recourse against the Baltimore Regional Counties

If any dispute concerning the payments of amounts by a Baltimore Regional County in respect of Debt Service is referred to a court of competent jurisdiction for resolution then the amount in dispute (as well as any undisputed amount) shall be paid by such Baltimore Regional County when due under the Intergovernmental Agreement and before pursuing dispute resolution with respect to such amount The disputed amount shall be repaid to such Baltimore Regional County with interest if ordered by the court if the dispute is resolved in favor of such Baltimore Regional County This paragraph shall not otherwise affect the rights of the Baltimore Regional Counties under other provisions of the Intergovernmental Agreement

Estimates of Processing Fee and Supplemental Fee, County Budgeting Obligations (Section 3 7)

The Service shall on or before November 1 of each year provide the Baltimore Regional Counties with the information as to Holidays referred to and defined in the Intergovernmental Agreement along with a proposed budget of (a) estimated Total Costs for the next Fiscal Year beginning July 1 (b) estimated Composting Facility Revenues for the next Fiscal Year (c) estimated total tonnage of Yard Debris to be generated within the Baltimore Regional Counties and delivered to the Service for composting in the next Fiscal Year (d) the Processing Fee established under the Intergovernmental Agreement and (e) estimated amount if any of each Baltimore Regional County s Proportionate Share of the Supplemental Fee for the next Fiscal Year Throughout the Fiscal Year the Service shall notify the Baltimore Regional Counties of extraordinary Compost Facility costs or if Service management costs are projected to exceed ten percent (10%) of the Service s estimated budget At any time during a Fiscal Year but not later than February 1 of each Fiscal Year the Service shall analyze the Composting Facility Revenues received during the preceding months of the Fiscal Year If sufficient Composting Facility Revenues have been received and are estimated to be received

during the remainder of the Fiscal Year the Service shall reduce the Processing Fee for Yard Debris delivered during the remainder of the Fiscal Year by the Baltimore Regional Counties

In order to assure the timely payment of amounts required to be paid by the Baltimore Regional Counties under the Intergovernmental Agreement each Baltimore Regional County shall include in its annual budget for such next Fiscal Year an amount or amounts sufficient to meet all of its obligations under the Intergovernmental Agreement or take such other appropriate action as may be necessary to ensure the availability of funds sufficient to meet all such obligations Notwithstanding the preceding sentence no failure or inability of a Baltimore Regional County to include in its budget or take appropriate action to assure the availability of amounts sufficient to enable such Baltimore Regional County to meet all of its obligations under the Intergovernmental Agreement shall excuse limit impair or extend the time of performance or payment of any of its obligations thereunder whether or not any estimates of Total Costs Composting Facility Revenues the Processing Fee or such Baltimore Regional County s Proportionate Share of the Supplemental Fee or other amounts payable thereunder prove to be inaccurate

Service's Yard Debris Disposal Service Fund, Reserves, Accounts, and Reports (Section 3 8)

The Service shall establish and maintain within its own books and records the Special Purpose Fund as a discrete fund for the purpose of recording all of the financial transactions relating to the provision of Yard Debris composting services to the Baltimore Regional Counties under the Intergovernmental Agreement All receipts of moneys owing to or derived from the development and operations of facilities (including but not limited to borrowed proceeds grants or gifts Composting Facility Revenues and the Supplemental Fee) shall be credited to the Special Purpose Fund and all costs of development and operations shall be disbursed from the Special Purpose Fund

Moneys credited to the account of the Special Purpose Fund may for the purpose of investing such moneys be commingled with moneys of other funds and accounts belonging to the Service provided that any earnings or losses from such commingled assets are credited monthly and on a pro rata basis to the Special Purpose Fund

The Service may also establish and maintain such other discrete accounts and reserves as it may in good faith deem necessary (1) to provide security for Indebtedness issued for the purposes of the Intergovernmental Agreement (2) to ensure a regular annual income to pay for maintenance and monitoring of the Composting Facility and any Alternative Facility after close down of operations of the respective facilities (3) to pay the required costs of any settlements litigation or awards or suits for damages attributed to the Composting Facility or any Alternative Facility or (4) for any other necessary purpose

The Service shall provide regular quarterly reports to the County as to the financial conditions and changes in all funds accounts and reserves relating to provision of Yard Debris composting services under the Intergovernmental Agreement

Year End Adjustment (Section 3 9)

In the event that Total Costs exceed Composting Facility Revenues during a Fiscal Year each Baltimore Regional County shall pay to the Service such Baltimore Regional County s Proportionate Share of the Supplemental Fee as provided in the Intergovernmental Agreement In the event that Composting Facility Revenues exceed Total Costs during a Fiscal Year the Service shall within 30 days of receipt of the financial statements provided in accordance with the Intergovernmental Agreement either (a) pay each Baltimore Regional County its Proportionate Share of the amount of such excess up to the amount if any of the Supplemental Fee which such Baltimore Regional County had paid the Service during such Fiscal Year but only to the extent that at such time there are funds available in the Special Purpose Fund which are not obligated or restricted for other purposes and the Service at such time has made all payments on any Indebtedness or with respect to Total Costs then due and payable or (b) at the express direction of a Baltimore Regional County retain in the Special Purpose Fund some or all of the excess revenues for the purpose of offsetting Total Costs incurred in subsequent Fiscal Years Any excess of Composting Facility Revenues over Total Costs in a Fiscal Year shall not be credited against the Supplemental Fee paid or to be paid in any other Fiscal Year unless agreed in writing by the Service and a Baltimore Regional County

Insurance (Section 7 2)

The Service shall obtain and keep in force during the term of the Intergovernmental Agreement insurance as it deems prudent to the extent it is available and can be obtained for an amount which is reasonable and which shall not be less than the maximum self insurance provided by the Treasurer of Maryland pursuant to the State Finance and Procurement Article Sections 9 105(a) and (c) Annotated Code of Maryland The Service may provide any such insurance through a self insurance program of the Service or of the State of Maryland The Service shall also require the Company to provide and maintain the insurance coverages specified in the Service Agreement

The Baltimore Regional Counties recognize that the Service as an instrumentality of the State of Maryland possesses sovereign immunity to the extent it has not been waived by statute Nothing in the Intergovernmental Agreement shall be deemed a waiver of any immunity possessed by the Service which has not been waived by statute

Remedies for Default (Section 4 1)

In the event of the breach by any party of an obligation under the Intergovernmental Agreement the right to recover damages or to be reimbursed will ordinarily constitute an

adequate remedy Therefore no party shall have the right to terminate the Intergovernmental Agreement for cause for any breach unless an Event of Default as defined in the Intergovernmental Agreement on the part of the other party shall have occurred and be continuing

Events of Default by the Service (Section 4 2)

The persistent or repeated failure or refusal by the Service substantially to fulfill any of its material obligations in accordance with the Intergovernmental Agreement shall constitute an Event of Default on the part of the Service provided however that no such failure or refusal shall constitute an Event of Default unless and until

(a) the Baltimore Regional Counties shall have given prior written notice to the Service stating that in their opinion a particular default or defaults (to be described in reasonable detail in such notice) exist which will unless corrected constitute a material breach of the Intergovernmental Agreements on the part of the Service and which will in their opinion give the Baltimore Regional Counties a right to terminate their respective Intergovernmental Agreements for cause under this paragraph unless such default is corrected within a reasonable period of time and

(b) the Service shall have neither corrected such default nor initiated reasonable steps to correct the same within a reasonable period of time (which shall in any event be not less than 120 days from the date of the notice given pursuant to clause (a) of this paragraph) provided that if the Service shall have commenced to take reasonable steps to correct such default within such reasonable period of time the same shall not constitute an Event of Default for as long as the Service is continuing to take reasonable steps to correct such default

A material breach shall be deemed to have been corrected for purposes of the Intergovernmental Agreement if it has been alleviated to the degree that its existence no longer makes damages an inadequate remedy A breach of the Service Agreement by the Company shall not constitute an event of default under the Intergovernmental Agreement unless the breach is caused by the failure or refusal of the Service to fulfill its material obligations under the Intergovernmental Agreement or the Service Agreement

Events of Default by a Baltimore Regional County (Section 4 3)

Each of the following shall constitute an Event of Default on the part of a Baltimore Regional County

(a) The failure on the part of a Baltimore Regional County to pay any amount required to be paid to the Service under the Intergovernmental Agreement when such amount becomes due and payable if the Service has made written demand therefor accompanied by

notice that unless such amount is paid within 15 days after such demand the default will constitute an Event of Default and such amount is not so paid

(b) The persistent or repeated failure or refusal by a Baltimore Regional County substantially to fulfill any of its material obligations in accordance with the Intergovernmental Agreement other than those described in paragraph (a) above provided that no such failure or refusal shall constitute an Event of Default unless and until (i) the Service shall have given prior written notice to such Baltimore Regional County stating that in its opinion a particular default or defaults (to be described in reasonable detail in such notice) exist which will unless corrected constitute a material breach of the Intergovernmental Agreement on the part of such Baltimore Regional County and which will in its opinion give the Service a right to terminate the Intergovernmental Agreement for cause under this paragraph unless such default is corrected within a reasonable period of time and (ii) such Baltimore Regional County shall have neither corrected such default nor initiated reasonable steps to correct the same within a reasonable period of time (which shall in any event be not less than thirty (30) days from the date of the notice given pursuant to clause (i) of this paragraph) provided that if such Baltimore Regional County shall have commenced to take appropriate steps to correct such default within such reasonable period of time the same shall not constitute an Event of Default for as long as such Baltimore Regional County is continuing to take reasonable steps to correct such default

A material breach shall be deemed to have been corrected under a Intergovernmental Agreement if it has been alleviated to the degree that its existence no longer makes damages an inadequate remedy

Termination on Default (Section 4 4)

If any party shall have a right of termination for cause in accordance with the Intergovernmental Agreement the same may be exercised only by written notice of termination given to the party in default The proper exercise of such right of termination shall be in addition to and not in substitution for such other remedies whether damages or otherwise as the party exercising the right of termination may have

If the Service exercises its right of termination under the Intergovernmental Agreement with respect to any Baltimore Regional County it shall send copies of the notice of such termination to the other Baltimore Regional Counties at the same time it sends notice of termination to such Baltimore Regional County The other Baltimore Regional Counties may at their option and by providing notice to the Service within 15 days receipt of the notice of termination request that all or a portion of the terminated Baltimore Regional County s Guaranteed Annual Tonnage be transferred to them Unless the other Baltimore Regional Counties agree otherwise neither may assume more than half of the terminated Baltimore Regional County s Guaranteed Annual Tonnage If the other Baltimore regional Counties notify the Service that they intend to assume in the aggregate less than all of the terminated Baltimore Regional County s Guaranteed Annual Tonnage then the Service may in accordance with the

Intergovernmental Agreement accept Yard Debris in an amount less than or equal to the amount of the terminated Baltimore Regional County s Guaranteed Annual Tonnage not assumed by the other Baltimore Regional Counties

If a Baltimore Regional County exercises its right of termination under the Intergovernmental Agreement the Service shall be liable to such Baltimore Regional County for the reasonable increased costs of management services incurred bv such Baltimore Regional County for the remainder of the Fiscal Year in which such termination occurs

Option to Terminate at any Time (Section 4 6)

Each Baltimore Regional County shall have and is hereby granted the option to terminate the Intergovernmental Agreement at any time (a) by obtaining the agreement of the other Baltimore Regional Counties as to the termination of the Intergovernmental Agreement and upon termination by the other Baltimore Regional Counties of the Intergovernmental Agreements to which they are parties (b) by paying to the Service certain amounts set forth in the Intergovernmental Agreement (c) by giving the Service not less than thirty days advance written notice of such termination and (d) by executing an agreement between the Service and the Baltimore Regional Counties pursuant to which the Baltimore Regional Counties shall take title to and liability for the Composting Facility

Each Baltimore Regional County shall have and is hereby granted the option to terminate its Intergovernmental Agreement at any time (a) by obtaining agreement of the other Baltimore Regional Counties as to the termination of its Intergovernmental Agreement (b) by executing an agreement with the other Baltimore Regional Counties and the Service that the other Baltimore Regional Counties will collectively assume such Baltimore Regional County s Proportionate Share of such Baltimore Regional County s obligations under the Intergovernmental Agreement and (c) by giving the Service and the other Baltimore Regional Counties not less than thirty days advance written notice of such termination

Amounts Due Upon Termination of Agreement (Section 4 7)

In the event any Baltimore Regional County exercises its options to terminate the Intergovernmental Agreement such Baltimore Regional County shall pay to the Service or (as appropriate) to the trustee or trustees for any outstanding Indebtedness such Baltimore Regional County s Total Proportionate Share of

(a) The greater of (i) the fair market value of the Service s Composting Facility as determined utilizing one or more generally accepted appraisal approaches approved by the American Institute of Real Estate Appraisers or (ii) the amounts of money necessary to defease or retire and redeem any outstanding Indebtedness issued for the purposes of the Composting Facility including without limitation all principal amounts premiums if any interest to the date of final redemption legal and trustee expenses and any such other amounts as may be required

by the trustee of such Indebtedness or by any remarketing agent bank credit facility provider or tender agent pursuant to the resolution or indenture establishing the Service s obligations as to that Indebtedness or pursuant to any other financing document with respect thereto

(b) An amount sufficient when combined with any moneys held by the Service in the Special Purpose Fund other than restricted or obligated moneys to satisfy all current obligations normally paid from the Special Purpose Fund including without limitation any amounts owed for salaries services materials supplies utilities insurance installment purchase agreements or working capital loans

(c) An amount sufficient to compensate the Service for any of the reasonable costs of terminating the Intergovernmental Agreement and closing down its direct operations and support activities under the Intergovernmental Agreement and

(d) An amount specified by the Service sufficient to provide for any other obligations relating to the Intergovernmental Agreement the Indebtedness or the Composting Facility or otherwise incurred by the Service for the purpose of providing Yard Debris composting services under the Intergovernmental Agreement

Transfer of Property Upon Termination (Section 4 8)

The parties agree that upon the exercise of the option to terminate under the Intergovernmental Agreement and satisfaction of the requirements thereunder Service shall immediately convey to the Baltimore Regional Counties as tenants in common and the Baltimore Regional Counties shall accept all right title and interest in the Composting Facility all appurtenant real and personal property and in the remaining assets of the Special Purpose Fund and any other reserves and accounts held by the Service under the Intergovernmental Agreement The initial ownership interest of each of the Baltimore Regional Counties in the Composting Facility and all the other property conveyed under the Intergovernmental Agreement shall equal each Baltimore Regional County s Total Proportionate Share

Concluding Payment (Section 4 9)

Unless otherwise agreed by the Service and the Baltimore Regional Counties upon termination of the Intergovernmental Agreement pursuant to its terms as defined in the following paragraph Howard County shall either (a) pay to the Service an amount equal to the Concluding Payment for each of the other Baltimore Regional Counties or (b) direct the Service to sell the Composting Facility for a price not less than the fair market value of the Composting Facility

If Howard County pays the Concluding Payment amounts described in (a) of the preceding paragraph then within thirty (30) days receipt of the Concluding Payment the Service shall remit to each of the other Baltimore Regional Counties an amount equal to the

Concluding Payment due each of the other respective Baltimore Regional Counties Upon receipt of the Concluding Payment the Service shall immediately convey to Howard County and Howard County shall accept all right title and interest in the Composting Facility and all appurtenant real and personal property

If the Composting Facility is sold in accordance with (b) as set forth above then the Service shall within thirty (30) days receipt by the Service of the balance of the purchase price paid for the Composting Facility pay to each of the Baltimore Regional Counties an amount equal to the Concluding Payment due each of them

Term (Section 5 1)

The Intergovernmental Agreement shall first be effective on the date of execution and unless sooner terminated in accordance with the terms thereof shall continue in effect until the later of (i) the twentieth anniversary of the Operations Commencement Date or (ii) the date on which the Indebtedness has been paid in full

Uncontrollable Circumstance (Section 7 1)

Each party to an Intergovernmental Agreement shall be excused for its failure to perform in accordance with such Intergovernmental Agreement any obligation required to be performed by it thereunder to the extent that such failure results from an Uncontrollable Circumstance provided that in no event shall any Uncontrollable Circumstance excuse (i) any Baltimore Regional County from making any payment thereunder in accordance with the terms of the Intergovernmental Agreement or (ii) the Service from accepting Yard Debris as provided thereunder Each party shall seek diligently and in good faith to overcome or remove such Uncontrollable Circumstance provided however that among other things the settlement of strikes lockouts and other industrial disturbances or of any legal actions or administrative proceedings shall be entirely in the discretion of the party suffering the same and it shall be not required to make settlement of strikes lockouts and other industrial disturbances or of legal actions or administrative proceedings when such settlement would be unfavorable in the judgment of the party suffering the strike labor dispute or other industrial disturbance or legal action or administrative proceedings A party claiming the benefit of this paragraph shall give prompt notice thereof to the other party

As used in this Section Uncontrollable Circumstance means any event or condition whether affecting the Composting Facility any Alternative Facility a Baltimore Regional County the Service or any other Person having or which may reasonably be expected to have a material adverse effect on the Composting Facility or any Alternative Facility or the acquisition design construction equipping start up operation ownership or possession of the Composting Facility or any Alternative Facility including without limitation breach of the Service Agreement by the Company if such event or condition is beyond the reasonable control and not the result of willful or negligent action or lack of reasonable diligence of the party

relying thereon as justification for not performing any obligation or complying with any condition required of such party hereunder

Assignment (Section 7 3)

The Intergovernmental Agreement may not be assigned by either party without the prior written consent of the other party hereto except that the Service may without the consent of the Baltimore Regional Counties assign its interest and obligations thereunder to a trustee or trustees as collateral for or otherwise in connection with arrangements for the financing or refinancing of all or part of the Composting Facility or any modifications thereof or additions thereto In the event of an assignment by the Service under this paragraph the Baltimore Regional Counties shall be notified in writing and shall make payments due thereunder to such Person as may be designated by such assignee in such notice or otherwise

Binding Effect (Section 7 7)

The Intergovernmental Agreement shall bind and inure to the benefit of the parties thereto and any successor or assignee acquiring an interest thereunder

Applicable Law (Section 7 9)

The law of the State of Maryland shall govern the validity interpretation construction and performance of the Intergovernmental Agreement

Amendment or Waiver, Etc (Section 7 12)

Neither the Intergovernmental Agreement nor any provision thereof may be changed modified amended or waived except by a written instrument signed by the party against whom enforcement of such change modification amendment or waiver is sought

Waiver of Sovereign Immunity (Section 7 13)

The Baltimore Regional Counties to the maximum extent permitted by Maryland Code Annotated Article 25A § 1A hereby waives sovereign immunity (or similar rights and defenses) that the Baltimore Regional Counties may have under Applicable Law with respect to and agree not to raise sovereign immunity (or any similar defense) as a defense to any claim suit or proceeding (of whatever nature) based on or arising out of the Intergovernmental Agreement or the transactions contemplated hereby or any breach hereof against the Baltimore Regional Counties asserted or brought by or on behalf of the Service or any member officer director employee or agent of any thereof

Limitation of Liability (Section 7 15)

The obligations of the Service under the Intergovernmental Agreement are limited obligations payable solely from such amounts as may be received by the Service in connection with its operation of the Composting Facility and the provision of Yard Debris composting services to the Baltimore Regional Counties under the Intergovernmental Agreement The obligations of the Service thereunder shall not be payable from the general funds of the Service and the incurrence or non performance of such obligations shall not constitute or create a legal or equitable pledge of or lien or encumbrance upon or claim against any of the assets or property of the Service or upon any of its income receipts or revenues except the amounts described in the immediately preceding sentence

The execution and delivery of the Intergovernmental Agreement by the Baltimore Regional Counties and the Service shall not impose any personal liability on the members officers officials employees or agents of the Baltimore Regional Counties or the Service No recourse shall be had for any claims based on the Intergovernmental Agreement against any member officer official employee or other agent of the Baltimore Regional Counties and the Service in his individual capacity all such liability if any being expressly waived by the Baltimore Regional Counties and the Service by the execution of the Intergovernmental Agreement

APPENDIX E

PROPOSED FORM OF
OPINION OF BOND COUNSEL

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

[CLOSING DATE]

Maryland Environmental Service
2011 Commerce Park Drive
Annapolis Maryland 21401

Ladies and Gentlemen

In connection with the issuance of $_____ Maryland Environmental Service Revenue Bonds (Regional Yard Debris Composting Project) Series 1995 dated as of July 1 1995 (the Bonds) as special obligations of the Maryland Environmental Service (the Service) we have examined

(i) Sections 3 101 through 3 130 inclusive of the Natural Resources Article of the Annotated Code of Maryland (1989 Replacement Volume and 1994 Cumulative Supplement) (the Act)

(ii) the Indenture of Trust dated as of _____ 1995 between the Service and _____ as Trustee (the Trustee) (the Indenture)

(iii) an executed and authenticated Bond

(iv) relevant provisions of the Constitution and laws of the State of Maryland

(v) relevant provisions of the Internal Revenue Code of 1986 as amended (the Code)

(vi) Municipal Bond Insurance Policy No _____ (the Bond Insurance Policy) issued by AMBAC Indemnity Corporation (the Bond Insurer) and

(vii) other proofs submitted to us relative to the issuance and sale of the Bonds

The terms of the Bonds are contained in the Indenture and the Bonds

In rendering our opinion we have assumed (i) the corporate power and authority of the Trustee to authorize execute and deliver the Indenture and to perform its obligations thereunder and (ii) the due authorization execution and delivery by the Trustee of the Indenture

We have made no independent investigation of and are rendering no opinion regarding the title to or security interests in real or personal property

We express no opinion as to the validity of the Bond Insurance Policy or the obligations of the Bond Insurer thereunder

Based upon the foregoing it is our opinion that

(a) The Service is a validly created and existing body politic and corporate and public instrumentality of the State of Maryland

(b) The Indenture has been duly authorized executed and delivered by the Service and constitutes the valid and binding obligation of the Service

(c) The Service is duly authorized and entitled to issue the Bonds Bonds executed and authenticated as provided in the Indenture have been duly and validly issued and constitute valid and binding special obligations of the Service payable solely from Revenues (as defined in the Indenture) and other amounts pledged to such payment under the Indenture The Indenture contains provisions permitting the issuance of Additional Bonds (as defined in the Indenture) The Bonds and any Additional Bonds issued within the limitations and provisions of the Indenture are entitled to the benefit and security of the Indenture to the extent provided therein

(d) The Indenture and the Bonds are subject to bankruptcy insolvency moratorium reorganization and other state and federal laws affecting the enforcement of creditors rights and to general principles of equity

(e) By the terms of the Act the Bonds do not constitute a debt or a pledge of the faith and credit of the State of Maryland or of any political subdivision thereof Neither the State of Maryland nor any political subdivision thereof nor the Service shall be obligated to pay the Bonds or the interest thereon except from the Revenues and other amounts pledged to the payment of the Bonds under the Indenture Neither the faith and credit nor the taxing power of the State of Maryland of any political subdivision thereof or of the Service is pledged to the payment of the principal of or the interest on the Bonds

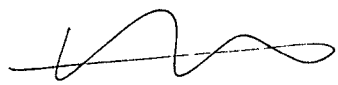
(f) By the terms of the Act the Bonds their transfer the interest payable thereon and any income derived therefrom including any profit realized in the sale or exchange thereof at all times shall be exempt from taxation of every kind and nature whatsoever by the State of Maryland or by any of its political subdivisions municipal corporations or public units of any kind no opinion is expressed as to estate or inheritance taxes the Maryland tax on financial institutions measured by income or any other taxes not levied or assessed directly on the Bonds or the income therefrom

(g) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes regulations and decisions It is noted that under the provisions of 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 These include (without limitation) a requirement that certain investment earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under some circumstances (or that certain payments in lieu of rebate be made) and other requirements applicable to the investment of the proceeds of the Bonds 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 Service

has covenanted to regulate the investment of the proceeds of the Bonds and to make such rebate payments (or payments in lieu of rebate) as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds

(h) Interest on the Bonds is not included in 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 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 from the Bonds will be includable in the applicable taxable base for the purposes of determining the environmental tax imposed by the Code on corporations for taxable years beginning before 1996 and will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States

Very truly yours



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APPENDIX F

OFFICIAL NOTICE OF SALE

AND

FORM OF PROPOSAL FOR BONDS

MARYLAND ENVIRONMENTAL SERVICE

NOTICE OF SALE OF

$5,915,000

MARYLAND ENVIRONMENTAL SERVICE

REVENUE BONDS

(REGIONAL YARD DEBRIS COMPOSTING PROJECT)

SERIES 1995

Dated July 1, 1995

Sealed proposals will be received until 11 00 A M local Baltimore Maryland time on Thursdav June 29 1995 by the Treasurer of the Maryland Environmental Service (the Service) at the offices of Piper & Marbury L L P Conference Room 2B Second Floor 36 South Charles Street Baltimore Maryland 21201 for the purchase of the above described bonds of the Maryland Environmental Service (the Bonds) aggregating $5 915 000 * to be issued pursuant to an Indenture of Trust dated as of June 1 1995 (the Indenture) between the Service and Signet Trust Company Baltimore Maryland as Trustee (the Trustee) all dated July 1 1995 and maturing subject to prior redemption as herein stated on the first day of September as follows

Years of Maturity	Annual Amounts Maturing*	Years of Maturity	Annual Amounts Maturing*
1996	$175 000	2006	$290 000
1997	185 000	2007	305 000
1998	195 000	2008	320 000
1999	205 000	2009	335 000
2000	215 000	2010	355 000
2001	225 000	2011	375 000
2002	235 000	2012	395 000
2003	250 000	2013	415 000
2004	260 000	2014	440 000
2005	275 000	2015	465 000

* Estimated subject to change

The Service will not consider and will reject any proposal for the purchase of less than all of the Bonds for which a proposal is made No bid for less than ninety nine percent (99%) of the aggregate principal amount of the Bonds or for more than one hundred two percent (102%) of the aggregate principal amount of the Bonds will be considered As promptly as reasonably possible after the bids are opened the Service 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 Service of the initial reoffering prices to the public of each maturity of the Bonds (the Initial Reoffering Prices) The successful bidder shall make a bona fide public offering of the Bonds at the Initial Reoffering Prices and shall provide the related certification described herein

The Bonds are issuable only as fully registered bonds and when issued will be registered in the name of Cede & Co as nominee of The Depository Trust Company (DTC) New York New York to which principal and interest payments on the Bonds will be made so long as Cede & Co is the registered owner of the Bonds Individual purchases of the Bonds will be made only in book entry form in denominations of $5 000 and integral multiples thereof Individual purchasers (Beneficial Owners) of the Bonds will not receive physical delivery of bond certificates One bond certificate for each maturity will be issued to Cede & Co the nominee of DTC and immobilized in its custody

Interest on the Bonds from July 1 1995 is payable on March 1 1996 and semiannually thereafter on September 1 and March 1 So long as DTC or its nominee is the registered owner of the Bonds disbursements of such payments to DTC is the responsibility of the Trustee Disbursements of such payments to participants of DTC (DTC Participants) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants or indirect participants of DTC

The Bonds which mature on or after September 1 2006 are subject to redemption at the option of the Service beginning September 1 2005 as a whole at any time or in part on any interest payment date in any order of maturities at the following prices expressed as a percentage of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date set for redemption

Period During Which Redeemed (both dates inclusive)	Redemption Price
September 1 2005 through August 31 2006	102%
September 1 2006 through August 31 2007	101%
September 1 2007 and thereafter	100%

The Bonds shall also be subject to redemption prior to maturity as described under THE SERIES 1995 BONDS Redemption Provisions in the Preliminary Official Statement with respect to the Bonds dated June 19 1995

If fewer than all of the Bonds shall be redeemed the particular maturities of the Bonds shall be selected by the Service So long as the Bonds are maintained under a book entry system

the selection of individual ownership interests in the Bonds to be credited with any partial redemption shall be made as described in the Preliminary Official Statement under Book Entry Only System If fewer than all of the Bonds of any one maturity shall be called for redemption the particular Bonds to be redeemed shall be selected by lot or in such manner as the Trustee in its discretion may deem proper

NOTE The Service may revise this Notice of Sale by publishing notice of any revisions on Munifacts News Service (Munifacts) no less than twenty one (21) hours before the time for submission of bids The Service may cancel or change the date of sale of the Bonds at any time by publishing notice thereof on Munifacts Any bid submitted shall be in accordance with and incorporate by reference this Notice of Sale including any revisions made pursuant to this paragraph

The preliminary aggregate principal amount of the Bonds and the preliminary principal amount of each maturity of the Bonds as set forth in this Notice of Sale (collectively the Preliminary Amounts) may be revised before the receipt and opening of sealed bids for their purchase The revised aggregate principal amount of the Bonds and the revised principal amount of each maturity (collectively the Revised Amounts) will be published on Munifacts not later than 2 00 p m local Baltimore Maryland time on the day before the date of sale In the event that no revisions are made or that such revisions are not published on Munifacts before 2 00 p m local Baltimore Maryland time on the day before the date of sale 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

Each bidder shall submit one bid on an all or none basis Bidders shall state in their proposals the rate or rates of interest to be paid on the Bonds in multiples of one eighth (1/8) or one twentieth (1/20) of one percent (1%) and each proposal shall be based and submitted on the rate or rates stated therein Bidders may specify more than one rate of interest to be borne by the Bonds but the difference between the highest and lowest rates named may not be greater than two percent (2%) Bidders may not specify more than one interest rate for the Bonds of any single maturity A zero rate may not be named for any maturity Each rate of interest specified for Bonds of any maturity shall not be less than the rate of interest specified for any earlier maturity Bidders may designate in their proposal two or more consecutive serial maturities beginning no earlier than September 1 2006 and in any year thereafter as a term bond which matures on the maturity date of the last serial maturity of the sequence The stated maturity date for any term bond so designated may not be earlier than September 1 2007 More than one such sequence of serial maturities may be designated as a term bond Any term bond so designated 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

The Bonds will be awarded to the bidder naming the lowest true interest cost for all the Bonds in any legally acceptable proposal and offering to pay not less than ninety nine percent (99%) or more than one hundred two percent (102%) of the aggregate principal amount of the Bonds plus accrued interest The lowest true interest cost will be determined in accordance with

the true interest cost (TIC) method by doubling the semiannual interest rate compounded semiannually necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid not including interest accrued to the date of delivery Where the proposals of two or more bidders result in the same lowest true interest cost the Bonds may be apportioned by the Service between such bidders in such manner as it determines but if this shall not be acceptable the Service shall have the right to award all of the Bonds to one bidder The right is reserved to the Service to reject any or all proposals and to waive any irregularity or informality in any proposal The Treasurer s judgment shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale

Each proposal must be submitted on the form accompanying the Preliminary Official Statement and must be enclosed in a sealed envelope addressed to the Treasurer of the Maryland Environmental Service c/o Piper & Marbury L L P Conference Room 2B Second Floor 36 South Charles Street Baltimore Maryland 21201 and marked on the outside Bid for Bonds

A certified check bank cashier s treasurer s or official check drawn upon or certified by a responsible banking institution in the amount of $118 300 and made payable to the order of Maryland Environmental Service or a financial surety bond (a Financial Surety Bond) must accompany each proposal as security for compliance with said proposal (the Deposit) If a Financial Surety Bond is used it must be from an insurance company acceptable to the Service and licensed to issue such a bond in the State of Maryland and such Financial Surety Bond must be submitted to the Service prior to the opening of the bids and in the form and substance acceptable to the Service In addition the proposed form of any Financial Surety Bond including the identity of the insurance company must be provided to the Treasurer of the Service at the address indicated below not later than 5 00 p m on the day before the date of sale The Financial Surety Bond must identify the bidder whose Deposit is guaranteed by such Financial Surety Bond If the Bonds are awarded to a bidder utilizing a Financial Surety Bond then such successful bidder is required to submit its Deposit to the Service in the form of a wire transfer not later than 12 00 p m Baltimore time on the next business day following the award If such Deposit is not received by that time the Financial Surety Bond may be drawn by the Service to satisfy the Deposit requirement The Deposit of the successful bidder will be collected and the proceeds thereof retained by the Service to be applied in part payment for the Bonds No interest will be allowed on any such Deposit In the event the successful bidder shall fail to comply with the terms of his bid the proceeds of such Deposit will be retained as and for full liquidated damages Deposits of unsuccessful bidders will be returned promptly after the Bonds are awarded

The Bonds are authorized by Sections 3 101 through 3 130 inclusive of the Natural Resources Article of the Annotated Code of Maryland (1989 Replacement Volume and 1994 Cumulative Supplement) and by the Indenture

The proceeds of the Bonds for which proposals are solicited herein will be used to provide financing for the acquisition design construction and equipping of a regional yard

debris composting facility consisting of a compost pad a scale and scale house internal access roads and other ancillary yard debris composting facilities located in Howard County Maryland (the Composting Facility) The Service has entered into separate Yard Debris Composting Intergovernmental Agreements (the Intergovernmental Agreements) with Howard County Maryland Anne Arundel County Maryland and Baltimore County Maryland (the Counties) pursuant to which the Counties will deliver their Yard Debris (as defined in the Intergovernmental Agreements) to the Service for disposal and will pay the Service certain fees related to the costs of operating the Composting Facility

The Bonds constitute special obligations of the Service payable solely from (i) Revenues (as defined in the Indenture) from the Composting Facility and (ii) to the extent provided in the Indenture the proceeds of the Bonds Neither the full faith and credit nor the taxing power of the State of Maryland or any political subdivision thereof or of the Service is pledged to the payment of principal of or interest on the Bonds

The issuance of the Bonds will be subject to legal approval by Piper & Marbury L L P Baltimore Maryland whose opinion shall be substantially in the form set forth as an exhibit to the Preliminary Official Statement concerning the Bonds The opinion will be delivered upon request without charge to the successful bidder for the Bonds

It is anticipated that CUSIP identification numbers will be printed on the Bonds but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale

If so requested by the purchaser or purchasers at or before the close of business on the date of the sale the Service 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 therefor (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 Service and its officials for the Reoffering Information furnished by such bidder 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 final Official Statement The successful bidder will also be furnished without cost within seven (7) business days of the date of sale with up to 150 copies of the Official Statement (and any amendments or supplements thereto)

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS THE SUCCESSFUL BIDDER SHALL FURNISH TO THE SERVICE A CERTIFICATE ACCEPTABLE TO BOND COUNSEL STATING (i) THE REOFFERING PRICES EXPRESSED AS A PERCENTAGE OF PAR TO THE PUBLIC OF EACH MATURITY OF THE BONDS (THE INITIAL REOFFERING PRICES) (ii) THAT THE SUCCESSFUL

BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT (OR BELOW) THE INITIAL REOFFERING PRICES AND (iii) THAT A SUBSTANTIAL AMOUNT OF THE BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES BROKERS AND OTHER INTERMEDIARIES) AT SUCH INITIAL REOFFERING PRICES 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 at (or below) the 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

The Bonds shall be delivered on or about July 13 1995 at the expense of the Service at such place in Baltimore Maryland or New York New York as shall be mutually agreed upon by the Service and the successful bidder or at such other date or place as shall be mutually agreed upon by the Service and the successful bidder (provided that delivery other than in Baltimore Maryland or New York New York shall be at the expense of the successful bidder) upon payment of the aggregate principal amount of the Bonds plus the premium or less the discount if any set forth in the Proposal for Bonds plus accrued interest from July 1 1995 to the date of delivery less the amount of the good faith deposit Such payment shall be made in Federal funds

AMBAC Indemnity Corporation (AMBAC Indemnity) has issued a commitment for municipal bond insurance relating to the Bonds Delivery of the Bonds shall be conditioned upon the issue effective as of the date on which the Bonds are issued of a policy of insurance by AMBAC Indemnity insuring the payment when due of principal of and interest on the Bonds Each Bond will bear a legend referring to the insurance The purchaser holder or owner is not authorized to make any statements concerning the insurance beyond those set out here and in the bond legend without the approval of AMBAC Indemnity

The 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

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that simultaneously with or before delivery and payment for the Bonds such successful bidder shall be furnished a certificate of the appropriate Service officials 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 and information relating to AMBAC Indemnity and the insurance policy for the Bonds 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 Service except as reflected or contemplated in the Official Statement

Copies of the Preliminary Official Statement which is in a form deemed final as of its date by the Service for purposes of SEC Rule 15c2 12(b)(1) but is subject to revision amendment and completion in the Official Statement together with this Notice of Sale and the required form of proposal may be obtained from the office of Maryland Environmental Service (410 974 7281) 2011 Commerce Park Drive Annapolis Maryland 21401 or from Public Financial Management (404 876 1919) 600 Peachtree Street N E Suite 3850 Atlanta Georgia 30308

By order of
MARYLAND ENVIRONMENTAL SERVICE

PROPOSAL FOR BONDS

June 29, 1995

Treasurer Maryland Environmental Service
c/o Piper & Marbury L L P
Second Floor
Conference Room 2B
36 South Charles Street
Baltimore Maryland 21201

Dear Madam

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale which is incorporated by reference herein and made a part of this Proposal for Bonds we offer to purchase from the Maryland Environmental Service the aggregate principal amount (based on the Revised Amounts) of Maryland Environmental Service Revenue Bonds (Regional Yard Debris Composting Project) Series 1995 (the Bonds) such Bonds to be dated July 1 1995 to mature (subject to prior redemption as provided in such Notice of Sale) on September 1 in the several years shown in the table below and to bear interest at the rates per annum set opposite such years respectively

Years of Maturity	Interest Rates Per Annum	Years of Maturity	Interest Rates Per Annum
1996	%	2006	%
1997		2007	
1998		2008	
1999		2009	
2000		2010	
2001		2011	
2002		2012	
2003		2013	
2004		2014	
2005		2015	

We hereby designate that the following Bonds be aggregated into Term Bonds maturing on September 1 of the following years (leave blank if no Term Bonds are specified)

Years Aggregated	Maturity Year
_____ through _____	_____
_____ through _____	_____
_____ through _____	_____
_____ through _____	_____

1 par value of the Bonds (based on the Revised Amounts) $_____

2 plus a premium bid *(not to exceed 2 00% of the aggregate Revised Amount of the Bonds)* in the amount of +$_____

3 less a discount bid *(not to exceed 1 00% of the aggregate Revised Amount of the Bonds)* in the amount of $_____

making a total sum of $_____

In addition we will pay accrued interest on the Bonds from July 1 1995 to the date of delivery and will accept delivery in accordance with the Notice of Sale

We submit the following form of good faith deposit (check one)

_____ We enclose herewith a certified check bank cashier s treasurer s or official check drawn upon or certified by a responsible banking institution payable to the order of Maryland Environmental Service in the amount of $118 300 which check is to be returned to us if this proposal is not accepted

_____ We enclose herewith a surety bond with the amount of $118 300 in accordance with the Official Notice of Sale

If this proposal is accepted said good faith deposit is to be held as security for the performance of this Proposal for Bonds and is to be applied to the purchase price of the Bonds when the Bonds are delivered and paid for under the terms of this proposal or is to be retained as and for full liquidated damages in case we fail so to take up and pay for the Bonds

WE UNDERSTAND THAT (A) WE ARE TO PROVIDE A CERTIFICATION REGARDING THE PUBLIC SALE OF THE BONDS AS DESCRIBED IN THE NOTICE OF SALE ON OR PRIOR TO THE CLOSING DATE AND (B) IF NOTIFIED THAT WE ARE THE SUCCESSFUL BIDDER WE WILL BE REQUIRED TO ADVISE THE SERVICE OF THE INITIAL REOFFERING PRICES (AS DESCRIBED IN THE NOTICE OF SALE) FOR EACH MATURITY OF THE BONDS AT THE TIME OF SUCH NOTIFICATION In this regard you may contact and rely on the information provided by _____ whose telephone number is _____

For your information you will find attached a list of underwriters associated with us in this proposal

_____

_____

_____

and Associates (See List Attached)

NOTE NOT PART OF THIS BID

The following is for information only and is not part of this proposal

Aggregate amount of interest from date of Bonds to final maturity	$_____
True Interest Cost	_____%

24947

APPENDIX G

SPECIMEN FORM OF
MUNICIPAL BOND INSURANCE POLICY

AMBAC Municipal Bond Insurance Policy

AMBAC I d mn t Co por t on
c/o CT Corpo at on Systems
44 East Miffl n St Mad son Wisconsin 53703
Adm n str t e Off ce
On St te St eet Pl z New York NY 10004
Telephone (12) 668 0540

Iss c

Pol y N ob

Bo ds

P n

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

co s d at on of the p me t or th p cm m d s bject to he ms of th s Pol c he by g e s to p y to the U ted S es T st Comp y of N w Yo k s t ustee o ts s ccesso (th I s T ste) fo th b ef t of Bo dhold s th t port o of th p cp l of d s he bo desc b d d b obl g (B d) w h h ll b m D to P ymen but sh ll b u p d by so f No p me b th I s

AMBAC w ll m ke s ch p men s to the I s ce T w h c (1) b s d y follow t o f co on to AMBAC of No p y m t Upo Bo dholde s p esc tat on nd s re de to th I s c T s e of c m d Bonds r ppu e d t co po s ca celed a d be e fo m d t of a y d es cl m th I c T s e w ll d sbu to th Bondhold the f c mo of p cp l nd te st wh ch s th D fo P m b t p d Up d sb to AMBAC shall b c m h ow of he s d d Bo ds d co po s d sh ll be f llv b g d o ll of he B dhold s go p t

I c ses whe c h Bo ds e ss ble o l fo m whe eb p c pal t pa b to regis t red Bo dhold s o he ss g s th Ins a ce T stee sh ll d sbu se pr c pal to a Bo dholde s fo s d nl upon p esen th d s e de to h I u ce Tr st of the p d Bo d c c led d f ee ot d e s cl m t rec y to m st sf cto y to th I s ce T s c d ly e cu ed by h Bo dholde such Bond lder d ly uthor z d p e o t pe m t w e h p of s ch Bo d to b g s cd th m of AMBAC o ts o ne c as h er B d s bl ly fo m wh eb e t s pa bl to ste ed Bo dholde s o he ass g s the I s r c Trustee h d sb se te t o Bo dhold s afo es d o ly po p ese t t o to the I su T ste of proof that the cl m n s the pe t tl d o th p me t of n e st o he Bond a d del e y to th I s ce T st e of strument of a s gnm n fo I s sf cto t t I T s d l ted by he cl m t Bo dh lde o s ch Bo dhold s d l th d present t sfe g AMBAC ll gh de uch B d to ce h e p c f wh ch th ins rnc disbursem t was m de AMBAC sh ll b s b og t d to ll the Bo dh ld ghts t p yme t o cg t cd Bo ds to the te t of the s ance d sb s me s so m d

I th c t th t stee o p y n gent bo d Bo ds s ot c h t y p m t of p cp l of o t s o a Bo d wh ch has become D e fo P yment and wh ch is made to Bondholde by b h lf of th Is of h Bo d h s bc d m d p et t l t sf d th to t o e f om g t d w p h U t d S B k p C d cco d c w h f l o pp l bl d o ourt of comp j sd t s ch d w ll b l d p t AMBAC to the of s ch eco ery f suffic e t f nds e no othe w se l bl

As used he e th term Bondhol de me s y p so oth th th Is who t th t me of No p yme s th ow e of a Bo d o of coupo pp rt n ng to a Bond As s d he e n D to P me h f g o h p cp l of B d s whe the st t d m tu ty d t m n datory red mp o d te fo the ppl c t f q cd s k g f d t llm h b ch d d do o efe o y le d t o wh ch p vm s d e b o ot ll to d mpt o (o he h by ppl c o of q ed s k g f d st llme ts) cc l at o or othe d c me t of mat t a d whe fe g o te est o h Bo ds whe th s t d d e fo paym t of nter st h s been re ch d As cd h e n No pa me t me s th f l c of th Iss e to h c p o d d suff c t f ds to the p y gent fo p yment f ll of ll p cp l f d t s o h Bo ds wh ch D f P yme t

Th P l o c l bl Th p m um o th s Pol c s f d bl fo o cl d g p vm of h B ds p o m tur ty Th s Pol cy does not s r aga st loss of p p m t o oth cc l o p me wh ch t t me m y becom d n respect of any Bo d othe tha t the sole opt on of AMBAC o g st sk oth th No p yme t

In w tness whe eof AMBAC has c used th s Pol cy o b ff cd w h f cs m le of s co po te e l d to b s g d by ts d l tho d off e s f cs m l to b com effect s ts o g l s l d g d b d g po AMBAC by t e of he co t s gnature of ts duly a thor ed epr sent t

SPECIMEN

President

SEAL

Secretary

Effect ve Dat

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy

Authorized Representative

Cynthia Chaney

Authorized Officer

F m S66 0003 (8/9)