New Issues

In the opinion of Bond Counsel, (i) the Bonds will be valid and legally binding general obligations of Howard County, Maryland; (ii) under existing law, the 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 any kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon; and (iii) interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statues, regulations and decisions. As described herein under "TAX EXEMPTION," interest earned on the Bonds, for federal income tax purposes, will be subject to the branch profits tax imposed on foreign corporations.

Fitch Ratings:	**AAA**
Moody's Investors Services:	**Aaa**
Standard & Poor's Ratings Services:	**AAA**

$95,960,000 General Obligation Bonds

Dated: Date of Delivery

Due: April 15, as shown below

Denomination: Integral multiples of $5,000

Interest Payable: April 15 and October 15

First Interest Payment Due: October 15, 2009

Form: Registered, book-entry only

$69,720,000 Consolidated Public Improvement Bonds, 2009 Series A

Due April 15	Principal Amount	CUSIP	Interest Rate	Yield or Price	Due April 15	Principal Amount	CUSIP	Interest Rate	Yield or Price	Due April 15	Principal Amount	CUSIP	Interest Rate	Yield or Price
2010	$ 2,205,000	442565J73	4.000 %	0.650 %	2017	$ 2,990,000	442565K63	4.000 %	2.810 %	2024	$ 4,165,000	442565L54	4.000 %	4.120 %
2011	2,350,000	442565J81	4.000	1.100	2018	3,110,000	442565K71	5.000	3.000	2025	4,335,000	442565L62	4.125	4.260
2012	2,445,000	442565J99	3.500	1.370	2019	3,265,000	442565K89	5.000	3.190	2026	4,510,000	442565L70	4.250	4.360
2013	2,530,000	442565K22	4.000	1.790	2020	3,430,000	442565K97	5.000	3.380	2027	4,705,000	442565L88	4.375	4.460
2014	2,635,000	442565K30	5.000	2.150	2021	3,600,000	442565L21	5.000	3.550	2028	4,910,000	442565L96	4.750	4.580
2015	2,765,000	442565K48	4.000	2.380	2022	3,780,000	442565L39	5.000	3.700	2029	5,145,000	442565M20	4.500	4.655
2016	2,875,000	442565K55	4.000	2.590	2023	3,970,000	442565L47	5.000	3.860					

$26,240,000 Metropolitan District Bonds, 2009 Series A

Due April 15	Principal Amount	CUSIP	Interest Rate	Yield or Price	Due April 15	Principal Amount	CUSIP	Interest Rate	Yield or Price	Due April 15	Principal Amount	CUSIP	Interest Rate	Yield or Price
2010	$ 835,000	442565M38	4.000 %	0.650 %	2017	$ 1,160,000	442565N29	4.000 %	2.810 %	2024	$ 1,525,000	442565N94	4.000 %	4.120 %
2011	910,000	442565M46	4.000	1.100	2018	1,205,000	442565N37	4.000	3.000	2025	1,585,000	442565P27	4.125	4.260
2012	955,000	442565M53	3.000	1.330	2019	1,255,000	442565N45	4.000	3.190	2026	1,650,000	442565P35	4.250	4.360
2013	1,000,000	442565M61	3.000	1.750	2020	1,305,000	442565N52	4.000	3.450	2027	1,725,000	442565P43	4.375	4.460
2014	1,040,000	442565M79	3.000	2.150	2021	1,355,000	442565N60	4.000	3.630	2028	1,800,000	442565P50	4.375	4.533
2015	1,075,000	442565M87	3.000	2.380	2022	1,410,000	442565N78	4.000	3.800	2029	1,875,000	442565P68	4.500	4.650
2016	1,105,000	442565M95	5.000	2.590	2023	1,470,000	442565N86	4.000	3.960					

Prices and yields shown above are based on information supplied to the County by the purchasers of the Bonds.

Payable: Interest on and principal of the Bonds will be paid by the County to The Depository Trust Company, New York, New York, as securities depository. Disbursement of such payments will be made by DTC to its Participants which in turn will provide for payment to the Beneficial Owners of the Bonds, all as described herein. Beneficial Owners will not receive certificates evidencing their interests in Bonds purchased.

Redemption: Consolidated Public Improvement Bonds and Metropolitan District Bonds are subject to optional redemption on and after April 15, 2019, in both cases at a redemption price of 100%.

Purpose: Proceeds of the Consolidated Public Improvement Bonds are being used to repay $73.404 million of the County's Notes, to pay costs related to certain County capital projects and to pay costs of issuance of the Consolidated Public Improvement Bonds. Proceeds of the Metropolitan District Bonds are being used to pay costs related to the County's water and sewer capital projects and to pay costs of issuance of the Metropolitan District Bonds.

Security: The Bonds are general obligations of the County, and its full faith and credit and unlimited taxing power are irrevocably pledged to the punctual payment of principal of and interest on the Bonds when due.

This cover page contains information for quick reference only. It is not a summary of the Bonds. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel. Public Financial Management, Inc. served as Financial Advisor to the County in connection with the issuance of the Bonds. The Bonds in definitive form will be available for delivery through the facilities of DTC on or about April 8, 2009.

The date of this Official Statement is March 23, 2009.

Howard County, Maryland

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Ellicott City, Maryland 21043
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www.howardcountymd.gov

County Executive

Ken Ulman

County Council

Mary Kay Sigaty, *Chairperson*
Jen Terrasa, *Vice Chairperson*
Calvin Ball, *Council Member*
Greg Fox, *Council Member*
Courtney Watson, *Council Member*

Certain Appointed Officials

Haskell Arnold, *County Auditor*
Gary Arthur, *Director of Recreation and Parks*
Jessica Feldmark, *Chief of Staff*
Robert J. Frances, *Director of Inspections, Licenses & Permits*
William F. Goddard III, *Acting Director of Fire and Rescue*
Sharon F. Greisz, *Director of Finance*
James M. Irvin, *Director of Public Works*
Jack Kavanagh, *Director of Corrections*
Ira Levy, *Director of Technology & Communication Services*
William McMahon, *Chief of Police*
Marsha McLaughlin, *Director of Planning and Zoning*
Margaret Ann Nolan, *County Solicitor*
Lonnie R. Robbins, *Chief Administrative Officer*
Susan M. Rosenbaum, *Director of Citizen Services*
Stephen LeGendre, *Administrator to the County Council*
Raymond S. Wacks, *Budget Administrator*

Financial Advisor

Public Financial Management, Inc.
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18th & Arch Street
Philadelphia, Pennsylvania 19103-2748
Telephone (215) 567-6100
Fax (215) 567-4180
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Fax (410) 843-3501
www.mshllp.com

Independent Auditor

Reznick Group, P.C.
500 East Pratt Street, Suite 200
Baltimore, Maryland 21202-3100
Telephone (410) 783-4900
Fax (410) 727-0460
www.reznickgroup.com

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

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 opinion and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of Howard County, Maryland since the respective dates as of which such information is given herein. This Official Statement is not to be construed as a contract or agreement between Howard County, Maryland and the purchasers or holders of any of the Bonds. Furthermore, this Official Statement does not contain any investment advice for purchasers or holders of any of the Bonds. Such persons should consult their own financial advisors regarding possible financial consequences of ownership of the Bonds.

In connection with the offering of the Bonds, the purchasers of the Bonds may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") or with any state security agency. The Bonds have not been approved or disapproved by the SEC or any state securities agency nor has the SEC or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

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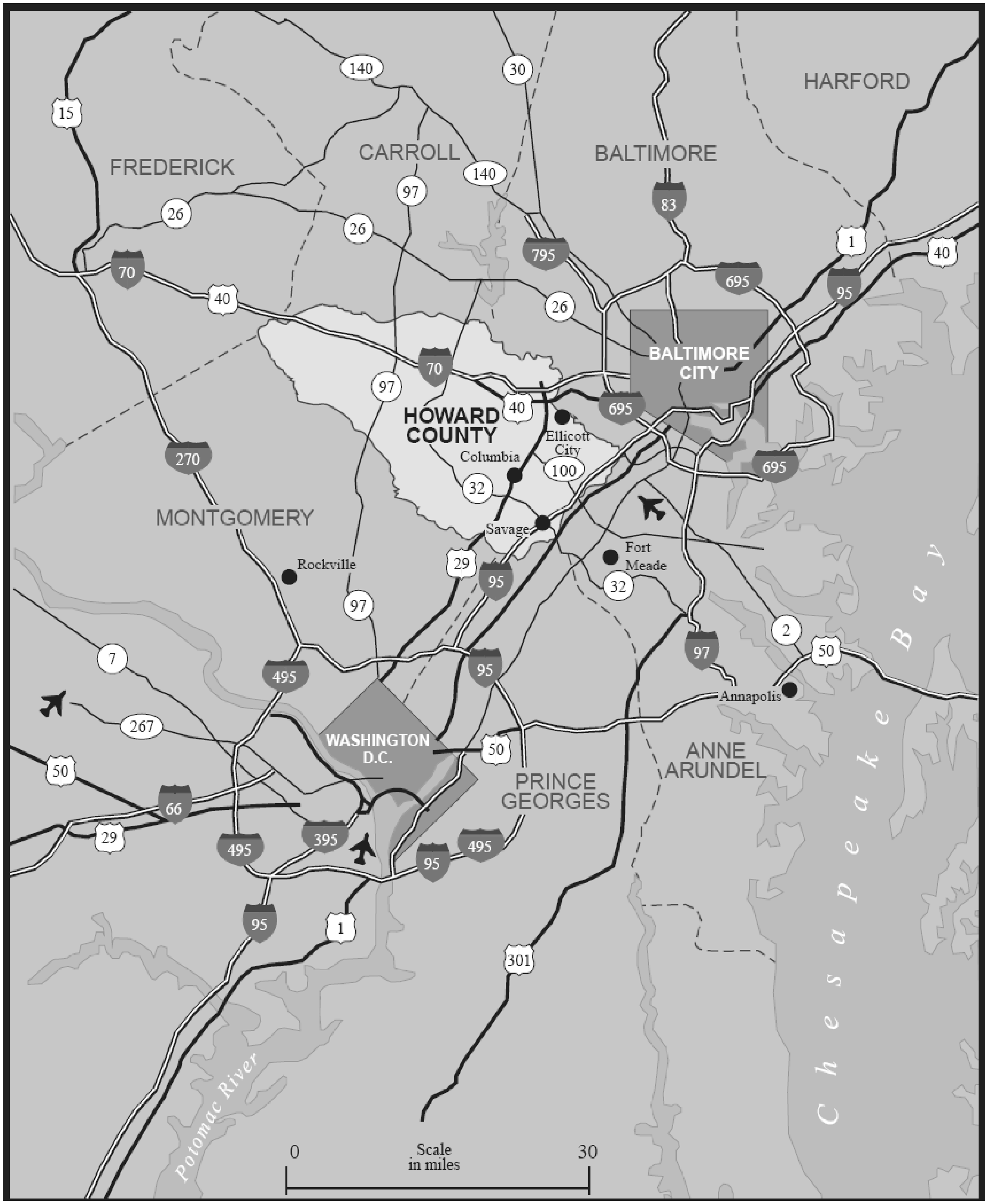
Howard County Regional Location



The Bonds

Purpose of Official Statement

This Official Statement provides information regarding Howard County, Maryland (the "County") and its offering of $95,960,000 general obligation bonds (the "Bonds"). The Bonds consist of the following:

- $69,720,000 Consolidated Public Improvement Bonds, 2009 Series A (the "Consolidated Public Improvement Bonds") and

- $26,240,000 Metropolitan District Bonds, 2009 Series A (the "Metropolitan District Bonds").

The County

Howard County, Maryland is 251 square miles in area and is home to approximately 282,700 residents. The County is located in the State of Maryland (the "State") between Baltimore, Maryland and Washington, D.C., and at its closest points is less than four miles from the former and 13 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 until 1966, when construction began on the new town of Columbia. The County's population has grown an average of 1.8 percent annually since 2000, and is one of the wealthiest in the nation. Under a home rule charter since 1968, the County is governed by an elected county executive (the "County Executive") and five-member council (the "Council").

Authorization

The Consolidated Public Improvement Bonds are being issued pursuant to the authority of Article 25A of the Annotated Code of Maryland (2005 Replacement Volume and 2007 Supplement) ("Article 25A"), the Howard County Charter (the "Charter"), Section 2C of Article 31 of the Annotated Code of Maryland (2003 Replacement Volume and 2008 Supplement), certain bills of the Council (specifically, Council Bill Nos. 28, 29, 39, 40, 55 and 56, respectively, enacted during the 2003 Legislative Session, Council Bill Nos. 18, 19, 20, 31 and 32, respectively, enacted during the 2004 Legislative Session, Council Bill Nos. 23, 24, 25, 28, 35, 36 and 44, respectively, enacted during the 2005 Legislative Session, Council Bill Nos. 28, 29, 30, 31 and 76, respectively, enacted during the 2006 Legislative Session, and Council Bill Nos. 20, 21, 22 and 36, respectively, enacted during the 2007 Legislative Session and Council Bill Nos. 28, 29, 30 and 45, respectively, enacted during the 2008 Legislative Session), and in accordance with Council Bill No. 34-2006, enacted during the 2006 Legislative Session, as supplemented ("34-2006"), and Council Bill No. 59-2008, enacted during the 2008 Legislative Session ("59-2008").

The Metropolitan District Bonds are being issued pursuant to the authority of Article 25A, the Charter, Chapter 991 of the Acts of the General Assembly of Maryland 1943, as amended, Chapter 609 of the Acts of the General Assembly of Maryland of 1945, as amended, Chapter 369 of the Acts of the General Assembly of Maryland of 1963, as amended and Chapter 356 of the Acts of the General Assembly of Maryland of 1965, as amended, certain bills of the Council (specifically, Council Bill Nos. 21 and 82, respectively, enacted during the 2004 Legislative Session, Council Bill No. 26, enacted during the 2005 Legislative Session, Council Bill No. 32, enacted during the 2006 Legislative Session, Council Bill No. 23, enacted during the 2007 Legislative Session, and Council Bill No. 31, enacted during the 2008 Legislative Session), and in accordance with Council Bill No. 1-2008, enacted during the 2008 Legislative Session, as amended and supplemented (together with 34-2006 and 59-2008, the "Ordinance").

Description

The Bonds are dated and bear interest from their date of delivery (the “Closing Date”), and pay interest on April 15 and October 15 of each year, beginning October 15, 2009, at the interest rates set forth on the cover page of this Official Statement. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are issued as fully-registered bonds without coupons, book-entry form only, and are denominated in integral multiples of $5,000. The Bonds mature, subject to prior redemption as described herein, on the dates and in the amounts set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

Registration through Securities Depository

The Depository Trust Company, New York, New York (“DTC”), is acting as securities depository for the Bonds. Not fewer than one fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity or portion thereof, as applicable, and will be deposited with DTC. The County will make payments of principal of and interest on the Bonds to DTC. DTC will disburse such payments to its Participants and such Participants will in turn provide for payment to the Beneficial Owners of the Bonds, all as described and defined in Appendix B of this Official Statement. The information in Appendix B, which describes DTC and its book-entry system, has been supplied by DTC. Investors should solely rely on the material included in Appendix B for a description of DTC and its book-entry system. The County takes no responsibility for the accuracy thereof. The County gives no assurances that DTC, Direct or Indirect Participants or other nominees of the Beneficial Owners of the Bonds will make payments of principal of and interest on the Bonds to the Beneficial Owners of the Bonds, that they will do so on a timely basis or that DTC will act in the manner described in Appendix B.

Neither the County nor its agents will have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to 1) the accuracy of any records maintained by DTC, any DTC participant or any indirect participant; 2) the payment by DTC, any DTC participant or any indirect participant of any amount with respect to the principal of, premium, if any, or interest on the bonds; 3) any notice which is permitted or required to be given to bondholders; 4) any consent given by DTC or other action taken by DTC as bondholder; or 5) the selection by DTC, any DTC participant or any indirect participant of any beneficial owner to receive payment in the event of a partial redemption of bonds.

Termination of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the County or the Director of Finance of the County (the “Director of Finance”), or her successor as registrar for the Bonds (the “Bond Registrar”). In addition, the County Executive may discontinue the book-entry system with DTC. If the County Executive fails to identify another qualified securities depository to replace DTC, the County will deliver replacement Bonds in the form of fully registered certificates, and payments of principal of and interest on such replacement Bonds will be paid in accordance with the terms of the Ordinance. Each Beneficial Owner, upon registration of certificates held in such Beneficial Owner’s name, will become a Bondholder. Subject to the further conditions contained in the Ordinance, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof by the registered owners or their duly authorized representatives. For every transfer and exchange of the Bonds, the registered owner may be charged a sum sufficient to cover any tax or other governmental charge required to be paid in connection with such exchange or transfer.

Record Dates

The record dates for the Bonds will be the fifteenth day preceding each interest payment date for the Bonds and the fifteenth day preceding the date of publication of any notice of redemption.

Redemption

Optional Redemption

Bonds maturing prior to April 15, 2020 are not redeemable prior to their stated maturities. Consolidated Public Improvement Bonds and Metropolitan District Bonds maturing on and after April 15, 2020 are subject to redemption prior to their respective maturities, at the option of the County, on or at any time after April 15, 2019, in whole or in part, at a redemption price of 100 percent of the principal amount thereof, together with interest accrued to the redemption date.

If less than all of the outstanding Bonds of any series are called for optional redemption, the County will choose the maturities to be redeemed and the principal amount of each such maturity to be redeemed, in its sole discretion. If less than all of such Bonds of any one maturity are called for redemption, then the particular Bonds of such maturity or portions of such Bonds to be redeemed will be chosen by DTC in accordance with its normal and customary procedures (so long as the Bonds are in book-entry form), or by the Bond Registrar, by lot (if the book-entry system has been discontinued). The Bonds are redeemable only in integral multiples of $5,000.

Notice of Redemption

A notice calling for redemption of any Bonds will be delivered to DTC not less than 30 nor more than 45 days prior to the date fixed for redemption (the "Redemption Date"), and otherwise as provided in the Ordinance. If the book-entry system has been discontinued for the Bonds, a notice calling for redemption of any Bonds will be mailed, not less than 30 nor more than 45 days prior to the Redemption Date, to all registered owners of the Bonds to be redeemed (in whole or in part), at their last addresses appearing on the registration books kept by the Bond Registrar, by first-class mail, postage prepaid. Failure to mail or deliver any such notice or any defect in the notice or its mailing or delivery will not affect the validity of any redemption proceedings. Any redemption notice will specify the series, CUSIP numbers, maturities and interest rates of any Bonds to be redeemed, the date of the notice, the Redemption Date, the redemption price, the name, address and telephone number of the Bond Registrar, and, for a partial redemption, the principal amount of each maturity of the Bonds to be redeemed. Such notice will further state that, on the Redemption Date, the Bonds called for redemption will be due and become payable at the office of the Bond Registrar, and that, from and after the Redemption Date, interest thereon shall cease to accrue.

On the Redemption Date, if sufficient money to pay the redemption price of Bonds called for redemption and accrued interest on the Bonds are held by the Bond Registrar, such Bonds called for redemption will become due and payable, interest on such Bonds will cease to accrue and the registered owners of such Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest thereon to the Redemption Date.

Security and Sources of Payment

General Obligation

The Consolidated Public Improvement Bonds and the Metropolitan District Bonds are general obligations of the County, and its full faith and credit and unlimited taxing power are irrevocably pledged to the punctual payment of principal and interest on such Bonds when due and payable.

Consolidated Public Improvement Bonds

In each and every fiscal year during which any of the Consolidated Public Improvement Bonds is outstanding, the County will levy or cause to be levied ad valorem taxes on real and tangible personal property and on intangible property subject to taxation by the County in an amount sufficient, together with other available funds, to pay the annual interest on the outstanding Consolidated Public Improvement Bonds and to pay the principal of the Consolidated Public Improvement Bonds due and payable during the succeeding fiscal year. Without limiting the foregoing, portions of the Consolidated Public Improvement Bonds are expected to be paid from transfer tax revenues, school facilities surcharges, building excise taxes on new construction, and Howard Community College fees.

Metropolitan District Bonds

The principal of and the interest on the Metropolitan District Bonds are payable from revenues obtained from: (1) special front foot benefit assessments collected by the County on all property in the Metropolitan District (described in more detail under "Government and Infrastructure, Water and Sewer System" herein) directly benefited by water and sewer facilities, (2) special annual ad valorem taxes levied by the County upon assessable property within the Metropolitan District, (3) water and sewer service charges for the use of utilities and charges for the upkeep of water and sewer systems that have a connection with water mains or sewers and (4) water and sewer connection charges. However, in the event such revenues in any fiscal year are insufficient to pay the annual interest on outstanding Metropolitan District Bonds and to pay the principal of the Metropolitan District Bonds due and payable, the County will levy ad valorem taxes on real and tangible personal property and on intangible property subject to taxation by the County in an amount sufficient, together with other available funds, to pay such annual interest and to pay the principal of such Metropolitan District Bonds.

Purpose of Financing

Consolidated Public Improvement Bonds

The County has issued its Howard County, Maryland Consolidated Public Improvement Commercial Paper Bond Anticipation Notes, Series D (the "Notes") in the outstanding aggregate principal amount of $86 million in order to defray a portion of the costs of general County capital projects, including storm drainage, police, road construction, bridge, library, recreation and parks, school, community college, sidewalk and curb, intersection and signal improvement, and urban renewal capital projects (collectively, "Public Improvement Capital Projects"). The County is issuing the Consolidated Public Improvement Bonds to provide funds that will be sufficient to pay $73.404 million in aggregate principal amount of the Notes at their respective maturities, to defray a portion of the costs of certain County capital projects specified in the Ordinance, and to pay costs of issuance of its Consolidated Public Improvement Bonds.

Metropolitan District Bonds

The County is issuing the Metropolitan District Bonds to defray a portion of the costs of County water and sewer capital projects and to pay costs of issuance of the Metropolitan District Bonds.

Continuing Disclosure

In order to enable the bidders for the Bonds to comply with the requirements of paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the County will execute and deliver, on or before the date of issuance and delivery of the Bonds, a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with Digital Assurance Corporation, L.L.C. ("DAC") under which the County has designated DAC as Disclosure Dissemination Agent. The form of this agreement is included in Appendix D of this Official Statement. Certain of the 11 events listed in Section 4(a) of the Continuing Disclosure Agreement have been included for purposes of compliance with Rule 15c2-12 but are not relevant for the Bonds. Those events relate to debt service reserves, credit enhancements and liquidity providers, and property or other collateral. The County has not failed to comply with the terms and provisions of previous continuing disclosure agreements entered into in order to comply with the requirements of Rule 15c2-12.

Additional Information

This Official Statement speaks only as of its date appearing on the cover page, and the information contained herein is subject to change. Questions regarding this Official Statement should be directed to the Director of Finance at the address and telephone number listed on the inside of the cover page. The full text of the Ordinance and the County's latest comprehensive annual financial report and budget are available from the Director of Finance for the cost of reproducing such material.

Financial Information

Financial Reporting

Basis of Accounting

The County's audited basic financial statements for the fiscal year ended June 30, 2008 are included in Appendix A of this Official Statement. These statements were audited by Reznick Group, P.C., independent certified public accountants, to the extent stated in their report appearing in Appendix A. The accounting and financial reporting policies of the County conform to generally accepted accounting principles ("GAAP") as applicable to governmental units.

The County's accounts are organized on the basis of funds. Fund types include (1) the General Fund, which is the general operating fund of the County, (2) Special Revenue Funds, which account for specific revenues that by law are designated for particular activities, (3) Proprietary Funds, which include the enterprise funds that account for the County's water and sewer and golf course operations, and (4) Capital Projects Funds, which account for construction or acquisition of fixed assets.

The financial data for the Board of Education of Howard County (the "Board of Education"), the Howard County Library (the "Library"), Howard Community College (the "Community College") and the Howard County Housing Commission (the "Housing Commission," together with the Board of Education, the Library and the Community College, the "Component Units") are discretely presented in the government-wide statements to emphasize their legal separation from the County. However, the County is responsible for levying taxes and has budgetary control over the Component Units.

The County's comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2007 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada ("GFOA"). To receive this highest recognition from GFOA, a government unit's CAFR must be easily readable, efficiently organized and satisfy both GAAP and legal requirements. The County has received this certificate for each fiscal year since 1976 and has submitted its CAFR for the fiscal year ended June 30, 2008 to GFOA for another certificate.

Budget

The County's budget includes an operating and a capital budget. The operating budget is derived from programs detailing the nature, volume and cost of work to be performed by each of the County's agencies. This element of the budget includes revenues estimated to be received during and expenditures recommended for the ensuing fiscal year, surpluses or deficits estimated for the current fiscal year and debt service requirements. The operating budget also projects summaries of revenues and expenditures for the ensuing five fiscal years.

The capital budget describes each capital project proposed in the ensuing fiscal year and receipts anticipated from all borrowings and other sources for such projects. The capital budget also proposes capital projects to be undertaken in the ensuing five fiscal years and the means of financing such projects. (See "Capital Requirements and Debt Management, Capital Budget and Program" herein.)

The County's budget for the fiscal year ending June 30, 2009 was awarded the Distinguished Budget Presentation Award by GFOA. To receive this award, a government unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan and communication device. The County has received this certificate for each fiscal year since 1994.

The County Executive must submit a capital budget and an operating budget to the Council by April 1 and April 21, respectively. The Council may decrease or delete any budgetary item, except those mandated by State law and provisions to pay outstanding debt service or eliminate cash deficits. The Council has no power to alter revenue estimates or increase any recommended expenditures, except as expressly provided in State law. After enacting the operating budget and adopting the capital budget, the Council must then levy taxes required to balance budget revenues and expenditures. If a new operating budget is not enacted by the Council before June 2 in any fiscal year, the operating budget proposed by the County Executive stands adopted and funds for expenditures stand appropriated.

No agency of the County may incur any liability in excess of the amounts appropriated for the same general classification of expenditure in the budget. Any such liability incurred, except for small purchases, must first have funds for the designated purpose certified as available by the Director of Finance. The Council, upon the request of the County Executive, may approve transfers between projects in the capital budget and supplemental operating budgets funded from the contingency reserve and from unappropriated funds in emergencies. After April 1 of each year, the Council, upon the request of the County Executive, may approve transfers between departments in the operating budget; the County Executive has authority to make operating budget transfers within a department at any time without approval of the Council.

Surplus revenues in any fiscal year must be appropriated into a “rainy-day fund” until its balance equals seven percent of the audited General Fund expenditures for the prior fiscal year. Money in the fund may be used only for emergencies or to cover significant revenue shortfalls during a fiscal year that the County Executive determines cannot be offset by reducing expenditures. Surplus revenues not required for the rainy-day fund must be used to fund capital projects, reduce existing County debt or fund appropriations for non-recurring expenses, unless otherwise determined by a vote of two-thirds of the members of the Council.

To finance capital projects from borrowing, the Council adopts a bond issue authorization ordinance pursuant to enabling laws. Such ordinances are not subject to referendum, nor to executive veto. Any contract, lease or other obligation providing for payment of funds after the end of the fiscal year in which such obligation is made must be approved by ordinance. No contract for the purchase of real or leasehold property may be entered into unless funds therefore are included in the capital budget. No obligations of the County may be authorized in any fiscal year for any capital project not included in the capital budget.

Government-Wide Full Accrual Reporting

In 2002, the County implemented Statement No. 34 issued by the Governmental Accounting Standards Board (“GASB Statement 34”). One of the key requirements of GASB Statement 34 is the preparation of government-wide financial statements on a full accrual accounting basis. The positive total net assets shown below as of June 30, 2008, reflect the County’s commitment to maintaining infrastructure assets and its tradition of providing substantial pay-go funding for capital outlays.

Summary of Net Assets (000)

	Governmental Activities	Business-type Activities	Total
NET ASSETS			
Invested in capital assets, net of related debt	556,509,402	328,013,443	884,522,845
Restricted	144,785,298	139,098,839	283,884,137
Unrestricted	(288,540,789)	2,575,641	(285,965,148)
Total net assets	$ 412,753,911	469,687,923	882,441,834

The negative unrestricted net assets for governmental activities results from County issuance of debt to construct schools that are owned by the Board of Education. Ownership of school buildings no longer needed for educational purposes reverts to the County. At June 30, 2008 the outstanding debt for school buildings was $374.7 million. The net value of buildings and improvements owned by the Board of Education was $561.4 million. If those assets were included in the County’s financial statements, the unrestricted net assets for governmental activities would go from negative $288.5 million to positive $272.9 million.

The schedule below shows an increase in the value of net assets resulting from operations in fiscal year 2008 for governmental and business activities combined. An increase in net assets is similar to a private company having net income for the fiscal year.

Changes in Net Assets (000)

	Governmental Activities	Business-type Activities	Total
Revenues	985,710,620	88,765,782	1,074,476,402
Expenses	1,023,455,582	68,876,406	1,092,331,988
Increase in net assets before transfers	(37,744,962)	19,889,376	(17,855,586)
Transfers	703,755	(703,755)	0
Increase in net assets before transfers	(37,041,207)	19,185,621	(17,855,586)
Net Assets - July 1, 2007	449,795,118	450,502,302	900,297,420
Net Assets - June 30, 2008	412,753,911	469,687,923	882,441,834

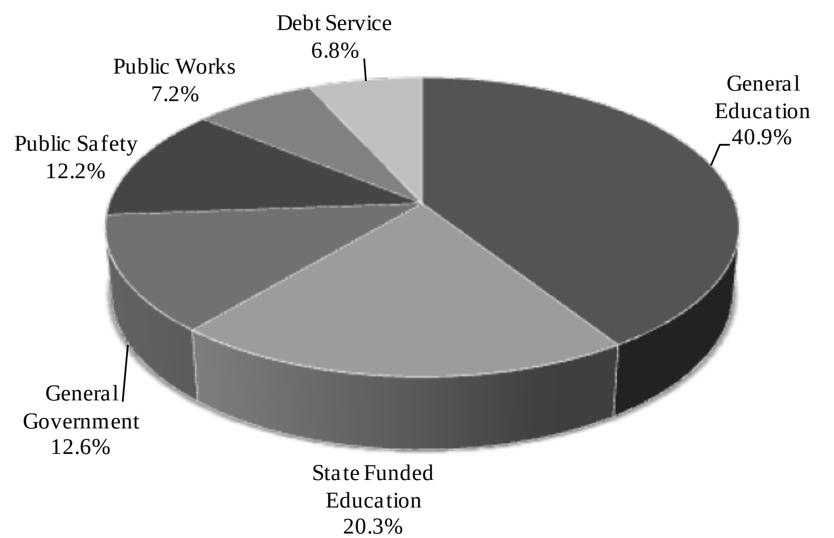
Overview of Revenues and Expenditures

The largest fund in the County's basic financial statements, the General Fund, records receipt of taxes and other revenues not directed by law into other funds and payment of all operating costs of County government and services. Transfers from the General Fund and revenues from other government agencies (particularly the State) provide most of the revenues for the County's Board of Education, Library, Community College and Housing Commission, each of which is a Component Unit.

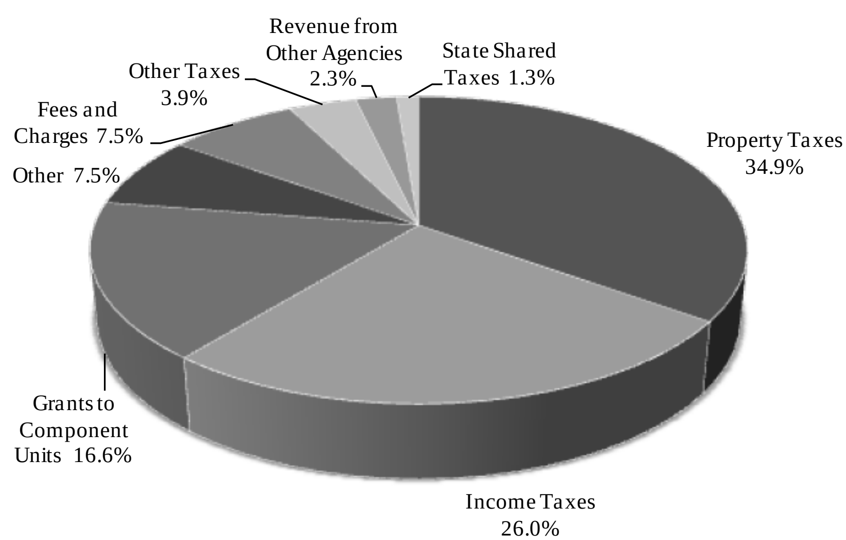
Special Revenue Funds account for specific revenues that by law are designated for particular functions or activities. The County uses Special Revenue Funds as a way of linking fees or taxes paid by residents with benefits or services received by them. Special Revenue Funds deal with management and construction of public housing, preservation of agricultural land, account for metropolitan and rural fire district activities, record categorical grants received from federal, state and local sources, account for the County's portion of the local health department, support user-funded recreation and parks programs and provide for the collection and disposal of solid waste, including the County landfill.

The charts below present the composition of services funded from the General Fund and Special Revenue Funds, including services provided by the Component Units, in fiscal year 2008, and the sources of funding for such services.

Services Funded from General Fund, Special Revenue Funds and Component Units

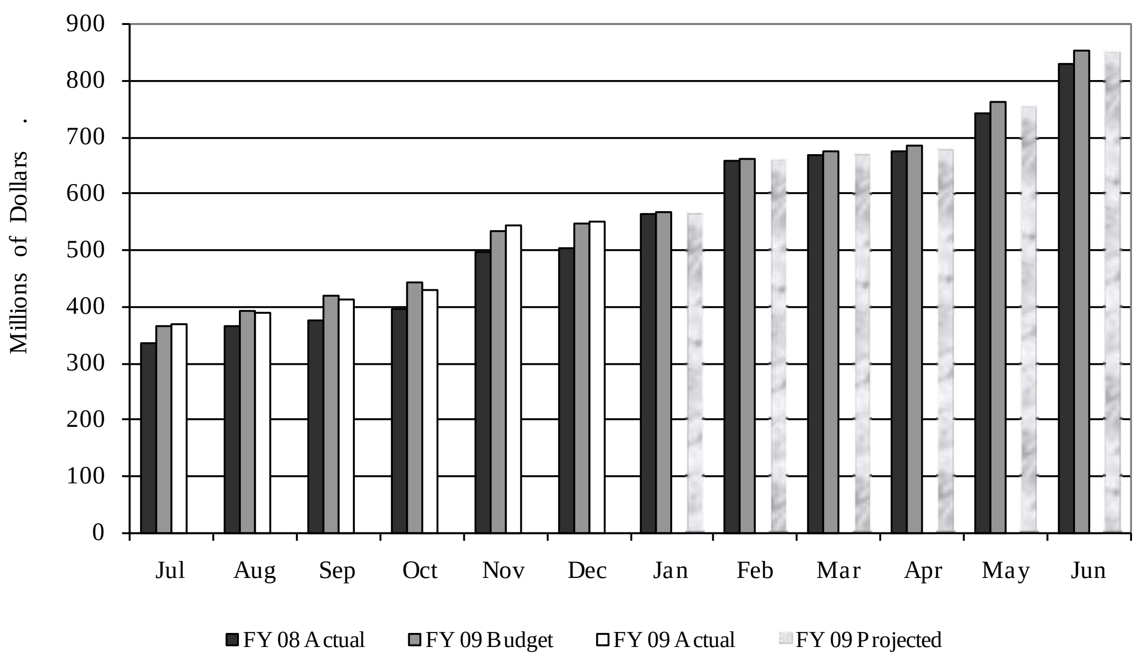


Sources of Revenue for General Fund, Special Revenue Funds and Component Units



The revenues collected by the County each month are determined by the tax rates and fee levels established at the beginning of the fiscal year and the value of the bases during the year on which taxes and fees are collected. Property taxes are collected primarily during the County's first and second quarters; income taxes are received from the State following the end of each quarter. The chart below presents General Fund revenues budgeted for the current fiscal year, actual current year revenues through December, projections for the final six months of the current year and actual monthly revenues during the preceding fiscal year. The actual revenues in September were lower due to a delay in assessments for corporate and personal property tax billings. Actual income tax revenues in October were down due to lengthened IRS extension deadlines. In November the catch up on corporate and personal property tax billings and income tax distributions and a budgeted appropriation from fund balance pushed revenue collections higher than anticipated.

Cumulative Collection of General Fund Revenues



The County is projecting a $5 million revenue shortfall this fiscal year and has identified nearly $10 million in expenditure reductions to offset that shortfall. The reductions include holding back $6 million of Pay Go spending, a conditional hiring freeze in all areas but Public Safety for a $2.5 million savings and an additional $1.2 million reduction in discretionary spending.

The following table presents the activity in the General Fund for the last five fiscal years on a budgetary basis, along with the annual budget adopted for fiscal year 2009.

Statement of General Fund Revenues and Expenditures (Budgetary Basis) (000) (1)

	Fiscal Year Ended June 30					Annual Budget
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Tax Revenues						
Local property taxes	$ 267,579	288,765	313,062	337,533	367,835	392,915
Local income taxes	204,417	252,525	283,065	293,307	316,725	331,352
Other local taxes	27,008	30,452	33,672	28,635	24,130	25,209
State shared taxes	10,057	12,541	15,299	15,955	15,513	15,791
Total Taxes	**509,061**	**584,283**	**645,098**	**675,430**	**724,203**	**765,266**
Other Revenues						
State grants	5,276	5,053	5,312	6,045	5,684	6,876
Charges for services	9,781	10,532	10,751	10,987	12,893	10,448
Interest on investments	1,319	2,499	6,274	10,647	10,861	3,415
Licenses and permits	7,755	7,808	7,790	7,047	6,312	7,083
Interfund reimbursements	19,810	20,650	21,128	20,509	27,875	25,272
Fines and forfeitures	2,172	2,466	2,668	3,112	3,356	3,448
Appropriation from fund balance	-	-	11,190	21,282	37,740	32,692
Return of funding from component units	3,541	53	51	48	508	-
Miscellaneous revenues	2,468	567	357	963	993	-
Total Revenues	**561,183**	**633,911**	**710,619**	**756,070**	**830,425**	**854,500**
Expenditures						
General government	16,540	18,307	19,130	20,714	22,362	23,033
Legislative and judicial	14,166	15,173	16,062	18,111	20,064	21,443
Public works (2)	51,113	50,693	55,732	59,214	69,834	68,350
Public safety	58,122	65,454	72,255	81,312	87,361	95,970
Recreation and parks	9,446	10,394	11,454	12,865	13,101	14,019
Health	7,001	6,679	6,875	7,529	8,296	9,464
Community services	8,691	9,286	13,581	7,912	12,578	15,343
Education	325,455	350,516	379,651	419,777	451,677	479,990
Libraries	10,192	10,838	11,731	13,086	14,374	15,553
Debt service:						
Principal payment on debt	32,895	40,175	40,595	41,580	44,950	48,615
Interest payment on debt	15,866	20,554	22,181	26,218	29,325	29,076
Capital improvements	926	4,446	13,393	21,278	18,370	20,053
OPEB funding (3)	-	-	-	-	15,466	13,590
Total Expenditures	**550,413**	**602,515**	**662,640**	**729,596**	**807,758**	**854,500**
Excess Revenues over Expenditures	10,770	31,396	47,979	26,474	22,666	-
Less Appropriation from Fund Balance	-	-	(11,190)	(21,282)	(37,740)	-
Beginning Fund Balance	31,823	42,593	73,988	110,777	115,969	100,896
Ending Fund Balance	**$ 42,593**	**73,988**	**110,777**	**115,969**	**100,896**	**100,896**

(1) The information in this table is presented in the same format as set forth in the County's Operating Budget and should be read in conjunction with the audited basic financial statements included in Appendix A of this Official Statement.

(2) Beginning in FY 2009, the revenues and expenditures of the County recycling program are accounted for in the Environmental Services Special Revenue Fund rather than the General Fund.

(3) Funding was in addition to annual pay-go budget.

The following table presents the activity in all Special Revenue Funds for the last five fiscal years on a budgetary basis, along with the annual budget adopted for fiscal year 2009.

Statement of Special Revenue Funds Revenues and Expenditures (Budgetary Basis)(000)[1]

	Fiscal Year Ended June 30					Annual Budget
	2004	2005	2006	2007	2008	2009
Revenues						
Property taxes	$ 32,049	35,516	40,134	46,706	58,354	65,240
Other local taxes	12,290	13,341	15,307	12,901	10,346	11,795
Revenues from other governmental agencies	23,397	28,038	18,579	19,811	18,305	16,865
Charges for services	20,367	21,885	27,335	28,117	29,272	34,041
Interest on investments[2]	357	6,582	(547)	3,917	7,578	138
Rental of property	827	757	1,026	897	361	1,363
Miscellaneous revenues	913	362	404	2,709	978	2,483
Total Revenues	**90,200**	**106,481**	**102,238**	**115,058**	**125,195**	**131,926**
Other Sources of Financial Resources						
Operating transfers in	7,538	6,773	17,327	19,869	21,719	24,728
Appropriation from fund balance (3)	6,388	6,614	1,524	33,460	45,061	35,424
Total Revenues and Other Sources of Financial Resources	**104,126**	**119,868**	**121,089**	**168,387**	**191,975**	**192,078**
Expenditures and Encumbrances						
Public safety	30,177	33,905	38,421	43,612	50,724	61,934
Recreation and parks	8,819	8,800	10,500	11,113	11,973	13,241
Health	8,169	9,353	11,428	10,344	10,913	21,137
Environmental [4]	12,102	12,313	14,740	13,197	14,461	22,549
Community services and intergovernmental	25,148	26,040	29,574	28,091	34,985	39,163
Capital improvements	257	1,168	2,494	2,714	-	8,530
Debt service:						
Principal payment on debt	227	136	227	136	232	146
Interest payment on debt	4,159	4,141	4,130	4,112	4,371	4,586
Total Expenditures and Encumbrances	**89,058**	**95,856**	**111,514**	**113,319**	**127,660**	**171,286**
Other Uses of Financial Resources						
Operating transfers out	5,106	4,543	3,489	3,097	13,747	2,003
Total Expenditures and Other Uses of Financial Resources	**94,164**	**100,399**	**115,003**	**116,416**	**141,407**	**173,289**
Excess Revenues and Other Sources of Financial Resources over Expenditures and Encumbrances and Other Uses of Financial Resources	9,962	19,469	6,086	51,971	50,568	18,789
Less Appropriation from Fund Balance	(6,388)	(6,614)	(1,524)	(33,460)	(45,061)	(35,424)
Beginning Fund Balance	44,479	48,053	60,908	65,470	83,981	89,488
Ending Fund Balance	**$ 48,053**	**60,908**	**65,470**	**83,981**	**89,488**	**72,853**

(1) The information in this table should be read in conjunction with the audited basic financial statements included in Appendix A of this Official Statement.

(2) Fluctuation is the result of recognizing change in market value of U.S. Treasury Strips in the Agricultural Land Preservation Fund in accordance with GASB 31.

(3) The large increase beginning in FY2007 represents the appropriation of funds in the Agricultural Land Preservation Fund to allow the County to purchase additional preservation easements.

(4) Beginning in FY 2009, the revenues and expenditures of the County's recycling program will be accounted for in the Environmental Services Fund rather than the General Fund.

The following table presents the Component Units' (including the Community College Current Funds) activity for the last five fiscal years on a GAAP basis, which is not comparable to General Fund and Special Revenue Funds statements prepared on a budgetary basis.

Statement of Component Units Revenues and Expenses (GAAP Basis)(000)[1]

	Fiscal Year Ended June 30				
	2004	**2005**	**2006**	**2007**	**2008**
Revenues:					
Revenues from other agencies	240,019	282,562	314,532	329,986	370,566
Charges for services	28,124	27,880	30,831	42,871	48,055
Interest on investments	299	740	1,801	3,558	2,571
Fines and forfeitures	671	673	638	734	728
Miscellaneous	4,770	6,369	9,873	12,989	14,370
Total Revenues	**273,883**	**318,224**	**357,675**	**390,138**	**436,290**
Other Sources of Financial Resources:					
Proceeds of long-term debt	155	3,756	10,003	1,355	-
Sale of property	148	165	2,593	(6)	758
Operating transfers from primary government	336,669	363,478	392,013	418,702	465,185
Total Revenues and Other Sources of Financial Resources	**610,855**	**685,623**	**762,284**	**810,189**	**902,233**
Expenditures:					
Education	531,972	569,753	618,584	677,018	730,557
Libraries	12,140	13,179	13,974	14,999	16,449
Housing	14,362	14,697	22,065	14,996	16,044
Capital improvements	50,671	85,967	104,788	91,375	71,339
Total Expenditures	**609,145**	**683,596**	**759,411**	**798,388**	**834,389**
Other Uses of Financial Resources:					
Operating transfers out	-	-	-	-	-
Total Expenditures and Other Uses of Financial Resources	**609,145**	**683,596**	**759,411**	**798,388**	**834,389**
Excess (Deficiency) of Revenues and Other Sources of Financial Resources over Expenditures and Other Uses of Financial Resources(2)	1,710	2,027	2,873	11,801	67,844
Beginning Net Assets	38,740	41,262	43,289	46,162	57,963
Adjustment to restate net assets	812	-	-	-	-
Ending Net Assets, GAAP Basis	**41,262**	**43,289**	**46,162**	**57,963**	**125,807**

(1) Excludes the Internal Service Funds.

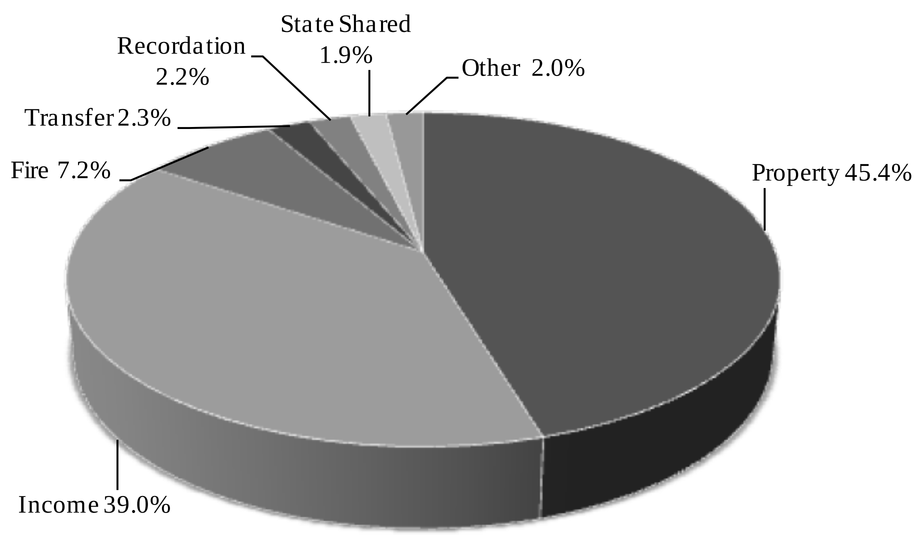
(2) FY2008 increase due to unspent County appropriation for capital improvements.

Sources of Revenue

Overview of Tax Revenues

The chart below presents the composition of the County's tax revenues for fiscal year 2008.

Composition of Tax Revenues



Local Property Taxes

Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the County is solely the responsibility of the State Department of Assessment and Taxation, an Independent State Agency. Assessment records and tax rolls are maintained in each county seat and in Baltimore City. Real property is valued at market value ("full cash value") and active farm property is assessed at $500 per acre. Personal property owned by a business is assessed annually by the State based on returns filed by April 15 for property owned as of January 1 of that year.

Property Tax Credit Programs

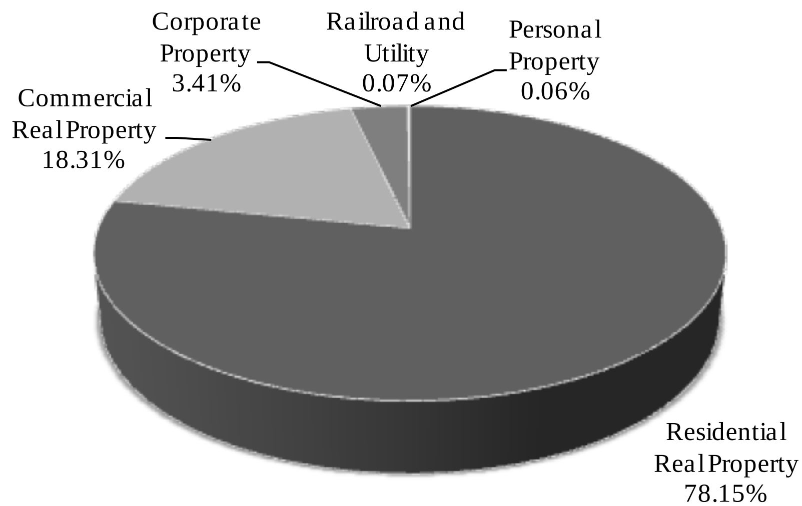
Under State law, certain owners who occupy residential property receive tax credits against local property taxes. The effect of the homestead property tax credit is to limit property tax increases payable as a result of increases in assessed values. State law permits a maximum increase of ten percent in assessed value annually, but the County has elected to reduce that percentage to five percent. The County granted $79.6 million of such tax credits in fiscal year 2008.

A State-mandated tax credit is granted to certain property owners with lower incomes. These credits are calculated using a scale that establishes a maximum property tax liability for various income levels. These credits are reimbursed to the County by the State; for fiscal year 2008, the County received $2,337,585 as reimbursement for such tax credits. In fiscal year 2008 the County granted a supplemental credit to certain property owners with lower incomes. This credit amounted to $27,690. In FY2008, the County implemented a tax credit for homeowners 70 years of age and older who fell into certain income and asset categories. In the first year, 794 senior credits were issued in the amount of $413,680.

Assessed Value, Property Tax Rates and Property Tax Levies

The chart below presents the composition of the County's assessable base of property in fiscal year 2008.

Composition of Assessed Property



The following table presents the assessed value of all taxable property in the County for the last five fiscal years, the County tax rates and the tax levy in each of those years. The County has exempted manufacturers' and warehousing inventories and manufacturers' machinery, tools and equipment from local property taxation. Assessed values of tax-exempt properties owned by federal, state and county governments, churches, charities, schools, fraternal organizations, cemeteries, fire companies, disabled veterans and the blind, aggregating approximately $2.5 billion as of June 30, 2008, are not included in the table below.

Assessed Values, Tax Rates and Tax Levies

	Fiscal Year Ended June 30				
	2004	**2005**	**2006**	**2007**	**2008**
Assessed Value(000)					
Real property	$ 23,180,494	25,944,951	29,852,994	34,926,898	40,762,013
Personal property	29,093	32,800	35,060	35,088	26,041
Railroads and public utilities	28,206	26,922	27,231	24,752	30,598
Corporations	1,256,672	1,271,307	1,329,422	1,408,428	1,439,551
Total Assessable Base	$ 24,494,465	27,275,980	31,244,707	36,395,166	42,258,202
County Tax Rate:					
Real Property	1.044	1.044	1.044	1.014	1.014
Personal Property	2.61	2.61	2.61	2.535	2.535
County Tax Levy (000)(1)	274,273	303,196	344,559	388,917	448,806
Fire District Tax Rate					
Real property	.12550/.10550	.12550/.10550	.12550/.10550	.12550/.10550	.13550/.11550
Personal property	.31375/.26375	.31375/.26375	.31375/.26375	.31375/.26375	.33875/.28875
Fire Tax Levy (000)	$ 31,948	35,400	40,313	46,586	58,314

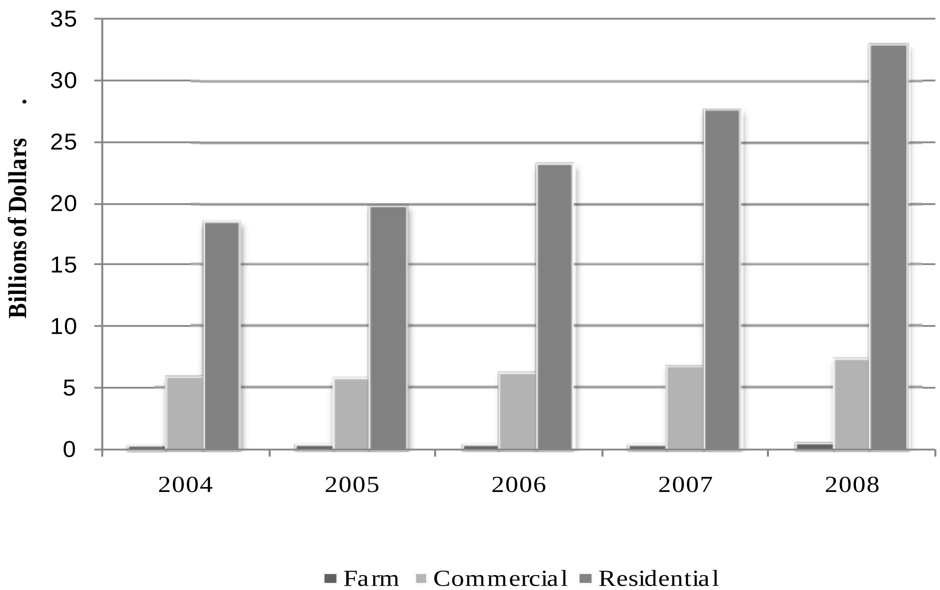
(1)Excludes payments in lieu of taxes, additions and abatements, interest on taxes, discounts on taxes, various tax credits and tax levies on any tax-exempt property.

The fire district tax is levied on the assessable base within each of the County's two fire districts. Proceeds of the tax are distributed to the Fire Tax Reserve Fund, a Special Revenue Fund, to fund operations, equipment and buildings. The two districts are divided by the western boundary of the area to which the County currently provides or plans to provide water and sewer service.

The County estimates that the average home (including townhouses and condominiums) in the County for fiscal year 2009 has an assessed value of $463,644. At current tax rates, the owner of this average home would incur a County property tax bill between $5,750 and $5,800, before credits described below. A five percent increase in residential assessments is anticipated for fiscal year 2010.

The growth in the County's assessable base reflects the County's balanced economy. As presented in the following chart, the value of commercial/industrial property increased approximately 24 percent over the last five fiscal years, while residential real property values grew approximately 78 percent.

Value of Assessable Base by Type of Property



The County estimates that the assessed value of all taxable property in the County for the fiscal year ending June 30, 2009 will be approximately $47.7 billion, or twelve percent greater than for fiscal year 2008. The County's real property tax rate for fiscal year 2009 is $1.014 per $100 of full cash value for real property and $2.535 per $100 of assessed value for personal property owned by businesses. In fiscal year 2009, the total property tax levy budgeted for the General Fund is $392.9 million.

Property Tax Collection

County taxes are due and payable as of July 1 of each fiscal year, except that real property taxes on principal residences are due and payable in two installments as of July 1 and December 1 of each fiscal year. A discount of 0.5 percent is allowed on payments made in July. The County records property tax revenues as the taxes are billed. Over the last five years, the County has collected virtually all of the property taxes levied.

When taxes become delinquent, combined interest and penalty at the rate of 1.5 percent per month are charged for each month or fraction thereof that taxes due remain unpaid for the current year. Delinquent taxes are satisfied, after prior notice of delinquency, at public auction conducted by the Director of Finance prior to the end of the fiscal year of billing. The net receivables uncollected 60 days after year-end are recorded as deferred revenues. Personal property taxes receivable are charged off as uncollectible after all collection means are exhausted.

The table below presents information with respect to the County's tax levies and tax collections for the last five fiscal years.

Total Property Tax Levies and Collections

Fiscal Year Ended June 30	Total Tax Levy (000)[1]	Current Year's Taxes Collection Year of Levy Amount (000)	%	Taxes Collected (Current and Delinquent) Amount (000)	%	Delinquent Taxes Amount (000)	Delinquent Taxes as % of Current Year's Tax Levy
2008	507,120	505,466	99.67	505,466	99.67	1,654	0.33
2007	435,503	433,853	99.62	434,922	99.87	581	0.13
2006	384,872	382,411	99.36	384,484	99.90	388	0.10
2005	338,596	336,809	99.47	338,429	99.95	166	0.05
2004	306,221	305,056	99.62	306,067	99.95	154	0.05

(1) Total tax levy represents the original property tax levy, and excludes fire district taxes levied, payments in lieu of taxes, additions and abatements, interest on taxes, discount on taxes and various tax levies on any tax-exempt property.

Major Property Taxpayers

Ownership of property in the County is widely diffused, with the 25 largest taxpayers accounting for less than five percent of the County's assessed value. The following table presents the 10 largest property taxpayers on June 30, 2008, the total taxes paid by such taxpayers during fiscal year 2008 and the assessed value of real and personal property owned by each taxpayer during fiscal year 2008.

Ten Largest Property Taxpayers [1]

Name of Taxpayer	Type of Business	Total Taxes Paid	Taxable Assessed Valuation	Percentage of Total County Assessed Valuation
Baltimore Gas & Electric Company	Gas and Electric Utility	$ 8,832	$ 307,306	0.73
Mall in Columbia Business Trust	Rental Real Estate	2,306	171,868	0.41
Verizon - Maryland	Telephone Communicatons	3,545	122,879	0.29
Magazine Howard Crossing LLC	Apartment Rentals	1,228	91,503	0.22
Liberty Property Ltd Partnership	Rental Real Estate	1,100	81,283	0.19
API Columbia Town Center LLC	Rental Real Estate	1,046	75,613	0.18
Seasons of Laurel LLC	Apartment Rentals	867	64,155	0.15
Sherwood Crossing Apartments LLC	Apartment Rentals	828	57,761	0.14
New Cingular Wireless PCS, LLC	Cellular Communications	1,358	54,351	0.13
Sprint Communications	Telephone Communications	1,429	49,180	0.12
Totals		$ 22,538	$ 1,075,901	2.56%

(1) The information set forth above was compiled from tax rolls on which the names of owners are not always recorded in the same manner.

Local Income, Transfer and Other County Taxes

Local Income Taxes

The State imposes an income tax on the adjusted income of individuals as determined for federal income tax purposes, subject to certain adjustments. In calendar year 2007, the rate of tax was 4.75 percent of taxable income. Legislation recently enacted by the State provided that beginning in calendar year 2008, the rate of tax will remain at 4.75 percent for individuals making less than $150,000 a year and couples making less than $200,000. The rate will increase to 5 percent on taxable income above $150,000 a year for individuals and $200,000 for couples, 5.25 percent on taxable income above $300,000 a year for individuals and $350,000 a year for couples, and 5.5 percent for taxable income above $500,000 a year. The legislation also provided that the individual exemption for taxpayers earning up to $150,000 a year will increase by $800 to $3,200, but that, depending on their taxable income, other taxpayers will receive the current exemption of $2,400 or have their exemption reduced.

Pursuant to State law, each county and Baltimore City may levy a local income tax at the rate of at least one percent, but not more than 3.2 percent, of the State taxable income of individuals domiciled in their respective jurisdictions. With a local income tax rate of 3.2 percent, the County is one of two with local income tax rates set at the maximum.

The following table presents the total amount of income tax budgeted and received by the County for the last five fiscal years, and budgeted for fiscal year 2009.

Income Tax Revenues (000)

Fiscal Year Ended June 30	**Budget**		**Actual**
2009	$ 331,352	*Estimate*	*326,226*
2008	314,191		316,725
2007	293,636		293,307
2006	264,000		283,065
2005	240,000		252,525
2004	223,765		204,417

Local Transfer Taxes

The County levies and collects a transfer tax at the rate of one percent of the actual consideration paid for the conveyance of title, which tax is imposed upon all transfers of real property within the County. Twenty-five percent of proceeds of the transfer tax are distributed to an agency fund for school construction and site acquisition, 25 percent for Recreation and Parks and 12.5 percent for Fire Service Buildings and Equipment Capital Project Funds, and 25 percent for the Agricultural Land Preservation Program and 12.5 percent to the Community Renewal Special Revenue Funds. In fiscal year 2009, the total amount of transfer tax budgeted for collection was $22 million, 15 percent less than collected in fiscal year 2008. The County currently estimates collections will be $18 million for the year.

Building Excise Tax

The County levies and collects a building excise tax on all construction in the County. The tax is levied at the time a building permit is issued and the amount of tax paid is determined by the square footage of the construction project. The County uses this money to fund road construction projects as well as to pay debt service on general obligation bonds whose proceeds fund such projects. The County has issued $52.4 million of these general obligation bonds since 2000 and this sale includes $4.2 million. In addition, $44.5 million of excise tax collected has been appropriated as pay-go funding on road construction projects since fiscal year 1995. In fiscal year 2009, the building excise tax rates were increased by 2.2%, the first increase since the tax was established in 1993. The total amount of excise tax budgeted for collection is $5.49 million, nine percent more than collected in fiscal year 2008. The County now expects to collect $3.41 million in excise tax which would be 32% less than collected last year.

School Facilities Surcharge

The County levies and collects a surcharge on all residential construction in the County. The surcharge is levied at the time a building permit is issued. In fiscal year 2009 the rate is $1.09 per square foot of the construction project. The County uses this money to fund public school construction projects as well as to pay debt service on general obligation bonds whose proceeds fund such projects. Prior capital budgets included $99.3 million of County general obligation bonds whose debt service will be paid from the surcharge. The County has issued $74.7 million of these general obligation bonds and this sale includes $7.7 million. In fiscal year 2009, the total amount of school facilities surcharge budgeted for collection was $4.9 million, eight percent less than collected in fiscal year 2008. However, the County now estimates fiscal year 2009 collections will be $3.72 million which would be a 22% decline from fiscal year 2008.

Other County Taxes

The County levies and collects other miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. In fiscal year 2009, the total amount of other taxes budgeted is $25.2 million, four percent more than collected in fiscal year 2008. Of this budgeted amount, $18.8 million is attributable to the recordation tax. In fiscal year 2009, the County assumed responsibility for collection of Recordation Tax from the Clerk of the Court and the budget now reflects an additional 5% administrative fee as well.

Local Charges for Services, Licenses and Permits, and Fines

The County and its Component Units collect charges for various services as well as fees for licenses and permits. The largest of these constituting General Fund revenues are building-license fees, development-review fees, cable television franchise fees and charges for boarding prisoners. In fiscal year 2009, the total amount of charges and fees budgeted in the General Fund is $20.9 million, seven percent less than collected from the same sources in fiscal year 2008. The County is anticipating a decrease due to an anticipated decline in housing related revenues and the transfer of recycling revenues to the Environmental Services Special Revenue Fund.

The largest charges and fees credited to Special Revenue Funds are charges for use of recreational facilities and programs and fees and charges for trash collection and use of the County landfill. In fiscal year 2009, the total amount of charges and fees budgeted to Special Revenue Funds is $32.6 million, 19 percent more than fiscal year 2008 due to a 31% increase in the annual residential Trash Fee from $160 to $210 per household to fund a residential recycling program.

The largest charges constituting Component Unit revenues are charges by the Board of Education, Library and Community College for tuition, student activity fees and facility-use fees. In fiscal year 2008, the total amount of charges and fees collected by the Components Units was $36.4 million.

State-Shared Taxes

The State shares certain taxes collected in the County with the County. These taxes are primarily collected on gasoline sales and used for construction and maintenance of highways. The State is not required to share such taxes and has changed the amount that it shares from year to year. In fiscal year 2009, the total amount of State-shared taxes budgeted is $15.8 million, 1.8 percent more than collected in fiscal year 2008. New estimates from the State indicate that fiscal year 2009 collections will be $13.8 million or 12 percent less than 2008.

State and Federal Grant Assistance

The County receives and accrues grant revenues from the federal and state governments. The largest of these grants constituting General Fund revenues is from the state for police protection. In fiscal year 2009, the total amount of grants budgeted in the General Fund is $6.9 million, 21 percent more than collected in fiscal year 2008.

Revenues in the Grants Special Revenue Fund are primarily categorical grants from the federal government funding special programs, such as housing, senior services, transit and homeland security. In fiscal year 2009, the total amount of grants budgeted in the Grants Special Revenue Fund is $57.6 million, 93 percent more than collected in fiscal year 2008. The County's Component Units receive and accrue grants from other government agencies, primarily the State, in addition to operating transfers received from the County. In fiscal year 2008, the total amount of grants collected by the Component Units was $285.3 million. Of that amount $262.3 million was used for operations by the Board of

Education, $20.6 million was used for operations by the Community College and $2.3 million was used for operations by the Library.

There is no assurance that the State will continue its funding at current levels. In his FY2010 budget released in January, the Governor included a $5.2 million reduction in State Aid to the Howard County Public School System and level funding of State Aid from a reduced FY2009 base to the Howard Community College, the Howard County Library and the Health Department. At this time, the Governor's Proposed Budget is still under review by the Maryland General Assembly.

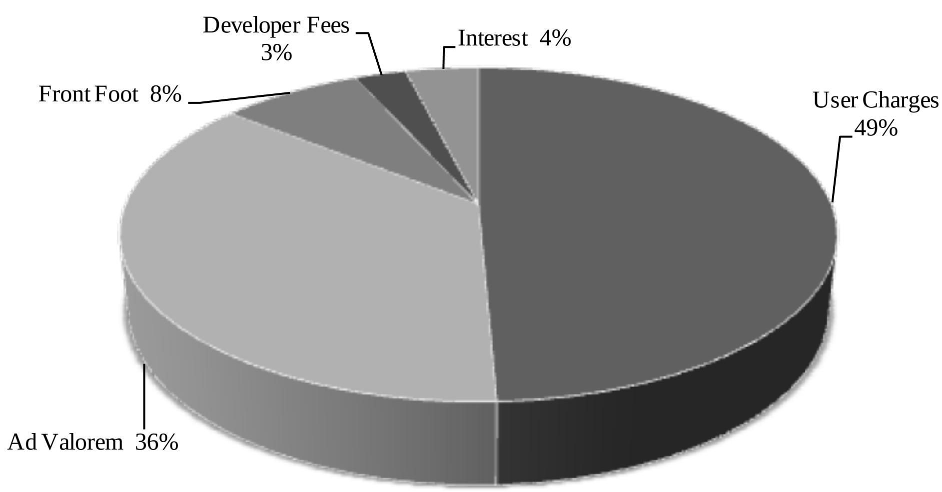
Water and Sewer Enterprise Fund

The County provides water and sewer services primarily to areas of heavy residential and industrial demand in the eastern part of the County (the "Metropolitan District"). The Metropolitan District and the County's water and sewer facilities are described in more detail under "Government and Infrastructure, Water and Sewer System" herein. Financial accounting for the County's water and sewer operations is consolidated in an enterprise fund.

Water and sewer service charges are recorded as revenues when they are billed. At each fiscal year-end, revenue is accrued for the amount of unbilled water and sewage service provided. Other revenues are recorded as payments when received, except at fiscal year-end, when all other revenues are also accrued. Unpaid water and sewer service charges and assessments are a lien on the real property served and are collectible in the same manner as real property taxes at tax sale.

The Water and Sewer Enterprise Fund's largest source of operating revenue is charges to users of the County's water and sewer services. Both charges are made on the basis of water used. Commercial and residential properties connecting into the water and sewer system also pay connection charges. The average quarterly bill for a family of four in fiscal year 2009 is approximately $142. Effective July 1, 2008 user charges were increased 8% to offset the increase in the cost of water purchased from Baltimore City and the cost of sewage sent to Baltimore County for treatment.

Composition of Water and Sewer Revenues



Capital costs related to provision of water and sewer services are financed primarily with ad valorem, front-foot, and in-aid-of-construction charges. For fiscal year 2009, an ad valorem charge of $0.08 per $100 assessed value was levied upon all real property and railroad property, and $0.20 on public utilities property located within the Metropolitan District. Property abutting a road under which the County has built a water or sewer main is charged a fixed amount annually for 30 years (front foot), with such amount established in the year in which water or sewer service becomes available to each specific property. An in-aid-of-construction charge is collected for each connection of an equivalent dwelling unit.

The County has entered into certain agreements with Baltimore City, Baltimore County and the Washington Suburban Sanitary Commission for water supply services and/or sewage disposal services. Under the terms of such agreements, the County is to reimburse these governmental units for their costs of providing water and sewer service. The County provides for annual accrual of its liability under these agreements. Under the terms of several other agreements with these governmental units as well as Anne Arundel County, the County is obligated to fund a portion of capital improvements to certain existing and proposed water and sewer facilities. The County estimates that its total commitment under these agreements over the next five fiscal years is $38.5 million and such obligation is included in the County's capital program.

The following table presents the revenues, expenses and changes in net assets of the water and sewer enterprise fund for the last five fiscal years.

Water & Sewer Enterprise Fund Statement of Revenues, Expenses & Changes in Net Assets (000)[1]

	Fiscal Year Ended June 30				
Operating Revenues:	**2004**	**2005**	**2006**	**2007**	**2008**
User charges	24,371	31,017	32,174	32,745	36,843
Miscellaneous sales and services	251	524	1,141	764	488
Total Operating Revenues	24,622	31,541	33,315	33,509	37,331
Operating Expenses:					
Salaries and employee benefits	7,582	8,116	8,777	9,295	10,644
Contractual services	3,622	3,840	4,361	5,083	5,322
Supplies and materials	1,415	1,443	1,823	1,788	1,851
Business and travel	1,107	1,376	1,548	1,883	1,277
Purchased water and transmission charges	6,818	8,498	9,908	10,038	11,028
Sewage treatment charges	2,820	3,505	3,994	4,337	2,748
Share of county administrative expense	3,555	3,751	3,963	3,909	4,499
Other	29	50	137	87	87
Depreciation expense	15,041	15,678	19,883	18,320	18,205
Less: House connection and capitalized overhead costs	(672)	(651)	(871)	(545)	(411)
Total Operating Expenses	41,317	45,606	53,523	54,195	55,250
Operating Loss	(16,695)	(14,065)	(20,208)	(20,686)	(17,919)
Nonoperating Revenues (Expenses):					
Ad valorem charges	15,909	17,850	20,256	23,386	27,200
Water and sewer assessment charges	2,634	1,773	1,743	3,280	5,671
Interest on investments	559	1,263	2,251	2,507	2,926
Charges for services	894	249	(872)	(3,711)	(3,452)
Interest expense	(5,011)	(4,971)	(5,813)	(6,573)	(6,800)
Other revenue (expense)	(421)	173	(2,671)	2,983	(1,464)
Total Nonoperating Revenues (Expenses)	14,564	16,337	14,894	21,872	24,081
Net Income before Contributions and Transfers	(2,131)	2,272	(5,314)	1,186	6,162
Capital contributions	15,636	12,115	19,294	5,922	13,088
Operating transfers in (out)	-	-	200	1,571	(700)
Change in Net Assets	13,505	14,387	14,180	8,679	18,550
Net Assets at Beginning of Period	408,945	422,450	422,726	436,906	445,585
Adjustment to Beginning Balance [2]	-	(14,111)	-	-	-
Net Assets at End of Period	**422,450**	**422,726**	**436,906**	**445,585**	**464,135**

(1) This information should be read in conjunction with the audited basic financial statements included in Appendix A of this Official Statement.

(2) The fiscal year 2005 adjustment is the result of eliminating a water treatment plant from capital assets since the asset is actually owned by another entity.

Golf Course Enterprise Fund

The County owns an 18-hole public golf course, opened in 1996, whose construction and equipping were financed with proceeds of revenue bonds issued in 1995 and subsequently refunded in 2003. The County accounts for the operations of the golf course in an enterprise fund. The County has a multi-year contract through June 30, 2013 with a management company to operate the course.

The following table presents the revenues, expenses and changes in net assets of the golf course enterprise fund for the last five fiscal years.

Golf Course Enterprise Fund Statement of Revenues, Expenses & Changes in Net Assets (000)[(1)]

	Fiscal Year Ended June 30				
Operating Revenues:	**2004**	**2005**	**2006**	**2007**	**2008**
Greens & cart fees	1,486	1,538	1,719	1,697	1,672
Range fees	90	86	93	94	91
Merchandise sales & services	145	143	153	157	142
Food & beverage	269	291	334	314	333
Miscellaneous sales & services	43	26	22	32	20
Total Operating Revenues	2,034	2,084	2,320	2,294	2,258
Operating Expenses:					
Contractual services	1,499	1,493	1,531	1,517	1,534
Depreciation expense	49	58	66	66	72
Total Operating Expenses	1,548	1,550	1,597	1,583	1,605
Operating Income/(Loss)	486	534	723	711	652
Nonoperating Expenses:	(358)	(318)	(313)	(300)	(280)
Income before contributions & transfers	128	216	410	412	372
Operating transfers in (out)	-	-	-	(13)	(4)
Change in Net Assets	128	216	410	398	368
Net Assets at Beginning of Period	1,552	1,680	1,896	2,306	2,705
Total Net Assets	1,680	1,896	2,306	2,705	3,073

(1) The information in this table should be read in conjunction with the audited basic financial statements included in Appendix A of this Official Statement.

Retirement and Pension Programs

Overview of Programs

Each fully benefited employee of the County is provided retirement benefits through and must be a member of (1) the Police and Fire Employees' Retirement Plan ("Police/Fire Plan"), (2) the Howard County Retirement Plan ("County Plan") or (3) the Employee Retirement and Pension Systems of the State of Maryland ("State Systems"). The State Systems are cost-sharing multiple-employer defined benefit systems; the Police/Fire Plan and the County Plan are single-employer defined benefit public employee retirement plans administered by the County. Fully benefited employees of the Component Units are provided retirement benefits through the State Systems; most contributions to the State Systems for these employees are made directly by the State according to State statute. The Component Units' financial reports for the year ended June 30, 2008 present information related to their participation in the State Systems.

The following table presents the enrollment (as of July 1, 2008) and payroll in fiscal year 2008 for County employees covered by the State Systems (excluding Component Unit employees), Police/Fire Plan and County Plan.

Enrollment and Payroll of Covered Employees

	Enrollment			
	Retired	**Vested**	**Non-Vested**	**Payroll (000)**
State Systems	-	128	-	$7,697
Police/Fire Plan	205	500	271	47,447
County Plan	308	943	614	77,079
Non-Covered Payroll	-	-	-	27,743
Total	**513**	**1571**	**885**	**$159,966**

Information regarding these retirement and pension programs is contained in Note 14 of the notes to the audited basic financial statements included in Appendix A of this Official Statement.

Funding of Payments

Retirement and pension payments are funded from three sources: County contributions, member contributions and investment earnings. The following table presents the County's total pension contributions for the last five fiscal years and the contributions budgeted for fiscal year 2009.

Total Pension Contributions (000)

Fiscal Year Ended June 30	State Systems Contribution	Police/Fire Plan Contribution	County Plan Contribution	Total County Contribution
2009 (Budget)	$0	13,905	9,650	23,555
2008	0	14,717	10,022	24,739
2007	0	13,549	9,695	23,244
2006	773(1)	12,217	9,253	21,470
2005	636	9,401	7,163	17,200
2004	456	7,923	6,432	14,811

(1) The County retired its obligation for employees still covered by the State Systems during fiscal year 2006.

Pension Obligation

The County's funding policies provide for periodic employer contributions at rates determined actuarially to accumulate sufficient assets to pay for benefits when due. The County had no net pension obligation as of July 1, 2008 associated with any retirement plans, as the County has always made its annual required contributions. The following tables present the computation of contribution requirements for the Police/Fire Plan and the County Plan through the most recent actuarial valuations.

The Police/Fire Plan was only 37% funded when it was established in 1990. The drop in unfunded accrued liabilities of the Police/Fire Plan and the County Plan is the result of investment returns above the assumed rate. Investment gains and losses are smoothed over five years and actuarial gains and losses are amortized over 15 years for both plans.

Computation of Contribution Requirements (000)

	Police/Fire Plan				
	July 1, 2003 Valuation	July 1, 2004 Valuation	July 1, 2005 Valuation	July 1, 2006 Valuation	July 1, 2007 Valuation
Value of Assets (000)	$ 131,960	142,247	157,900	180,100	210,800
Actuarial Accrued Liability (000)	182,923	202,882	224,500	245,400	270,500
Unfunded Accrued Liability (000)	(50,963)	(60,635)	(66,600)	(65,300)	(59,700)
Percentage Funded	72.1	70.1	70.4	73.4	77.9
Annual Covered Payroll (000)	$ 34,574	36,241	39,300	41,800	43,600
Unfunded Accrued Liability as % of Annual Covered Payroll	147.4	167.3	169.5	156.3	136.9

	County Plan				
	July 1, 2003 Valuation	July 1, 2004 Valuation	July 1, 2005 Valuation	July 1, 2006 Valuation	July 1, 2007 Valuation
Value of Assets (000)	119,636	130,886	157,700	165,900	193,000
Actuarial Accrued Liability (000)	127,416	147,418	165,800	181,200	199,700
Unfunded Accrued Liability (000)	(7,780)	(16,532)	(20,100)	(15,300)	(6,700)
Percentage Funded	93.9	88.8	87.9	91.5	96.6
Annual Covered Payroll (000)	58,441	61,452	66,500	71,400	76,600
Unfunded Accrued Liability as % of Annual Covered Payroll	13.3	26.9	30.2	21.5	21.5

Current Asset Value

The County estimates that the investments held by the County Plan's decreased in value between July 1, 2008 and December 21, 2008 by 23%. The plans smooth actuarial investment gains and losses over five years. A lack of recovery in the investment assets by June 30, 2009 could result in substantially higher employer contributions beginning in Fiscal Year 2011 (July 1, 2010 – June 30, 2011).

Other Post Employment Benefits

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

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

There is no vesting in the post-employment health benefits and they are subject to change at any time. All employees who retire from the County may participate in the program. In order to be eligible, the retiree must have a minimum of ten years of County service, and immediately preceding retirement, been enrolled in a medical, vision or prescription drug insurance plan offered to active employees of the County. The County will pay a percentage of the retiree's health insurance premium based upon these criteria. This percentage varies with the number of years of service attained by the employee. Other retirees who do not meet the eligibility criteria are permitted to participate in the retirees' health insurance program by paying the full premium at the group rate.

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

As of July 1, 2006, 7,920 employees of the County and its component units met the eligibility requirements set by each entity. Separate financial statements for the OPEB Plan are not available. An updated actuarial evaluation of the liability and annual required contribution is expected to be completed shortly. The County and Schools are near finalizing changes to the benefits that are estimated to reduce the annual required contribution by 15%. Those changes are expected to be finalized and implemented in Fiscal Year 2010 and will be reflected in the updated actuarial evaluation.

The Plan’s funding policy provides for the County to contribute to the trust the actuarially determined annual required contribution (ARC). In FY 2008, the County contributed (in excess of the annual pay go costs) $14 million to the trust and for FY 2009, it has budgeted $15 million in FY 2009. After FY 2009, the County has an eight year phase-in funding policy. The operating budget for OPEB payments will be increased over the phase–in period to the funded ARC level. Given the current economic environment the County is re-evaluating this funding goal and considering moving to a 10 year phase in period. That decision will be finalized as part of the FY 2010 Operating Budget process.

The required contribution amount and OPEB expense per the most recent actuarial valuation report with valuation date of 7/1/2006 (updated to 7/1/2007 for the ARC calculation) are presented below:

	Actuarial Unfunded Accrued Liability	Amortization of Actuarial Unfunded Accrued Liability	Normal Cost	Annual Required Contribution (ARC)	ARC Funding	Net OPEB Obligation (NOO)
	1	*2*	*3*	*2 + 3*	*4*	*2 + 3 - 4*
Howard County Public School System	$ 480,267,000	22,502,000	28,937,000	51,439,000	14,957,912	36,481,088
Howard Community College	11,816,000	554,000	827,000	1,381,000	344,836	1,036,164
Howard County Government [1]	215,173,000	10,081,000	10,700,000	20,781,000	6,674,966	14,106,034
	$ 707,256,000	33,137,000	40,464,000	73,601,000	21,977,714	51,623,286

(1) Enterprise Fund share of PAYGO funding and net OPEB obligation is $129,617 and $835,453 respectively.

Actuarial Assumptions

Actuarial valuation date	7/1/06 (updated to 7/1/07 for ARC calculation)
Actuarial cost method	Projected Unit Credit
Amortization method	30 years using level percentage of pay
Asset valuation method	Fair Value
Actuarial trend assumption:	Medical and prescription drug trend rate applied to FY 2007 is 10.50%. This rate decreases by 1% for FY 2008 thru FY 2011. The ultimate rate is 5.50%. Dental trend to be applied is 5.00% for all years.
Interest assumption	Discount rate of 5.20%
Salary increases	3.00%

Accounting for Annual and Disability Leave

As of June 30, 2008, employees paid from the General Fund, Special Revenue Funds, and Internal Service Funds accrued unused annual leave of $17.8 million. Unused annual leave for employees paid from the water and sewer enterprise fund was $618,124. These amounts are based upon the average daily pay rate for the employees at year-end. The annual leave amounts are recognized as liabilities in the County's financial statements. The disability leave amounts, however, do not vest to the employees. As a result, such amounts are not reflected as liabilities and are recorded when paid.

Insurance and 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; environmental exposures; and natural disasters. The County, excluding the Board of Education, has established two internal service funds to account for and finance its risks of loss. The County's risk-financing techniques include a combination of risk retention through self-insurance and risk transfer through the use of a risk pool and commercial insurance.

The Risk Management Fund (the "Risk Management Fund") is administered by the Office of Risk Management in the Department of County Administration. All funds of the County participate in the risk management program and make annual payments to the internal service fund which provides coverage in the amount of the self-insured retention. Losses above the self-insured retention are paid by the risk pool or commercial insurance. Currently, the self-insured retention is $1 million for each automobile liability claim, $1 million for each general liability claim, $100,000 for each property damage claim and unlimited for each workers' compensation claim. The self-insured retention can change based on the terms of the annual policy renewal. Currently, the Risk Management Fund totally self-insures workers compensation and third-party environmental exposures due to the lack of availability of adequate and affordable commercial excess coverage. The Risk Management Fund also totally self-insures first-party auto physical damage claims.

Contributions to the Risk Management Fund from covered departments and agencies are calculated based on a combination of actuarial estimates and historical cost information. These amounts are needed to pay prior, current and anticipated claims, to establish a reserve for catastrophic losses, and pay for commercial insurance premiums and administrative costs. In addition, the Library, Community College, Howard County Economic Development Authority, Howard County Housing Commission and Howard County Mental Health Authority have entered into agreements with the County whereby they contribute to and are covered through the Risk Management Fund.

The County belongs to the Local Government Insurance Trust ("LGIT"), which provides insurance for claims in excess of coverage provided by the Risk Management Fund for certain exposures. The County participates in LGIT in the areas of excess property, general liability and automobile liability. LGIT consists of various Maryland local governments including counties and municipalities. LGIT was created to provide broader insurance coverages than those available from commercial insurers, coverages that may otherwise be unavailable, and loss control and risk management services to Maryland local governments. The County's settled liability claims have not exceeded its self-insured retention in any of the past three fiscal years.

The Employee Benefits Fund provides full coverage for employee health benefits and long-term disability claims. An employee may contribute a percentage of the cost of employee benefits other than long-term disability, which is fully funded by the County. This program is administered by the County Office of Human Resources, and employees of the County are covered by its benefits.

Investment Policy

The County has established an investment policy that applies to all of its financial assets. This policy invests public funds in a manner that conforms to all applicable State and County statutes while meeting the County's investment objectives. The three prioritized objectives of the County's investment activities are (1) safety of principal through (a) diversification, (b) third-party collateralization and safekeeping and (c) delivery versus payment; (2) liquidity sufficient to meet all reasonably anticipated operating requirements; and (3) return on investment at least equal to the yield on U.S. Treasury bills of comparable duration. The Director of Finance is required to develop and maintain written administrative procedures as well as a system of controls to regulate the operation of the investment program. Compliance with these procedures and controls is audited as part of the County's annual financial audit.

As of June 30, 2008, the County had investments totaling approximately $293 million. All of these investments mature within one year except for stripped-coupon U.S. Treasury securities that the County has purchased to provide for the payment of the final installments under its agricultural land preservation installment-purchase agreements. All investments were purchased to be held to maturity, and interest is paid throughout the term except as previously noted. The County has never entered into reverse repurchase transactions, and does not invest in derivatives.

In 2003, the County's investment policy was updated and received a certificate of excellence from the Association of Public Treasurers of the United States and Canada. The GFOA's Government Finance Research Center evaluated the County's investment policy and practices in 1994, and verified that the policy met established GFOA criteria for a sound investment policy as set forth in GFOA's publication, *Investing Public Funds*. The County is a member of the Investment Affinity Group of the Maryland GFOA, which periodically brings together public investment officers from large Maryland counties, Baltimore City and the State.

Capital Requirements and Debt Management

Capital Projects Fund and Board of Education Capital Projects

The following table presents the sources and uses of funds in the County's Capital Projects Fund.

Sources and Uses of Capital Projects Fund (000)[(1)]

	Fiscal Year Ended June 30				
	2004	**2005**	**2006**	**2007**	**2008**
Source of Funds:					
Proceeds of bonds and notes	48,290	60,000	91,375	113,400	136,845
Proceeds of refunding bonds	85,015	-	-	-	87,420
Local transfer tax	17,819	19,593	30,198	25,465	20,021
Pay-as-you-go funding	-	765	2,681	-	5,497
Revenues from other governmental agencies	3,458	5,947	6,065	18,789	15,774
Developer contributions	1,376	2,270	2,009	1,263	1,505
Other	10,240	8,148	12,828	17,626	12,409
Operating transfers in	14,761	11,276	26,227	19,707	21,228
Total Sources	**180,959**	**107,999**	**171,383**	**196,250**	**300,699**
Use of Funds:					
Capital projects expenditures	73,593	102,039	174,417	169,813	157,853
Operating transfers out	23,371	18,458	27,958	27,827	33,654
Payment to refunded bond escrow agent	91,855	-	-	-	92,180
Other	951	430	293	-	0
Total Uses	**189,770**	**120,927**	**202,668**	**197,640**	**283,687**
Excess (Deficit) of Sources over Uses	(8,811)	(12,928)	(31,285)	**(1,390)**	**17,012**
Fund Balance at Beginning of Period	46,059	37,248	24,320	**(6,965)**	**(8,355)**
Fund Balance (Deficit) at End of Period	**37,248**	**24,320**	**(6,965)**	**(8,355)**	**8,657**

(1) The information in this table should be read in conjunction with the audited basic financial statements included in Appendix A of this Official Statement.

The following table presents the sources and uses of funds for the Board of Education's capital projects for the last five fiscal years.

Sources and Uses of Funds for Board of Education Capital Projects (000) [(1)]

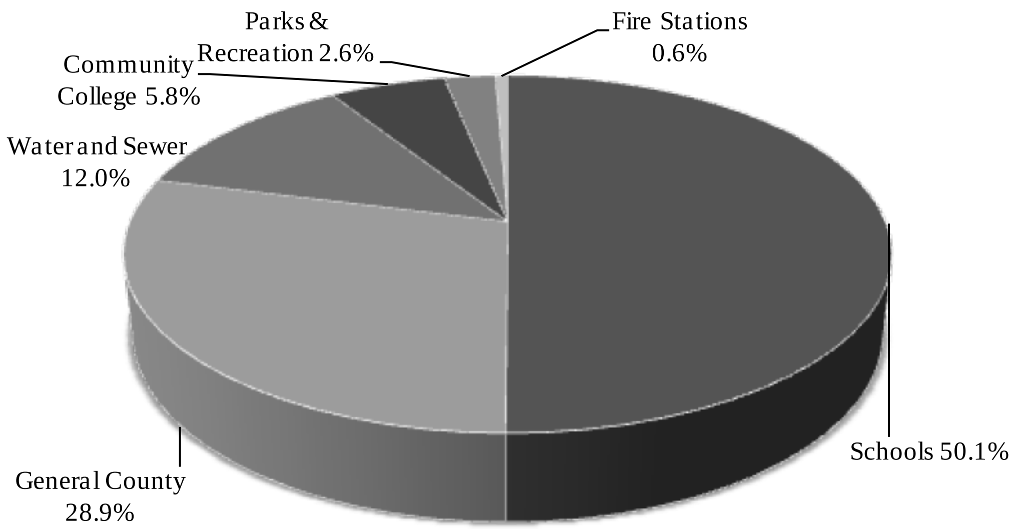
	Fiscal Year Ended June 30				
	2004	**2005**	**2006**	**2007**	**2008**
Sources of Funds:					
Proceeds of County bonds and notes	$ 47,581	75,490	82,880	84,963	57,759
Revenues from County and State	4,806	8,832	15,676	3,175	13,322
Other	24	3,390	4,456	366	6,281
Total Sources	**52,411**	**87,712**	**103,012**	**88,504**	**77,362**
Uses of Funds:					
Capital projects expenditures	50,063	85,434	103,970	89,647	72,020
Total Uses	**50,063**	**85,434**	**103,970**	**89,647**	**72,020**
Excess (Deficit) of Sources over Uses	2,348	2,278	(958)	(1,143)	5,342
Fund Balance at Beginning of Period	2,786	5,134	7,412	6,454	5,311
Fund Balance at End of Period	**5,134**	**7,412**	**6,454**	**5,311**	**10,653**

(1) The information in this table should be read in conjunction with the audited basic financial statements of the Board of Education.

Composition of Debt

The chart below presents how proceeds of outstanding County bonds were used.

Composition of Issued General Obligation Debt



Capital Budget and Program

The following table presents the County's adopted capital budget for fiscal year 2009 and program for fiscal years 2010 through 2014.

Capital Budget and Program (000)

	Authorization								
Program Title	**Prior**	**FY2009**	**Subtotal**	**FY2010**	**FY2011**	**FY2012**	**FY2013**	**FY2014**	**Total**
Bridge Improvements	$ 17,696	1,310	19,006	2,200	250	1,150	150	-	22,756
Storm Drainage	23,216	3,499	26,715	6,950	5,855	4,590	5,090	2,500	51,700
Road Resurfacing	20,155	9,320	29,475	11,870	8,870	8,870	2,750	2,000	63,835
Road Construction	223,918	17,957	241,875	35,775	10,130	8,528	4,360	1,735	302,403
Traffic Improvements	9,185	1,450	10,635	1,780	1,170	870	300	50	14,805
General County	128,163	49,338	177,501	50,040	61,345	6,660	1,750	2,470	299,766
Fire	47,533	5,510	53,043	26,905	17,060	3,500	3,500	1,200	105,208
Library	3,150	7,845	10,995	22,720	16,560	21,885	-	-	72,160
Police	6,659	(144)	6,515	2,040	5,820	-	-	-	14,375
Recreation & Parks	78,519	19,411	97,930	26,316	12,851	16,993	13,626	5,111	172,827
Agricultural Preservation	120,608	-	120,608	-	-	-	-	-	120,608
Community Renewal	14,300	1,000	15,300	4,000	4,000	1,000	-	-	24,300
Sewer	189,421	178,948	368,369	10,769	2,527	1,992	600	-	384,257
Water	152,788	19,613	172,401	26,275	8,227	1,264	1,014	1,014	210,195
Board of Education	380,500	80,466	460,966	121,355	128,508	107,609	102,405	79,911	1,000,754
Community College	131,908	18,289	150,197	25,080	52,084	58,987	44,330	44,262	374,940
Total	$ 1,547,719	413,812	1,961,531	374,075	335,257	243,898	179,875	140,253	3,234,889

Debt Management Policy

The County has adopted a debt management policy that establishes the processes employed in the management of its short- and long-term debt. The policy sets the parameters for issuing debt and managing outstanding debt. It provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. The County recently added long-term variable rate debt as an approved type of debt that can be issued. By establishing a debt policy, the County has recognized its binding commitment to full and timely repayment of all debt. The policy ensures that the County maintains a sound debt position and that its credit quality is protected.

Debt Capacity

Pursuant to Article VI of the County Charter and State law, general obligation debt of the County outstanding at any one time may not exceed 4.8 percent of the full market value of real property and personal property located within the County. In computing this percentage under the County Charter and State law, the following do not constitute general obligation debt: (1) tax anticipation notes or other debts having a maturity not in excess of 12 months, (2) bonds or other debts issued or guaranteed by the County payable primarily or exclusively from taxes levied on or in, or other revenues of, special taxing areas or districts and (3) bonds and other debts issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services. Metropolitan District debt, which is payable primarily from water and sewer charges, does not constitute general obligation debt for the purpose of computing such percentage, and there are no other debt limitations applicable to Metropolitan District debt. For the purpose of determining whether refunding bonds issued under such statute are within the legal debt limitation of the County, the amount of bonds refunded is subtracted from, and the amount of refunding bonds issued is added to, the aggregate of the County's outstanding bonds.

Shown below is a calculation of the County's estimated legal debt capacity as of December 31, 2008, based on the County's assessable base as of June 30, 2008.

Legal Debt Capacity (000)

Assessable base limit on general obligation debt	$2,028,394
Total outstanding debt to be applied against County Charter limit	636,013
Additional legal debt capacity	$1,392,381

Outstanding Long-Term Debt

As of December 31, 2008, the County had outstanding long-term debt presented below.

Outstanding Long-Term Debt [1]

	Dated Date	Issued (000)	Outstanding (000)[1]	Interest Rates	Final Maturity
Consolidated Public Improvement Refunding	10/15/91	$58,230 (2)	603 (2)	N/A	08/15/09
Maryland Water Quality Financing Administration Refunding	06/29/99	14,210	9,760	2.41	02/01/16
Consolidated Public Improvement	03/15/01	34,520	1,360	4.25 - 4.75	02/15/21
Consolidated Public Improvement Project and Refunding	02/01/02	112,165	46,605	3.40 - 5.25	08/15/15
Consolidated Public Improvement Project and Refunding	06/01/03	94,770	31,420	2.00 - 5.00	08/15/23
Consolidated Public Improvement Project and Refunding, Series A	02/01/04	112,305	103,755	2.00 - 5.00	08/15/24
Consolidated Public Improvement Project and Refunding, Series B	02/01/04	21,000	13,090	2.00 - 5.00	08/15/19
Consolidated Public Improvement	01/01/05	60,000	52,900	3.00 – 4.25	02/15/25
Consolidated Public Improvement	01/15/06	91,375	85,100	3.50 – 4.50	02/15/26
Consolidated Public Improvement	03/15/07	100,000	96,500	4.00 – 5.00	02/15/27
Consolidated Public Improvement Refunding	12/19/07	87,420	87,420	3.75 – 5.00	02/15/19
Consolidated Public Improvement	02/27/08	107,500	107,500	3.00 - 5.00	02/15/28
Total Long-Term Public Improvement Debt			**$636,013**		
Metropolitan District Refunding	10/15/91	40,475 (2)	709 (2)	N/A	08/15/09
Maryland Water Quality Financing Administration	06/01/92	15,212	5,271	3.50	02/01/13
Maryland Water Quality Financing Administration	10/10/95	1,985	918	4.33	02/01/15
Metropolitan District	03/15/00	3,000	65	5.00	02/15/09
Maryland Water Quality Financing Administration	10/18/00	34,000 (3)	25,434	2.40	02/01/22
Metropolitan District	03/15/01	6,000	3,115	4.25 - 4.875	02/15/31
Maryland Water Quality Financing Administration	01/29/02	22,000 (3)	17,597	2.00	02/01/24
Metropolitan District Project and Refunding	02/01/02	26,150	21,815	3.4 - 5.25	08/15/31
Metropolitan District Project and Refunding	06/01/03	29,180	17,670	3.0 - 5.0	08/15/32
Metropolitan District Refunding	02/01/04	8,325	8,070	2.0 - 4.25	08/15/23
Metropolitan District	01/01/05	4,000	3,740	3.0 – 4.5	02/15/34
Metropolitan District	01/15/06	3,000	2,880	3.5 – 4.4	02/15/35
Metropolitan District	03/15/07	10,000	9,815	4.0 – 4.5	02/15/37
Metropolitan District Refunding	12/19/07	11,980	11,980	3.75 – 4.375	02/15/29
Metropolitan District	02/27/08	4,095	4,095	3.00 - 4.75	02/15/38
Maryland Water Quality Financing Administration	10/01/08	1,089	1,089	2.30	02/01/29
Total Water and Sewer Enterprise Fund Debt[4]			**$134,263**		
Agricultural Land Preservation Program[5][6]	1989-2008	64,481	2,258	6.00 - 8.60	02/15/28
Golf Course Refunding Revenue[7]	06/01/03	9,880	7,395	2.00 -3.80	08/15/20
Total Special Revenue Funds, Other Enterprise Fund and Guaranteed Debt			**$9,653**		

(1) The outstanding amounts do not include bonds to be redeemed with the proceeds of refunding bonds previously issued by the County; such bonds to be redeemed are not considered as outstanding debt of the County for debt limitation purposes.

(2) This amount includes the original principal amount of capital appreciation bonds included as part of the series, rounded to the nearest dollar.

(3) This amount is the maximum that the County is authorized to draw down from the Maryland Water Quality Financing Administration.

(4) The payment of the principal of and interest on this debt is to be made first from certain charges the County is authorized to levy within the Metropolitan District, but the full faith and credit of the County are also unconditionally pledged to such payment.

(5) The payment of the principal and interest on this debt is to be made first from certain taxes the County and the State are authorized to levy on real estate transactions on property within the County, but the full faith and credit of the County are also unconditionally pledged to such payment.

(6) This amount does not include a portion of these obligations in the aggregate principal amount of $58,236,200, which will be paid in fiscal years 2018-2028 with proceeds of U.S. Treasury obligations purchased by the County.

(7) These bonds do not constitute a pledge of the County's full faith and credit or taxing power, but the County's covenant to restore the amount in the debt service reserve fund is a general contractual obligation of the County.

Schedules of Long-Term Debt Principal and Interest Payments

The following table presents the principal and interest payments for the County's long-term public improvement debt as of December 31, 2008. Debt service on the Consolidated Public Improvement Bonds, 2009 Series A is shown in Appendix E.

Debt Service on Long-Term Consolidated Public Improvement Debt (000)

Fiscal Year	Principal [(1)]	Interest [(2)]	Total [(3)]
2009	26,845	14,024	40,869
2010	46,423	28,062	74,485
2011	46,315	24,902	71,217
2012	45,545	23,011	68,556
2013	43,945	21,153	65,098
2014	41,160	19,182	60,342
2015	38,570	17,316	55,886
2016	37,010	15,513	52,523
2017	34,280	13,848	48,128
2018	33,235	12,228	45,463
2019	30,775	10,769	41,544
2020	30,805	9,311	40,116
2021	28,845	7,979	36,824
2022	28,260	6,644	34,904
2023	29,345	5,397	34,742
2024	28,545	4,142	32,687
2025	25,065	2,964	28,029
2026	19,535	1870	21,405
2027	14,010	965	14,975
2028	7,500	319	7,819
Totals	**$636,013**	**239,599**	**875,612**

(1) Includes mandatory sinking fund redemption payments on term bonds and original principal amounts of capital appreciation bonds, rounded to the nearest dollar.

(2) Accreted interest on capital appreciation bonds is included in the year paid; accretions are not reflected.

(3) Excludes administrative fees of five percent of total debt service over the total loan period for the Water Quality Financing Administration Debt.

The following table presents the principal and interest payments for the County's other long-term debt as of December 31, 2008. Debt service on the Metropolitan District Bonds, 2009 Series A is shown in Appendix E.

Debt Service on Other Long-Term Debt (000)

	Water and Sewer Enterprise Fund (Metropolitan District and Water Quality Financing Administration) (1)			Agricultural Land Preservation Program (2)			Special Recreation Facility (Golf Course) Enterprise Fund		
Fiscal Year	Principal (3)	Interest (4)	Total	Principal	Interest	Total	Principal	Interest	Total
2009	$ 4,361	2,418	6,779	146	4,586	4,732	520	243	763
2010	7,578	6,233	13,811	237	4,574	4,811	525	232	757
2011	8,492	4,409	12,901	146	4,556	4,702	540	220	760
2012	8,604	4,109	12,713	237	4,544	4,781	555	205	760
2013	8,319	3,831	12,150	146	4,526	4,672	575	188	763
2014	7,407	3,545	10,953	237	4,514	4,751	590	170	760
2015	7,613	3,271	10,884	146	4,496	4,642	605	152	757
2016	7,371	3,003	10,373	237	4,484	4,721	625	132	757
2017	7,598	2,746	10,345	141	4,467	4,608	650	111	761
2018	7,662	2,484	10,147	229	4,009	4,238	670	89	759
2019	7,918	2,217	10,135	136	3,941	4,077	695	64	759
2020	7,945	1,928	9,873	118	3,679	3,797	720	38	758
2021	6,539	1,685	8,225	20	2,506	2,526	645	12	657
2022	6,340	1,495	7,835	75	1,481	1,556			
2023	4,367	1,296	5,662	20	1,326	1,346			
2024	3,343	1,143	4,486	31	1,325	1,356			
2025	2,811	1,015	3,826	20	539	559			
2026	2,798	889	3,687	24	519	543			
2027	2,714	762	3,476	-	320	320			
2028	1,945	646	2,591	-	140	140			
2029	2,027	556	2,583						
2030	1,910	463	2,373						
2031	1,890	376	2,266						
2032	1,590	287	1,877						
2033	1,380	220	1,600						
2034	1,085	166	1,251						
2035	885	118	1,003						
2036	750	79	829						
2037	780	45	825						
2038	240	11	251						
	$ 134,263	**51,448**	**185,711**	**2,346**	**60,532**	**62,878**	**7,915**	**1,856**	**9,771**

(1) Excludes administrative fees of five percent of total debt service over the total loan period for the Water Quality Financing Administration debt.

(2) This amount does not include a portion of these obligations in the aggregate principal amount of $58,236,200 which will be paid in fiscal years 2018 - 2028 with proceeds of U.S. Treasury obligations purchased by the County.

(3) Includes mandatory sinking fund redemption payments on term bonds and original principal amounts of capital appreciation bonds, rounded to the nearest dollar.

(4) Accreted interest on capital appreciation bonds is included in the year paid; accretions are not reflected.

Rapidity of Long-Term Debt Principal Repayment

The following table analyzes how much of the County's long-term public improvement debt outstanding as of December 31, 2008 is scheduled to be repaid over 20 years. This excludes $86 million in short-term construction financing currently outstanding, of which $73.404 million is to be paid with proceeds of the Consolidated Public Improvement Bonds.

Rapidity of Consolidated Public Improvement Debt Principal Repayment [1]

	Before Issuance of Public Improvement Bonds			After Issuance of Public Improvement Bonds [2]	
On or before Fiscal Year	Amount (000)	% of Outstanding	On or before Fiscal Year	Amount (000)	% of Outstanding
2013	$ 209,073	32.87%	2014	235,553	34.70
2018	393,328	61.84	2019	424,428	62.52
2023	541,358	85.12	2024	589,173	86.79
2028	636,013	100.00	2029	678,888	100.00

(1) These amounts include the original principal amounts of capital appreciation bonds, rounded to the nearest dollar.
(2) Less principal paid in February 2009, plus Consolidated Public Improvement Bonds.

The following table analyzes how much of the County's water and sewer enterprise fund debt outstanding as of December 31, 2008 is scheduled to be repaid over 30 years.

Rapidity of Metropolitan District Debt Principal Repayment [1]

	Before Issuance of Metropolitan District Bonds			After Issuance of Metropolitan District Bonds [2]	
On or before Fiscal Year	Amount (000)	% of Outstanding	On or before Fiscal Year	Amount (000)	% of Outstanding
2013	$ 37,354	27.82%	2014	45,140	28.77
2018	75,005	55.86	2019	89,102	56.86
2023	108,114	80.52	2024	124,701	79.67
2028	121,725	90.66	2029	145,631	93.21
2033	130,522	97.21	2034	153,486	98.29
2038	134,262	100.00	2039	156,141	100.00

(1) These amounts include the original principal amounts of capital appreciation bonds, rounded to the nearest dollar.
(2) Less principal paid in February 2009, plus Metropolitan District Bonds.

Long-Term Debt Ratios

The following table presents the County's net long-term public improvement debt per capita and ratios of net long-term public improvement debt to assessed value and to per capita personal income at the end of the last five fiscal years. This excludes $86 million in short-term construction financing currently outstanding, of which $73.404 million is to be paid with proceeds of the Consolidated Public Improvement Bonds.

Long-Term Consolidated Public Improvement Debt Ratios

Fiscal Year Ended June 30	Net Long-Term Debt (000)	Estimated Population (000) [1]	Assessed Value (000)	Per Capita	Net Long-Term Debt As % of Assessed Value	Net Long-Term Debt As % of Personal Income [2]
2008	636,013	283	42,258,202	2,250	1.5	3.76
2007	575,824	279	36,395,166	2,065	1.6	3.59
2006	541,323	276	31,244,707	1,959	1.7	3.59
2005	490,406	273	27,275,980	1,799	1.8	3.45
2004	469,921	269	24,494,464	1,750	1.9	3.52

(1) Source: Howard County Department of Planning and Zoning.
(2) Source: Bureau of Labor and Statistics and Howard County Budget Office

The following table presents the County's debt service expenditures for long-term public improvement debt as a percentage of General Fund expenditures for the last five fiscal years.

Long-Term Debt Service as Percentage of General Fund Expenditures

Fiscal Year Ended June 30	Public Improvement Debt Principal (000)	Public Improvement Debt Interest (000)	Public Improvement Debt Service (000)	Total General Fund Expenditures (000)	Debt Service as % of General Fund Expenditures
2009 Budget	$ 42,296	27,033	69,329	854,500	8.11
2008	44,950	25,516	70,466	812,534	8.67
2007	41,580	22,670	64,250	695,771	9.23
2006	40,595	20,299	60,894	644,220	9.45
2005	40,175	19,386	59,561	596,895	9.98
2004	32,895	15,285	48,180	550,135	8.76

Description of Debt

Public Improvement Debt

The County issues public improvement debt to defray the costs of general County capital projects, including storm drainage, fire service, police, road construction, bridge, library, recreation and parks, school, community college, sidewalk and curb, intersection and signal improvement, and urban renewal capital projects. Such debt is a general obligation of the County, and the County's full faith and credit and unlimited taxing power are irrevocably pledged to the punctual payment of principal of and interest on such debt when due and payable. Debt service on public improvement debt is payable primarily from general tax revenues; however, building excise taxes, school surcharge, transfer taxes and funds from Community College fees are also used to pay debt service for certain types of capital projects.

Short-Term Construction Financing Program

The County issues bond anticipation notes on an annual basis in order to provide interim financing for a portion of the cost of its ongoing capital projects. The notes are currently in the form of commercial paper and are rolled over at maturity until repaid with proceeds of the County's long-term bonds. The County typically issues its long-term bonds once a year in an amount corresponding to the note proceeds expended since its last bond sale and uses such bond proceeds to redeem outstanding notes. The maximum authorized and outstanding amount of such notes as of December 31, 2008 is $86 million, of which $73.404 million is to be paid with proceeds of the Consolidated Public Improvement Bonds.

Landfill Closure and Post-Closure Care Cost

State and federal laws and regulations require the County to place a final cap on closed landfill cells and to perform certain maintenance and monitoring functions at cells for 30 years after closure. The County recognizes a portion of these estimated closure and post-closure care costs in each operating budget, based on cell capacity used.

The County ceased using the Alpha Ridge landfill as its primary waste disposal site in 1997, and now exports waste to a regional landfill in Virginia. The closure cap for a 70-acre cell at Alpha Ridge was completed and paid for in 2001. The County does not expect to use the 28.3 percent capacity at the remaining cell in the foreseeable future.

Closure costs for the existing cell and post-closure care cost for the closed and existing cells at the Alpha Ridge landfill will approximate $41.23 million. Actual costs may differ due to inflation or future design changes. As of June 30, 2008, the County had recognized $34.66 million of these costs. The County intends to fund the remaining costs from bond proceeds and its annual Environmental Services Fund budget.

Metropolitan District

The County issues Metropolitan District debt to defray the costs of the County's water and sewer capital projects. Such debt is a general obligation of the County, and its full faith and credit and unlimited taxing power are irrevocably pledged to the punctual payment of principal of and interest on such debt when due and payable. Debt service on Metropolitan District debt is payable first from water and sewer revenues and other revenues.

Maryland Water Quality Financing Administration

Under the Maryland Water Quality Financing Administration's revolving loan program, the State has six outstanding loans to the County at interest rates that are below market. Five of the loans are tax-exempt obligations that were primarily used to finance the expansion of the Little Patuxent Wastewater Treatment Plant. As with Metropolitan District debt, such debt is payable from water and sewer revenues and other revenues, but the full faith and credit of the County is also pledged to the payment thereof.

The remaining loan, incurred in 1999, was used to refund $14.04 million of public improvement debt used to fund landfill closure costs. Interest on this refunding loan is not tax-exempt and debt service on this refunding loan is payable from the County's General Fund.

Agricultural Land Preservation Program

Through its agricultural land preservation program, the County finances the acquisition of development rights to a particular parcel of agricultural property by entering into an installment-purchase agreement with the property owner. Under the terms of the installment-purchase agreement, the County pays the property owner semiannual interest payments for up to 30 years, and minimal portions of the installment-purchase price biennially until maturity. The rest of the purchase price for the development rights is paid at the end of the term with a balloon payment. Upon execution of an installment-purchase agreement, the County purchases stripped-coupon U.S. Treasury obligations in amounts sufficient to equal the balloon payment at the maturity of the installment purchase. The County acquires the development rights to the land in perpetuity. The County is using the 25 percent portion of the local transfer tax that is dedicated to agricultural land preservation and the County's share of the State transfer tax on agricultural land to fund this program.

When an installment purchase agreement is signed, the County records a long-term obligation for the amount of both the biennial installments and the balloon payment of the purchase price. The County received the 1990 Award for Excellence in Financial Management by the GFOA for developing the installment-purchase agreement financing method for the agricultural land preservation program. This award is established "to recognize outstanding contributions to the practice and theory of government finance."

Golf Course

In 1995, the County issued revenue bonds to finance construction of a public golf course with related facilities. The original bonds were refunded in 2003. Income derived from the golf course facility is pledged to pay debt service on the 2003 bonds and to maintain a debt service reserve fund. If a deficiency exists in the debt service reserve fund, the County is obligated to restore the amount in the debt service reserve fund to the maximum annual debt service on the 2003 bonds not later than 30 days after the beginning of the first fiscal year following a determination of such a deficiency, until the 2003 bonds have been paid in full. The 2003 bonds do not constitute a pledge of the County's faith and credit or taxing power, but the County's covenant to restore the amount in the debt service reserve fund is a general contractual obligation of the County.

Lease Purchase Obligations

In August 2007 the County entered into a six-year $1,000,000 Lease Purchase Agreement to acquire a helicopter for use by the Police Department. Payments under the Lease Purchase Agreement are subject to annual appropriation by the County and do not involve a pledge of the County's faith and credit or taxing powers.

Overlapping Debt

There are no incorporated towns, villages, municipalities or other subdivisions within the County boundaries having separate taxing authority. Thus there is no overlapping municipal debt in the County. However, the Columbia Homeowners Association does have authority to issue debt which is funded via a fee. (See "Economy and Demography, Columbia" herein.)

Tax Incremental Financing

The County has recently developed guidelines for the issuance of tax increment financing ("TIF") bonds and is reviewing a request from a developer to have the County issue its TIF bonds to finance a portion of the costs of construction of a parking garage at the Savage MARC Rail Station. The purpose of the proposed TIF bonds will be to finance a portion of the public improvements on the property and to encourage a mixed use "transit oriented development" consisting of residential, hotel, retail and office use. The State has approved the transfer of property to the developer in exchange for the developer's agreement to construct a commuter garage (to be owned by the State) and an apartment building. The County currently anticipates that a portion of the costs of the garage (approximately $14 million) will be financed with proceeds of the County's TIF bonds and the remainder will be funded by the developer.

Future Financing Plans

The County's debt policy is circumscribed by the legal debt margin for general obligation indebtedness established in the County Charter. In addition, the County's debt policy is reviewed annually by a committee of financially experienced residents that recommends the amount of debt that the County can afford. As of December 31, 2008, the County had authorized but unissued general obligation indebtedness of $452.5 million (CPI), $163.4 Metropolitan District Bonds and $123.1 million Water Quality (State Revolving Loan Program). These amounts include bonds authorized to redeem the $86 million in short-term construction financing debt. The County currently expects to (a) authorize $95 to $105 million of public improvement bonds annually, (b) continue its program of providing interim financing for County capital projects through the issuance of bond anticipation notes, (c) annually issue approximately $10 to $20 million of Metropolitan District bonds or borrow some or all of such amounts under the Maryland Water Quality Financing Administration's revolving loan program, and (d) enter into purchase agreements to be funded by transfer tax revenues for up to $30 million to acquire development rights in agricultural property. Where direct benefits from capital improvements can be identified to specific users, the County intends to finance such improvements from user charges.

Private Activity Bonds

Private activity bonds issued by the County for the benefit of private businesses and non-profit organizations in the County are not debt of the County or charges against the general credit or taxing power of the County, and the County has no pecuniary liability therefore.

Government and Infrastructure

General

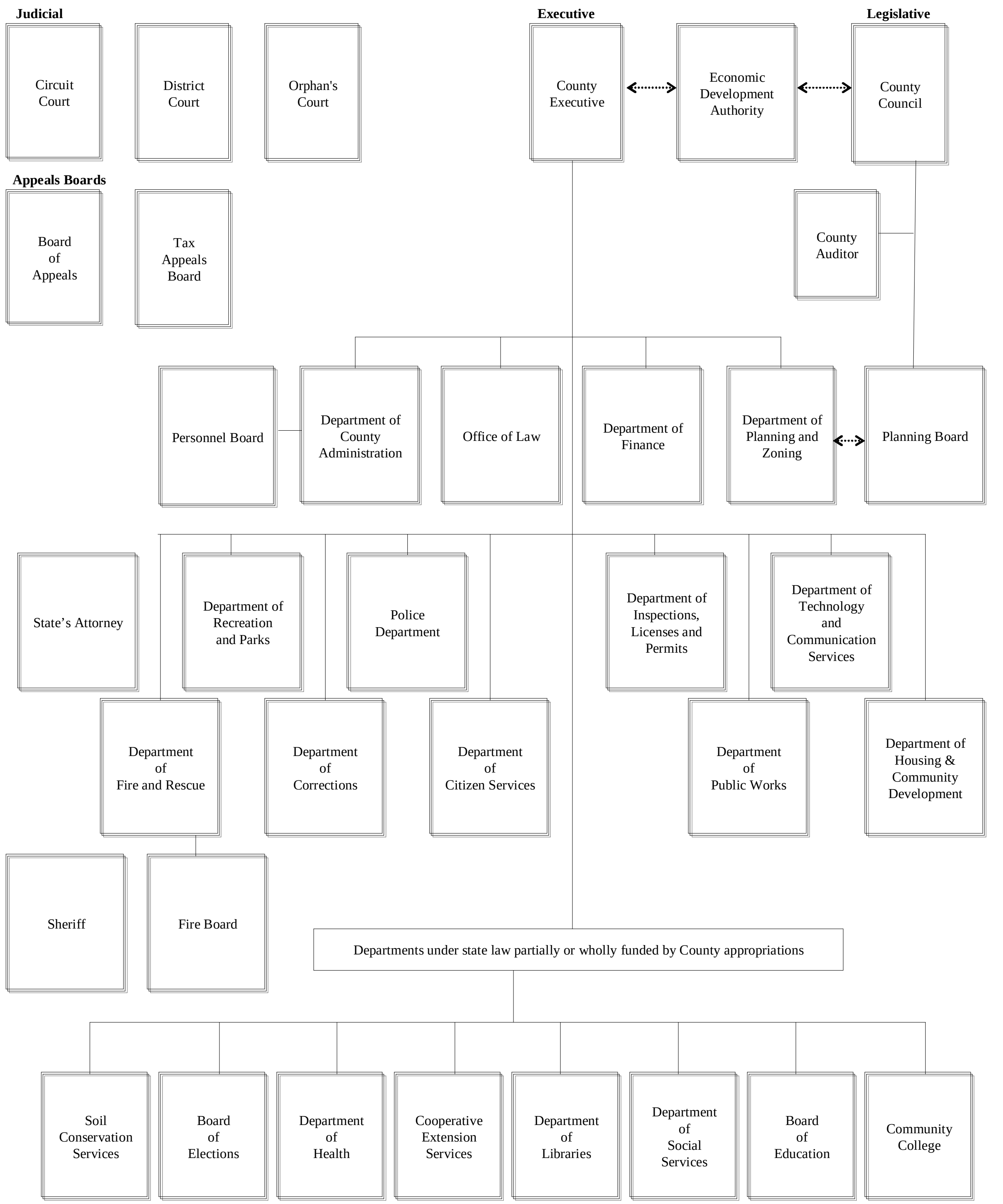
Under the County Charter adopted in 1968, the County's executive functions are vested in the elected County Executive, who is the chief executive officer of the County and is responsible for the proper and efficient administration of the affairs of the County. The Council, which consists of five members elected by district, is the County's legislative body. The County Executive is limited to two consecutive four-year terms, and Council members are limited to three consecutive four-year terms.

Each Council member has one vote, and a simple majority vote is sufficient to pass ordinary legislation. Emergency bills require the vote of two-thirds of the members of the Council as do Council actions to override a veto by the County Executive. A majority of the members of the Council constitute a quorum for the transaction of business, except that for emergency sessions two-thirds of the members of the Council are required. Except as otherwise provided in the County Charter, all laws stand enacted upon approval by the County Executive and take effect 60 days after their enactment, unless by affirmative vote of two-thirds of the members of the Council any such law is declared to be effective on a later date or is declared an emergency measure affecting the public health, safety and welfare, in which event it is effective from the date of its enactment. The Council elects a Chairperson and a Vice Chairperson from its membership at its first meeting in December of each year.

The Chief Administrative Officer performs such duties and exercises such general supervision over the offices and departments of the County government as the County Executive may direct and the Charter specifies. The Chief Administrative Officer acts as the chief budget officer, personnel officer, purchasing agent and central services officer of the County. In addition, the Chief Administrative Officer has been designated to perform the duties of the County Executive during the temporary inability of the County Executive to perform by reason of absence from the County or disability. County financial matters are administered through the Department of Finance by the Director of Finance. The Director of Finance is charged with the administration of the financial affairs of the County, which generally include the collection of State and County taxes, special assessments, Metropolitan District charges, fees and other revenues and funds of every kind due to the County; the enforcement of the collection of taxes in the manner provided by law; the custody and safekeeping of all funds and securities belonging to or by law deposited with, distributed to or handled by the County; the disbursement of County funds; the keeping and supervision of all accounts; the control of all expenditures on the basis of budgetary appropriations and allotments; the preparation of bond sales and advising on debt management; and such other functions as may be prescribed by directive of the County Executive or by legislative act of the Council.

The County Solicitor is appointed by the County Executive subject to confirmation by the Council. All other officials of the County government are appointed by, and serve at the pleasure of, the County Executive.

Howard County Government Organizational Chart



Executive, Administrative, Legislative and Education Officials

Executive

Ken Ulman was elected Howard County Executive on November 7, 2006. Prior to his election, he served on the County Council representing District 4. Mr. Ulman is also an attorney who managed his own law firm in Columbia and focused his practice in the areas of estate planning and elder law. Mr. Ulman was born and raised in the County, and is a product of the Howard County public school system. Mr. Ulman is Chair of the Baltimore Regional Transportation Board and Chair of the Baltimore Metropolitan Council. In 2005, Mr. Ulman received the Omega Psi Phi Public Service Award in recognition of his leadership and his work to improve the County. Mr. Ulman has served on the Boards of Grassroots Crisis Intervention Center and the Ulman Cancer Fund for Young Adults. The Ulman Cancer Fund was founded by his family after his brother was diagnosed with cancer. A graduate of Centennial High School, Mr. Ulman received a B.A. degree in Government and Politics from the University of Maryland at College Park, and a J.D. degree from Georgetown University Law Center.

Jessica Feldmark was appointed Chief of Staff to Howard County Executive Ken Ulman on February 16, 2009. Before being appointed Chief of Staff, Ms. Feldmark served as the County Executive's Senior Advisor and served as Mr. Ulman's Special Assistant during his term on the Howard County Council. Prior to working for Howard County Government, she served as Training and Special Projects Manager for Volunteer Maryland and worked as a consultant for the Maryland Association of Nonprofit Organizations, the National Crime Prevention Council, and various AmeriCorps programs. She has served as on the Boards of NeighborRide, The Volunteer Center Serving Howard County, and the Howard County Association of Volunteer Administrators. Ms. Feldmark received her B.A. degree from Goucher College.

Administrative

Lonnie R. Robbins was appointed Chief Administrative Officer effective January 3, 2007 after serving as Deputy Chief Administrative Officer since 2004. Mr. Robbins has been Senior Assistant County Solicitor and Assistant County Solicitor. He has also worked as the procurement advisor for the Maryland State Board of Public Works, administrator for Maryland State Department of General Services, and executive aide for the Office of Governor Harry R. Hughes. Mr. Robbins received his B.S. degree in Business and Public Administration from the University of Maryland and a J.D. degree from the University of Baltimore. Mr. Robbins is active in Howard County and Maryland State bar associations, Leadership Howard County, Howard Hospital Foundation, and First Tee of Howard County.

Sharon F. Greisz was appointed Director of Finance effective July 2, 2003. Prior to that date she was Deputy Director of Finance for three years. Ms. Greisz holds an honors degree in Accounting from the University of Baltimore and has more than 25 years of accounting and governmental experience. Ms. Greisz is a Certified Public Accountant in the State of Maryland. She serves on the Board of Directors of the Maryland Government Finance Officers Association ("MDGFOA") and is currently the past President.

Raymond S. Wacks, Budget Administrator, holds a B.S. degree from Towson University and Master of Public Administration degree with emphasis in Urban Management and Government Affairs from The American University in Washington, D.C. He has served as chair of several committees of MACo and has spoken at a number of its conferences. He has also lectured at conferences of the Maryland Association of Certified Public Accountants. He is a member of the GFOA, and for many years served on the Executive Committee of the MDGFOA. Mr. Wacks was Budget Administrator from 1977 until 2005 and rejoined the County as Budget Administrator in 2007.

Margaret Ann Nolan was appointed Howard County Solicitor effective April 9, 2007. Prior to that, Ms. Nolan was an Assistant Attorney General for the State of Maryland for 17 years, during which time she held positions as Counsel to the Office on Aging, Counsel to the Office for Children, Youth, and Families, Deputy Counsel to the State Department of Education, Deputy Counsel to the State Department of Health and Mental Hygiene, and Chief of Civil Litigation. Before joining the Attorney General's Office, Ms. Nolan practiced law in Indiana as a private practitioner and as an attorney for the Legal Services Program of Northern Indiana. Ms. Nolan holds a B. A. in Psychology from Goucher College and a Juris Doctor degree from the University of Washington in Seattle. She is a member of the Washington State, Indiana, and Maryland bars and is admitted to practice in the federal courts in Indiana and Maryland.

Legislative

Mary Kay Sigaty was elected to represent District 4 in November 2006. She is the Chairperson of the County Council. She serves as an advisory board member of the Women's Giving Circle of Howard County, as a member of the steering committee of Arts Education in Maryland Schools Alliance and a member of the Maryland State Department of Education's Fine Arts Education Advisory Panel. Ms. Sigaty's past involvement includes serving on the Board of Education, the Wilde Lake Village Board, the County's Spending and Bond Affordability Committee, the National School Board Association's Federal Relations Network, as a director for the League of Women Voters, and as a member of the School Improvement Teams at Bryant Woods Elementary, Wilde Lake Middle and Wilde Lake High. Throughout this time, she has worked as an artist in the community, running a small business and participating as an Artist-in Residence for the Howard County public school system, teaching at the Columbia Center for the Arts and volunteering with the theatre departments at Wilde Lake and Marriotts Ridge high schools. Ms. Sigaty taught at the Running Brook Children's Nursery in Columbia, the National Child Research Center in Washington and the Park School in Brooklandville. She earned her undergraduate degree from Boston College and certification in Early Childhood Education from Towson University. She has a Master's degree from Johns Hopkins University.

Jen Terrasa was elected to represent District 3 in November 2006. She is the Vice Chairperson of the County Council and the Board of License Commissioners. A 34-year resident of Howard County, Ms. Terrasa has served her community as president of her homeowners' association; vice-chair and then member of the Kings Contrivance Village Board; and member of the County Planning Board. Ms. Terrasa is a graduate of Oakland Mills High School and University of Maryland at College Park, where she earned a degree in Sociology, graduating *summa cum laude.* During college, she interned in the County's Executive Office. Ms Terrasa is also a graduate of the University of Baltimore Law School, where she graduated second in her class. While there, she was an editor on Law Review and worked as an intern with the County Office of Law and Maryland Attorney General's office. She has spent the past seven years working for the Women's Law Center of Maryland and teaching at the University of Baltimore Law School.

Calvin Ball was elected to represent District 2 in November 2006 and is Chairperson of the Zoning Board. Mr. Ball is a Maryland native and Columbia resident, where he served three terms on the Oakland Mills Village Board. He was a member of the Howard County Chamber of Commerce's Educator of the Year Committee and also the Chamber's Workforce Readiness Committee. Mr. Ball has volunteered with numerous efforts including the Howard County Public School System Leadership Task Force and Student Performance Review Committee. Mr. Ball was the first Community Development Officer in the County, facilitating neighborhood revitalization in the Village of Oakland Mills. He has served as well as a County firefighter and emergency medical technician. Mr. Ball has over eight years of experience in the field of higher education, including his current position as a faculty member for the University of Phoenix. Over the last six years, he has facilitated classes in subjects such as Critical Thinking, Ethics and Political Science. In addition to instruction, he assesses, trains and mentors new faculty members. Mr. Ball has a Bachelor of Arts degree in Philosophy and Religion from Towson University, a Master's degree in Legal and Ethical Studies from the University of Baltimore, and a Doctor of Education from Morgan State University.

Greg Fox was elected to represent District 5 in November 2006 and is the Chairperson of the Board of License Commissioners. Mr. Fox is a 17-year resident of Howard County where he has been active in various community activities including working for five years on the Howard County Public Works Board (the final year as vice-chair), participating as a member of the Howard County Task Force on Childcare, acting as spokesperson and moderator for the Take-A-Step Food Allergy Network, serving as Vice-President of the Howard County Republican Club, coaching soccer, and being a member of the Fulton Elementary Parent Teacher Association. Mr. Fox is a Director of Business Development for Constellation Energy Projects & Services Group, Inc. and focuses on the areas of energy conservation and renewable energy. He has been in the energy field for more than 17 years and is a Certified Energy Manager. He previously served on the State Task Force for Facility Energy Management. His business background also includes experience in finance, marketing, manufacturing and research and development. He received his Mechanical Engineering degree from Georgia Institute of Technology and his MBA Fellows from Loyola College of Maryland's Executive Program where he was inducted into the Beta Gamma Sigma Honor Society for business students. Mr. Fox is a graduate of Leadership Howard County's Class of 2006.

Courtney Watson was elected to represent District 1 in November 2006, and is Vice Chairperson of the Zoning Board. She is a lifelong County resident raised in Clarksville. She was educated in the Howard County public school system and graduated from Atholton High School. After several years as a community activist, Mrs. Watson was elected in 2002 to the Board of Education, completing a four-year term and serving two years as Chairperson. Mrs. Watson has 22 years experience in the private sector and is Vice President of Sales for a Howard County insurance agency. She is the past Chairperson of the Maryland Hospitality Education Foundation and a current board member of the Restaurant Association of Maryland. Mrs. Watson has served on the County's Adequate Public Facilities Ordinance Committee, the Ellicott City Master Plan Steering Committee, and the Economic Development Authority Strategic Plan Committee. She also served as the Board of Education's representative to the County's Spending and Bond Affordability Committee. She was the recipient of the 2001 PTA Council of Howard County Award and a nominee for the Board of Education's 2001 Friends of Education Award. Mrs. Watson attended Howard Community College, earned a Bachelor of Arts degree from Loyola College in Maryland, and also holds a Master of Business Administration degree from the Sellinger School of Business at Loyola.

Haskell N. Arnold was appointed County Auditor effective April 2, 2007. Mr. Arnold received his B.S. degree in Accounting from Hampton University and his MBA from Harvard Business School. Mr. Arnold is a Certified Public Accountant in the State of Maryland. Mr. Arnold has more than 30 years of accounting, auditing, and governmental experience. Mr. Arnold is a member of the MDGFOA and the Institute of Internal Auditors.

Education

Dr. Sydney L. Cousin, Superintendent, began his career in education as a history teacher in Baltimore. After receiving his Master's degree in City Planning, he spent a year as a Capital Program Planner for the Baltimore City Department of Planning. He rejoined the Baltimore City public school system in 1973 as a Long-Range Planner in the Division of Physical Plant Planning and Programming. He was promoted to Staff Director of the Division in 1977.

In 1987, Dr. Cousin became Director of School Construction and Planning for the Howard County public school system. He was promoted to Associate Superintendent of Finance and Operations two years later and then to Deputy Superintendent/Chief Operating Officer in 2001. As Deputy Superintendent, Dr. Cousin was responsible for the day-to-day operations of the school system, which included oversight of 72 facilities, 6300 employees, and capital and operating budgets totaling over $400 million.

In 2003, Dr. Cousin became Associate Superintendent/Chief of Facility Management for the Washington, D. C. public school system. He returned to the County in 2004 as Interim Superintendent, and later that year entered into a four-year contract as Superintendent. His contract was renewed for another four years in June 2008.

Dr. Cousin is a graduate of Morgan State University. He received his Master's degree from the University of Pennsylvania in 1972, and his doctorate in Education from Temple University in 1986. Dr. Cousin has served on the Board of Directors and various committees of the Howard County Chamber of Commerce. He also has served on the Board of Directors and the Finance Committee of Leadership Howard County, and as a member of other Howard County boards.

Responsibilities and Services

County and Board of Education Employees

The following table presents the number of County (including Library, Community College and Housing Commission) and Board of Education full-time and permanent part-time employees for the last five fiscal years as authorized in the County budget.

County and Board of Education Employees

Fiscal Year	Public Safety	Other County	Board of Education	Total
2008	1,236	2,322	7,376	10,934
2007	1,211	2,300	7,213	10,724
2006	1,117	2,151	6,872	10,140
2005	1,054	2,006	6,722	9,782
2004	1,009	1,994	6,687	9,690

The County has experienced no work stoppages due to labor difficulties and considers its relationship with employees to be satisfactory. The County currently has collective bargaining with the following full exclusive representation bargaining units: (1) American Federation of State, County and Municipal Employees ("AFSCME"), which represents correctional officers and cooks of the County's Detention Center, and with a separate local (Local 3085) representing blue collar workers of various County departments, (2) International Association of Firefighters, representing firefighters below the rank of captain, (3) International Union of Police Associations ("IUPA"), AFL-CIO, representing sworn police officers below the rank of sergeant, (4) Local 107 of the IUPA, which represents dispatchers, and (5) Local 112 of the IUPA, which represents police supervisors. The County has contracts with all five unions expiring on or after June 30, 2009. Board of Education employees are represented by the Howard County Education Association, affiliated with the Maryland State Teachers Association and the National Education Association, which represents teachers, school-based administrators and other certified personnel. Howard County Education Association-Education Support Professionals ("HCEA ESP") also represents clerical, secretarial and instructional assistants, educational interpreters, registered nurses, administrative management and technical non-supervisory personnel. Food and nutrition service staff are not represented by exclusive bargaining agents. The American Federation of State, County and Municipal Employees (AFSCME - Local 1899) represents custodial, grounds, maintenance and warehouse personnel.

Board of Education of Howard County

The Board of Education is a Component Unit of the County. The educational policies, procedures and programs of the public schools in the County are the responsibility of the Board of Education, a seven-member elected body, working with the County Superintendent of Schools appointed by the Board of Education. The County program is governed by the State Board of Education. Daily functions within the schools are the responsibility of the County Superintendent of Schools and his staff.

For the 2007-2008 school year, the Board of Education exercised responsibility for 39 elementary schools, 18 middle schools, 12 high schools, one K-8 school, and two special schools that accommodate approximately 48,571 students. The composite teacher-to-student ratio is 1:22, as presented in the following table.

Teacher-to-Student Ratios

Kindergarten	1 professional to 22 students
Grade 1-2	1 professional to 19 students
Grades 3-5	1 professional to 25 students
Grades 6-8	1 professional to 20.5 students
Grades 9-12	1 professional to 23.5 students

The public school system in the County offers a comprehensive education program, kindergarten through grade 12. The core values of the system are a focus on instruction, partnerships, and continuous improvement. Academic support services and gifted programs are available in all schools and in all grades. Special education services are provided for identified students from birth through age 21.

Howard Community College

Howard Community College, a two-year higher education institution enrolling approximately 7,900 credit and 17,000 noncredit students, is a Component Unit of the County located in Columbia. The Community College offers a broad range of academic programs, cultural arts events, student activities and athletics, and business training.

In the Community College's 170 programs (or majors), students earn academic credit that can be applied to a Community College degree or transferred to other colleges or universities. Career programs are one- and two-year courses of study that lead directly to employment.

For those not seeking a degree, the Community College offers courses to sharpen specific skills or professional expertise. Courses in computers, management, and advanced technology are available through open enrollment or can be customized for individual businesses or groups, offered on-site or at the Community College facilities. Continuing education courses also allow for pursuit of special interests from music to world languages.

The Community College is governed by a board of trustees appointed by the Governor of the State, but has historically received a significant portion of its revenues from the County.

Howard County Library

The Howard County Library, a Component Unit of the County, contributes to excellence in education through the wide variety of free, quality educational services and programs it provides as well as access to a growing collection of over a million books, DVDs, magazines and databases. The Library is governed by a seven-member board nominated by the County Executive and appointed by the Council and consists of a central library, five branches and a detention center library. The County is responsible for levying taxes and provides 90 percent of the Library's budget. During fiscal year 2008, the Library circulated 5.6 million items and was ranked by the Hennen's American Public Library Ratings ("HAPLR") Index as the number one library serving populations from 250,000 to 500,000. Last year, citizens made nearly 2.6 million visits to their library. Out of a population of over 282,000 County residents, some 254,000 have registered for library cards.

Public Safety

The County Department of Police, administered by the Chief of Police, is responsible for enforcing State and County laws, rules, and regulations. The Police Department employs 644 persons, which includes 445 sworn officers, 177 civilian employees and 22 school crossing guards, and has a fleet of 427 vehicles, which includes two armored personnel carriers, one command post, four motorcycles, a tactical support vehicle and a helicopter. The number of officers per 1,000 residents is approximately 1.6. The County Department of Fire and Rescue Services consists of six corporate volunteer fire companies with seven stations that use volunteer, contingent, and career personnel, and four County-managed stations staffed with career and county volunteer personnel. There are 381 full-time uniformed personnel, 24 full-time civilians, and approximately 750 volunteers in the department, with a total of 175 pieces of equipment. The Fire Department performs fire suppression, fire protection, fire and emergency medical services training, arson investigation, hazardous material mitigation, emergency medical and advance life support services, public education programs and emergency management. The Chief of Fire and

Rescue Services also serves as the Director of Emergency Management. The County maintains a communication center that receives all County calls from the 911 national telephone emergency communication system.

Planning and Zoning

The County Department of Planning and Zoning, administered by its Director, is responsible for the comprehensive planning of growth, development and conservation in the County. To accomplish this, the department is involved in five major activities: comprehensive planning of land uses, transportation planning, preservation planning, regulation of land use and development through the administration of subdivision and zoning regulations, and preparation of growth projection and plans for public services.

The County's General Plan, adopted in 2000, focuses on growth management, agricultural preservation, environmental protection, conservation of existing communities and revitalization of old commercial-industrial areas. The General Plan retains the strong growth management system previously in place. Based on the General Plan and the County's Adequate Public Facilities legislation, residential development is restricted to 1,850 units per year. The balance of employment and housing growth, however, has been adjusted to reflect strong employment growth and slower residential growth. A cap on the pace of rural land subdivision and an ambitious program for agricultural land preservation redirects growth from rural areas into the County's priority funding area under the State "Smart Growth" program. The County has several community planning and corridor revitalization initiatives underway to maintain the quality of life and property values in older residential neighborhoods, as well as promoting redevelopment of older employment areas.

Adequate public facilities legislation, adopted in 1992, requires the testing of proposed development for adequacy of schools and roads as a condition of subdivision or site development plan approval. Milestones, incorporated into the legislation, require properties to move in an orderly and predictable manner through the development process. The County, in turn, was required to adopt a 10-year plan for its infrastructure, particularly roads and schools, to serve this pace of development.

Forest conservation legislation required by State law was adopted by the Council and became effective in 1993. The rural portion of the County was comprehensively rezoned in 1992 to provide for clustering of new development, zoning to provide for agricultural support industry and provisions for protection of agricultural and environmental resources. The urban portion of the County was rezoned in 1993 to provide for mixed-use developments, an increased supply of land for multi-family housing and improved processing procedures for development of employment centers.

The County's 2004-2005 Comprehensive Zoning allows higher intensity employment and mixed-use redevelopment of the U.S. Route 1 and Route 40 corridors, increased multi-family housing, and required moderate income housing to be provided in eight additional zoning districts. The new mixed-use zoning on Route 1 has stimulated plans for eight pioneer mixed-use projects with over 4,000 units of housing, as well as office and retail uses. The corridor gets 250 housing units per year (of the 1850 countywide). It will take approximately 16 years to complete these 8 projects.

With extensive input from the community, the County created "Downtown Columbia: A Community Vision" to establish a framework to provide guidance in preparation of a downtown development master plan. In October 2008 General Growth Properties submitted a request for a downtown Columbia planning and zoning regulation amendment which would affect 364 acres. The proposal could potentially add 5,500 new residences, 1,000 new hotel rooms, 1.25 million square feet of retail and 5 million square feet of office space over the next 30 years.

Recreation and Parks

The County Department of Recreation and Parks, administered by its Director, is responsible for the organization and conduct of recreational programs and the development and operation of parks and other recreational facilities in the County. County parks and programs are estimated to serve over two million visitors each year. In 2006 the County's Comprehensive Recreation, Parks and Open Space Plan was completed and adopted by the County Council and the County Executive. The plan surveys current and expected needs for park facilities and recreation programs, outlines goals and offers strategies for implementation. Land acquisition for recreation areas and natural resource preservation is a critical element of the Plan. Land is purchased using federal, state and local dollars. The County Department of Recreation and Parks currently manages over 8,600 acres of land.

Citizen Services

The Department of Citizen Services, county government's human service agency, works to enhance the quality of life for all residents by ensuring that Howard County has a comprehensive system of human services that is accessible, responsive and effective. Services and partnerships address the needs of senior citizens, youth, people with disabilities, women, the homeless, people seeking consumer protection, and others who need assistance. The department plays a leadership role in implementation of the Human Services Master Plan, and manages the County's grant support to non-profits. The goal of the Department is to create a community where people at every stage of life have access to and benefit from innovative, high-quality human services that support and improve their well-being.

Public Works

The County Department of Public Works, administered by its Director through five bureaus, is responsible for the programming, design, construction, operation and maintenance of public works facilities in accordance with the County's General Plan. The department also provides for the administration, enforcement and inspection of construction activities.

The Bureau of Engineering is responsible for the design, inspection and construction of public works projects. The bureau also prepares engineering water and sewer plans and develops and implements the water and sewer program in the County capital budget. The Bureau of Engineering also acts as the County's agent in all functions related to the construction of roads, bridges, water, sewer, storm drainage and traffic control. This Bureau has been designated the responsibility of ensuring that Public Works' projects are constructed according to standards established by Howard County. These projects include both developer and capital type facilities such as storm drains, water systems, sewer facilities, roadways and public parks.

The Bureau of Facilities is responsible for maintaining the daily operations of all County-owned facilities which fall under the direction of the Director of Public Works. This responsibility includes building service and maintenance, technical expertise in the development of new facilities, control of energy use and costs, control of building service contracts, i.e. custodial services and corresponding costs to the County, and providing security guards and systems where necessary.

The Bureau of Highways is responsible for maintenance and repair of all County-owned roadways, bridges, drainage facilities, and other public roadway infrastructure. The bureau responsibilities also include tree care, snow removal, traffic signals operation and street signs.

The Bureau of Utilities is responsible for the operation, maintenance and construction of the County's water and sewer system within the Metropolitan District and Shared Sewerage Disposal Facilities. This bureau is operated as a public utility and is financially a self-supporting operation. Financial information regarding the system is shown under "Financial Information, Water and Sewer Enterprise Fund" herein.

The Bureau of Environmental Services is responsible for an integrated solid waste management system and watershed management efforts in accordance with local, state, and federal laws. The integrated solid waste management system includes curbside trash and recycling collection; the County's Alpha Ridge Solid Waste Management Center including the landfill, transfer station, residential drop-off center, and recycling center; and the contracts associated with the collections, processing, and disposal of the solid waste and recyclables. The watershed management program includes inspection and oversight of maintenance of existing stormwater management facilities, floodplain studies, an illicit discharge elimination program, stream restorations, and retrofitting stormwater management facilities. All programs include education and outreach.

Water and Sewer System

The Metropolitan District is located in the eastern part of the County and encompasses over one third of the County's area. It functions as a single sanitary district for both water and sewer purposes. The County provides water and sewer services to 98.9 percent of the County residents located in areas of heavy residential and industrial population within the Metropolitan District. Little public water or sewer service is provided to County residents residing outside the Metropolitan District.

The County neither owns nor operates any water supply treatment facilities. Instead, it has entered into agreements with the City of Baltimore and the Washington Suburban Sanitary Commission for the purchase of water. The County purchases 95 percent of its potable water from Baltimore City and 5 percent from the Washington Suburban Sanitary Commission. Commitments from the County's water suppliers total over 41.5 million gallons per day (mgd) average daily flow and 74.8 mgd maximum daily flow. Improvements to the distribution system and storage facilities are under construction or included in the capital program in order to increase the service area within the Metropolitan District. A joint effort is under way to provide additional water to the County from its water suppliers. While the County's water system is being expanded to meet future demands, the County Department of Public Works closely monitors its water capacity.

The County is located in and served by two major watersheds: the Patapsco River watershed and the Patuxent River watershed. The sewer system is designed so that sewage from the northeastern part of the Metropolitan District flows into the Patapsco River watershed through four connections that lead to the Patapsco Treatment Plant in Baltimore City. Sewage from the southwestern part of the Metropolitan District flows into the Patuxent River watershed to the Little Patuxent Water Reclamation Plant. The latter plant is located east of the community of Savage in the County, and provides tertiary treatment. A $70+ million expansion to the Little Patuxent Water Reclamation Plant is currently under design and will be completed in 2012. The following table summarizes the overall sewage treatment capacity for the County:

County Sewage Treatment Capacity

Watershed	Current Flow (mgd)	Current Treatment Capacity (mgd)	Projected Treatment Capacity (mgd)
Patuxent	18.4	25.0	29.0
Patapsco	8.4	12.4	12.4

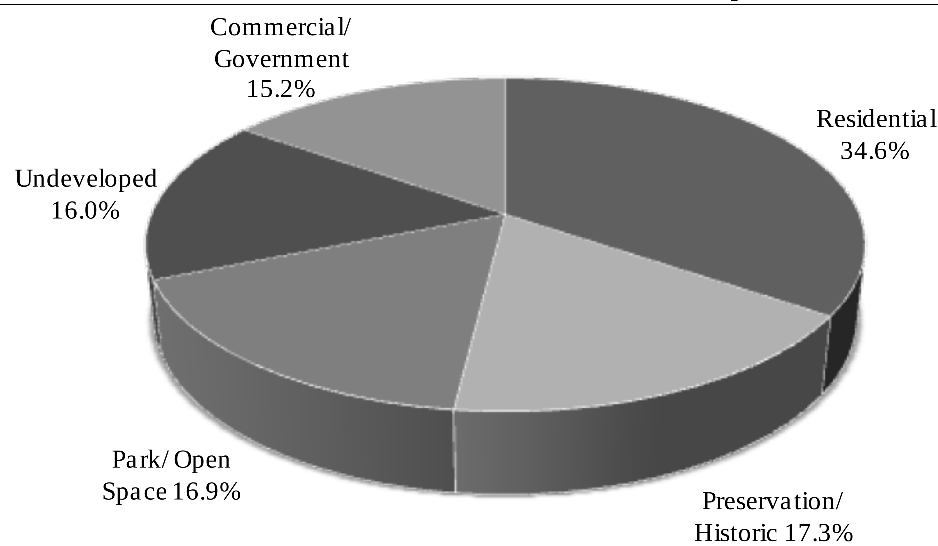
The County's rate of development requires effective management of the allocation of water and sewer capacity. The County policy allocates service on a "first-come, first-served" basis. This policy commits capacity only to parcels ready to be developed, allowing more orderly development with known allocation priorities and recovery of costs in a more orderly and timely manner. All County sewage treatment facilities meet current State Department of the Environment standards, and State approval is being obtained for the sewage treatment facility expansion.

Economy and Demography

Size and Land Use

The County is 251 square miles in area, making it the second smallest in the State. The chart below presents the composition of land use in the County.

Composition of Land Use



Population

The County experienced rapid population growth beginning in the late 1960s with the development of the new town of Columbia. The rate of growth has slowed over the last decade with the maturation of Columbia. The County's population density has increased from 247 persons per square mile in 1970 to 1,085 per square mile in 2007. The following table presents data on the population of the County and the State in the years 1970, 1980, 1990, 2000 and 2007.

Population

	Howard County	County Density Per Square Mile	State of Maryland	County as % Of State
2007	273,669	1,090	5,618,344	4.9
2000	247,842	987	5,296,486	4.7
1990	187,328	746	4,781,468	3.9
1980	118,570	472	4,216,446	2.8
1970	61,910	247	3,923,897	1.6

Source: U.S. Department of Commerce, Bureau of Census

A large part of the County's recent growth has been the result of domestic and international migration. The following table presents population growth by component of change for selected larger counties and the State from 2000 to 2007. Compared to the counties listed and the State as a whole, Howard County has had the greatest percentage increase in population.

Net Migration

	2000 - 2007				Total Population		
Place of Residence	**Natural Increase**	**Domestic Migration**	**International Migration**	**Total**	**2000**	**2007**	**Percent Change**
Howard County	15,992	2,514	7,321	25,827	247,842	273,669	10.4
Anne Arundel County	23,600	(3,729)	2,625	22,496	489,658	512,154	4.6
Baltimore County	13,284	8,052	13,366	34,702	754,292	788,994	4.6
Montgomery County	58,008	(62,790)	62,254	57,472	873,341	930,813	6.6
Prince George's County	53,063	(57,242)	31,434	27,255	801,515	828,770	3.4
State of Maryland	227,910	(41,874)	135,800	321,836	5,296,508	5,618,344	6.1

Source: Population Division, U.S. Census Bureau

The following table presents data on the age and sex composition of the County's population for the years 2000 and 2007.

Age and Sex Distribution

	2000					2007			
Age Group	**Male**	**%**	**Female**	**%**	**Age Group**	**Male**	**%**	**Female**	**%**
Under 5	9,432	7.7	8,816	7.0	Under 5	9,038	6.8	8,540	6.2
5-17	26,468	21.7	24,827	19.7	5-17	30,435	22.9	28,789	20.9
18-44	49,089	40.4	51,665	41.0	18-44	45,852	34.5	48,073	34.9
45-64	29,030	23.8	30,047	23.8	45-64	37,213	28.0	38,844	28.2
Over 64	7,755	6.4	10,713	8.5	Over 64	10,367	7.8	13,500	9.8
Total	121,774	100.0	126,068	100.0	Total	132,905	100.0	137,746	100.0

Source: U.S. Department of Commerce, Bureau of the Census

The following table presents the age composition of populations of selected Maryland counties, the State and the nation for 2007.

Comparative Age Distributions

Age Group	**Howard County**	**Anne Arundel County**	**Baltimore County**	**Montgomery County**	**Prince George's County**	**State of Maryland**	**United States**
Under 18	26.0 %	24.4	22.7	24.5	25.4	24.4	24.7
18-24	8.2	8.9	9.5	8.2	10.9	9.5	9.6
25-44	28.8	29.0	27.1	27.5	30.0	28.3	28.0
45-64	28.1	26.9	26.3	27.8	25.0	26.2	25.1
Over 64	8.9	10.8	14.4	12.0	8.7	11.6	12.6

Source: U.S. Department of Commerce, Bureau of Census, American Survey 2007 Data Profile

Education

Maryland was ranked first in the Nation in *Education Week's* annual "Quality Counts" survey, based on a detailed analysis of state education systems. Students in the County's schools consistently perform better in State-wide functional tests than most of their peers. The following table presents the percentage of proficiency or better for eighth graders in reading comprehension and mathematics in selected counties and the State for the 2007-2008 school year.

Eighth Grade Scores in Comprehensive Tests of Basic Skills

Tests	Howard County	Anne Arundel County	Baltimore County	Montgomery County	Prince George's County	State of Maryland
Reading	86.9	76.0	70.4	83.3	56.8	72.8
Mathematics	79.7	72.7	60.4	73.2	42.4	61.9

Source: Maryland Department of Education

The following table presents comparative figures concerning the number of County public high school graduates in recent years and their plans for additional education.

Plans of Public High School Graduates

Year Of Graduation	Total Number Of Graduates	Continuing Education (1)	Entering Workforce (2)	Other (3)
2008	3,539	87.90 %	10.40	1.70
2007	3,210	87.60	10.00	2.40
2006	3,165	88.00	9.50	2.50
2005	3,293	87.10	8.60	4.30
2004	3,110	86.80	10.70	2.50

Source: Maryland Department of Education

(1) Includes full-time college, trade and business school.

(2) Includes military.

(3) Includes non-respondents.

The County's residents are among the best educated in the region. The State of Maryland had the second most educated workforce in the nation according to the 2008 State New Economy Index produced by the Information Technology and Innovation Foundation and the Kauffman Foundation of Entrepreneurship. The County is ranked eighth in the nation for the percentage of people with advanced degrees. The following table presents the percentage of post-secondary school residents of selected counties who were high school graduates or higher and college graduates or higher in 2007.

Level of Educational Attainment

County	% High School Graduate or Higher	% College Graduate or Higher
Howard County, Maryland	94.0	56.7
Anne Arundel County, Maryland	89.7	34.2
Baltimore County, Maryland	87.6	33.8
Montgomery County, Maryland	91.2	56.5
Prince George's County, Maryland	85.8	30.1

Source: U.S. Department of Commerce, Bureau of Census

The County consistently spends more per pupil on its students than school systems in most other parts of the State. The following table presents the budgeted expenses per pupil in the public schools in selected counties and the State for the indicated school years.

Budgeted Expenses Per Pupil

School Year	Howard County	Anne Arundel County	Baltimore County	Montgomery County	Prince George's County	State of Maryland
2006-2007	$ 11,940	10,847	11,038	13,536	11,189	11,398
2005-2006	11,260	9,848	10,108	12,678	9,737	10,350
2004-2005	10,611	9,304	9,467	11,772	9,138	9,661
2003-2004	9,929	8,810	8,899	10,974	8,403	9,062
2002-2003	8,969	8,522	8,562	10,415	8,261	8,765

Source: Maryland Department of Education

Income

The County's median household income is the highest in Maryland and third highest in the nation of counties with 250,000 or more people. The following table presents the median household income for selected counties in the State in 2007.

Median Household Income

Howard County	$ 97,837
Anne Arundel County	79,294
Baltimore County	60,701
Montgomery County	89,284
Prince George's County	68,410

Source: U.S. Department of Commerce, Bureau of Census

The following table presents the top 10 affluent suburban counties in the nation by their national ranking for 2007 median household income.

National Rankings by Median Household Income

Rank	County, State	Median Household Income
1	Loudon County, Virginia	$ 104,612
2	Fairfax County, Virginia	102,460
3	**Howard County, Maryland**	**97,837**
4	Somerset County, New Jersey	94,036
5	Douglas County, Colorado	93,819
6	Morris County, New Jersey	92,018
7	Montgomery County, Maryland	89,284
8	Nassau County, New York	87,658
9	Prince William County, Virginia	85,538
10	Santa Clara County, California	83,074

Source: U.S. Department of Commerce, Bureau of the Census

A comparison of County and Maryland personal income is presented in the following table.

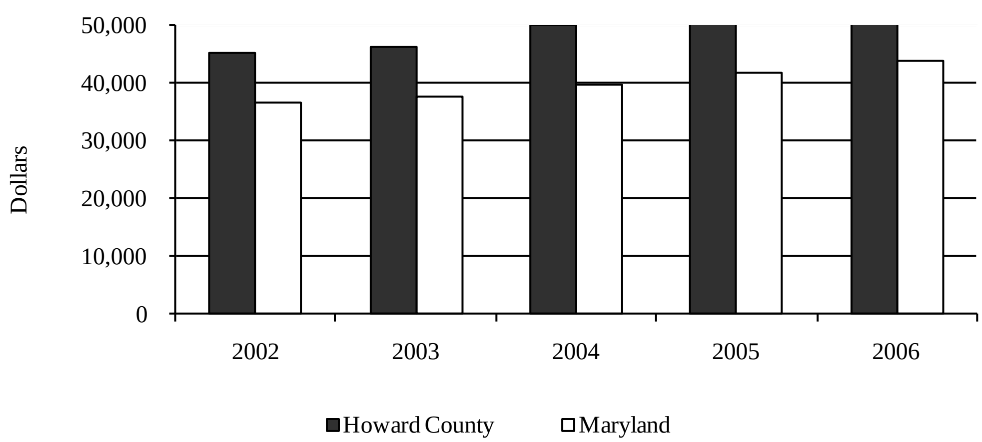
Personal Income

Year	Howard County Personal Income (000)	Percentage Change from Previous Year	Maryland Personal Income (000)	Percentage Change from Previous Year	Howard County Proportion
2006	$ 15,075,245	6.5	$ 246,542,244	5.1	6.1%
2005	14,153,059	8.0	234,609,327	6.4	6.0%
2004	13,109,776	7.3	220,402,185	6.8	5.9%
2003	12,215,898	3.3	206,411,852	4.3	5.9%
2002	11,830,097	7.2	197,868,861	4.1	6.0%
2001	11,031,475	10.5	190,014,792	6.9	5.8%

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Maryland Department of Planning

The chart below presents the per capita income for the County and the State from 2001 through 2006.

Comparative Income Per Capita



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Poverty is less of a problem in the County than in other counties in the Washington-Baltimore region. The following table presents the percentage of the population living below the poverty level for selected counties in the State in 2007.

Population Below Poverty Level

County	Percentage Below Poverty Level
Howard County	4.4%
Anne Arundel County	5.0%
Baltimore County	7.8%
Montgomery County	4.7%
Prince George's County	8.1%

Source: U.S. Department of Commerce, Bureau of the Census

Housing

The County's housing stock predominately consists of owner-occupied single-family houses. The following table presents the distribution of housing in the County by type of structure as of July 2008:

Distribution of Housing by Type

Type of Structure	Number	Percent
Single-Family	80,841	76.7%
Multi-Family	24,586	23.3%
Total	105,427	100.0%

Source: County Department of Planning and Zoning

The following table presents the average and median sales price of housing in selected counties in the State for 2008.

Sales Price of Housing

County	Average Price	Median Price
Howard County	$ 416,933	350,000
Anne Arundel County	364,760	300,000
Baltimore County	284,627	225,000
Montgomery County	431,397	341,750
Prince George's County	261,422	245,000

Source: Maryland Association of Realtors, December 2008.

The following table presents the distribution of housing by year of construction in selected counties in the State through 2007.

Age of Housing

	Year Structure Built				
County	1939 or earlier	1940 to 1979	1980 to 1989	1990 to 1999	2000 or later
Howard County	2.8 %	34.6	27.8	23.7	11.1
Anne Arundel County	5.4	47.5	18.8	18.4	9.9
Baltimore County	8.3	56.5	14.6	13.9	6.7
Montgomery County	4.8	52.2	21.7	12.6	8.7
Prince George's County	4.5	61.1	13.7	13.7	7.0

Source: U.S. Department of Commerce, Bureau of the Census

The following table presents data regarding the size of housing in selected counties in the State in 2007.

Size of Housing

	Percentage of Housing with		
County	Four to Seven Rooms	Eight or More Rooms	Median Number of Rooms
Howard County	48.7%	43.0%	7.0
Anne Arundel County	61.5%	32.0%	6.4
Baltimore County	66.7%	23.8%	6.0
Montgomery County	50.4%	36.7%	6.4
Prince George's County	59.9%	27.8%	6.0

Source: U.S. Department of Commerce, Bureau of the Census

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The following table presents new construction and renovation activity throughout the County from 2004 through 2008, as illustrated by the number of building permits issued and their estimated cost.

Building Permits

	Commercial		Residential		Non-Taxable	
Calendar Year	**Permits Issued**	**Estimated Construction Cost (000)**	**Permits Issued**	**Estimated Construction Cost (000)**	**Permits Issued**	**Estimated Construction Cost (000)**
2008	1,252	$ 320,833	3,353	$ 269,378	67	$ 167,015
2007	1,654	388,408	4,022	365,805	159	89,550
2006	1,385	309,010	4,417	418,104	99	75,171
2005	1,504	328,573	5,560	412,744	100	109,798
2004	1,260	400,647	4,646	325,331	62	82,497

Source: Howard County Department of Inspections, Licenses and Permits

Economy

Jobs in the County

In the past four decades the County has changed from a farming community into a community of urban, suburban and rural components. This is due, in part, to the County's close proximity to the cities of Washington, D.C. and Baltimore, as well as to the County's active promotion of economic development. The following table presents full- and part-time jobs located in the County and the State, regardless of worker's place of residence. The two largest employment categories for Howard County are both in the service sector. The first, Trade, Transportation, and Utilities, includes utilities, wholesale and retail, couriers and transit services. The second, Professional and Business, includes professional and technical services, management and administrative services and waste management and remediation services.

Jobs in County and State

	Howard County					State of Maryland				
Employment Categories	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003
Construction	11,744	11,852	11,497	11,472	11,098	187,878	188,420	182,878	175,967	167,495
Manufacturing	6,842	6,801	6,577	6,497	6,446	131,699	136,334	140,666	143,172	147,798
Natural Resources and Mining	261	325	343	308	302	6,556	6,836	6,891	6,687	6,440
Services										
Trade, Transportation, Utilities	35,380	35,137	34,758	36,713	36,290	472,365	470,271	466,162	463,227	458,526
Information	4,011	1,881	1,874	1,850	1,875	50,646	50,726	50,368	50,121	50,365
Financial Activities	8,755	8,839	8,852	8,958	8,806	154,556	157,729	158,234	156,352	156,231
Professional and Business	32,058	31,447	28,779	27,581	26,795	396,733	394,518	383,250	370,638	360,676
Education and Health	13,165	12,700	12,766	12,683	12,344	359,053	349,136	340,182	333,435	326,564
Leisure and Hospitality	13,751	13,690	12,995	12,305	11,783	234,278	229,694	229,246	224,371	218,993
Other	4,280	4,098	3,893	3,808	3,741	90,618	90,973	89,141	88,524	88,770
Government	16,893	16,717	16,400	16,256	16,211	461,356	455,492	448,627	446,342	450,458
Other	3	-	44	54	80	1,112	-	1,771	2,238	2,164
Total	147,143	143,487	138,778	138,485	135,771	2,546,850	2,530,129	2,497,416	2,461,074	2,434,480

Source: Maryland Department of Labor, Licensing and Regulation

Workers Living in the County

The following table presents employment statistics, by employee's place of residence, for the County and the State.

Employment by Residence

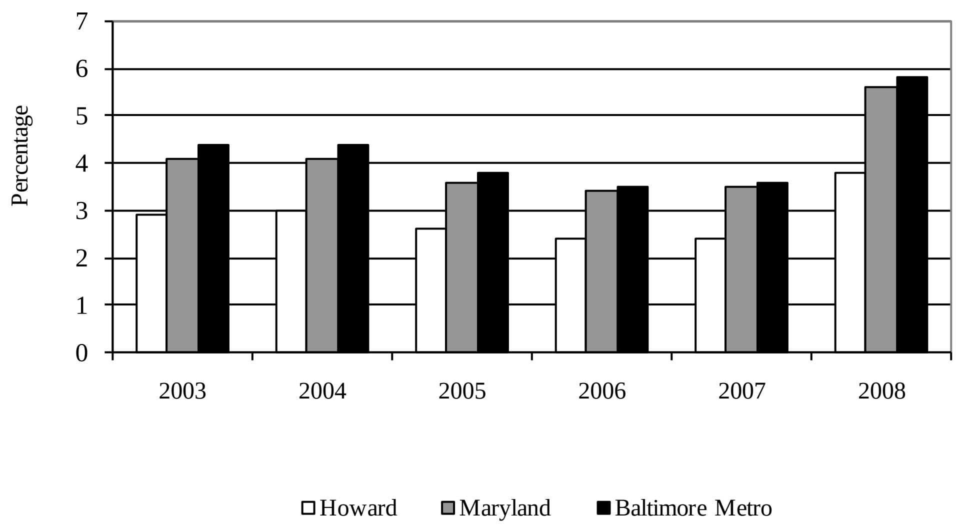
	Employee's Place of Residence	
Year	**Howard County**	**State of Maryland**
2008	155,439	2,879,524
2007	155,368	2,873,512
2006	153,200	2,905,485
2005	149,993	2,849,759
2004	149,943	2,838,239

Source: Maryland Department of Labor, Licensing and Regulation

Unemployment

The chart below compares the unemployment rates in the County in December of the last six years with the rates in the Baltimore metropolitan region and the State.

Unemployment Rate



Source: Maryland Department of Labor, Licensing and Regulation

Local Firms and Employers

Listed below are the County's ten largest private employers as of December 31, 2008.

Ten Largest Private Employers

Employer	Products or Activities	Employment	Employed Residents
John Hopkins University Applied Physics Laboratory	Engineering, Research & Development	4,300	2.78%
Verizon Wireless	Regional Headquarters & Customer Service Operations Center	2,028	1.31%
Giant Food	Grocery Retailing and Distribution	1,953	1.26%
Howard County General Hospital	Acute-care Facility & Comprehensive Healthcare Services	1,720	1.11%
The Columbia Association	Non-profit Organization	1,600	1.04%
SAIC	Research & Engineering of Information Systems & Technology	1,000	0.65%
Arbitron, Inc.	Corporate Headquarters, Media Information Services	963	0.62%
Wells Fargo Bank Corporate Trust Services	Provider of Securities Administration to Public & Private Entities	842	0.55%
MICROS Systems	Corporate Headquarters & Hospitality Software Development	815	0.53%
Northrop Grumman Mission Systems	Engineering Consulting Services	700	0.45%

Source: Howard County Economic Development Authority

Listed below are representative examples of other major private employers located in the County and the number of persons each employed as of December 31, 2008. This list is presented for the purpose of demonstrating the diversity of employment opportunities in the County and is not intended to be a ranking of employers or an exhaustive list of all major private employers in the County.

Other Major Private Employers

Employer	Products or Activities	Employment	Employed Residents
Maxim Healthcare Services	Corporate Headquarters, Medical Staffing & Wellness Services	675	0.44%
Coastal Sunbelt Produce	Fresh Produce Distribution & Food Processing	640	0.41%
SYSCO Food Services	Regional Headquarters, Wholesale Food Distribution	630	0.41%
Maryland Health Enterprises	Corporate Headquarters, Healthcare Services	550	0.36%
Humanim	Non-profit organization serving individuals with disabilities	548	0.35%
Northrop Grumman/Vinnell Corporation	Develop & Produce Air & Space Management Systems	520	0.34%
Dreyers Grand Ice Cream	Frozen Dessert Manufacturing	515	0.33%
Enterprise Community Partners, Inc.	Corporate Headquarters, Community Development	505	0.33%
Merkle Inc.	Corporate Headquarters, Database Marketing Services	500	0.32%
W.R. Grace & Co.	Corporate Headquarters and Chemical Research & Development	475	0.31%

Source: Howard County Economic Development Authority

Economic Development

The County is a major commercial/industrial center for the Washington-Baltimore region, with more than 1,000 buildings offering 58 million square feet of space to over 8,700 businesses. Several of the largest office and business/industrial parks in the Washington-Baltimore region are located in the County, including Columbia Gateway with 600 acres, Maryland Wholesale Food Center with 400 acres and Rivers Corporate Park with 350 acres.

The following table presents statistics for the industrial and commercial space available in the metropolitan area of the County through the fourth quarter of 2008.

Industrial and Commercial Space

Type of Space	Number of Buildings	Total Square Footage (000)	Total Available Square Footage (000)	Vacancy Rate	2008 Sq. Foot Absorption (000)
Flexible	222	11,139	902	8.1%	203
Industrial	354	31,410	4,460	14.2%	(3,478)
Office	445	15,956	2,250	14.1%	(859)
Total	**1,021**	**58,505**	**7,612**	**36.4%**	**(4,134)**

Source: CoStar Realty Inc.

Retail Sales

The following table presents a comparison of fiscal year 2008 retail sales in the County and selected other jurisdictions, a measure of the drawing power of local retailers.

Retail Sales by Store Group (000)

County	Food, Beverage	Apparel	General Merchandise	Automotive	Furniture, Appliances	Building, Industrial Supplies	Utilities, Transport	Hardware, Machinery, Equipment	Misc.	Total	Per Capita Sales
Howard	$38,501	10,011	30,212	12,240	18,622	17,763	8,893	5,515	29,857	171,614	627
Anne Arundel	89,164	26,678	59,766	28,636	29,719	39,353	19,096	9,639	38,619	340,670	665
Baltimore	109,988	28,076	114,037	38,639	46,952	69,000	46,195	10,597	48,489	511,973	649
Montgomery	126,248	31,190	89,177	35,907	49,740	46,091	43,966	6,441	57,458	486,218	522
Prince George's	92,986	20,705	86,394	37,585	44,657	74,155	29,305	11,785	45,366	442,938	534

Source: Comptroller of the Treasury, Revenue Administration Division and U.S. Census Bureau

The fourth-largest shopping center in the region, the Mall in Columbia, is located in the County. At 1.4 million square feet, the Mall in Columbia features 202 stores and restaurants, including five major department stores and a 14-screen movie theater. Ten village centers throughout Columbia feature over 1.4 million square feet of retail space. Other shopping centers in the County in excess of 100,000 square feet are Columbia Crossing, Long Gate, Chatham Mall, Dobbin, Normandy, Savage Mill, Enchanted Forest, Snowden Square, Gateway Overlook and Hickory Ridge. These centers offer over 2 million additional square feet of leasable space.

Columbia

Howard Research and Development Corporation began the development of Columbia with initial land purchases in 1962. Today, Columbia is an unincorporated city built on 14,000 acres in the east-central portion of the County. Columbia has 98,668 residents, 5,500 businesses and 91,000 local jobs located in over 22 million square feet of commercial office, industrial and research and development buildings. Ten village centers, each providing a variety of day-to-day shopping needs and community and professional facilities and services, are now in operation. In addition, the Mall in Columbia, Columbia Crossing, Dobbin Center, Snowden Square and Long Gate provide 2.5 million square feet of retail stores, shops and restaurants. As of July 2008 the estimated assessed valuation of properties in Columbia was $12.1 billion, representing nearly 29 percent of the assessed value of property in the County.

If Columbia were to become a municipality, the Maryland Constitution provides that the County's assessable base would not be affected. Services provided by the Columbia Association for Columbia residents, which include primarily provision of recreational facilities and maintenance of open space areas, are separate and distinct from the services provided by the County and are paid for through separate assessments made annually by the Columbia Association against residential and commercial property located in Columbia and facility user fees.

As of December 31, 2008, the Columbia Association had long-term debt of $37.8 million in aggregate principal amount. As additional facilities are constructed, the amount of debt of the Columbia Association may increase. The interest on the Columbia Association's debt is not tax-exempt. Payments on such property assessments are not deductible for federal income tax purposes, and liens for such property assessments are subordinate to liens for state and county real property taxes.

The Waterfront in Columbia

Lake Kittamaqundi, in Columbia Town Center, is a 27-acre man-made lake. Its name, taken from the first recorded Native American settlement in Howard County, means "meeting place." With a maximum depth of seven feet, the lake features a boathouse with a wooden pier and a launching ramp along its western shore. Nomanizan Island, located in Lake Kittamaqundi, can be reached by boat and is a popular gathering spot for many summer festivals including the Fourth of July fireworks.

Legal and Miscellaneous

Approval of Legal Proceedings

All legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of McKennon Shelton & Henn LLP, Bond Counsel. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of opinions substantially in the forms included in Appendix C of this Official Statement.

Tax Exemption

Maryland Income Taxation

In the opinion of Bond Counsel under existing law, the 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 any kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the bonds or the interest thereon.

Federal Income Taxation

In the opinion of Bond Counsel, under existing law, assuming continuous compliance with certain covenants referred to herein, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions.

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

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

Interest on the Bonds is not included in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment and is not taken into account in determining "adjusted current earnings" for purposes of computing alternative minimum tax on corporations. However, interest income on the Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States of America.

Certain Other Federal Tax Consequences

There are other federal income tax consequences of ownership of obligations such as the Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase, subject to adjustment for certain tax-exempt bonds issued in 2009 and 2010, or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest income and the deductible portion of dividends received by such companies; (iii) interest income 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; and (iv) for S corporations having subchapter C earnings and profits, the receipt of certain levels of passive investment income, which includes interest on tax-exempt obligations such as the Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status.

Purchase, Sale, and Retirement of the Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Bond will be its cost. Upon the sale or retirement of a Bond, for federal income tax purposes, a holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Bond, determined by adding to the original cost basis in such Bond the amount of original issue discount that is treated as having accrued as described below under "Tax Accounting Treatment of Discount and Premium Bonds." Such gain or loss will be long-term capital gain or loss if at the time of the sale or retirement the Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rate applicable to ordinary income. For noncorporate taxpayers, however, net capital gains will be taxed at a maximum rate of 15%, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 35%. Net capital gains are the excess of net long-term capital gain (gains on capital assets held for more than one year) over net short-term capital losses. 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. The operation of sunset, effective date and similar timing provisions in current law would result in a change in the tax rates in certain future time periods.

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

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

Tax Accounting Treatment of Discount and Premium Bonds

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

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

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

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

Legislative proposals before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

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

Ratings

Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of any rating may be obtained from the appropriate rating agency. The County furnished to each rating agency the information contained in a preliminary Official Statement and other materials and information. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. Each rating may be changed at any time and no assurance can be given that it will not be revised downward or withdrawn by the applicable rating agency if, in the judgment of such rating agency, circumstances should warrant such action. Any such downward revision or withdrawal of any rating could have an adverse effect on the market price of the Bonds.

Litigation

The County is a party to numerous legal proceedings of the type that normally occur in governmental operations. The pending legal proceedings are not, in the opinion of the County Solicitor, likely to have a material adverse impact on the County's financial condition. In addition, the County is currently reviewing and adjusting a number of claims through its self-insurance program. In the opinion of the County Solicitor, none of these pending matters is likely to have a material adverse impact on the County's financial condition, nor should there be any substantial recovery against the County in amounts in excess of reserved funds.

Independent Auditors

The basic financial statements of Howard County, Maryland for the year ended June 30, 2008 included in Appendix A of this Official Statement have been audited by Reznick Group, P.C., independent certified public accountants, to the extent stated in their report appearing herein. The basic financial statements have been included in reliance upon the report of Reznick Group, P.C.

The independent accountants were not requested to review or update such financial statements or their report in connection with the issuance of the Bonds and the County did not request such independent accountants' consent to the inclusion of their report in this Official Statement. Such report speaks only as of its date.

Financial Advisor

Public Financial Management of Philadelphia, Pennsylvania, has acted as financial advisor to the County in connection with the issuance of the Bonds. Public Financial Management is not obligated to undertake, and has neither undertaken an independent verification of, or assumed responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Public Financial Management is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Sales at Public Bidding

The Bonds of each series were offered for sale by the County at public bidding on March 23, 2009, in accordance with the official Notice of Sale. Citigroup Global Markets Inc. was awarded the Consolidated Public Improvement Bonds at a price of $73,828,480.60 and the Metropolitan District Bonds at a price of $26,917,931.65. The initial public reoffering prices set forth on the cover page are based on information furnished to the County by the successful bidder and may be changed by the successful bidder; the successful bidder may reoffer and sell the Bonds that it has purchased to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the reoffering prices set forth on the cover page. Any other information concerning the terms of reoffering of the Bonds of each series, if any, including yields or prices, should be obtained from the successful bidder therefore and not from the County.

Certificate of County Officials

Simultaneously with or before delivery of and payment for the Bonds, the County will furnish to the purchasers of the Bonds a certificate of the County Executive, the Chief Administrative Officer and the Director of Finance that will state that, to the best of their knowledge and belief, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of material fact and does not omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in this Official Statement (and any amendment or supplement hereto).

Miscellaneous

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

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

HOWARD COUNTY, MARYLAND

By: ______________________
KEN ULMAN
County Executive

and

By: ______________________
SHARON F. GREISZ
Director of Finance

The Glenwood Branch Library

Howard County Library's newest branch has been open since 2000. The award-winning architectural design houses a large collection of books, DVDs, videos, toys, recorded books, and magazines. Besides the selection of materials, the community comes in for programs for all ages. The interior design of the building reflects the area's agricultural heritage in many ways, including the popular "Story Barn" where preschoolers often have their first early literacy encounter. The Library is adjacent to the Western Senior Center and the future Western Regional Park.

Appendix A

Audited Basic Financial Statements

Table of Contents

The combining, individual fund, individual account group financial statements and schedules, the supplementary information contained in the statistical section, and the auditors' report dated December 3, 2008 on their consideration of the County's internal control over financial reporting and their tests of the County's compliance with certain provisions of laws, regulations, contracts and grants referenced in the Independent Auditors' Report contained in this Appendix A are not included in this Official Statement.

In addition, page number references contained in the Independent Auditors' Report and the Management's Discussion and Analysis and in other text in this Appendix A may not correlate to the actual presentation of the referenced information due to formatting adjustments.

Howard County Police Department Fallen Heroes Memorial Garden

Dedicated during the Howard County Police Department's 50th anniversary celebration in 2002, the memorial is in honor of the Howard County law enforcement officers who have died in the line of duty while serving the citizens of Howard County.

Reznick Group

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the County Council
Howard County, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Howard County, Maryland (the County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Howard County Public School System, Howard Community College or the Howard County Housing Commission, which collectively represents 36%, 53% and 45%, respectively, of the assets, net assets and revenue of the total of governmental activities, the business-type activities and the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Howard County, Maryland, as of June 30, 2008, and the respective changes in financial position, and where applicable cash flows, thereof and the respective budgetary comparison for the general fund and the agricultural land preservation fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15 to the basic financial statements, in 2008, The County adopted Governmental Accounting Standards Board Statement (GASB) No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and* GASB No. 45 *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.*

Reznick Group

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2008, on our consideration of Howard County, Maryland's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis, pension trust fund and other post employment trust fund information on pages 3 through 13 and 61 through 62, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard County, Maryland's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules presented on pages 63 through 105 have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Reznick Group, P.C.

Baltimore, Maryland
December 3, 2008

Management's Discussion and Analysis

As management of Howard County, Maryland (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal (found on pages iii to vii of this report.) The discussion focuses on the County's primary government and, unless otherwise noted, does not include component units reported separately from the primary government.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $882.4 million. That amount is net of about $286 million unrestricted deficit. The deficit occurs because the County issues debt to fund construction costs for the Public School System and the Community College, two of its component units. Debt outstanding for education projects is $374.7 million and for college projects is $43.4 million. Although the component units own the capital assets, ownership of the buildings owned by the Public School System transfers to the County if the assets are no longer needed for educational purposes. The current net value of the Public School System's buildings and improvements is $561.4 million.

- The government's total net assets decrease of $17.9 million was the result of recording the $51.6 million Net Other Post Employment Benefits (OPEB) Obligation .

- The County's local income tax revenues increased by $36.3 million or 12.6 percent this year. The increase was partly due to a change in the State of Maryland's distribution schedule in FY 2007.

- At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $204.6 million, an increase of about $11.6 million in comparison with the prior year. Of this total amount, $78.2 million was available for spending at the government's discretion.

- At the end of the current fiscal year, unreserved fund balance for the general fund was $47.9 million or 6.3 percent of total general fund expenditures (includes fundings to component units).

- The reserve for the budget stabilization account balance is $45.1 million, an increase of $3.3 million or 6 percent of fiscal year 2008 general fund expenditures. At June 30, 2008, the County Charter target balance was 7 percent of fiscal year 2006 expenditures, which is equal to $45.1 million. We have reached that target and have designated $9.6 million for subsequent years' budget stabilization. The County is committed to meeting this mandated target in future years.

- The County's total long-term debt increased by $63.7 million or 7.6 percent during the current fiscal year. The major factors in this increase are the issuance of $107.5 million in Consolidated Public Improvement Project Bonds, $4.1 million in Metropolitan District Project, a $1.9 million increase in Landfill closure obligation and the retirement of $45.0, $5.8, and $3.6 million of Consolidated Public Improvement, Metropolitan District and Water Quality Bonds, respectively. The County also retired $505,000 of Special Facility Revenue bonds. In addition, the County did a current refunding where it issued $87.4 million to retire $92 million of CPI bonds and $12.0 million to retire $12.1 million of Metro bonds.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages A-14 and A-15 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages A-16 to A-21 of this report.

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

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

The basic proprietary funds financial statements can be found on pages A-22 to A-24 of this report.

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

The basic fiduciary funds financial statements can be found on pages A-25 and A-26 of this report.

The Component Unit financial statements can be found on pages A-27 and A-28 of this report.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found immediately after the Basic Financial Statements on pages A-30 to A-58.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning management's discussion and analysis and the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page A-59 and A-60 of this report.

The combining statements referred to earlier in connection with the general fund, non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information on pensions and is considered to be supplementary information. Combining and individual fund statements and schedules start on page 63 of this report.

Government-Wide Financial Analysis

Over time, changes in net assets serve as a useful indicator of a government's financial position. Howard County's assets exceeded liabilities by $882.4 million at the close of the most recent fiscal year.

The largest portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. It is important to note that although counties in the State of Maryland issue debt for the construction of schools, school buildings are owned by each county's Public School System. Ownership reverts to the County if the local board determines a building is no longer needed. The County also funds projects for the Howard Community College and for intersection improvements to State owned roads. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. The negative unrestricted governmental activities net assets of $286 million reflects the imbalance of liabilities without corresponding assets as well as the County's Net OPEB Obligation of $51.6 million.

An additional portion of the County's net assets ($283.9 million or 32 percent) represents resources subject to external restrictions on their usage.

Summary of Net Assets

	Governmental activities		Business-type activities		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Current and other assets	$485,729,727	522,775,680	185,221,449	195,475,531	670,951,176	718,251,211
Capital assets	942,494,513	868,809,549	477,811,093	462,646,220	1,420,305,606	1,331,455,769
Total assets	1,428,224,240	1,391,585,229	663,032,542	658,121,751	2,091,256,782	2,049,706,980
Long-term liabilities outstanding	851,174,165	720,794,933	184,266,387	196,157,826	1,035,440,552	916,952,759
Other liabilities	164,296,164	220,995,178	9,078,232	11,461,623	173,374,396	232,456,801
Total liabilities	1,015,470,329	941,790,111	193,344,619	207,619,449	1,208,814,948	1,149,409,560
Net assets:						
Invested in capital assets, net of related debt	556,509,402	420,387,445	328,013,443	306,098,965	884,522,845	726,486,410
Restricted	144,785,298	139,763,814	139,098,839	142,022,020	283,884,137	281,785,834
Unrestricted	(288,540,789)	(110,356,141)	2,575,641	2,381,317	(285,965,148)	(107,974,824)
Total net assets	$412,753,911	449,795,118	469,687,923	450,502,302	882,441,834	900,297,420

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

The County's net assets decreased by $17.9 million during the current fiscal year. This occurred due to recording the Net OPEB Obligation of $51.6 million.

	Governmental activities 2008	Governmental activities 2007	Business-type activities 2008	Business-type activities 2007	Total 2008	Total 2007
Revenues:						
Program revenues:						
Charges for services	$83,499,812	78,369,053	45,527,837	43,003,368	129,027,649	121,372,421
Operating grants and contributions	25,331,284	25,128,602	27,199,512	23,386,096	52,530,796	48,514,698
Capital grants and contributions	32,890,596	47,769,364	13,087,530	5,922,565	45,978,126	53,691,929
General revenues:						
Property taxes	426,302,542	383,551,777	-	-	426,302,541	383,551,777
Local income taxes	323,836,591	287,499,387	-	-	323,836,591	287,499,387
Other taxes	69,132,797	82,956,173	-	-	69,132,797	81,446,458
Other	24,716,998	18,771,531	2,950,903	2,520,843	28,371,656	22,802,092
Total revenues	**985,710,620**	**924,045,890**	**88,765,782**	**74,832,872**	**1,074,476,402**	**998,878,762**
Expenses:						
General government	58,179,425	43,441,064	-	-	58,179,425	43,441,064
Public safety	145,860,928	122,208,338	-	-	145,860,928	122,208,338
Public works	92,876,813	94,385,906	-	-	92,876,813	94,385,906
Recreation and parks	33,647,607	28,304,306	-	-	33,647,607	28,304,306
Legislative & judicial	21,577,751	17,935,936	-	-	21,577,751	17,935,936
Community services	42,519,111	36,624,968	-	-	42,519,111	36,624,968
State highways	5,469,701	11,641,091	-	-	5,469,701	11,641,091
Education	587,904,740	538,176,394	-	-	587,904,740	538,176,394
Interest on long-term debt	35,419,506	31,436,334	-	-	35,419,506	31,436,334
Water and sewer	-	-	66,966,290	64,479,789	66,966,290	64,479,789
Golf course	-	-	1,910,116	1,896,158	1,910,116	1,896,158
Total expenses	**1,023,455,582**	**924,154,337**	**68,876,406**	**66,375,947**	**1,092,331,988**	**990,530,284**
Increase (decrease) in net assets	(37,744,962)	(108,447)	19,889,376	8,456,925	(17,855,586)	8,348,478
Transfers	703,755	(1,557,550)	(703,755)	1,557,550	-	-
Increase (decrease) in net assets	(37,041,207)	(1,665,997)	19,185,621	10,014,475	(17,885,586)	8,348,478
Net assets beginning	**449,795,118**	**451,461,115**	**450,502,302**	**440,487,827**	**900,297,420**	**891,948,942**
Net assets ending	**$412,753,911**	**449,795,118**	**469,687,923**	**450,502,302**	**882,441,834**	**900,297,420**

Governmental activities. Other liabilities decreased because the County retired $64 million more in bond anticipation notes than issued during fiscal year 2008. Governmental activities decreased the County's net assets by $37 million. Key elements of this decrease are as follows:

- The County recognized a $51.6 million Net OPEB Obligation. The County intends to increase its annual funding for OPEB by $5 million per year until it reaches the full Annual Required Contribution.

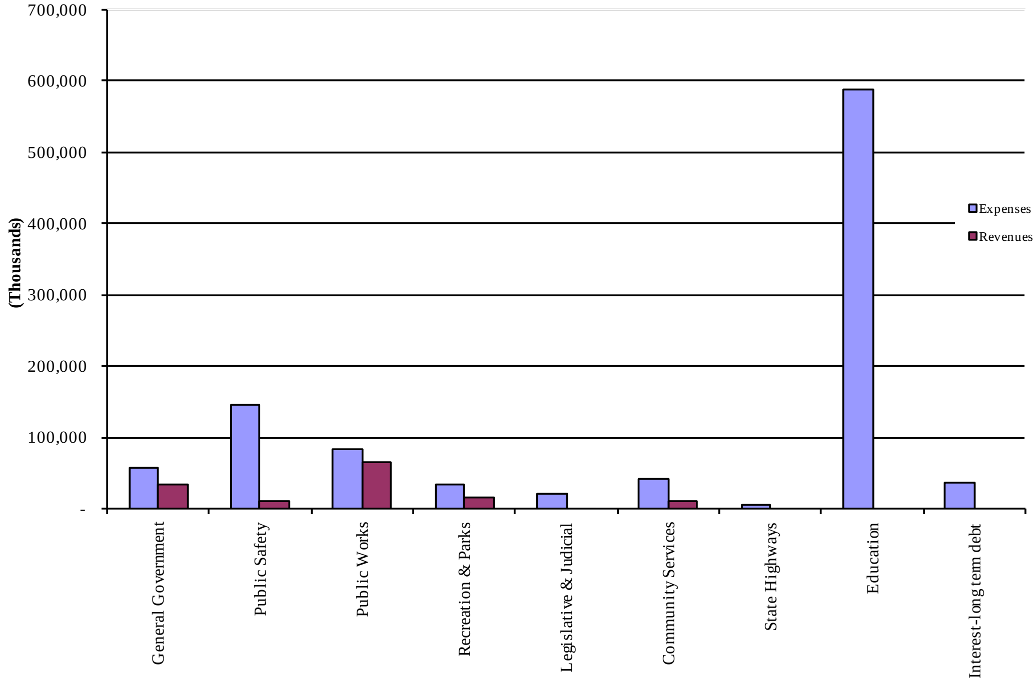
- Property tax revenue increased by $42.8 million or 11 percent this year. Taxable assessed values are expected to level off or increase slightly over the next few years.

- Local income taxes increased by $36.3 million or 12.6 percent this year. The increase was due in part to a timing of the remittance from the State of the income taxes paid by the residents.

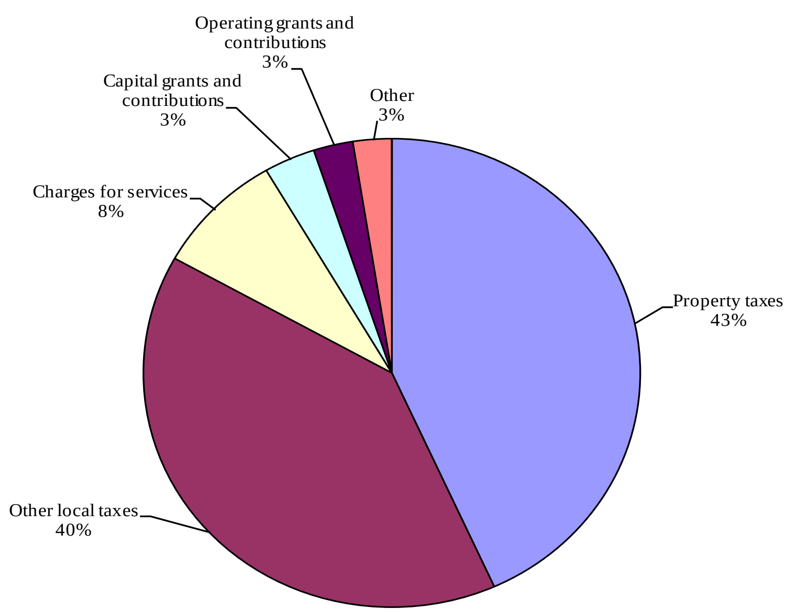
- The two largest components of other local taxes are the County's Recordation and Transfer taxes which both decreased in FY 2008 due to fewer real estate transactions closing during year.

- The largest charge for service in Public Works is $16.4 million for trash and yard waste pick-up and disposal from residential properties and from commercial users of the landfill. The majority of the remaining charges for services are for fees related to planning and zoning, and inspections, licenses & permits.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the County's net assets by $19.2 million.

- Charges for services for business-type activities increased 5.9 percent due to the increase in the rates for water and sewer charges.

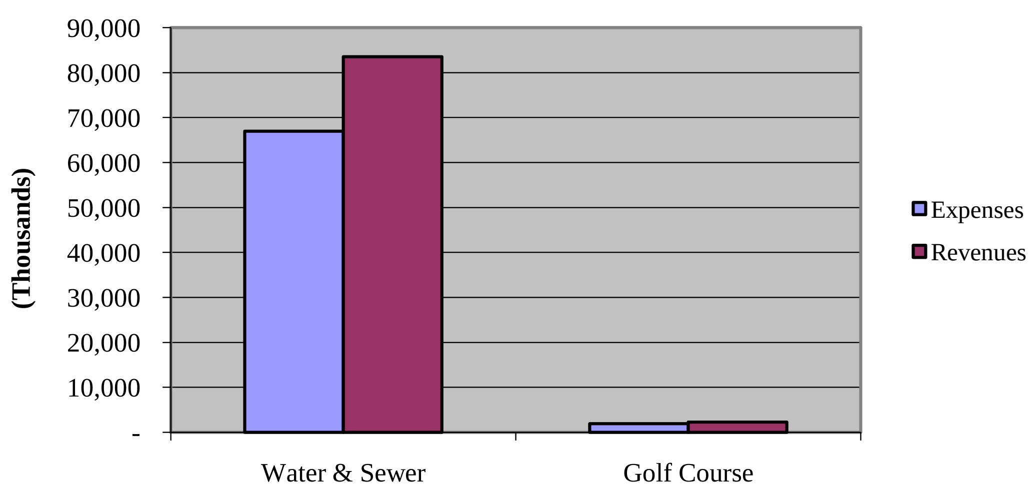
- Capital contributions continue to be a major revenue source for the water and sewer operations during the current fiscal year, producing $13 million in revenue, an increase of $7.2 million. This revenue includes the value of water and sewer lines constructed by developers and donated at no cost to the County. These donated lines totaled $5.8 million more this year than during the previous fiscal year. The County pays for additional water and sewer lines built by developers through a rebate process. Capital contributions also include front foot revenues assessed to properties connected to the water and sewer system. These front foot revenues fund the debt issued to pay developer rebates. Effective July 1, 2004, the County will not enter into any new rebate contracts. Developers will pay for those improvements and will still be required to donate those assets to the County. In aid of construction also decreased $0.8 million over the prior year. This is monies paid for each consumption unit added to the County system.

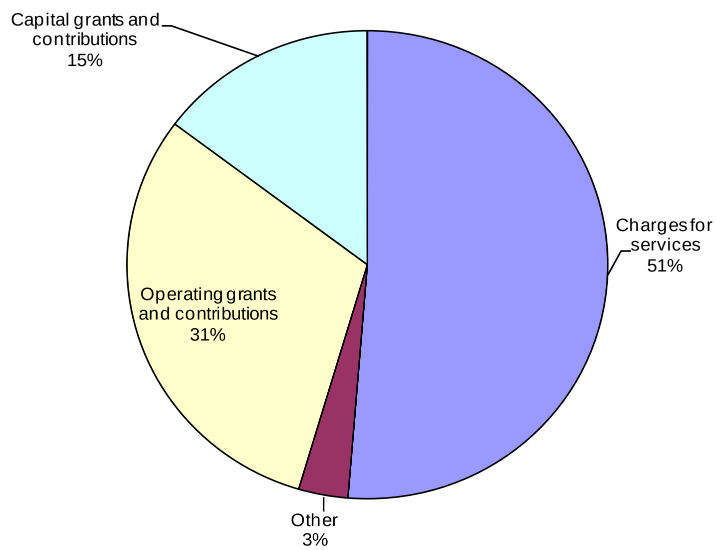
- Operating grants and contributions increased by $3.8 million. This is an annual Ad valorem fee levied on all properties within the water and sewer service district. This charge is primarily used to fund debt service payments and pay-as-you-go funding on capital projects.

- Investment earnings increased for business type activities by about $430,000, a 17 percent increase over last year. This is because of an increase in interest rates and invested balances during the year.

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

Expenses and Program Revenues – Business-type Activities





Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $204.6 million, an increase of $11.6 million in comparison with the prior year. Of this fund balance, $125.6 million is reserved to liquidate contracts and purchase orders of the prior period ($74.2 million), fund the County's budget stabilization account ($45.1 million), and for non-current housing loans receivable ($6.3 million).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund is $47.9 million, $19.4 million less than the prior year. Of the $47.9 million, $5.6 million is undesignated. The total fund balance for the general fund decreased 11 percent to $102.9 million. That decrease reflects an increase in the appropriation from the accumulated fund balance to fund one-time expenditures in the current fiscal year. It does not reflect substantial deterioration in financial position as supported by the fact that operating revenues increased by 7%.

The $65.2 million total fund balance of the Agricultural Land Preservation Fund is a $6.6 million increase over the prior year. The increase is the result of recognizing an increase in the fair value of the United States Treasury Strips investments, collection of Transfer taxes and the purchase of only two development rights.

The general capital projects fund is used to track the construction of general county buildings. The fund balance is a negative $45.1 million. This is a timing issue - capital project expenditures occur before revenues are recognized.

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

All assets in the Water and Sewer Proprietary Fund and the Special Recreation Facility Fund (golf course), except those available to fund current liabilities, are considered restricted because a change in the charter is required to allow these assets to be used for other purposes. Net assets of the water and sewer operations at the end of the year amounted to $464.1 million, and those for the golf course operation were $3.1 million. The total growth in net assets in each fund was $18.5 million and $368,348, respectively.

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

General Fund Budgetary Highlights

The general fund expenditure and revenue budgets did not change in total for the current fiscal year. The general fund budget includes an appropriated contingency fund of $1.75 million for unanticipated expenses in the general government category.

Total debt service final budget amounts compared to expenditures and encumbrances for the period show a favorable variance of $3.9 million. This budget line is for variable rate debt on the commercial paper and is purposely budgeted high to be able to accommodate any adverse rate movement during the year. Recordation taxes are also $3.9 million less than budgeted. This revenue is from the fees paid to record the transfer of a house in the records of the County and was less because of the current trends in the housing market. Property Taxes were $13.9 million more than budgeted. Interest on investments fell short of budgeted revenue by $6.8 million. This happened because interest income and expense on commercial paper proceeds are budgeted high to allow for increases in interest rates during the year..

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of June 30, 2008 is $1.4 billion (net of accumulated depreciation). Capital assets includes land, easements, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges, water and sewer lines, and storm water management systems. The total increase in the County's investment in capital assets for the current fiscal year was 6.7 percent (an 8.5 percent increase for governmental activities and a 3 percent increase for business-type activities).

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

- Completion of a new Public Safety Education Facility ($7.5 million) and the Glenwood Community Center ($12.3 million).

- $5 million was spent on public safety equipment and vehicles including $2.1 million on a Police Helicopter.

- The County spent $8.4 million on the purchase of Agricultural Land Preservation Development Rights.

- Recreation and Parks spent $6.7 million on new park construction during the year.

- Public Works spent $11.9 million in infrastructure improvements, such as paving, sidewalks, and drainage.

Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land and land improvements	$424,157,955	394,282,928	10,802,873	10,802,873	434,960,828	405,085,801
Buildings	137,481,244	118,254,020	28,369,601	30,034,246	165,850,845	148,288,266
Improvements other than buildings	38,038,447	31,321,606	331,768,928	332,470,096	369,807,375	363,791,702
Equipment	38,908,118	33,869,682	573,994	528,727	39,482,112	34,398,409
Infrastructure	152,598,678	161,038,559	-	-	152,598,678	161,038,559
Construction in progress	151,310,072	130,042,754	106,295,697	88,810,278	257,605,769	218,853,032
	$942,494,514	**868,809,549**	**477,811,093**	**462,646,220**	**1,420,305,607**	**1,331,455,769**

Additional information on the County's capital assets can be found in Note 7 on pages 45-46 of this report.

Long-term debt. At the end of the current fiscal year, the County had total long-term debt outstanding of $903.8 million. Of this amount, $892.9 million comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents bonds secured solely by specific revenue sources (i.e., revenue bonds).

Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Consolidated Public Improvement bonds	$648,874,905	588,785,415	89,796,846	91,265,520	738,671,751	680,050,935
State water quality loan	9,760,000	11,555,000	49,219,990	52,830,967	58,979,990	64,385,967
Landfill closure obligation	34,656,180	32,751,884	-	-	34,656,180	32,751,884
Agriculture land preservation program	60,582,200	52,445,000	-	-	60,582,200	52,445,000
Special facility revenue bonds	-	-	7,915,000	8,420,000	7,915,000	8,420,000
Other	-	-	3,003,736	2,037,464	3,003,736	2,037,464
Total	**$753,873,285**	**685,537,299**	**149,935,572**	**154,553,951**	**903,808,857**	**840,091,250**

The County's total debt increased by $63.7 million (7.6 percent) during the current fiscal year. The major factors in this increase are the issuance of $107.5 million in Consolidated Public Improvement Project Bonds, $4.1 million in Metropolitan District Project Bonds, a $8,212 draw on the State Water Quality Revolving Loan Fund, a $1.9 million increase in Landfill closure obligation, and the retirement of $45.0, $5.8, and $3.6 million of Consolidated Public Improvement, Metropolitan District and Water Quality Bonds, respectively. The County also retired $505,000 of Special Facility Revenue bonds. The County also did a current refunding where it issued $87.4 million to retire $92 million of CPI bonds and $12.0 million to retire $12.1 million of Metro bonds.

The County maintains an "AAA" rating from both Standard & Poor's and Fitch Ratings, and an "Aaa" rating from Moody's Investors Service for general obligation debt.

Local statutes limit the amount of general obligation debt a governmental entity may issue to 4.8 percent of its total assessed valuation. The current debt limitation for the County is $2.0 billion, which is significantly in excess of Howard County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note 8 starting on page 47 of this report.

Economic Factors and Next Year's Budgets and Rates

Howard County enjoys job creation and a low unemployment rate as evidenced by the following:

- The June 2008 unemployment rate for the County was 3.2 percent. This compares favorably to the state's average unemployment rate of 4.0 percent and the national average rate of 5.5 percent for the same period.

- The office space occupancy rate as of June 2008 was 86.1 percent, down from 89 percent a year ago. Howard County has seen additional new space come on line during this fiscal year.

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2009 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to $47.9 million mostly the result of an increased appropriation from fund balance for one-time expenditures. The fiscal year 2009 general fund budget is $42 million or 5.2 percent more than the fiscal year 2008 budget. Education funding has been increased by $37.4 million or 7.5 percent and Public Safety has received an additional $6.5 million, or a 7.2 percent increase.

The County's property tax and income tax rates remained the same for Fiscal Year 2009. The Building Excise Tax (used to fund road expansion) rates were increased 2.2 percent. Water charges were increased 9 percent to offset anticipated increases in the cost of water purchased from Baltimore City. The annual refuse and recycling fees were increased $35 to $50. No changes were made to the water and sewer ad valorem or fire tax rates.

Currently Known Facts, Decisions and Conditions

There are no known facts, decisions and conditions that are expected to have a significant effect on the County's financial position or results of operations.

Requests for Information

This financial report is designed to provide a general overview of Howard County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, 3430 Court House Drive, Ellicott City, Maryland 21043, (410) 313-2195 or e-mailed to sgreisz@howardcountymd.gov. Complete financial reports are also available on our web site www.howardcountymd.gov.

Howard County, Maryland
Statement of Net Assets
For the Year Ended June 30, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Equity in pooled cash and cash equivalents	$ 134,520,844	5,541,280	140,062,124	70,121,918
Investments	-	-	-	64,038,312
Receivables:				
Property taxes, net	3,229,800	-	3,229,800	-
Due from other governments	123,301,882	-	123,301,882	31,334,872
Other	2,525,081	9,957,236	12,482,317	6,828,157
Materials and supplies	664,737	71,801	736,538	2,254,840
Prepaids	25,481	-	25,481	2,753,840
Restricted assets:				
Equity in pooled cash and cash equivalents	168,155,055	68,542,747	236,697,802	6,007,420
Investments	32,654,571	-	32,654,571	-
Property taxes	340,785	114,036	454,821	-
Due from other governments	8,385,689	-	8,385,689	-
Water & sewer assessments receivable	-	96,907,626	96,907,626	-
Other receivables	8,753,409	299,472	9,052,881	2,468,454
Materials and supplies	321,567	834,183	1,155,750	-
Deferred accreted bond interest cost	3,471,704	-	3,471,704	-
Internal balances	(2,479,947)	2,479,947	-	-
Other assets	1,859,069	473,121	2,332,190	-
Capital assets:				
Land	424,157,955	10,802,873	434,960,828	33,523,491
Construction in progress	151,310,072	106,295,697	257,605,769	259,729,459
Buildings and improvements, net	175,519,691	360,138,529	535,658,220	683,854,347
Machinery and equipment, net	38,908,117	573,994	39,482,111	10,269,182
Infrastructure, net	152,598,678	-	152,598,678	-
Other capital assets	-	-	-	3,241,108
Total assets	1,428,224,240	663,032,542	2,091,256,782	1,176,425,400
LIABILITIES				
Accounts payable and other current liabilities	34,004,772	5,293,992	39,298,764	85,566,688
Accrued interest payable	13,092,813	1,551,028	14,643,841	-
Accrued salaries and benefits	13,921,200	532,876	14,454,076	1,762,414
Deposits	3,259,278	1,700,336	4,959,614	311,026
Bond anticipation notes	86,000,000	-	86,000,000	-
Due to primary government	-	-	-	9,180,482
Unearned revenues	14,018,101	-	14,018,101	10,777,670
Noncurrent liabilities:				
Due within one year	49,840,313	12,648,807	62,489,120	7,988,803
Due in more than one year, net	801,333,852	171,617,580	972,951,432	43,409,080
Total liabilities	1,015,470,329	193,344,619	1,208,814,948	158,996,163
NET ASSETS				
Invested in capital assets, net of related debt	556,509,402	328,013,443	884,522,845	945,019,441
Restricted for:				
Public safety	3,489,944	-	3,489,944	-
Public works	123,027,336	138,335,516	261,362,852	-
Recreation and parks	3,169,974	763,323	3,933,297	-
Community services	15,098,044	-	15,098,044	-
Education	-	-	-	9,647,395
Business type operations	-	-	-	2,926,855
Unrestricted	(288,540,789)	2,575,641	(285,965,148)	59,835,546
Total net assets	$ 412,753,911	469,687,923	882,441,834	1,017,429,237

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

Howard County, Maryland
Statement of Activities
For the Year Ended June 30, 2008

Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Gov Activities	Primary Government: Bus Type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental activities:								
General government	$ 58,179,425	21,908,851	1,805,782	11,359,104	(23,105,688)	-	(23,105,688)	-
Public safety	145,860,928	4,749,232	7,345,075	-	(133,766,621)	-	(133,766,621)	-
Public works	92,876,813	42,589,702	5,449,619	17,294,786	(27,542,706)	-	(27,542,706)	-
Recreation and parks	33,647,607	12,213,842	84,004	4,146,706	(17,203,055)	-	(17,203,055)	-
Legislative and judicial	21,577,751	675,751	602,551	-	(20,299,449)	-	(20,299,449)	-
Community services	42,519,111	1,362,434	10,044,253	90,000	(31,022,424)	-	(31,022,424)	-
State highways	5,469,701	-	-	-	(5,469,701)	-	(5,469,701)	-
Education	587,904,740	-	-	-	(587,904,740)	-	(587,904,740)	-
Interest on long term debt	35,419,506	-	-	-	(35,419,506)	-	(35,419,506)	-
Total governmental activities	1,023,455,582	83,499,812	25,331,284	32,890,596	(881,733,890)	-	(881,733,890)	-
Business type activities:								
Water and sewer	66,966,290	43,270,127	27,199,512	13,087,530	-	16,590,879	16,590,879	-
Golf course	1,910,116	2,257,710	-	-	-	347,594	347,594	-
Total business-type activities	68,876,406	45,527,837	27,199,512	13,087,530	-	16,938,473	16,938,473	-
Total primary government	1,092,331,988	129,027,649	52,530,796	45,978,126	(881,733,890)	16,938,473	(864,795,417)	-
Component units:								
Public school system	725,740,430	14,726,459	105,585,691	71,338,764	-	-	-	(534,089,516)
Community college	76,155,655	31,908,816	852,976	10,884,727	-	-	-	(32,509,136)
Library	16,449,084	621,958	-	-	-	-	-	(15,827,126)
Housing commission	16,043,954	1,420,043	-	13,899,748	-	-	-	(724,163)
Total component units	$ 834,389,123	48,677,276	106,438,667	96,123,239	-	-	-	(583,149,941)
General revenues:								
Property taxes					$ 426,302,542	-	426,302,542	465,185,447
Local income taxes					323,836,591	-	323,836,591	-
Transfer tax					24,006,141	-	24,006,141	-
Recordation tax					18,006,347	-	18,006,347	-
Building excise tax					5,016,936	-	5,016,936	-
Hotel / motel tax					3,511,884	-	3,511,884	-
Admission tax					2,039,900	-	2,039,900	-
County development tax					466,135	-	466,135	-
Mobile home tax					572,277	-	572,277	-
Intergovernmental, unrestricted					15,513,177	-	15,513,177	178,888,671
Unrestricted investment income					24,208,820	2,950,903	27,159,723	2,677,064
Gain on sale of capital assets					-	-	-	757,512
Miscellaneous					508,178	-	508,178	3,485,227
Transfers					703,755	(703,755)	-	-
Total general revenues and transfers					844,692,683	2,247,148	846,939,831	650,993,921
Change in net assets					(37,041,207)	19,185,621	(17,855,586)	67,843,980
Net assets - beginning of year					449,795,118	450,502,302	900,297,420	949,585,257
Net assets - end of year					$ 412,753,911	469,687,923	882,441,834	1,017,429,237

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

Howard County, Maryland
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2008

	General	Agricultural Land Preservation Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled cash and cash equivalents	$ 90,427,932	-	-	6,590,692	97,018,624
Receivables:					
Property taxes, net	3,229,800	-	-	-	3,229,800
Due from other governments	123,301,882	-	-	-	123,301,882
Other	1,622,046	-	-	17,020	1,639,066
Restricted assets:					
Pooled cash and cash equivalents	-	31,406,838	47,501,194	89,247,023	168,155,055
Investments	-	32,654,571	-	-	32,654,571
Property taxes	-	-	-	340,785	340,785
Materials and supplies	-	-	-	321,567	321,567
Due from other governments	-	1,098,315	1,098,315	6,189,059	8,385,689
Other	-	-	1,020	8,752,389	8,753,409
Total assets	218,581,660	65,159,724	48,600,529	111,458,535	443,800,448
LIABILITIES					
Accounts payable / accrued liabilities	6,058,209	-	13,337,089	4,170,370	23,565,668
Accrued wages and benefits	9,415,351	8,873	17,378	3,962,290	13,403,892
Bond anticipation notes	-	-	78,945,697	7,054,303	86,000,000
Deposits and connection fees	-	-	1,372,856	1,886,422	3,259,278
Deferred revenue	100,181,088	-	-	12,763,156	112,944,244
Total liabilities	115,654,648	8,873	93,673,020	29,836,541	239,173,082
FUND BALANCES					
Reserved for:					
Encumbrances	9,910,050	-	20,183,221	44,122,228	74,215,499
Noncurrent receivables	-	-	-	6,272,324	6,272,324
Budget stabilization account	45,095,430	-	-	-	45,095,430
Unreserved, reported in:					
General fund:					
Designated for subsequent year's expenditures	32,691,971	30,243,373	-	-	62,935,344
Designated for subsequent years' budget stabilization account	9,585,936	-	-	-	9,585,936
Undesignated	5,643,625	-	-	-	5,643,625
Special Revenue funds:					
Designated for future balloon payment	-	32,654,571	-	-	32,654,571
Undesignated	-	2,252,907	-	18,566,687	20,819,594
Capital Projects funds:					
Undesignated	-	-	(65,255,712)	12,660,755	(52,594,957)
Total fund balances	102,927,012	65,150,851	(45,072,491)	81,621,994	204,627,366
Total liabilities and fund balances	$ 218,581,660	65,159,724	48,600,529	111,458,535	443,800,448

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

Howard County, Maryland
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2008

Amounts reported for governmental activities in the statement of net assets (page A-14) are different because:		
Total fund balances - governmental funds (page A-16)		$ 204,627,366
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.		45,238,089
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(858,238,314)
Bonds and notes payable	$ (715,745,403)	
Deferred refunding gain/loss and costs	(26,808,467)	
Accrued interest payable	(13,092,813)	
Compensated absences	(17,147,618)	
Net OPEB obligation	(50,787,833)	
Landfill closure & post closure	(34,656,180)	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		922,200,627
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		98,926,143
Net assets of governmental activities (page A-14)		$ 412,753,911

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

Howard County, Maryland
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Agricultural Land Preservation Fund	General Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 367,835,190	-	-	58,353,632	426,188,822
Other local taxes	340,854,955	6,467,670	6,001,535	17,020,007	370,344,167
State shared taxes	15,513,177	-	-	-	15,513,177
Revenues from other governments	5,683,666	-	11,359,104	22,750,034	39,792,804
Charges for services	12,893,128	-	-	29,595,379	42,488,507
Interest on investments	10,861,405	5,219,490	1,925,710	4,641,192	22,647,797
Licenses and permits	6,311,980	-	-	-	6,311,980
Fines and forfeitures	3,357,955	-	-	249,820	3,607,775
Developer fees	-	-	-	2,345,464	2,345,464
Rental of property	-	-	-	510,315	510,315
Recoveries for interfund services	5,932,335	-	-	-	5,932,335
Payments from component units	508,178	-	-	-	508,178
Miscellaneous program revenues	746,565	42,828	5,603,141	2,702,316	9,094,850
Total revenues	770,498,534	11,729,988	24,889,490	138,168,159	945,286,171
EXPENDITURES					
Current:					
General government	21,686,938	-	-	1,624,754	23,311,692
Legislative & judicial	19,961,123	-	-	982,726	20,943,849
Public works	59,036,377	364,597	1,276,543	24,852,374	85,529,891
Public safety	88,836,439	-	-	53,092,342	141,928,781
Recreation and parks	13,161,108	-	-	12,148,692	25,309,800
Community services	12,129,953	-	-	28,805,357	40,935,310
Education	475,477,669	-	71,472,343	-	546,950,012
Capital improvements	-	-	32,590,172	52,609,911	85,200,083
Debt service:					
Principal	44,950,000	232,000	-	-	45,182,000
Interest	29,324,931	4,371,210	-	-	33,696,141
Total expenditures	764,564,538	4,967,807	105,339,058	174,116,156	1,048,987,559
Excess (deficiency) of revenues over expenditures	5,933,996	6,762,181	(80,449,568)	(35,947,997)	(103,701,388)
OTHER FINANCING SOURCES (USES)					
Bond premium	-	-	10,319,070	-	10,319,070
Capital related debt issued	-	-	107,500,000	-	107,500,000
Refunding bonds issued	-	-	87,420,000	-	87,420,000
Payment to bond refunding escrow agent	-	-	(92,179,903)	-	(92,179,903)
Transfers in	21,943,016	-	13,572,976	53,897,244	89,413,236
Transfers out	(40,088,805)	(184,321)	(26,066,917)	(20,808,415)	(87,148,458)
Total other financing sources and uses	(18,145,789)	(184,321)	100,565,226	33,088,829	115,323,945
Net change in fund balances	(12,211,793)	6,577,860	20,115,658	(2,859,168)	11,622,557
Fund balances - beginning	115,138,805	58,572,991	(65,188,149)	84,481,162	193,004,809
Fund balances-ending	$ 102,927,012	65,150,851	(45,072,491)	81,621,994	204,627,366

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

Howard County, Maryland
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (page A-15) are different because:		
Net change in fund balances - total governmental funds (page A-18)		**$ 11,622,557**
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of the amount by which capital outlays exceeds depreciation in the current period is as follows:		
Capital improvements	**$ 87,870,589**	
Less: Depreciation expense	**(22,003,195)**	**65,867,394**
In the statement of activities, only the gain on the sale of land and buildings is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the land and buildings sold.		**(1,977,795)**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		**6,866,642**
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		**(72,216,449)**
In the statement of activities, certain operating expenses are measured by the amounts accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources expended.		**(54,134,774)**
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The new revenue (expense) of certain internal service funds is reported with governmental activities.		**6,931,218**
Change in net assets of governmental activities (page A-15).		**$ (37,041,207)**

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

Howard County, Maryland
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budgetary Basis
For the Year Ended June 30, 2008

	Budget Amounts			Variance with Final Budget
REVENUES	Original	Final	Actual	Over (Under)
Property taxes	$ 353,982,813	353,982,813	367,835,075	13,852,262
Other local taxes	342,251,410	342,251,410	340,854,955	(1,396,455)
State shared taxes	16,317,496	16,317,496	15,513,177	(804,319)
Revenues from other governments	6,176,000	6,176,000	5,683,666	(492,334)
Charges for services	11,350,235	11,350,235	12,893,128	1,542,893
Interest on investments	17,615,390	17,615,390	10,861,405	(6,753,985)
Licenses and permits	7,009,750	7,009,750	6,311,980	(697,770)
Recoveries for interfund services	5,934,950	5,934,950	5,932,335	(2,615)
Fines and forfeitures	2,962,250	2,962,250	3,355,524	393,274
Payments from component units	542,428	542,428	508,178	(34,250)
Miscellaneous	721,000	721,000	992,622	271,622
Total revenues	764,863,722	764,863,722	770,742,045	5,878,323
EXPENDITURES				
Current:				
General government	25,176,423	24,519,423	22,187,272	2,332,151
Legislative & judicial	20,665,087	20,665,087	19,751,413	913,674
Public works	63,414,200	64,071,200	62,938,388	1,132,812
Public safety	91,304,409	91,304,409	87,360,719	3,943,690
Recreation and parks	13,101,303	13,101,303	13,101,301	2
Community services	12,789,431	12,789,431	12,578,000	211,431
Education	475,477,669	475,477,669	475,477,669	-
Debt service:				
Principal payments on debt	44,950,004	44,950,004	44,950,000	4
Interest payments on debt	33,236,734	33,236,734	29,324,931	3,911,803
Total expenditures	780,115,260	780,115,260	767,669,693	12,445,567
Excess (deficiency) of revenues over expenditures	(15,251,538)	(15,251,538)	3,072,352	18,323,890
OTHER FINANCING SOURCES (USES)				
Appropriation from fund balance	37,739,594	37,739,594	37,739,594	-
Transfers in	17,650,889	17,650,889	21,943,016	4,292,127
Transfers out	(40,138,945)	(40,138,945)	(40,088,805)	50,140
Total other financing sources and uses	15,251,538	15,251,538	19,593,805	4,342,267
Net change in fund balance	-	-	22,666,157	22,666,157
Less appropriation from fund balance			(37,739,594)	
Fund balances - beginning			115,969,260	
Fund balances - ending			$ 100,895,823	

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

Howard County, Maryland
Agricultural Land Preservation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2008

	Budget Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
REVENUES				
Local taxes	$ 7,600,000	7,600,000	6,467,670	(1,132,330)
Investment income	1,000,000	1,000,000	5,219,490	4,219,490
Miscellaneous program revenue	-	-	42,828	42,828
Total revenues	8,600,000	8,600,000	11,729,988	3,129,988
EXPENDITURES				
Public works:				
Agricultural land preservation program administration	902,710	902,710	363,340	539,370
Agricultural land preservation board	1,700	1,700	459	1,241
Contingency	32,991,018	32,991,018	-	32,991,018
Total public works	33,895,428	33,895,428	363,799	33,531,629
Debt service:				
Principal payments on debt	227,000	227,000	232,000	(5,000)
Interest payments on debt	4,858,000	4,858,000	4,371,210	486,790
Total debt service	5,085,000	5,085,000	4,603,210	481,790
Total expenditures	38,980,428	38,980,428	4,967,009	34,013,419
Excess (deficiency) of revenues over expenditures	(30,380,428)	(30,380,428)	6,762,979	37,143,407
OTHER FINANCING SOURCES (USES)				
Appropriation from fund balance	30,564,749	30,564,749	30,564,749	-
Transfers out	(184,321)	(184,321)	(184,321)	-
Total other financing sources (uses)	30,380,428	30,380,428	30,380,428	-
Net change in fund balance	-	-	37,143,407	37,143,407
Less appropriation from fund balance			(30,564,749)	
Fund balances - beginning			58,579,727	
Fund balances - ending			$ 65,158,385	

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

Howard County, Maryland
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds			Gov't Activities-
ASSETS	Water and Sewer	Special Recreation Facility	Total	Internal Service Funds
Current assets:				
Equity in pooled cash and cash equivalents	$ 5,464,750	76,530	5,541,280	37,502,220
Prepaid expenses	-	-	-	25,481
Receivables:				
Service billings	9,957,236	-	9,957,236	886,015
Materials and supplies	-	71,801	71,801	664,737
Restricted assets:				
Equity in pooled cash and cash equivalents	67,779,424	763,323	68,542,747	-
Water and sewer assessments	7,496,279	-	7,496,279	-
Total current assets	90,697,689	911,654	91,609,343	39,078,453
Noncurrent assets:				
Restricted assets:				
Receivables:				
Property taxes	114,036	-	114,036	-
Water and sewer assessments	89,411,347	-	89,411,347	-
Other receivables	19,472	280,000	299,472	-
Materials and supplies	834,183	-	834,183	-
Capital assets:				
Land	2,117,977	8,684,896	10,802,873	-
Construction in progress	106,295,697	-	106,295,697	-
Buildings and improvements, net	359,324,260	814,269	360,138,529	-
Machinery and equipment, net	437,624	136,370	573,994	20,293,886
Other assets	341,123	131,998	473,121	-
Total noncurrent assets	558,895,719	10,047,533	568,943,252	20,293,886
Total assets	649,593,408	10,959,187	660,552,595	59,372,339
LIABILITIES				
Current liabilities:				
Accounts payable	4,086,705	339,533	4,426,238	401,391
Capital lease	-	32,301	32,301	-
Accrued salaries and benefits	532,876	-	532,876	517,308
Net OPEB obligation	835,453	-	835,453	-
Compensated absences	9,716	-	9,716	697,891
Deposits and connection fees	-	-	-	65,000
Current liabilities	5,464,750	371,834	5,836,584	1,681,590
Current liabilities payable from restricted assets:				
Deposits and connection fees	1,700,336	-	1,700,336	-
Developer agreement rebates and deposits	407,077	-	407,077	-
Deferred water and sewer assessments	2,811,105	-	2,811,105	-
Other debt payable	3,610,909	-	3,610,909	-
Bonds payable	5,290,000	520,000	5,810,000	-
Interest payable	1,458,227	92,801	1,551,028	-
Current liabilities payable from restricted assets	15,277,654	612,801	15,890,455	-
Total current liabilities	20,742,404	984,635	21,727,039	1,681,590
Noncurrent liabilities:				
Developer agreement rebates and deposits	3,074,813	-	3,074,813	-
Deferred water and sewer assessments	31,016,941	-	31,016,941	-
Compensated absences	630,975	-	630,975	-
Unpaid insurance claims	-	-	-	9,972,713
Special revenue bonds payable	-	7,395,000	7,395,000	-
Metropolitan district bonds payable	84,023,410	-	84,023,410	-
Deferred refunding amount	360,740	(493,379)	(132,639)	-
Other long-term debt	45,609,080	-	45,609,080	-
Total noncurrent liabilities	164,715,959	6,901,621	171,617,580	9,972,713
Total liabilities	185,458,363	7,886,256	193,344,619	11,654,303
NET ASSETS				
Invested in capital assets, net of related debt	325,799,529	2,213,914	328,013,443	20,293,886
Restricted:				
For debt service	89,544,855	763,323	90,308,178	-
Unrestricted	48,790,661	95,694	48,886,355	27,424,150
Total net assets	$ 464,135,045	3,072,931	467,207,976	47,718,036
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds			2,479,947	
Net assets of business-type activities			$ 469,687,923	

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

Howard County, Maryland
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-Type Activities			Governmental Activities -
	Water and Sewer	Special Recreation Facility	Total	Internal Service Funds
Operating revenues:				
User charges	$ 36,843,482	-	36,843,482	73,056,800
Greens and cart fees	-	1,672,081	1,672,081	-
Range fees	-	90,570	90,570	-
Merchandise	-	141,937	141,937	-
Food and beverage	-	333,250	333,250	-
Insurance recoveries	-	-	-	124,743
Miscellaneous sales and services	487,941	19,872	507,813	816,364
Total operating revenues	37,331,423	2,257,710	39,589,133	73,997,907
Operating expenses:				
Salaries and employee benefits	10,643,605	-	10,643,605	9,197,699
Contractual services	5,322,278	1,533,517	6,855,795	8,719,959
Supplies and materials	1,850,907	-	1,850,907	739,241
Business and travel	67,496	-	67,496	241,284
Vehicle fuels and supplies	1,209,868	-	1,209,868	6,427,850
Purchased water and transmission charges	11,028,068	-	11,028,068	-
Sewage treatment charges	2,748,081	-	2,748,081	-
Share of county administrative expenses	4,498,799	-	4,498,799	594,479
Insurance claims	-	-	-	35,407,488
Other administrative	86,748	-	86,748	2,183,957
Depreciation expense	18,204,614	71,764	18,276,378	4,518,870
Less: house connection and capitalized overhead costs	(410,270)	-	(410,270)	-
Total operating expenses	55,250,194	1,605,281	56,855,475	68,030,827
Operating income (loss)	(17,918,771)	652,429	(17,266,342)	5,967,080
Nonoperating revenues (expenses):				
Ad valorem charges	27,199,512	-	27,199,512	-
Water and sewer assessment charges	5,671,375	-	5,671,375	-
Interest on investments	2,926,394	24,509	2,950,903	1,945,615
Inspection services and system connection installations	(3,452,121)	-	(3,452,121)	-
Interest expense	(6,800,185)	(251,677)	(7,051,862)	-
(Loss) or gain on sale of capital assets	(411,612)	(137)	(411,749)	462,281
Other, net	(1,052,178)	(53,021)	(1,105,199)	-
Total nonoperating revenues (expenses)	24,081,185	(280,326)	23,800,859	2,407,896
Net income (loss) before contributions and transfers	6,162,414	372,103	6,534,517	8,374,976
Capital contributions	13,087,530	-	13,087,530	-
Transfers in (out)	(700,000)	(3,755)	(703,755)	(1,561,023)
Change in net assets	18,549,944	368,348	18,918,292	6,813,953
Total net assets - beginning	445,585,101	2,704,583	-	40,904,083
Total net assets - ending	$ 464,135,045	3,072,931		47,718,036
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			267,329	
Change in net assets of business -type activities			$ 19,185,621	

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

Howard County, Maryland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Water & Sewer	Special Recreation Facility	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 45,935,636	2,257,711	48,193,347	72,789,558
Cash paid to suppliers	(25,637,846)	(1,460,527)	(27,098,373)	(51,612,228)
Cash paid to / for employees	(7,170,805)	-	(7,170,805)	(6,987,051)
Cash paid for interfund services used	(6,792,090)	-	(6,792,090)	(4,414,765)
Other operating (disbursements) / cash receipts	(526,736)	-	(526,736)	547,333
Net cash provided by operating activities	5,808,159	797,184	6,605,343	10,322,847
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers out to other funds	(900,000)	(3,755)	(903,755)	(1,561,023)
Net cash used in noncapital financing activities	(900,000)	(3,755)	(903,755)	(1,561,023)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of county bonds	15,325,643	-	15,325,643	-
Proceeds from state loan	8,212	-	8,212	-
Proceeds from developer contributions	1,422,226	-	1,422,226	-
Cash receipts from assessments & connection charges	29,689,930	-	29,689,930	-
Acquisition and construction of capital assets	(26,715,234)	-	(26,715,234)	(5,482,755)
Capital lease payment	-	(18,085)	(18,085)	-
Payment of long term debt principal	(21,408,204)	(505,000)	(21,913,204)	-
Interest paid on long term debt	(6,800,185)	(251,677)	(7,051,862)	-
Net cash used in capital and related financing activities	(8,477,612)	(774,762)	(9,252,374)	(5,482,755)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	2,926,394	24,509	2,950,903	1,945,615
Net cash provided by investing activities	2,926,394	24,509	2,950,903	1,945,615
Net (decrease) increase in cash and cash equivalents	(643,059)	43,176	(599,883)	5,224,684
Balances - beginning of the year	73,887,233	796,677	74,683,910	32,277,536
Balances - end of the year	$ 73,244,174	839,853	74,084,027	37,502,220
Reconciliation of operating (loss) income to net cash provided by operating activities				
Operating (loss) income	$ (17,918,771)	652,429	(17,266,342)	5,967,080
Adjustments to reconcile operating income to net cash				
Depreciation expense	18,204,614	71,764	18,276,378	4,518,870
Change in assets and liabilities:				
Decrease (increase) in accounts and other receivables	8,604,213	-	8,604,213	(656,445)
(Increase) decrease in inventories	(64,005)	22,281	(41,724)	-
(Decrease) increase in operating accounts payables	(3,874,358)	50,710	(3,823,648)	493,342
Increase in compensated absences and net opeb obligation	856,466	-	856,466	-
Total adjustments	23,726,930	144,755	23,871,685	4,355,767
Net cash provided by operating activities	$ 5,808,159	797,184	6,605,343	10,322,847

Noncash investing, capital and financing activities:

In Fiscal Year 2008, water and sewer lines with an estimated market value of $9,611,889 were contributed to the water and sewer enterprise fund by developers.

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

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

Howard County, Maryland
Statement of Fiduciary Net Assets
Pension and Other Post Employment Benefits Trust Funds and Agency Funds
June 30, 2008

	Pension and OPEB Trust Funds	Agency Funds
ASSETS		
Equity in pooled cash and cash equivalents	$ -	3,227,653
Receivables:		
Property tax	-	249,122
Interest and dividends	1,306,216	-
Employer contributions	1,492,399	-
Employee contributions	442,558	-
Sale of investments	348,366	-
Other	87,333	-
Investments, at fair value:		
Common stocks	130,025,925	-
Mutual funds	131,244,422	-
Money market funds	47,715,453	-
Fixed income securities	132,174,986	-
Real estate	21,111,923	-
Prepaid insurance	27,410	-
Total assets	465,976,991	3,476,775
LIABILITIES		
Accounts payable		
Cash overdraft	81,876	-
Investments purchased	20,982,810	-
Other	536,665	893,293
Deposits	-	2,583,482
Total liabilities	21,601,351	3,476,775
NET ASSETS		
Held in trust for pension and OPEB benefits	$ 444,375,640	

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

Howard County, Maryland
Statement of Changes in Fiduciary Net Assets
Pension and Other Post Employment Benefits Trust Funds
For the Year Ended June 30, 2008

ADDITIONS		
Contributions:		
Employer	**$**	**46,716,398**
Member		**6,732,712**
Total contributions		**53,449,110**
Investment income:		
Net change in fair value of investments		**(47,342,734)**
Interest		**7,223,942**
Dividends		**9,685,305**
Other		**413,294**
Investment expense		**(2,005,009)**
Net investment (loss) income		**(32,025,202)**
Total additions		**21,423,908**
DEDUCTIONS		
Benefits		**23,312,338**
Administrative expenses		**424,013**
Total deductions		**23,736,351**
Change in net assets		**(2,312,443)**
Net assets - beginning		**446,688,083**
Net assets - ending	**$**	**444,375,640**

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

Howard County, Maryland
Combining Statement of Net Assets
Component Units
June 30, 2008

		Public School System	Community College	Library	Housing Commission	Total
ASSETS						
Equity in pooled cash and cash equivalents	$	38,685,793	25,770,767	2,101,220	3,564,138	70,121,918
Investments		57,270,212	5,309,952	1,293,334	164,814	64,038,312
Receivables:						
Due from other governments		23,044,601	8,290,271	-	-	31,334,872
Other		3,440,965	2,565,641	130,235	691,316	6,828,157
Materials and supplies		1,572,081	682,759	-	-	2,254,840
Prepaids		2,033,413	487,166	225,144	8,117	2,753,840
Restricted assets:						
Equity in pooled cash and cash equivalents		116,659	-	227,916	5,662,845	6,007,420
Mortgage receivable		-	-		2,468,454	2,468,454
Capital assets:						
Land		13,754,378	3,112,143	164,453	16,492,517	33,523,491
Construction in progress		247,044,483	12,678,835	-	6,141	259,729,459
Buildings and improvements, net		561,356,323	108,155,060	-	14,342,964	683,854,347
Machinery and equipment, net		6,634,635	3,390,673	243,874	-	10,269,182
Other assets		-	857,571	2,383,537	-	3,241,108
Total assets	$	954,953,543	171,300,838	6,769,713	43,401,306	1,176,425,400
LIABILITIES						
Current liabilities:						
Accounts payable and other current liabilities	$	79,150,823	4,883,791	1,225,281	306,793	85,566,688
Accrued salaries and benefits		-	1,137,794	624,620	-	1,762,414
Deposits		-	311,026	-	-	311,026
Due to primary government		-	9,180,482	-	-	9,180,482
Unearned revenues		6,718,028	2,787,714	282,972	988,956	10,777,670
Long term liabilities:						
Due within one year		4,461,973	672,858	-	2,853,972	7,988,803
Due in more than one year, net		15,831,626	12,659,402	756,530	14,161,522	43,409,080
Total liabilities	$	106,162,450	31,633,067	2,889,403	18,311,243	158,996,163
NET ASSETS						
Invested in capital assets, net of related debt	$	815,848,896	109,596,470	2,791,864	16,782,211	945,019,441
Restricted for:						
Education		2,585,075	6,834,404	227,916	-	9,647,395
Business type operations		2,274,324	652,531	-	-	2,926,855
Unrestricted		28,082,798	22,584,366	860,530	8,307,852	59,835,546
Total net assets	$	848,791,093	139,667,771	3,880,310	25,090,063	1,017,429,237

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

Howard County, Maryland
Statement of Activities
Component Units
For the Year Ended June 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Public School System	Community College	Library	Housing Commission	Total
Component units:									
Public school system	$ 725,740,430	14,726,459	105,585,691	71,338,764	(534,089,516)	-	-	-	(534,089,516)
Community college	76,155,655	31,908,816	852,976	10,884,727	-	(32,509,136)	-	-	(32,509,136)
Library	16,449,084	621,958	-	-	-	-	(15,827,126)	-	(15,827,126)
Housing commission	16,043,954	1,420,043	-	13,899,748	-	-	-	(724,163)	(724,163)
Total component units	$ 834,389,123	48,677,276	106,438,667	96,123,239	(534,089,516)	(32,509,136)	(15,827,126)	(724,163)	(583,149,941)

	Public School System	Community College	Library	Housing Commission	Total
General revenues:					
Property taxes	427,176,316	23,635,010	14,374,121	-	465,185,447
Intergovernmental, unrestricted	156,782,666	19,795,470	2,310,535	-	178,888,671
Investment income	1,659,470	850,026	105,630	61,938	2,677,064
Sale of property	-	-	-	757,512	757,512
Miscellaneous	611,842	-	-	2,873,385	3,485,227
Total general revenues	586,230,294	44,280,506	16,790,286	3,692,835	650,993,921
Change in net assets	52,140,778	11,771,370	963,160	2,968,672	67,843,980
Net assets - beginning of year	796,650,315	127,896,401	2,917,150	22,121,391	949,585,257
Net assets - end of year	$ 848,791,093	139,667,771	3,880,310	25,090,063	1,017,429,237

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

Notes to Basic Financial Statements
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[redacted]

1. Summary of Significant Accounting Policies

A. The Reporting Entity

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

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

Discretely Presented Component Units

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

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

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

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

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

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

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

Howard County Library
10375 Little Patuxent Parkway
Columbia, Maryland 21044

Howard Community College
10901 Little Patuxent Parkway
Columbia, Maryland 21044

Howard County Housing Commission
6751 Columbia Gateway Drive, 3rd Floor
Columbia, Maryland 21046

B. Government-Wide and Fund Financial Statements

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

The Statement of Activities displays the extent to which direct expenses are offset by program revenues for each function of governmental activities and for each segment of business-type activities. Direct expenses are those that can be attributed to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and pension trust fund financial statements. Agency funds do not have a measurement focus and are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources, which by law are designated to finance particular functions or activities of the County. The following revenue sources are included in special revenue funds: local transfer tax, fire and rescue tax, forest conservation developer fees, residential trash collection and disposal fee, grants, registration fees for recreational programs, and fees for health services.

Capital Projects Funds are used to account for all resources for the construction or acquisition of capital assets, except those accounted for in the General Capital Projects fund and proprietary fund types.

Internal Service Funds are funds used to account for goods and services furnished by one County department to another County department on a cost reimbursement basis. Internal Service Funds account for centralized printing and mailing services; information systems and communication (telephone) operations; risk management activities for workers' compensation, general liability, environmental, vehicle and property insurance; County employee health benefits costs; and the maintenance and replacement of the County's radio communications systems.

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and of the Special Recreation Facility Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Budgetary Process

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

During the fiscal year, the County Council, upon the request of the County Executive, may approve transfers between projects in the capital budget but it may not increase the total size of the capital budget. The County Council, at any time during the fiscal year, may approve supplemental operating budget requests from the County Executive. The budgeted contingency reserve, which may not exceed 4 percent of the appropriated budget, is the funding source for supplemental requests. After April 1 of each year, the Council may also at the request of the Executive approve transfers between departments in the operating budgets. The Council may approve supplemental budgets from unappropriated funds only in emergencies affecting "life, health and property." Additionally, the County Executive has the authority to make transfers within a department at any time during the year without approval of the County Council. During fiscal year 2008, the Council approved one capital budget transfer and ten operating budget supplements.

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

Lapsed appropriations are reported as miscellaneous revenue on a budgetary basis. Open encumbrances are treated as reservations of fund balances on a modified accrual (fund) reporting basis.

E. Deposits and Investments

Cash Equivalents

For purposes of the statement of cash flows, the County considers all demand deposits and investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments

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

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

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

F. Loans Receivable

For the purposes of the fund financial statements, Special Revenue Fund expenditures relating to housing loans in the Community Renewal Fund are charged to operations upon funding, and the loans are recorded with an offset to a restricted fund balance account. The restricted fund balance account is analyzed to identify new loans added during the year. For purposes of the Government-wide Financial Statements, housing loans are not offset by restricted fund balance accounts.

G. Inventory

Materials and supplies are valued at cost, 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. This is referred to as the consumption method of inventory accounting.

H. Capital Assets

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

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

Buildings	15-50	Road Surface	15
Bridges	40	Cars and Light Trucks	5-10
Traffic Signals	25	Furniture and Equipment	5
Building Improvements	20	Computer equipment	3

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

I. Compensated Absences

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

J. Self-Insurance

The County establishes its funding of claims liabilities as they occur. This funding level includes provisions for indemnity, medical losses and allocated loss adjustment expenses which are all classified as incremental claim adjustment expenses. Unpaid claims in the self-insurance funds include liabilities for unpaid claims based upon individual case estimates for claims reported at June 30, 2008. The unpaid claims also include liabilities for incurred but not reported (IBNR) claims as of June 30, 2008.

K. Water and Sewer Assessments

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

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

L. Reconciliation Between GAAP and Budgetary Basis

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

The financial statements are reconciled as follows:

	General Fund	Agricultural Land Pres. Fund
Budgetary basis - revenues and other sources over expenditures and other uses	$ 22,666,157	37,143,407
Adjustments:		
Appropriation of prior year fund balances	(37,739,594)	(30,564,749)
Current year encumbrances outstanding	8,928,991	-
Prior year encumbrances expended this year	(4,869,404)	
Prior year encumbrances lapsed during the current fiscal year	(246,057)	-
Effect of recording payroll expenditure - modified accrual basis	(1,065,936)	(798)
Other	114,050	
GAAP basis - revenues and other sources over expenditures and other uses	$ (12,211,793)	6,577,860

The ending fund balances are reconciled as follows:

	General Fund	Agricultural Land Pres. Fund
Budgetary basis, June 30, 2008	$ 100,895,823	65,158,385
Adjustments:		
Current year encumbrances outstanding	8,928,991	-
FY 2007 encumbrances extended to FY 2009	981,059	-
Payroll expenditures recorded on a modified accrual basis	(7,864,292)	(7,534)
Other	(14,569)	-
GAAP basis, June 30, 2008	$ 102,927,012	$ 65,150,851

M. Budget Stabilization Account

The County has established a budget stabilization account (also known as the “rainy day fund”) to provide funding in emergency situations or in cases of revenue shortfalls. The County Charter sets a goal of maintaining the account at 7 percent of audited General Fund expenditures for the most recently completed fiscal year at the time the budget is prepared. When the fiscal year 2008 budget was prepared, the fiscal year 2006 financial statements were the most recently completed and audited. Therefore, the charter target is based upon fiscal year 2006 audited expenditures. A contribution of $3,312,815 was made to the fund in fiscal year 2008, which brought it to the charter target of $45,095,430. A designation of fund balance has been made in the General Fund in the amount of $9,585,936 to meet the charter target for fiscal years 2009 and 2010.

The budget stabilization account is calculated as follows:

Budget Fiscal Year	Audited Expenditures from Fiscal Year	Audited Expenditures	Percentage	Charter Target
2008	2006	$ 644,220,430	7%	$ 45,095,430
2009	2007	$ 695,771,280	7%	$ 48,703,989
2010	2008	$ 781,162,373	7%	$ 54,681,366

N. Net Assets Restricted by Enabling Legislation

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

Governmental activities	$ 144,785,298
Business-type activities	139,098,839
Total	$ 283,884,137

O. Implementation of New Accounting Principles

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

Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*": This statement establishes uniform financial reporting standards for OPEB plans that are administered by a trustee or plan administrator that is a governmental entity or an employer or plan sponsor that includes the plan as a trust or an agency fund in its own financial report.

Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*": This statement establishes standards for the measurement, recognition and display of OPEB expenditures and related liabilities or assets, note disclosures, and required supplementary information.

Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*": This statement establishes standards for accounting and reporting a transaction involving receivables or future revenues as a sale or as a collateralized borrowing.

Statement No. 50, "*Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*": This statement enhances the information disclosure in the notes to the financial statements for defined benefit pension plans or information presented as required supplementary information.

The financial statements (Governmental, Enterprise, and Fiduciary Funds Statements), notes to basic financial statements (notes #8, 14 & 15) and required supplementary information have been modified to include the required information.

2. Equity in Pooled Cash and Cash Equivalents and Investments

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

The County's Cash and Investments

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

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy requires at least 102 % collateralization of deposits. None of the component units have a policy covering deposits. The carrying amount of total deposits, including certificates of deposit, for the County was $7,666,185 and the bank balance was $5,357,421 at June 30, 2008. The bank balance was covered by federal depository insurance or by collateral held by the County's agent in the County's name. The component units had a combined bank balance of $57,506,939. Of that amount, $751,190 was covered by federal depository insurance or by collateral held in the component unit's name; $56,755,749 was covered by collateral held in the pledging bank's trust department or by the pledging bank's agent in the component unit's name.

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

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

Of the component units, the Howard County Public School System, the Community College and the Library have investment policies, while the Housing Commission does not.

The table below reconciles the County's deposits ($7,666,185) and investments ($871,269,993) to the Government-wide Statement of Net Assets and the Statement of Net Assets – Pension and Other Post Employment Benefits Trust Funds and Agency Funds:

Equity in pooled cash and cash equivalents	$	143,289,777
Restricted equity in pooled cash and cash equivalents		236,697,802
Investments		494,927,280
Total	$	874,914,859

Investments of the County and its component units as of June 30, 2008:

	Fair value					
Investments		Primary Government		Component Units		Reporting Entity
Repurchase agreements	$	60,000,000	$	-	$	60,000,000
U.S. Government securities		32,654,571		-		32,654,571
U.S. Government sponsored enterprises		197,554,154		-		197,554,154
Bankers' acceptances		2,972,547		-		2,972,547
Maryland Local Govt. Investment Pool		109,415,208		82,776,310		192,191,518
Money market funds		2,379,487		-		2,379,487
Mutual funds		-		5,309,952		5,309,952
Equity in properties under home ownership		-		4,668,821		4,668,821
Total	**$**	**404,975,967**	**$**	**92,755,083**	**$**	**497,731,050**

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

At June 30, 2008, the County had $117,998,200 of callable investments. All of the call dates were within 10 months of final maturity. In calculating weighted average maturity, we made the assumption that none of these investments would be called.

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

Investment Type		Fair Value	Weighted Average Maturity (in years)
Repurchase agreements	$	60,000,000	0.03
U.S. Government securities		32,654,571	12.91
U.S. Government- Sponsored Enterprises		197,554,154	0.69
Bankers' acceptances		2,972,547	0.20
Total	**$**	**293,181,272**	
Portfolio weighted average maturity			1.91

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

Credit Risk: State law limits investments in bankers' acceptances and commercial paper to the highest short-term debt letter and numerical rating by at least one nationally recognized statistical rating organization. All investments in U.S. Government Sponsored Enterprises are rated AAA by Standard & Poor's. The Maryland Local Government Investment Pool and the money market fund are both rated AAAm by Standard & Poor's. The bankers' acceptances are guaranteed by financial institutions that are rated A-1+ by Standard & Poor's.

Concentration of Credit Risk: The County places no limit on the amount the County may invest in any one issuer. More than 5% of the County's investments are in the Federal Home Loan Bank, the Federal Agricultural Mortgage Corporation, the Federal Farm Credit Bank, and the Federal Home Loan Mortgage Corporation. At June 30, 2008, investments in these U.S. Government Sponsored Enterprises represent 42.5%, 10.9%, 7.8%, and 6.1% respectively, of the County's total investments.

Pension Trust Funds' Cash and Investments

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

Investments: The Plans' investment policy includes an asset allocation plan for investments. The target allocation is 60% equities and 40% fixed income. The minimum and maximum percentages for equities are 50% and 70%, respectively, and for fixed income are 30% and 50%, respectively.

Investments of the Plans as of June 30, 2008:

Investments		Fair value
Common stocks	$	130,025,925
Mutual funds		131,244,422
Money market funds		33,715,453
Fixed income		132,174,986
Real estate		21,111,923
Total	**$**	**448,272,709**

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

Investment Type	Fair Value	Weighted Average Maturity (in years)
Agency securities	$ 1,509,014	13.17
Asset backed securities	1,896,642	22.94
Auto loans receivable	687,345	2.81
Collateralized mortgage obligations	23,686,311	31.63
Corporate bonds	45,454,171	12.94
Credit card receivable	622,363	4.38
Government sponsored enterprises	26,317,090	15.21
Municipal securities	102,600	13.18
U.S. Agency securities	2,854,453	10.43
U.S. Treasury securities	12,571,314	5.84
Total	**$ 115,701,303**	
Portfolio weighted average maturity		16.51

Credit Risk: The money market fund used by State Street Bank is unrated, as are the mutual funds used by the Plans. As of June 30, 2008, the Plans' fixed income investments had the following risk characteristics:

Standard & Poor's Rating or Comparable		Fair Value
AAA to A	$	51,430,132
BBB to B		23,181,053
CCC to C		11,185
Less than C		-
Total	**$**	**74,622,370**

Custodial Credit Risk: State Street invests in a money market fund on behalf of the Plans. At June 30, 2008, the amount in the money market fund was $33,715,453 of which $20,698,032 as committed to the prospective settlement of federal agency mortgage backed security TBA's. This fund is uninsured and uncollateralized. All other investments of the fund are held by State Street Bank as trustee in the Plans' names.

Credit Risk – Currency Forward Contract

One of the Plans' investment objectives is to diversify assets in accordance with the Modern Portfolio Theory (MPT) in order to reduce overall risk. Consistent with this objective, the Plans have participated in a mutual fund that holds 3-month currency forward contracts. This strategy is undertaken to protect the dollar value of underlying international investments. The hedging is restricted to 100% of the underlying asset value and 50% of the total Fund value. At June 30, 2008, the Plans total investment in this fund was $29.1 million or 6% of total assets at fair value.

Foreign Currency Risk: The Plans' exposure to foreign currency risk derives from its investments in foreign currency or instruments denominated in foreign currency. Investments in such securities are limited to a maximum net currency exposure of 20% at any given time. The Plans' exposure to foreign currency risk is as follows:

Investment type	Currency		Fair Value
Government issues	Brazilian Real	$	1,276,014
Common Stock	Euro Currency		68
Corporate bonds	Pound Sterling		(76,614)
Total		**$**	**1,199,468**

Other Post Employment Benefits Trust Funds' Cash and Investments

The OPEB Trust had $14,013,547 in money market accounts at Maryland Local Government Investment Pool as of June 30, 2008.

3. Receivables

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

Receivables:		General Fund	Agricultural Land Pres. Fund	General County Capital Proj.	Enterprise Funds	Nonmajor and Other Funds	Total
Service billings	$	-	-	-	9,957,236	886,015	10,843,251
Property taxes		3,299,176	-	-	114,036	589,907	4,003,119
Water and sewer assessments		-	-	-	96,907,626	-	96,907,626
Due from other governments		123,301,882	1,098,315	1,098,315	-	6,189,059	131,687,571
Other		1,622,046	-	1,020	299,472	12,446,281	14,368,819
Gross receivables		128,223,104	1,098,315	1,099,335	107,278,370	20,111,262	257,810,386
Less: Allowance for uncollectables		(69,376)	-	-	-	-	(69,376)
Total Receivable	$	128,153,728	1,098,315	1,099,335	107,278,370	20,111,262	257,741,010

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Most of the receivables in the Enterprise Funds are liens on real property that will be sold via the annual tax sale process if not paid. Therefore, no allowance is established. At June 30, 2008, the various components of deferred revenue and unearned revenue reported were as follows:

	Unavailable	Unearned
Governmental funds:		
General Fund:		
Private roads	$ -	$ 35,992
Income tax	97,168,161	-
Property tax	2,421,504	-
Escrow	-	555,431
Highway Capital Project Fund:		
Sidewalks	-	-
Non-major funds:		
Due from governmental agencies	-	9,939,105
Recreation program fees	-	2,824,051
Total governmental funds	$ 99,589,665	$ 13,354,579

4. Interfund Transfers

Interfund transfers for the year ended June 30, 2008 consisted of the following:

Reconciliation of Transfers In and Out

Fund	General	Agricultural Land Pres.	Capital Projects General	Capital Projects Non-major	Non-major Special Revenue	Internal Service	Enterprise	Total In
General	$ -	184,321	7,040,502	7,587,313	5,566,102	1,561,023	3,755	21,943,016
Capital Projects:								
General	12,672,976	-	-	-	-	-	900,000	13,572,976
Non-major	5,496,884	-	19,026,415	-	7,655,000	-	-	32,178,299
Non-major Special								
Revenue	21,718,945	-	-	-	-	-	-	21,718,945
Enterprise	200,000	-	-	-	-	-	-	200,000
Total Out	$ 40,088,805	184,321	26,066,917	7,587,313	13,221,102	1,561,023	903,755	89,613,236

The transfers out from the General Fund are operating funding to a State Agency, the disbursement of grant matching funds, and the disbursement of pay-as-you-go monies to various capital projects. The transfers out from the General Capital Projects Fund to other capital project funds are bond funds. When bonds are sold, the proceeds are posted to the General Capital Projects Fund and then transferred to the other capital project funds as expenditures occur. Transfer tax revenue is dedicated to various functions in the capital projects and non-major special revenue funds. Part of that revenue is then transferred to the General Fund to cover each function's share of debt service costs for the year.

5. Due From Other Governments

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

6. Property Tax and Transfer Tax

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

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

7. Capital Assets

Capital asset activity for governmental activities for the fiscal year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	$ 394,282,928	29,875,027	-	424,157,955
Construction in progress	130,042,754	58,040,069	36,772,751	151,310,072
Total capital assets, not being depreciated	524,325,682	87,915,096	36,772,751	575,468,027
Capital assets being depreciated:				
Buildings	170,441,673	23,666,711	-	194,108,384
Improvements other than buildings	57,455,372	10,988,157	14,000	68,429,529
Equipment	84,413,192	14,517,721	4,103,984	94,826,929
Infrastructure	269,910,153	2,428,102	2,132,527	270,205,728
Total capital assets, being depreciated	582,220,390	51,600,691	6,250,511	627,570,570
Less accumulated depreciation for:				
Buildings	52,187,653	4,439,487	-	56,627,140
Improvements other than buildings	26,133,766	4,271,316	14,000	30,391,082
Equipment	50,543,510	8,965,673	3,590,371	55,918,812
Infrastructure	108,871,594	8,845,589	110,133	117,607,050
Total accumulated depreciation	237,736,523	26,522,065	3,714,504	260,544,084
Total capital assets, being depreciated, net	344,483,867	25,078,626	2,536,007	367,026,486
Governmental activities capital assets, net	$ 868,809,549	112,993,722	39,308,758	942,494,513

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

Governmental activities:	**Amount**
General government	$ 3,486,201
Public safety	3,030,487
Public facilities	12,415,577
Legislative and judicial	36,115
Community services	863,985
Recreation and parks	2,170,830
Capital assets held by the government's internal service funds are charged to the various functions based on usage of assets	4,518,870
Total depreciation expense - governmental activities	$ 26,522,065

Capital asset activity for business-type activities for the fiscal year ended June 30, 2008 was as follows:

	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	$ 10,802,873	-	-	10,802,873
Construction in progress	88,810,278	24,432,303	6,946,884	106,295,697
Total capital assets, not being depreciated	99,613,151	24,432,303	6,946,884	117,098,570
Capital assets being depreciated:				
Buildings	37,019,412	-	-	37,019,412
Improvements other than buildings	575,913,924	16,998,614	1,379,073	591,533,465
Equipment	1,404,471	197,964	29,783	1,572,652
Total capital assets, being depreciated	614,337,807	17,196,578	1,408,856	630,125,529
Less accumulated depreciation for:				
Buildings	6,985,167	1,664,644	-	8,649,811
Improvements other than buildings	243,443,827	16,459,037	138,327	259,764,537
Equipment	875,744	152,697	29,783	998,658
Total accumulated depreciation	251,304,738	18,276,378	168,110	269,413,006
Total capital assets, being depreciated, net	363,033,069	(1,079,800)	1,240,746	360,712,523
Business-type activities capital assets, net	$ 462,646,220	23,352,503	8,187,630	477,811,093

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

Business-type activities:	Amount
Water and Sewer system	$ 18,204,614
Golf course	71,764
Total depreciation expense - business-type activities	$ 18,276,378

Construction Commitments

Howard County government total encumbrances outstanding as of June 30, 2008 were $166,834,605.

8. Long-Term Debt

A. Primary Government

A summary of long-term debt outstanding for the primary government at June 30, 2008 is as follows:

	Due Dates	Interest Rates		Amount Outstanding
Governmental Activities:				
Consolidated public improvement bonds (1)	2008-2028	2.00% to 5.25%		$ 648,874,905
State Water Quality Revolving Loan	2008-2016	2.41%		9,760,000
Total debt subject to statutory limit				658,634,905
Compensated Absences	various	not applicable		17,845,511
Net OPEB Obligation	various	not applicable		50,787,833
Landfill closure obligation	various	not applicable		34,656,180
Agricultural Land Preservation Program	2008-2028	6.00% to 8.60%		60,582,200
Total Governmental Activities			(2)	822,506,629
Business Type Activities:				
Metropolitan district bonds (1)	2008-2038	2.00% to 5.25%		$ 89,796,846
State water quality revolving loan	2008-2024	1.10% to 4.33%		49,219,990
Special facility revenue bonds	2008-2020	2.00% to 3.800%		7,915,000
Net OPEB Obligation	various	not applicable		835,453
Major water and sewer agreements	various	not applicable		3,003,736
Total Business Type Activities			(3)	150,771,025
Total Debt				$ 973,277,654

Note (1): Adjusted to reflect accreted interest on Capital Appreciation Bonds.
Note (2): Does not include deferred refunding premium liability of $31,002,815 and economic refunding loss of ($2,335,279) shown in the Statement of Net Assets.
Note (3): Does not include economic refunding loss of ($132,639**)** shown in the Statement of Net Assets. Also, does not include compensated absences of $640,691, metropolitan district bonds of ($483,436), developer agreement rebates of $478,154, (a contractual obligation to reimburse a developer for a portion of the cost of constructing water/sewer lines donated to the County) or deferred water and sewer assessments of $33,828,046.

The County is subject to State and County law which limits the amount of applicable General County debt (including Consolidated Public Improvement Bonds, State Water Quality Loan, Local Government Insurance Trust, and Maryland State Retirement) outstanding to 4.8 percent of the assessed value of real property and personal property located in the County. At June 30, 2008 the statutory debt limit was $2,028,393,707 providing a debt margin of $1,369,758,802. The authorized, unissued General County and Metropolitan District Bonds at June 30, 2008 were $327,540,802 and $128,339,022, respectively. It is the County's intent to use such unissued bonds to fund future capital projects. There is no overlapping municipal bonded debt in the County and the County is in compliance with its debt agreement provisions.

The changes in long-term debt for the primary government for the year ended June 30, 2008 are as follows:

		Balance June 30, 2007	Additions	Retirements		Balance June 30, 2008	Amounts Due Within One Year
Consolidated public improvement bonds (1)	$	588,785,415	195,279,490	135,190,000		648,874,905	46,835,000
State Water Quality Revolving Loan		11,555,000	-	1,795,000		9,760,000	1,780,000
Compensated absences		16,136,921	2,570,716	862,126		17,845,511	1,079,313
Net OPEB Obligation		-	50,787,833	-		50,787,833	-
Landfill closure obligation		32,751,884	1,904,296	-		34,656,180	-
Agricultural Land Preservation Program		52,445,000	8,369,200	232,000		60,582,200	146,000
Total long-term debt		701,674,220	258,911,535	138,079,126	(2)	822,506,629	49,840,313
Metropolitan district bonds (1)		91,265,520	16,351,326	17,820,000		89,796,846	5,290,000
State Water Quality Revolving Loan		52,830,967	8,212	3,619,189		49,219,990	3,610,908
Special facility revenue bonds		8,420,000	-	505,000		7,915,000	520,000
Compensated absences		619,678	22,566	1,553		640,691	9,716
Net OPEB Obligation		-	835,453	-		835,453	-
Major water and sewer agreements		2,037,464	1,100,000	133,728		3,003,736	-
Total enterprise fund		155,173,629	18,317,557	22,079,470	(3)	151,411,716	9,430,624
Total	$	856,847,849	277,229,092	160,158,596		973,918,345	59,270,937

Note (1): Adjusted to reflect accreted interest on Capital Appreciation Bonds.

Note (2): Does not include deferred refunding premium liability of $31,002,815 and economic refunding loss of ($2,335,279) shown in the Statement of Net Assets.

Note (3): Does not include and economic refunding loss of ($132,639**)** shown in the Statement of Net Assets. Also, does not include metropolitan district bonds of ($483,436), developer agreement rebates of $478,154, or deferred water and sewer assessments of $33,828,046.

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

On December 19, 2007, the County issued $87,420,000 in **Consolidated Public Improvement Project and Refunding Bonds** with an effective interest rate of 3.423 percent, $11,980,000 in **Metropolitan District Project and Refunding Bonds** with an effective interest rate of 4.153 percent. The County issued these bonds to refund $92,035,000 and $12,055,000 of General Obligation and Metropolitan District Bonds, respectively. The average interest rates on the refunded General Obligation and Metropolitan District Bonds was 4.883 percent and 4.775 percent, respectively. The savings or aggregate difference in debt service, from refunding Consolidated Public Improvement Project Bonds was $5,265,048 and from refunding Metropolitan District Project and Refunding Bonds was $1,012,536. The economic gain, or net present value of savings, from refunding Consolidated Public Improvement Project Bonds and Metropolitan District Project and Refunding Bonds was $4,424,764 and $708,940, respectively.

On February 27, 2008, the County issued $107,500,000 in **Consolidated Public Improvement Project Bonds** with an effective interest rate of 3.990 percent, $4,095,000 in **Metropolitan District Project Bonds** with an effective interest rate of 4.270 percent. The County issued these bonds to pay off $107,500,000 of the 2006 commercial paper bond anticipation notes (BANs); to provide funding for certain capital projects and to pay bond issuance costs.

Since 1993, the County has participated in the **State Water Quality Revolving Loan Program**. Under this program, the State makes loans to local governments with interest rates that are below the market rate for tax-exempt financing. As of June 30, 2008, the County has borrowed $87,015,512; of which $72,805,512 was borrowed by the Water and Sewer Enterprise Fund to expand the County's water reclamation plant and $14,210,000 was used to refund Consolidated Public Improvement Bonds. The outstanding balances of these loans are $49,219,990 and $9,760,000, respectively.

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

During fiscal year 1995, the County issued **Special Facility Revenue Bonds** in the amount of $10,675,000. On June 1, 2003, the County refunded the balance of the **Special Facility Revenue Bonds**, which was $9,220,000, and issued **Golf Course Refunding Bonds** in the amount of $9,880,000. The original bonds were issued for the purpose of constructing a public golf course with related facilities. Income derived from the golf course facility is pledged to pay debt service on these bonds and to establish a debt service reserve fund equal to the greatest amount of debt service payable in a fiscal year. The balance in the debt service reserve fund and the amount of pledged revenue at June 30, 2008 are $763,323 and $95,694, respectively. If a deficiency exists in the debt service reserve fund securing these bonds, the County is obligated to restore the amount in the debt service reserve fund to the maximum annual debt service on these bonds not later than 30 days after the beginning of the first fiscal year beginning after such deficiency is determined, until these bonds have been paid in full. These bonds do not constitute a pledge of the County's full faith and credit or taxing power, but the County's covenant to restore the amount in the debt service reserve fund is a general contractual obligation of the County.

Under its **Agricultural Land Preservation Program**, the County acquires development rights on a parcel of agricultural property by entering into an installment purchase agreement with the property owner. 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 (See Note 2). The County acquires the development rights to the land in perpetuity.

In prior years, the County defeased certain Consolidated Public Improvement and Metropolitan District bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included as long-term obligations of the County or Enterprise Fund. At June 30, 2008, $72,761,460 of Consolidated Public Improvement bonds and $7,140,000 of Metropolitan District bonds are considered defeased.

A summary of debt service requirements to maturity, including principal and interest, for certain long-term debt as of June 30, 2008 is as follows:

Debt service requirements of governmental activities:

Year ending	**General County Bonds ***		**Agricultural Land Program**	
June 30:	**Principal**	**Interest**	**Principal**	**Interest**
2009	$ 48,615,000	29,076,161	146,000	4,585,892
2010	47,274,905	27,262,501	237,000	4,573,827
2011	46,315,000	24,954,220	146,000	4,556,073
2012	45,545,000	23,063,709	237,000	4,544,008
2013	43,945,000	21,205,546	146,000	4,526,254
2014-2018	184,255,000	78,244,382	9,267,200	21,969,989
2019-2023	148,030,000	40,100,513	32,149,000	12,932,872
2024-2028	94,655,000	10,259,051	18,254,000	2,842,615
	$ 658,634,905	254,166,083	60,582,200	60,531,530

* Includes accreted interest on Capital Appreciation Bonds.

Debt service requirements of business-type activities:

Year ending June 30:	Metro District Bonds Principal	Metro District Bonds Interest	Water Quality Principal	Water Quality Interest	Special Facility Revenue Bonds Principal	Special Facility Revenue Bonds Interest
2009	$ 5,290,000	3,767,785	3,610,908	1,413,566	520,000	243,323
2010	5,121,846	3,816,837	3,715,136	1,317,830	525,000	232,347
2011	4,625,000	3,392,602	3,822,730	1,219,259	540,000	219,823
2012	4,625,000	3,194,872	3,933,810	1,117,598	555,000	204,747
2013	4,225,000	3,023,513	4,047,503	1,012,739	575,000	187,798
2014-2018	22,325,000	12,261,449	15,076,922	3,521,895	3,140,000	654,384
2019-2023	18,465,000	7,620,092	14,364,552	1,645,697	2,060,000	114,372
2024-2028	12,650,000	4,412,445	648,429	72,068	-	-
2029-2033	7,810,000	1,901,737	-	-	-	-
2034-2038	4,660,000	418,769	-	-	-	-
	$ 89,796,846	43,810,101	49,219,990	11,320,652	7,915,000	1,856,794

B. Component Units

The changes in long-term obligations for the component units for the year ended June 30, 2008 are as follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Public School System:				
Capital leases and compensated absences	$ 17,756,968	7,213,162	4,676,531	20,293,599
Community College:				
Loans and compensated absences	13,102,061	558,090	327,891	13,332,260
Library:				
Compensated absences	676,418	80,112	-	756,530
Housing:				
Loans and compensated absences	14,664,923	3,424,946	1,074,375	17,015,494
Total	$ 46,200,370	11,276,310	6,078,797	51,397,883

9. Short-Term Debt

The changes in short-term debt for the primary government for the year ended June 30, 2008 are as follows:

Type	Balance July 1, 2007	Issued	Retired	Balance June 30, 2008
Bond Anticipation Note	$ 150,000,000	43,500,000	107,500,000	$86,000,000

On June 11, 2008, the County issued commercial paper bond anticipation notes (BANs) for $43,500,000 to finance the construction of county-wide capital projects.

10. Conduit Debt

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

As of June 30, 2008, there were 71 series of conduit debt outstanding. The aggregate principal amount payable for the 16 series issued after July 1, 1996 was $127,737,651. The aggregate principal amount payable for the 55 series issued prior to June 30, 1996 could not be determined; however, their original issue amounts totaled $203,899,329.

11. Lease Obligations

Operating Leases – Primary Government

The County is committed under various long-term operating lease agreements for office space as lessee. Lease expenditures for the year ended June 30, 2008 amounted to $1,942,479. Future lease payments including any agreed upon percentage increases are as follows:

Fiscal Year		
2009	$	1,768,874
2010		1,737,292
2011		1,558,599
2012		468,568
2013		487,311
2014-2016		1,582,037

The County also leases County-owned tower space under various long-term operating lease agreements as lessor. Lease revenues for the year ended June 30, 2008 amounted to $193,046. Future lease revenues are as follows:

Fiscal Year		
2009	$	174,361
2010		17,061
2011		1,200
2012		1,200
2013		1,200
2014-2016		2,903

Capital Leases

The golf course has entered into two lease agreements as lessee for financing the acquisition of one mower and one tractor with a down payment of $18,086 through the Special Recreation Facility Fund. These lease agreements qualify as capital leases for accounting purposes, and must be recorded at the lesser of their fair value or the present value of their future minimum lease payments. Therefore, they have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through these capital leases are as follows:

	Business Activities
Asset:	
Machinery and Equipment	$ 50,386
Less: Accumulated Depreciation	(6,718)
Total	$ 43,668

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 are as follows:

	Business Activities
Year Ending June 30	
2009	$ 18,086
2010	18,086
Total minimum lease payments	36,171
Less: amount representing interest	(3,870)
Present value of minimum lease payments	$ 32,301

12. Restricted Assets

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

13. Landfill Closure and Post-Closure Care Cost

State and federal laws and regulations require the County to place a final cover cap on closed cells at the currently operating Alpha Ridge Landfill and to perform certain maintenance and monitoring functions at the landfill site for a minimum period of 30 years after closure. The County recognizes a portion of these costs in each operating period based on landfill capacity used as of each balance sheet date. Closure and post-closure care costs are paid after each cell is filled to capacity. The closure cap for a 70-acre inactive landfill cell was completed in 2001. A separate active lined landfill cell is projected to close no earlier than 2050 if current operating conditions continue and will be capped at that time. In addition, the County has constructed closure caps and groundwater treatment systems at two older closed landfills, and the post-closure operating costs are included in the Environmental Services Fund budget. The long-term liability for these older landfills has been removed from long-term debt. Future total closure and post-closure care costs for the Alpha Ridge Landfill as determined through engineering studies will approximate $41,231,800. Actual cost may differ due to inflation or future design changes. The County ceased using the Alpha Ridge Landfill as its primary disposal site as of

March 1997 and, thus, it is not expected to use the landfill to its full capacity in the foreseeable future. The County is exporting waste to a regional landfill in Virginia. The remaining capacity at the landfill will be held for backup or future use. As of June 30, 2008, the County has recognized $34,656,180 of these costs. This cumulative amount reported to date is based on the use of 71.67 percent of the existing cell and 100 percent of the closed cell. The total current cost of closure and post-closure care to be recognized in future years is $6,575,620. The County intends to finance these costs through the proceeds of bonds and through its annual operating budget. The General Fund has been used in prior years to liquidate the liability.

14. Retirement Plans

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

The payroll for employees covered by the Retirement Plan for the year ended June 30, 2008 was $77,079,291. The payroll for police and fire employees covered by the Police and Fire Plan for the year ended June 30, 2008 was $47,447,121. The payroll for employees covered by the State Retirement System and State Pension System for the year ended June 30, 2008 was $2,353,590 and $5,343,215 respectively. The County's total payroll was approximately $159,965,964. Both the Retirement Plan and the Police and Fire Plan issue separate audited financial reports which may be obtained by writing to: Howard County, Maryland, Director of Finance, 3430 Court House Drive, Ellicott City, Maryland 21043, or by contacting the County via e-mail at staghavi@howardcountymd.gov.

The Retirement Plan and the Police and Fire Plan provide retirement benefits as well as death and disability benefits and cost-of-living adjustments. Under the conditions of the Retirement Plan, participants attaining the age of 62 who have completed two years of eligibility service and the sum of attained age in whole years and years of eligibility service equal at least 67 or participants who have completed 30 years eligibility service, are entitled to a normal retirement benefit. After July 1, 2005, normal retirement is also defined as 20 years of service for participating Corrections employees. For non-Corrections participants, the benefit is 1.55% of the participants average compensation times the participant's creditable service. The Plan permits early retirement for participants who attain the age of 55 and having completed 15 years of eligibility service. The benefit is reduced ½ percent for each month the early retirement date precedes the participant attaining age 62. For participants who reach a termination after August 31, 2002, early retirement is also provided to participants who achieve 25 years of eligibility service. This benefit is reduced by ½ percent each month the benefit commencement date precedes 30 years of eligibility service, or ½ percent for each month the retiree's age precedes age 62, if less. Participating Corrections employees who retire on or after July 1, 2005 are entitled to receive a normal retirement benefit of 2.5 percent of average compensation multiplied by years of creditable service (up to 20 years) plus 1 percent of average compensation multiplied by service greater than 20 years but less than 30 years (excluding sick leave, which is always credited at 1 percent of average compensation.) Prior to July 1, 2005, other rules applied. The benefit was 2.0 percent of average compensation multiplied by post-1997 creditable service. The benefit for pre-1998 creditable service is 1.55 percent or 2 percent, depending on phase-in rules. Participants become vested after 5 years of eligibility service and are entitled to a benefit beginning at age 62. If an employee leaves employment or dies before 5 years of eligibility service, accumulated employee contributions plus 5 percent interest are refunded to the employee or the designated beneficiary. A participant who becomes totally and permanently disabled may retire prior to normal retirement and receive a benefit. Both disability and death benefits vary if incurred in the line of duty. Participant contributions are 8.5 percent of pay for participating Corrections participants with less than 20 years of creditable service, 0 percent for Corrections participants with greater than 20 years of creditable service and 2 percent of base pay for other participants. The County funds the remainder of the cost of its employees' participation in the Retirement Plan.

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

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

The Retirement Plan and the Police and Fire Plan's funding policies provide for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. During the year ended June 30, 2007 contributions to each plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at July 1, 2007. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the accrued actuarial liability.

Actuarial assumptions are as follows:

	Howard County Retirement Plan	**Police and Fire Retirement Plan**
Contribution rates: County	12.8%	29.9%
Plan members	2.0-8.5%	7.7-11.6%
Annual pension cost (thousands)	$10,022	$14,717
Contributions made (thousands)	$10,022	$14,717
Actuarial valuation date	7/1/07	7/1/07
Actuarial methods and significant assumptions: Actuarial cost method Amortization method	Projected Unit Credit Level percentage of pay, increases 3.0% annually	Projected Unit Credit Level percentage of pay, increases 3.0% annually
Remaining amortization period	15-30 years, except actuarial gains and losses which are amortized over 15 years	15-30 years, except actuarial gains and losses which are amortized over 15 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Investment rate of return	8% compounded annually, gross of investment expenses	8%compounded annually, gross of investment expenses
Projected salary increases*	4.0-7.0%	4.0-8.5%
Cost-of-living adjustments	3%, compounded	2%, compounded

* Includes inflation at 3%

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

	Year Ending	Annual Pension Cost (000)	Percentage of APC Contributed	Net Pension Obligation
Retirement Plan	6/30/03	$ 4,949	100	0
	6/30/04	6,432	100	0
	6/30/05	7,163	100	0
	6/30/06	9,253	100	0
	6/30/07	9,695	100	0
	6/30/08	10,022	100	0
Police and Fire Plan	6/30/03	$ 7,083	100	0
	6/30/04	7,923	100	0
	6/30/05	9,401	100	0
	6/30/06	12,217	100	0
	6/30/07	13,549	100	0
	6/30/08	14,717	100	0

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

Schedule of Funding Progress - Howard County Retirement Plan

Actuarial Valuation Date of July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	UAAL as a % of Covered Payroll
2007	$ 193	$ 199.7	96.6%	$ 6.7	76.6	8.8%

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

Actuarial Valuation Date of July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	UAAL as a % of Covered Payroll
2007	$ 210.8	$ 270.5	77.9%	$ 59.7	43.6	136.9%

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

The Plan's investments are reported at fair market value. Short-term investments consisting of money market funds are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on the plans' share of ownership of the Co-mingled Real Estate Investment Funds (not the fair value of the underlying assets held by those funds) adjusted for current market conditions. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities.

In connection with the transfer of County employees from the State Retirement and Pension Systems to the Retirement Plan, it was determined that the County's remaining obligation to the Retirement and Pension Systems for those County employees who elected to stay in either the Retirement or Pension Systems was $5,272,677 as of July 1, 1995. The County was given the option of either making a lump-sum contribution to the State or financing its "withdrawal liability contribution" over time. The County elected to finance its remaining obligation to the State. In December 2005, the final payment on this obligation was made to the State.

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

Generally, all employees of the component units participate in The State of Maryland Employees' Retirement and Pension Systems ("Employees' Retirement and Pension Systems") and the Teachers' Retirement and Pension Systems ("Teachers' Retirement and Pension Systems"). The component units' employer contributions to the Employees' Retirement and Pension Systems were $3,694,713, $3,100,937 and $2,602,537 for the years ended June 30, 2008, 2007 and 2006, respectively. Contributions to the Teachers' Retirement and Pension Systems are made directly by the State of Maryland according to State statute on behalf of the component units and amounted to $41,099,879, $32,258,775 and $28,541,348 in 2008, 2007 and 2006, respectively.

15. Other Post-Employment Benefits

In the financial statements for the FYE 2008, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 43, Financial Reporting for Post-Employment Benefit Plans

Other than Pension Plans and GASB 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.

Plan Description

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

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

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

As of July 1, 2006, 7,920 employees of the County and its component units met the eligibility requirements set by each entity. Separate financial statements for the OPEB Plan are not available.

Basis of Accounting

The Plan's financial information is prepared based on the accrual accounting. Expenditures are recognized on the accrual basis as retirees' insurance costs are incurred. For FY 2008, the Plan's insurance costs are $12.4 million; $4.4 million is paid by the retirees and the balance that is paid by the County and its component units through the County's self insurance fund (internal service fund) is reimbursed by the trust.

Funding Policies and Funded Progress

The Plan's funding policy provides for the County to contribute to the trust the actuarially determined annual required contribution (ARC). In FY 2008, the County contributed $14 million to the trust and for FY 2009, it has budgeted $15 million ($10 million in surplus funds, $5 million from operating revenue.) After FY 2009, the County has an eight year phase-in funding policy. The operating budget for OPEB payments will be increased over the phase–in period to the funded ARC level. If additional funds become available through surplus, they may be contributed to the trust.

The required contribution amount and OPEB expense per the most recent actuarial valuation report with valuation date of 7/1/2006 (updated to 7/1/07 for the ARC calculation) are presented below:

		Actuarial Unfunded Accrued Liability	Amortization of Actuarial Unfunded Accrued Liability	Normal Cost	Annual Required Contribution	ARC Funding	Net OPEB Obligation (NOO)
		(1)	(2)	(3)	(2)+(3)	(4)	(2)+(3)-(4
Schools	$	480,267,000.00	22,502,000	28,937,000	51,439,000	14,957,912	36,481,088
College		11,816,000	554,000	827,000	1,381,000	344,836	1,036,164
County [1]		215,173,000	10,081,000	10,700,000	20,781,000	6,674,966	14,106,034
	$	707,256,000.00	33,137,000	40,464,000	73,601,000	21,977,714	51,623,286

[1] Enterprise fund share of PAYGO funding and net OPEB obligation is $129,617 and $835,453, respectively.

Actuarial Assumptions

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

Actuarial valuation date	7/1/06 (updated to 7/1/07 for ARC calculation)
Actuarial cost method	Projected Unit Credit
Amortization method	30 years using level percentage of pay
Asset valuation method	Fair Value
Actuarial trend assumption:	Medical and prescription drug trend rate applied to FY 2007 is 10.50%. This rate decreases by 1% for FY 2008 thru FY 2011. The ultimate rate is 5.50%. Dental trend to be applied is 5% for all years.
Interest assumption	Discount rate of 5.2%
Salary increases	3.0%

16. Deferred Compensation Plan

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

The County participates in plans sponsored by the National Association of Counties (NACO) which has selected Nationwide Retirement Solutions (NRS) to be the plan administrator and Variable Life Insurance Company (VALIC). The assets of both plans were transferred to custodial accounts and the County no longer reports those assets and liabilities in the Agency Funds of the County.

17. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The reporting entity, excluding the Howard

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

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

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

As of June 30, 2008, the combined net assets for the two Internal Service Funds are $16,278,451 and are reported as reserved for insurance claims in the Internal Service Funds. The combined claims liability of the two funds, $9,972,713 is based on generally accepted accounting principles which require that a liability for claims be reported if information prior to the issuance of the Financial Statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The changes in the combined self-insurance funds unpaid claims liability in fiscal 2007 and 2008 are presented in the schedule below.

		Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	End of Year	Expected Amount Due Within One Year
2008	$	9,946,031	35,407,488	(35,380,806)	9,972,713	5,355,109
2007	$	8,081,680	30,014,844	(28,150,493)	9,946,031	-

18. Individual Fund Disclosures

The deficit balance of the Grants Fund ($675,158) will be eliminated through receipt of intergovernmental revenues. The deficit balance of the Recreation Program Special Revenue Fund ($362,840) will be reduced through user fee increases. The General Capital Projects Fund will eliminate its deficit ($45,072,491) through future bond sales.

19. Commitments and Contingencies

Grants

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

Construction
The County had $619,773,504 authorized but unobligated capital project appropriations at June 30, 2008.

Yard Debris Composting Intergovernmental Agreement
The County participates in a regional yard waste composting program under the terms of a June 1995 Intergovernmental agreement with Baltimore and Anne Arundel Counties, and Maryland Environmental Services ("MES").

Pursuant to the agreement, the County agrees to deliver a minimum of 8,000 tons of yard debris per year for composting to the site located in Howard County. The $60.64 per ton processing fee covers the County's share of the operating cost. In lieu of delivering the required 8,000 tons of yard debris, the County has an option under the agreement to pay for its proportionate share of the program's operating costs. The agreement expires in 2015.

Composting operations ceased at the composting site due to odor problems. Yard debris is currently delivered to the facility and then exported for composting. The parties modified the inter-governmental agreement to provide for the sale of the property and to use the proceeds of the sale to defease the bonds. The property sale was completed in September 1999. The bonds were defeased in September 2005.

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

Howard County, Maryland
Pension Trust Funds
Required Supplementary Information
June 30, 2008

Required supplementary information (unaudited) for the Howard County Retirement Plan for the years ended June 30, 2006, 2007, and 2008 respectively, is as follows:

Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
7/1/05	145,748,691	165,837,842	87.9%	20,089,151	66,461,318	30.2%
7/1/06	165,915,183	181,249,863	91.5%	15,334,680	71,415,550	21.5%
7/1/07	192,985,856	199,722,676	96.6%	6,736,820	76,604,678	8.8%

Required supplementary information (unaudited) for the Howard County Police and Fire Employees' Retirement Plan for the years ended June 30, 2006, 2007, and 2008 respectively, is as follows:

Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
7/1/05	157,947,747	224,469,733	70.4%	66,521,986	39,254,656	169.5%
7/1/06	180,087,521	245,378,647	73.4%	65,291,126	41,773,853	156.3%
7/1/07	210,784,674	270,497,729	77.9%	59,713,055	43,604,715	136.9%

Howard County, Maryland
Other Post Employment Benefits Fund
Required Supplementary Information
June 30, 2008

Schedule of funding progress (unaudited) for the Howard County Post Employment Benefits Plan for the year ended June 30, 2008 is as follows:

Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
7/1/07	**-**	**707,256,000**	**0.0%**	**707,256,000**	**486,385,877**	**145.4%**

Schedule of employer contribution (unaudited) for the Howard County Post Employment Benefits Plan for the year ended June 30, 2008 is as follows:

Date	ARC	Contribution	Percentage of ARC Contributed	Net OPEB Obligations
6/30/08	**73,601,000**	**21,977,714**	**30%**	**51,623,286**

Appendix B

The Depository Trust Company

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of United States and non-United States equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both United States and non-United States securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has the highest rating of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "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. Beneficial Owners are, however, 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds except in the event that use of the book-entry only system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Bond Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar, 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.

The foregoing information concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Forms of Opinions of Bond Counsel

[Closing Date]

County Executive and County Council
of Howard County, Maryland
3430 Court House Drive
Ellicott City, Maryland 21043

Dear County Executive and Council Members:

We have examined a record of proceedings relating to the issuance of $69,720,000 Consolidated Public Improvement Bonds, 2009 Series A (the "Bonds") by Howard County, Maryland, a body politic and corporate and political subdivision of the State of Maryland (the "County"), which are described as follows:

Dated the date of delivery, interest payable on October 15, 2009 and semi-annually thereafter on the fifteenth day of April and October, until maturity or prior redemption; fully registered in form in the denomination of $5,000 each or any integral multiple thereof; issued under the authority of Article 25A of the Annotated Code of Maryland (2005 Replacement Volume and 2007 Supplement) (the "Enabling Law"), the Howard County Charter (the "Charter"), Section 2C of Article 31 of the Annotated Code of Maryland (2003 Replacement Volume and 2008 Supplement) (the "Consolidating Act"), certain bills of the County Council of Howard County, specifically Council Bill Nos. 28, 29, 39, 40, 55 and 56, respectively, enacted during the 2003 Legislative Session, Council Bill Nos. 18, 19, 20, 31 and 32, respectively, enacted during the 2004 Legislative Session, Council Bill Nos. 23, 24, 25, 28, 35, 36 and 44, respectively, enacted during the 2005 Legislative Session, Council Bill Nos. 28, 29, 30, 31 and 76, respectively, enacted during the 2006 Legislative Session, Council Bill Nos. 20, 21, 22 and 36, respectively, enacted during the 2007 Legislative Session, and Council Bill Nos. 28, 29, 30 and 45, respectively, enacted during the 2008 Legislative Session (collectively, the "Enabling Ordinances"), and in accordance with Council Bill No. 34-2006 enacted during the 2006 Legislative Session, as supplemented ("34-2006"), and Council Bill No. 59-2008 enacted during the 2008 Legislative Session, as amended and supplemented ("59-2008") (the "Ordinance"); and issued and awarded pursuant to the Ordinance by Order of the County Executive effective on April 8, 2009 and maturing, subject to prior redemption, on April 15 in each of the years 2010 to 2029, inclusive, and bearing interest as follows:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2010	$2,205,000	4.000%	2020	$3,430,000	5.000%
2011	2,350,000	4.000	2021	3,600,000	5.000
2012	2,445,000	3.500	2022	3,780,000	5.000
2013	2,530,000	4.000	2023	3,970,000	5.000
2014	2,635,000	5.000	2024	4,165,000	4.000
2015	2,765,000	4.000	2025	4,335,000	4.125
2016	2,875,000	4.000	2026	4,510,000	4.250
2017	2,990,000	4.000	2027	4,705,000	4.375
2018	3,110,000	5.000	2028	4,910,000	4.750
2019	3,265,000	5.000	2029	5,145,000	4.500

Bonds due on or after April 15, 2020, are subject to redemption on or after April 15, 2019, either as a whole or in part at any time, in the manner and upon the terms and conditions set forth in the Bonds.

In rendering this opinion, we have relied without investigation on the County's Tax and Section 148 Certificate dated this date made on behalf of the County by officers thereof with respect to certain material facts within the knowledge of the County relevant to the tax-exempt status of interest on the Bonds.

With respect to the executed and authenticated Bond that we have examined, and the Bonds similarly executed and identical thereto in form except for numbers, interest rates, denominations, option of redemption and maturities, we are of the opinion that:

(a) The County is a validly created and existing body politic and corporate and political subdivision of the State of Maryland, possessing authority under the Enabling Law, the Charter, the Enabling Ordinances, the Consolidating Act and the Ordinance to issue the Bonds.

(b) The Bonds are valid and legally binding obligations of the County to which its full faith and credit and taxing power are pledged, and for the payment of which the County is empowered and directed to levy ad valorem taxes unlimited as to rate and amount upon all real and tangible personal property and certain intangible personal property subject to assessment for unlimited County taxation.

(c) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Ordinances, has covenanted to levy ad valorem taxes in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(d) Under existing law, the 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 any kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

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

(f) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment and is not taken into account in determining "adjusted current earnings" for purposes of computing alternative minimum tax on corporations. However, interest income on the Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States of America.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,
[To be signed "McKennon Shelton & Henn LLP"]

[Closing Date]

County Executive and County Council
of Howard County, Maryland
3430 Court House Drive
Ellicott City, Maryland 21043

Dear County Executive and Council Members:

We have examined a record of proceedings relating to the issuance of $26,240,000 Howard County Metropolitan District Bonds, 2009 Series A (the "Bonds") by Howard County, Maryland (the "County"), which are described as follows:

Dated the date of delivery, interest payable on October 15, 2009 and semi-annually thereafter on the fifteenth day of April and October, until maturity or prior redemption; fully registered in form in the denomination of $5,000 each or any integral multiple thereof; issued under the authority of Article 25A of the Annotated Code of Maryland (2005 Replacement Volume and 2007 Supplement) (the "Enabling Law"), the Howard County Charter (the "Charter"), Chapter 991 of the Acts of the General Assembly of Maryland 1943, as amended, Chapter 609 of the Acts of the General Assembly of Maryland of 1945, as amended, Chapter 369 of the Acts of the General Assembly of Maryland of 1963, as amended and Chapter 356 of the Acts of the General Assembly of Maryland of 1965, as amended (collectively, the "Acts"), certain bills of the County Council of Howard County, specifically, Council Bill Nos. 21 and 82, respectively, enacted during the 2004 Legislative Session, Council Bill No. 26 enacted during the 2005 Legislative Session, Council Bill No. 32 enacted during the 2006 Legislative Session, Council Bill No. 23 enacted during the 2007 Legislative Session, and Council Bill No. 31 enacted during the 2008 Legislative Session (collectively, the "Enabling Ordinances") and Council Bill No. 34-2006 enacted during the 2006 Legislative Session, as amended and supplemented ("34-2006"), Council Bill No. 59-2008 enacted during the 2008 Legislative Session, as amended and supplemented ("59-2008") and Council Bill No. 1-2008 enacted during the 2008 Legislative Session, as amended and supplemented (together with 34-2006 and 59-2008, the "Ordinance"); and issued and awarded pursuant to the Ordinance by Order of the County Executive effective on April 8, 2009 and maturing, subject to prior redemption, on April 15 in each of the years 2010 to 2029, inclusive, and bearing interest as follows:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2010	$ 835,000	4.000%	2020	$1,305,000	4.000%
2011	910,000	4.000	2021	1,355,000	4.000
2012	955,000	3.000	2022	1,410,000	4.000
2013	1,000,000	3.000	2023	1,470,000	4.000
2014	1,040,000	3.000	2024	1,525,000	4.000
2015	1,075,000	3.000	2025	1,585,000	4.125
2016	1,105,000	5.000	2026	1,650,000	4.250
2017	1,160,000	4.000	2027	1,725,000	4.375
2018	1,205,000	4.000	2028	1,800,000	4.375
2019	1,255,000	4.000	2029	1,875,000	4.500

Bonds due on or after April 15, 2020, are subject to redemption on or after April 15, 2019, either as a whole or in part at any time, in the manner and upon the terms and conditions set forth in the Bonds.

In rendering this opinion, we have relied without investigation on the County's Tax and Section 148 Certificate dated this date made on behalf of the County by officers thereof with respect to certain material facts within the knowledge of the County relevant to the tax-exempt status of interest on the Bonds.

With respect to the executed and authenticated Bond that we have examined, and the Bonds similarly executed and identical thereto in form except for numbers, interest rates, denominations, option of redemption and maturities, we are of the opinion that:

(a) The County is a validly created and existing body politic and corporate of the State of Maryland, possessing authority under the Enabling Law, the Charter, the Acts, the Enabling Ordinances and the Ordinance to issue the Bonds.

(b) The Bonds are valid and legally binding obligations of the County to which its full faith and credit and taxing power are pledged, payable primarily from ad valorem taxes, unlimited in rate and amount, which the County is empowered to levy upon all taxable property within the Metropolitan District of the County, together with benefit assessments and other available funds, but if not so paid, are payable as to both principal and interest, as general obligations, ultimately from ad valorem taxes, unlimited in rate and amount, which the County is empowered to levy upon all real and tangible personal property and certain intangible personal property subject to assessment for unlimited County taxation.

(c) Under existing law, the 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 any kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

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

(e) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment and is not taken into account in determining "adjusted current earnings" for purposes of computing alternative minimum tax on corporations. However, interest income on the Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States of America.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,
[To be signed "McKennon Shelton & Henn LLP"]

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (this "Disclosure Agreement"), dated as of April 8, 2009, is executed and delivered by Howard County, Maryland (the "County") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the County for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds listed on the attached Exhibit A.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the County and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means the Director of Finance, of the County or her or his designee, or such other person as the County shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the County pursuant to Section 9 hereof.

"Effective Date" means July 1, 2009, or such later date as the Securities and Exchange Commission shall state as the effective date for the amendments to the Rule pursuant to Release No. 34-59062 (Dec. 5, 2008).

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"National Repository" means, prior to the Effective Date, any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, and thereafter the MSRB. Prior to the Effective Date, the list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
Email: nrmsir@dpcdata.com

2. Interactive Data Pricing and Reference Data Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
(212) 771-6999; (800) 689-8466 (phone)
(212) 771-7391 (fax)
Email: NRMSIR@Interactivedata.com

3. Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
(609) 279-3225 (phone)
(609) 279-5962 (fax)
Email: Munis@Bloomberg.com

4. Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
Email: nrmsir_repository@sandp.com

"Notice Event" means an event listed in Sections 4(a) of this Disclosure Agreement.

"Official Statement" means that Official Statement dated March 23, 2009 prepared by the County in connection with the Bonds, as listed on the attached Exhibit A.

"Repository" means the MSRB, each National Repository and the State Depository (if any).

"State Depository" means any public or private depository or entity designated by the State of Maryland as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Depository. Currently, there is no State Depository for the State of Maryland.

"Voluntary Report" means the information provided to the Disclosure Dissemination Agent by the County pursuant to Section 7.

SECTION 2. Provision of Annual Reports.

(a) The County shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each National Repository and the State Depository (if any) not later than 275 days after the end of each fiscal year of the County, commencing with the fiscal year ending June 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the County of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the County will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the County irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the County are prepared but not available prior to the Annual Filing Date, the County shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

(i) determine the name and address of each Repository each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository, and the State Depository, (if any);

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository, and the State Depository (if any);

(iv) upon receipt, promptly file the text of each disclosure to be made with each National Repository and the State Depository (if any) together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:

1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);

2. "Non-Payment related defaults," pursuant to Sections 4(c) and 4(a)(2);

3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);

4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);

5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);

6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 4(c) and 4(a)(6);

7. “Modifications to rights of securities holders,” pursuant to Sections 4(c) and 4(a)(7);

8. “Bond calls,” pursuant to Sections 4(c) and 4(a)(8);

9. “Defeasances,” pursuant to Sections 4(c) and 4(a)(9);

10. “Release, substitution, or sale of property securing repayment of the securities,” pursuant to Sections 4(c) and 4(a)(10);

11. “Ratings changes,” pursuant to Sections 4(c) and 4(a)(11);

12. “Failure to provide annual financial information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;

13. “Other material event notice (specify),” pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.

(v) provide the County evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The County may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the County, including (1) a summary of the County’ s outstanding general obligation debt and other long-term debt, (2) a summary of County revenues and expenditures, (3) the County’s assessed values, tax rates, tax levies and collections, (4) the County’s budget for current fiscal year and (5) a description of material litigation, if any, based on the accountant’s report contained in the County’s Audited Financial Statements, such information and data to be updated as of the end of the preceding fiscal year.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) will be included in the Annual Report. If Audited Financial Statements are not available, then, unaudited financial statements, prepared in accordance with GAAP will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the County is an “obligated person” (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County will clearly identify each such document so incorporated by reference.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. Modifications to rights of Bond holders;

8. Bond calls;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds;

11. Rating changes on the Bonds;

12. Failure to provide annual financial information as required; and

The County shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the County desires to make, the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and the date the County desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the County or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the County desires to make, the written authorization of the County for the Disclosure Dissemination Agent to disseminate such information, and the date the County desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the County as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and (i) each National Repository, or (ii) the MSRB in accordance with Section 2 e (iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the County shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The County acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the County, and that the failure of the Disclosure Dissemination Agent to so advise the County shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The County acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The County may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the County and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to a series of the Bonds upon the legal defeasance (if any), prior redemption or payment in full of all of the Bonds of such series, when the County is no longer an obligated person with respect to the Bonds of such series, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The County has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The County may, upon thirty days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the County or DAC, the County agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the County shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the County.

SECTION 10. Remedies in Event of Default; Limitation of Forum.

(a) In the event of a failure of the County or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 45 days to remedy any such claimed failure. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

(b) Any suit or other proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Howard County, Maryland.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the County has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the County's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the County has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the County at all times.

To the extent permitted by applicable law, the County agrees to indemnify and save the Disclosure Dissemination Agent and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Disclosure Dissemination Agent's gross negligence or willful misconduct.

The obligations of the County under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the County.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the County and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the County or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the County. No such amendment shall become effective if the County shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Maryland (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the County have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

[Remainder of page left blank intentionally.]

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent

By:____
Name:_____________________________________
Title:______________________________________

HOWARD COUNTY, MARYLAND

[SEAL]

ATTEST:

____
Lonnie R. Robbins,
Chief Administrative Officer

By:_________________________________
Ken Ulman, County Executive

Approved as to form and
legal sufficiency this ___
day of ________, 2009.

____
Margaret Ann Nolan,
County Solicitor

EXHIBIT A

NAMES OF BONDS

1. $69,720,000 Howard County, Maryland Consolidated Public Improvement Bonds, 2009 Series A

2. $26,240,000 Howard County, Maryland Metropolitan District Bonds, 2009 Series A

EXHIBIT B
NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

County:	HOWARD COUNTY, MARYLAND
Name of Bond Issue:	$69,720,000 Howard County, Maryland Consolidated Public Improvement Bonds, 2009 Series A and $26,240,000 Howard County, Maryland Metropolitan District Bonds, 2009 Series A
Dated Date:	April 8, 2009

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of April 8, 2009 between the County and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The County has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by______________.

Dated: ______________________________

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the County

____

cc: Howard County, Maryland

EXHIBIT C
EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to all Nationally Recognized Municipal Securities Information Repositories, and any State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

County's Name:

Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

Number of pages of attached: _____

____ Description of Material Event Notice (Check One):

1. ___Principal and interest payment delinquencies
2. ___Non-Payment related defaults
3. ___Unscheduled draws on debt service reserves reflecting financial difficulties
4. ___Unscheduled draws on credit enhancements reflecting financial difficulties
5. ___Substitution of credit or liquidity providers, or their failure to perform
6. ___Adverse tax opinions or events affecting the tax-exempt status of the security
7. ___Modifications to rights of securities holders
8. ___Bond calls
9. ___Defeasances
10. ___Release, substitution, or sale of property securing repayment of the securities
11. ___Rating changes
12. ___Other material event notice (specify)
    ____

____ Failure to provide annual financial information as required

I hereby represent that I am authorized by the County or its agent to distribute this information publicly:

Signature:____

Name:____________________________________Title: _____________________________________

Employer: Digital Assurance Certification, L.L.C.

Address:____

City, State, Zip Code:____

Voice Telephone Number:____

The Thomas Viaduct

The Thomas Viaduct, built in 1835, is the oldest multiple-arch stone railroad bridge in the world. Located in Elkridge, it crosses the Patapsco River from Howard County into Baltimore County. Skeptics doubted that it would withstand the weight of the early trains; however, more than 150 years have passed and modern day trains continue to use the viaduct regularly.

Appendix E

Bond Amortization Tables

$69,720,000 Consolidated Public Improvement Bonds, 2009 Series A

Date	Principal Maturity	Interest Rate	Semiannual Interest	Semiannual Debt Service	Annual Debt Service
10/15/2009			$1,616,180	$1,616,180	
4/15/2010	$2,205,000	4.000%	1,555,681	3,760,681	$5,376,861
10/15/2010			1,511,581	1,511,581	
4/15/2011	2,350,000	4.000%	1,511,581	3,861,581	5,373,163
10/15/2011			1,464,581	1,464,581	
4/15/2012	2,445,000	3.500%	1,464,581	3,909,581	5,374,163
10/15/2012			1,421,794	1,421,794	
4/15/2013	2,530,000	4.000%	1,421,794	3,951,794	5,373,588
10/15/2013			1,371,194	1,371,194	
4/15/2014	2,635,000	5.000%	1,371,194	4,006,194	5,377,388
10/15/2014			1,305,319	1,305,319	
4/15/2015	2,765,000	4.000%	1,305,319	4,070,319	5,375,638
10/15/2015			1,250,019	1,250,019	
4/15/2016	2,875,000	4.000%	1,250,019	4,125,019	5,375,038
10/15/2016			1,192,519	1,192,519	
4/15/2017	2,990,000	4.000%	1,192,519	4,182,519	5,375,038
10/15/2017			1,132,719	1,132,719	
4/15/2018	3,110,000	5.000%	1,132,719	4,242,719	5,375,438
10/15/2018			1,054,969	1,054,969	
4/15/2019	3,265,000	5.000%	1,054,969	4,319,969	5,374,938
10/15/2019			973,344	973,344	
4/15/2020	3,430,000	5.000%	973,344	4,403,344	5,376,688
10/15/2020			887,594	887,594	
4/15/2021	3,600,000	5.000%	887,594	4,487,594	5,375,188
10/15/2021			797,594	797,594	
4/15/2022	3,780,000	5.000%	797,594	4,577,594	5,375,188
10/15/2022			703,094	703,094	
4/15/2023	3,970,000	5.000%	703,094	4,673,094	5,376,188
10/15/2023			603,844	603,844	
4/15/2024	4,165,000	4.000%	603,844	4,768,844	5,372,688
10/15/2024			520,544	520,544	
4/15/2025	4,335,000	4.125%	520,544	4,855,544	5,376,088
10/15/2025			431,134	431,134	
4/15/2026	4,510,000	4.250%	431,134	4,941,134	5,372,269
10/15/2026			335,297	335,297	
4/15/2027	4,705,000	4.375%	335,297	5,040,297	5,375,594
10/15/2027			232,375	232,375	
4/15/2028	4,910,000	4.750%	232,375	5,142,375	5,374,750
10/15/2028			115,763	115,763	
4/15/2029	5,145,000	4.500%	115,763	5,260,763	5,376,525
TOTAL	**$69,720,000**		**$37,782,411**	**$107,502,411**	**$107,502,411**

					$26,240,000 Metropolitan District Bonds, 2009 Series A
Date	**Principal Maturity**	**Interest Rate**	**Semiannual Interest**	**Semiannual Debt Service**	**Annual Debt Service**
10/15/2009			544,715	$544,715	
4/15/2010	835,000	4.000%	524,325	1,359,325	$1,904,040
10/15/2010			507,625	507,625	
4/15/2011	910,000	4.000%	507,625	1,417,625	1,925,250
10/15/2011			489,425	489,425	
4/15/2012	955,000	3.000%	489,425	1,444,425	1,933,850
10/15/2012			475,100	475,100	
4/15/2013	1,000,000	3.000%	475,100	1,475,100	1,950,200
10/15/2013			460,100	460,100	
4/15/2014	1,040,000	3.000%	460,100	1,500,100	1,960,200
10/15/2014			444,500	444,500	
4/15/2015	1,075,000	3.000%	444,500	1,519,500	1,964,000
10/15/2015			428,375	428,375	
4/15/2016	1,105,000	5.000%	428,375	1,533,375	1,961,750
10/15/2016			400,750	400,750	
4/15/2017	1,160,000	4.000%	400,750	1,560,750	1,961,500
10/15/2017			377,550	377,550	
4/15/2018	1,205,000	4.000%	377,550	1,582,550	1,960,100
10/15/2018			353,450	353,450	
4/15/2019	1,255,000	4.000%	353,450	1,608,450	1,961,900
10/15/2019			328,350	328,350	
4/15/2020	1,305,000	4.000%	328,350	1,633,350	1,961,700
10/15/2020			302,250	302,250	
4/15/2021	1,355,000	4.000%	302,250	1,657,250	1,959,500
10/15/2021			275,150	275,150	
4/15/2022	1,410,000	4.000%	275,150	1,685,150	1,960,300
10/15/2022			246,950	246,950	
4/15/2023	1,470,000	4.000%	246,950	1,716,950	1,963,900
10/15/2023			217,550	217,550	
4/15/2024	1,525,000	4.000%	217,550	1,742,550	1,960,100
10/15/2024			187,050	187,050	
4/15/2025	1,585,000	4.125%	187,050	1,772,050	1,959,100
10/15/2025			154,359	154,359	
4/15/2026	1,650,000	4.250%	154,359	1,804,359	1,958,719
10/15/2026			119,297	119,297	
4/15/2027	1,725,000	4.375%	119,297	1,844,297	1,963,594
10/15/2027			81,563	81,563	
4/15/2028	1,800,000	4.375%	81,563	1,881,563	1,963,125
10/15/2028			42,188	42,188	
4/15/2029	1,875,000	4.500%	42,188	1,917,188	1,959,375
TOTAL	**$26,240,000**		**$12,852,203**	**$39,092,203**	**$39,092,203**

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Official Statement

$69,720,000 Consolidated Public Improvement Bonds, 2009 Series A
$26,240,000 Metropolitan District Bonds, 2009 Series A

Timbers at Troy Golf Course

The 17th hole on Timbers at Troy, voted one of the "Top 100 Golf Courses" in the Mid-Atlantic by Washington Golf Monthly magazine.

Howard County
MARYLAND

Howard County, Maryland, 3430 Court House Drive, Ellicott City, Maryland 21043 · (410) 313-2195