

Frederick County Maryland



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

Front Cover: Photos were taken by members of the Frederick Camera Clique. This club of photography enthusiasts meets on the second Wednesday of each month at 7:00 pm at the Delaplaine Visual Arts Center in downtown Frederick. For more information about the club, visit www.frederickcameraclique.org.

"Union Mills Building" and *"Down on the Farm"* were photographed by Bruce Saunders of Adamstown, MD. Bruce describes his style as painterly photography and his work can be seen at www.brucesaundersphotography.com

Gundars Osvalds has lived in Walkersville, MD for 40 years. His photograph of *Big Hunting Creek* was taken in the Catoctin Mountain National Park in autumn to capture fall leaf color. To see more of his work, visit osvaldsphotography.com

Cam Miller lives in New Market, MD. Her photo of *"Springfield Manor"* was taken in June when the lavender is in bloom. To see more of her work, visit www.camscamerashots.com

Howard Clark is a professional photographer living in Montgomery Village, MD. The *Roddy Road Covered Bridge* was taken on a glorious, sunny day in the 3rd week of October, 2014. More of Howard's work may be found at HClarkPhotography.com

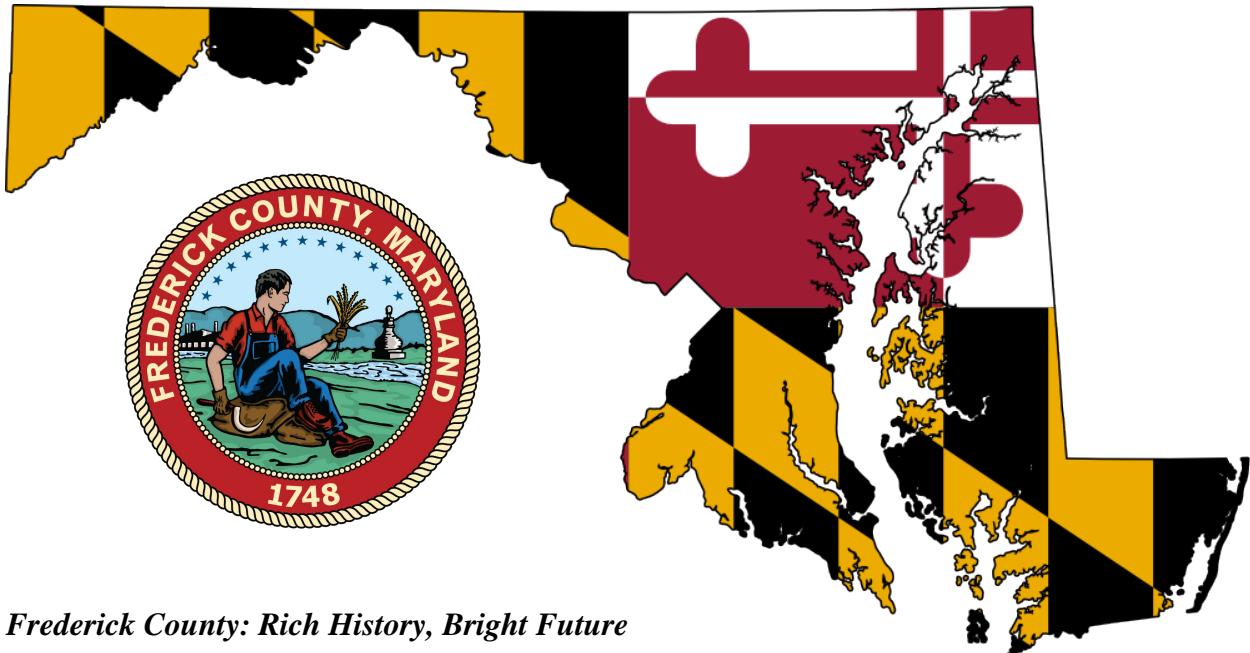
Permission was granted by the photographers to use these photos.

Frederick County, Maryland
Comprehensive Annual Financial Report
Fiscal Year 2018
July 1, 2017 – June 30, 2018



Prepared by the Finance Division

Frederick County, Maryland



Frederick County: Rich History, Bright Future

Our mission is to preserve and enhance the quality of life for all citizens by ensuring optimum services, open government, and creative use of community resources.

FREDERICK COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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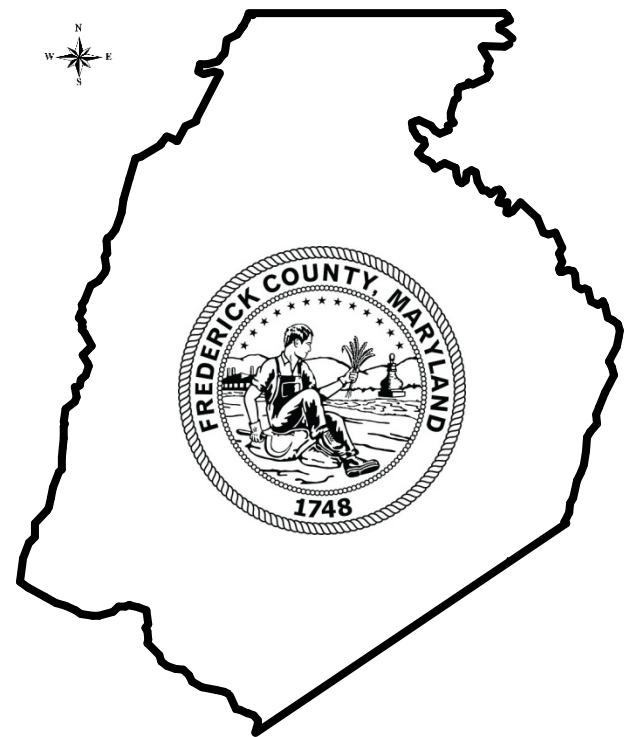
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WINCHESTER HALL



INTRODUCTORY SECTION





FREDERICK COUNTY GOVERNMENT

DIVISION OF FINANCE

Accounting Department

Jan H. Gardner
County Executive

Lori L. Depies, CPA, Division Director
Melanie Thom, CPA, Director

November 30, 2018

County Executive, Jan H. Gardner
Members of the County Council
Citizens of Frederick County, Maryland

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of Frederick County, Maryland (the "County") for the fiscal year ended June 30, 2018.

Formal Transmittal of the CAFR

This report was prepared by the County's Finance Division in cooperation with the finance departments of the County's component unit organizations in conformity with accounting principles generally accepted in the United States (GAAP). This includes the report of the independent public accountants pursuant to Section 704 of the Charter of Frederick County, Maryland.

Management is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, in this report. We believe the information presented is complete and accurate in all material respects and it fairly presents the County's financial position and results of operation. We also believe that all disclosures necessary to enable the reader to gain an understanding of the government's financial activities are included. To provide a reasonable basis for making these representations, management has established and maintained a comprehensive system of internal control. This internal control structure is designed to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of Frederick County, Maryland have been audited by SB & Company, LLC, a firm of licensed certified public accountants. SB & Company, LLC, has issued an unmodified opinion on the County's financial statements as of and for the fiscal year ended June 30, 2018. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and estimates made by management, and evaluating the overall financial statement presentation. The report of the independent public accountants is located at the beginning of the financial section of this report.

The County is also required to undergo an annual Single Audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to this Single Audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued single audit report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Frederick County, Maryland, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland, is 664 square miles in area, and serves an estimated population of 255,265. Frederick County is bordered on the north by the Commonwealth of Pennsylvania, on the west by Washington County, Maryland, on the east by Howard and Carroll Counties, both in Maryland, and on the south by Montgomery County, Maryland and the Commonwealth of Virginia.

There are twelve incorporated municipalities within Frederick County. The County seat and largest city is the City of Frederick, which has an estimated population of 72,481. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

Beginning December 1, 2014, Frederick County, Maryland is governed by a County Executive and County Council pursuant to the Charter of Frederick County, Maryland. The elections in November of 2014 officially initiated the County's change in government from Commissioner to Charter form. The Charter provides, among other things, for the election of the County Executive and the organization, powers, and duties of the executive and administrative branches; as well as the election, organization, powers and duties of the legislative branch, and fiscal and budgetary matters. Other elected officials include the Sheriff, the State's Attorney, Circuit Court judges, Orphans Court judges and a Register of Wills.

Under charter government, the County Executive has authority over the day-to-day operations of the County while the County Council has legislative authority. This change allows the County to create laws and ordinances that affect Frederick County without the need for approval of the General Assembly of the State of Maryland.

Both the executive and legislative offices of the County are located at Winchester Hall, 12 East Church Street, Frederick, Maryland 21701. The County's internet address is www.frederickcountymd.gov.

The Reporting Entity

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services (including water, sewer, solid waste management and residential recycling); construction and maintenance of highways, streets, and infrastructure; recreational activities; and general government activities. Bell Court Apartments, the Comprehensive Care Facility, the Solid Waste Management, and Water and Sewer Enterprise Funds are supported through user fees.

Incorporated municipalities within Frederick County provide some or all of the following services within their boundaries which relieves the County from providing these services in those areas: highway and street maintenance, parks and recreation, planning services, and police protection. The County is also financially accountable for legally separate entities, which are reported separately within the County's financial statements. The entities, known as component units, that meet these criteria are the Frederick County Board of Education, the Frederick Community College, and the Frederick County Public Libraries. The County has no blended component units. Additional information on the component units can be found in Note 1 in Exhibit II-A-13.

Budgetary Overview

By definition in the County Charter, the budget is comprised of the annual Operating Budget, annual Capital Budget and the six-year Capital Improvement Program (CIP). The Operating Budget is commonly referred to as the General Fund Budget. The Operating and Capital Budgets are adopted annually by the County Council. The CIP is a planning budget that is updated annually but not formally adopted. Budgets are also adopted for most Special Revenue Funds and the Enterprise Funds. Detail regarding this is included in the Annual Budget and Appropriation Ordinance.

The formulation of the County's budget under the Charter form of government is the responsibility of the County Executive. Not later than April 15 of each year, the Executive prepares and submits a proposed Budget to the County Council for the ensuing fiscal year. The County Council may decrease or delete any items in the Budget, except those required by State law, by provisions for debt service on obligations or for estimated cash deficits. The adoption of the budget requires passage by a majority vote of the County Council not later than May 31.

The Operating Budget is based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. The Operating Budget must contain: the current fiscal year's estimated fund balance in excess of five percent of the General Fund expenditures and transfers to the Board of Education and Frederick Community College on a budgetary basis for the prior fiscal year, if any; estimates of taxes and other revenue sources at a rate sufficient to balance the budget; recommended appropriations for current expenditures for each department or agency, and for other purposes; and amounts sufficient to meet all general obligation debt service requirements for the next fiscal year, including portions of the Capital Program to be financed out of current revenues during the fiscal year. Council Bill Number 18-01 was enacted in FY18 and provides for the County to maintain a committed fund balance up to seven percent by FY19.

The Capital Budget is the County's plan to receive and expend funds for capital projects during the ensuing fiscal year. The CIP sets forth the County's plan of proposed capital projects to be undertaken in the ensuing fiscal year and the following five fiscal years, as well as the proposed means of financing all projects. The Capital Budget and CIP are prepared by the County Executive from submissions by the County departments and agencies. The portion of the cost of the Capital Budget that is to be paid from current funds may be included in the Operating Budget or that of certain Special Revenue and Enterprise Funds.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis - Budget and Actual is presented for the General Fund in Exhibit II-A-7, as part of the basic financial statements. Budget-to-actual comparison schedules for other special revenue funds with legally adopted budgets are presented in the Supplementary Data portion of the Financial Section. These budget-to-actual comparison schedules include funds which do not exist in a GAAP basis as a result of implementing Governmental Accounting Standards Board (GASB) Statement No.

54. Those funds are included in the Capital Projects Fund for GAAP reporting. The reconciliation of budgetary basis presentation to the GAAP presentation is presented in Footnote 2.B.

Factors Affecting Financial Condition

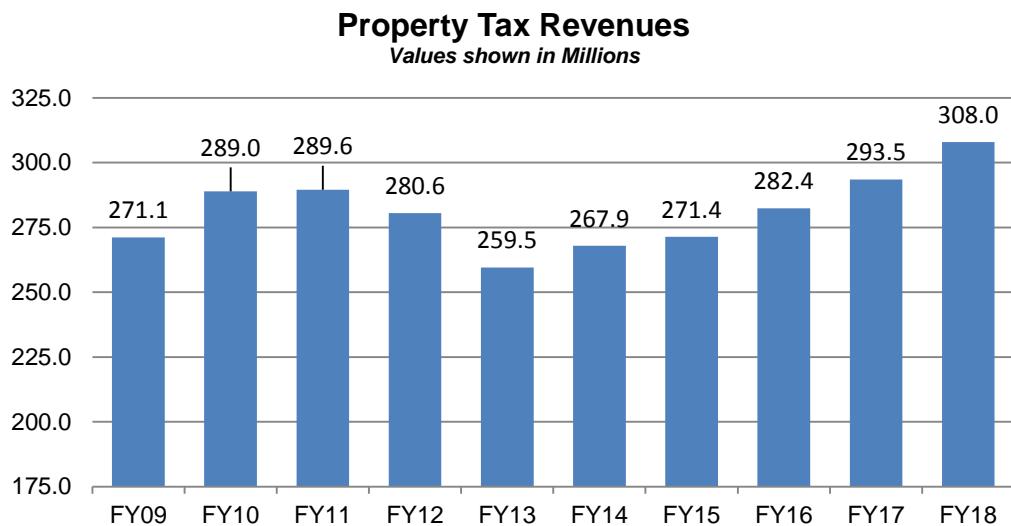
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local Economy – Frederick County has a diverse economy and is well positioned for business growth and development. Location, upscale business and employment parks, available infrastructure, business friendly programs, a highly skilled and educated workforce and room to grow are all key factors for businesses looking to locate or expand in Frederick County.

The federal government has been a positive influence on Maryland and Frederick County during the most recent recession. Frederick County is the home of the U.S. Army's Fort Detrick, a dynamic hub of military, government, private science and systems development dedicated to medical research.

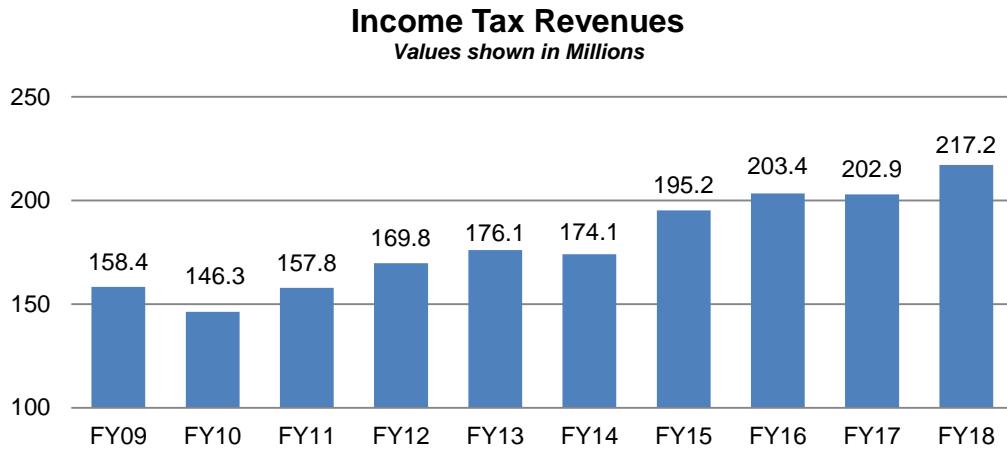
Because of its location in a region with a diverse business community, the local unemployment rate has dropped from a high in FY09 of 6.8% to 3.5% as of August, 2018. Average employment in Frederick County increased from 90,781 in 2011 to an estimated 127,565 in August of 2018.

The County's largest revenue source remains real property taxes. Real property assessed values increased by 5.0% in FY18 and this trend continues into FY19 as values grew to \$30.3 billion from \$29.4 billion. General Fund property taxes are projected to increase in FY19 by \$8.8 million over FY18, representing a 2.8% increase. The real estate market has experienced a modest recovery in property assessments, which have increased over the past five years after declining in previous years.



Income tax revenue, the second largest revenue source in the County, is directly affected by population growth, employment levels and personal income. Income tax revenue has a volatile history. With the implementation of the Tax Cuts and Jobs Act of 2017 the County is encouraged that the preliminary data has shown an increase in this revenue source. Revenues were at their lowest during the past nine years in FY10 at \$146.3 million. In the current fiscal year the County

received \$217.2 million. This reflects the highest level of income tax revenues for the County since FY09. The amended budget for income tax revenues is \$219.8 million for FY19. This included an approved supplemental budget request using \$2.4 million additional annual income tax revenues to provide additional funding for public safety.



Long-term Financial Planning - The major credit rating agencies have recognized that Frederick County's growing economic base, solid operating performance, strong management, financial position, policies and practices combine to rank Frederick as a top tier county government. The County's AAA ratings from Fitch Ratings, Moody's Investors Service, and S&P Global Ratings were affirmed in February 2018 for the third time since June of 2016. The ratings reflect ongoing and consistent growth, primarily in the commercial sector; increased employment; tax base growth; strong, well-embedded and sustainable management practices coupled with established fiscal policies; and a low debt burden.

The FY19 budget reflects a strong economy with a modest growth in revenues. The budget is fiscally responsible with no increase in property tax or income tax rates and adheres to long standing conservative policies. Total Operating Revenue is budgeted at \$579.4 million for FY19, representing a 5.2% increase over FY18.

The FY19 budget reflects the County Executive's goals by providing increased funding for education as well as an investment in public safety.

Below are some highlights from Executive Gardner's FY19 budget:

- Continued increase in funding for Frederick County Public Schools at \$7.2 million over the mandated maintenance-of-effort to fund the third year of the new teacher and staff pay scale.
- Public Safety is provided with increased staffing including 41 additional firefighter/ EMT's through the federal SAFER grant program and five staff to the 911 communications call center.
- Commitment to staff including a 3.5% merit increase.
- Increased services for our senior citizens with the implementation of a new Senior Services Division to champion the needs and services for a rapidly growing population of seniors to focus on active senior services, traditional senior services and operations.

- Retention of ownership of Citizens Care and Rehabilitation Center (CCRC) and Montevue Assisted Living. The FY19 budget is balanced with no taxpayer funds coming from the County Budget.
- Frederick County Translt will be seeing additions to its fleet that include three all-electric buses purchased through a Smart Energy Grant and upgrades to bus shelters utilizing revenue from advertising dollars. No new local taxpayer dollars are needed to complete these service enhancements.

Financial Policies and Practices

Debt Policy:

The debt policy sets forth comprehensive guidelines for the financing of capital expenditures. The policy provides parameters for issuing debt and managing outstanding debt. The policy provides guidance to decision makers regarding the timing and purpose for which debt may be issued, what types and amounts of debt are permissible, the method of sale that may be used and the debt structuring practices that may be used. The County recognizes that adherence to a debt policy helps ensure that it maintains a sound debt position and that credit quality is protected.

Investment Policy:

The County has a written investment policy that ensures that the investment program is strictly adhered to and the security of County investments is maximized. Cash held temporarily idle during the year by Frederick County's primary government, was invested in certificates of deposits, obligations of federal government agencies and the State of Maryland Local Government Investment Pool, all of which are fully collateralized by United States Government obligations for periods ranging from one day to three years. The County also has a delivered collateral policy.

Frederick County Employees Retirement Trust Funding Policy:

This policy establishes a formal methodology for financing the pension obligations of the County's defined benefit plan. The Frederick County Employees Retirement Committee adopted this policy in September of 2018, with approval of the County Executive. This policy insures a plan funded ratio of the actuarial value of assets to actuarial liabilities remains between 95% - 105%.

General Fund Revenue Surplus Appropriation Policy:

Provides management with the flexibility to appropriate financial resources from the current fiscal year or projected surplus General Fund revenues in the current or immediate subsequent fiscal year budget. This policy requires the annual review of property tax and income tax revenues. If a surplus is determined, those funds may be appropriated to offset nonrecurring expenditures

Debt Affordability Policy:

In order to establish a manageable level of debt issuance, the County commissioned a study which facilitated the establishment of a debt affordability limit, based on certain standards. These standards are applied to the Capital Improvement Program budget process in calculating manageable debt levels.

All financial policies are reviewed periodically.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to Frederick County, Maryland, for its comprehensive annual financial report for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements. Accordingly, we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the dedicated team effort of the staff of the County's Finance Division. Each member of the division has my sincere appreciation for the contributions made in preparation of this report. Special recognition is given to the Deputy Director of Finance, Erin White, Director of Accounting, Melanie Thom and her Team Leaders, Robin Inskeep, Ronni Putman and Kathi Tritsch, along with their staff; Financial Services Manager, Susan Keller, Director of Treasury, Diane Fox, and her staff who administer the County's property taxes and revenue collection system; Director of Procurement and Contracting, Diane Fouché, and her staff who work to maximize the value the County receives in all expenditures of tax dollars. A special thank you is given to our Budget Office staff who administers the budget process without which accounting and financial reporting could not exist. A sincere note of appreciation goes to Lori Rhodes who assumed the production process of this document. Lastly, I express my appreciation to our County Executive, Jan Gardner, as well as the County Council members and their staffs for their continued interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Use of this Report

This report and the financial information prepared by the Frederick County Division of Finance can be accessed on the County's website at www.FrederickCountyMD.gov/reports. In addition, copies of this report are placed in the Frederick County Public Library system for use by the general public.

Respectfully submitted,



Lori L. Depies, CPA
Director of Finance



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Frederick County
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

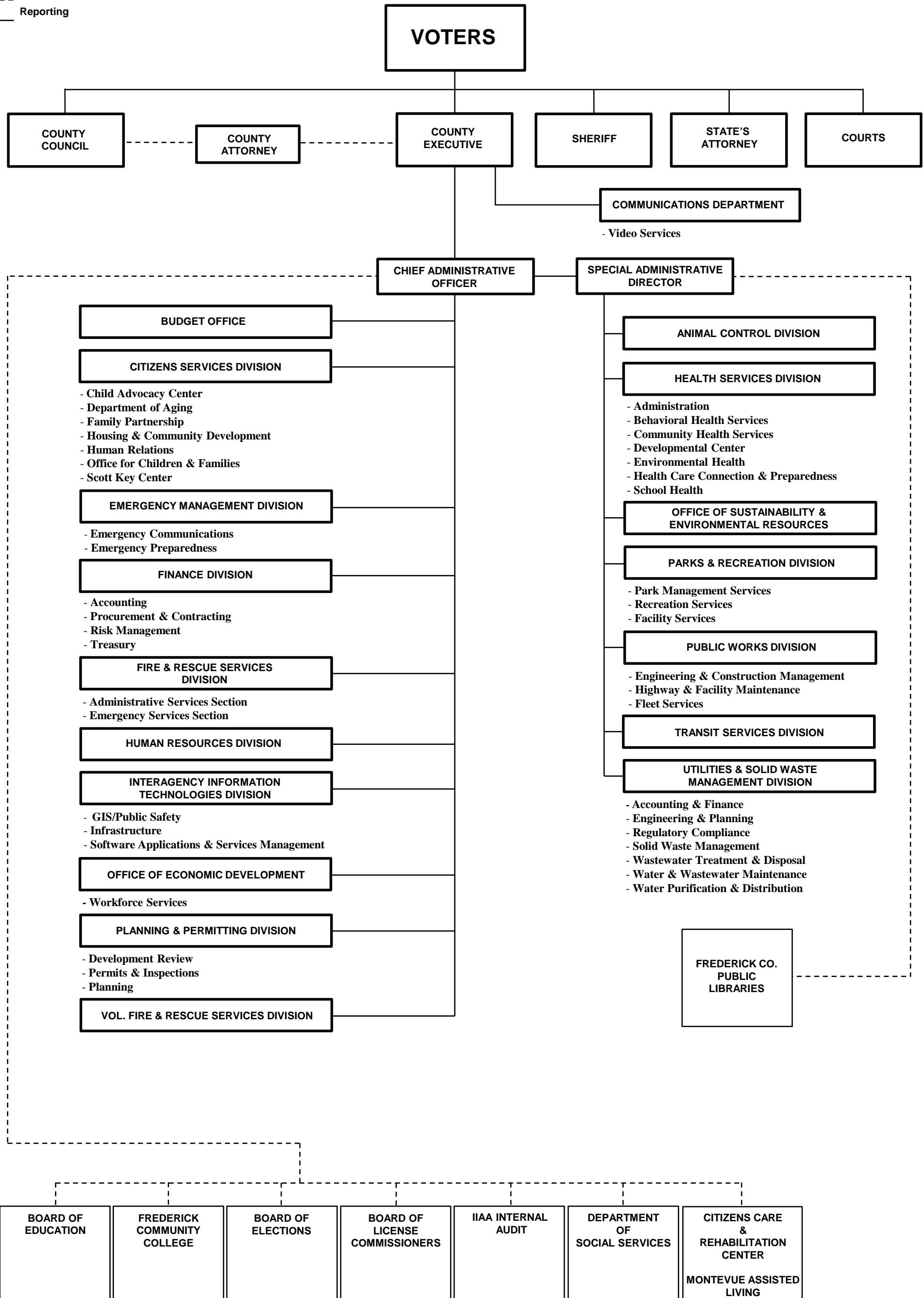
Executive Director/CEO

FREDERICK COUNTY GOVERNMENT

Organization Chart

Key

Coordination
Reporting





Frederick County Elected Officials



Jan H. Gardner
County Executive

Frederick County Council



From left to right – Billy Shreve (At Large), Jessica Fitzwater (District 4), M.C. Keegan-Ayer, Vice President (District 3), Bud Otis, President (At Large), Tony Chmelik, Treasurer (District 2), Jerry Donald (District 1), Kirby Delauter (District 5)

Frederick County, Maryland

Summary of Elected and Appointed Officials

County Executive

Jan H. Gardner

County Council

Bud Otis, President, At Large

M.C. Keegan-Ayer, Vice President, District 3

Jerry Donald, District 1

Tony Chmelik, District 2

Jessica Fitzwater, District 4

Kirby Delauter, District 5

Billy Shreve, At Large

Sheriff

Charles A. "Chuck" Jenkins

State's Attorney

J. Charles Smith III, Esquire

Administrative Judge of the Circuit Court

Honorable Julie R. Stevenson Solt

Clerk of the Circuit Court

Sandra K. Dalton, Clerk

Appointed Officials

Chief Administrative Officer
County Attorney

Raymond V. Barnes, Jr.
John S. Mathias, Esquire

County Executive's Cabinet

Communications Director

Vivian D. Laxton

Education Liaison

Janice P. Spiegel

Government Affairs and Policy Director

Roger A. Wilson

Special Administrative Directors

Michael G. Marschner

Margaret L. Nusbaum

Animal Control Division Director

Linda A. Shea

Budget Office Director

Richard P. Harcum

Citizens Services Division Director

Monica L. Grant

Economic Development Director

Helen L. Propheter

Emergency Management Division Director

John E. "Jack" Markey

Finance Division Director

Lori L. Depies, CPA

Fire and Rescue Services Division Director

Thomas W. Owens

Health Services Division Health Officer

Barbara A. Brookmyer, MD, MPH

Human Resources Division Director

Wayne C. Howard

Interagency Information Technologies Division Director

Thomas A. Dixon

Parks and Recreation Division Director

Jeremy T. Kortright

Planning and Permitting Division Director

Steven C. Horn

Public Works Division Director

Charles F. Nipe

Sustainability and Environmental Resources Director

Shannon K. Moore

Transit Services Division Director

Nancy J. Norris

Utilities and Solid Waste Management Division Director

Kevin L. Demosky

Volunteer Fire and Rescue Services Division Director

Kevin D. Fox

Component Units

Board of Education

President	Brad W. Young
Vice President	Elizabeth A. Barrett
Member	Michael G. Bunitsky
Member	Colleen E. Cusimano
Member	Kenneth P. Kerr, Ed.D.
Member	April F. Miller, O.D.
Member	M. Joy Schaefer
Student Member	Will Anderson
Superintendent	Theresa R. Alban, Ph.D.

Frederick Community College Board of Trustees

Chairperson	David F. Bufter
Vice Chairperson	Myrna R. Whitworth
Trustee	Ellis Barber
Trustee	Debra S. Borden, Esquire
Trustee	Nick Diaz
Trustee	Thomas E. Lynch, III, Esquire
Trustee	Dr. John Molesworth
President	Elizabeth Burmaster

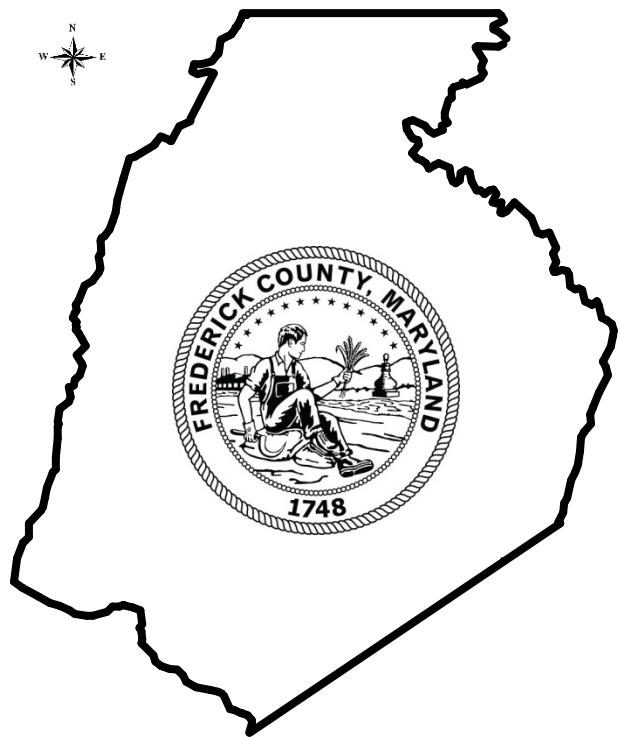
Frederick County Public Library Board

Chairperson	George J. Laugelli
Vice Chairperson	Kyle R. Kane, Esquire
Secretary/Treasurer	Susan L. Manny
Member	Candy Greenway
Member	Deborah Kiser
Member	Blanca Poteat
Member	Cheryl G. Smith
Public Libraries Director	James M. Kelly

Interagency Internal Audit Authority

Internal Audit Director	Tricia A. Griffis
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FINANCIAL SECTION





S B & C O M P A N Y, L L C
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Executive, Jan H. Gardner
Members of the County Council
Citizens of Frederick County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland (the County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Emphasis of Matter

As discussed in Note 4I to the financial statements, during the year ended June 30, 2018, the County adopted new accounting guidance from Governmental Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios and schedule of employer contributions for the Frederick County Employees Retirement Plan, the schedule of changes in net pension liability and related ratios and schedule of employer contributions for the Frederick County Length of Service Awards Program, schedule of changes in net OPEB liability and related ratios, and schedule of employer contribution for the Frederick County Retiree Health Benefit Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying introductory, combining and individual fund statements, budgetary comparison schedules, capital assets used in the operation of governmental funds and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund statements, budgetary comparison schedules and capital assets used in the operation of governmental funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements, budgetary comparison schedules and capital assets used in the operation of governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
November 15, 2018

SBC Company, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report of Frederick County, Maryland (the "County") presents a narrative overview and analysis of the financial activities of the County, for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

The objective of this overview is to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activity, (c) identify changes in the County's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-Wide:

- The assets and deferred outflows of resources of Frederick County Government exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$786.1 million (net position), approximately 77.8% of which is attributable to the County's business-type activities. Of total net position, \$774.4 million is the net investment in capital assets, and \$212.5 million is restricted for specific purposes. The County's unrestricted net position is a negative \$200.8 million. This deficit balance in unrestricted net position results primarily from the County's issuance of debt to fund construction for the Frederick County Board of Education and Frederick Community College, both component units. The educational facilities that are constructed through the County's financial support are assets of the Frederick County Board of Education and Frederick Community College, and therefore are not shown as assets of Frederick County Primary Government. A more detailed discussion is presented later in this document. Included in the County's liabilities at year-end is approximately \$297.6 million of bonds payable, the proceeds of which have been used to fund school and college construction.
- With the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the County is now required to record its net OPEB liability. This is reflected as a restatement of beginning net position of governmental activities at the government-wide statement level and deferred outflow/inflow of resources. The governmental activities' beginning net position was decreased by \$68.5 million. Any references to beginning net position or related analysis will assume the beginning net position is restated.
- The total government-wide net position increased by \$27.9 million or 3.7% in FY18. The governmental activities net position increased by \$5.1 million, compared to a decrease of \$5.7 million in FY17. The business-type activities net position increase by \$22.7 million, reflecting a lesser increase than the \$39.5 million increase in FY17.

Fund Level:

- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$335.1 million, an increase of \$21.3 million from the prior year. The County's proprietary funds reported a combined net position of \$611.5 million, representing a \$22.7 million increase over the prior year.

- At the end of FY18, the total committed, assigned and unassigned fund balances for the County's General Fund was \$99.5 million, or approximately 19.7% of total general fund expenditures.

Long Term Debt:

- The County's total general obligation bond indebtedness increased \$47.1 million during the current fiscal year. This was a result of the issuance of \$36.7 million refunding bonds eliminating \$41.2 million in existing debt, combined with \$99.7 million in new bonds issued and principal payments of \$48.1 million. Debt service on the 2017A crossover bonds continues to be paid from escrowed funds until the crossover date of February 1, 2020. The refunded bonds will continue to be an obligation of the County until 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Frederick County Government's basic financial statements. The County's financial statements focus on the County as a whole (the Government-Wide Statements) and on major individual funds. "Funds" are self-balancing sets of accounts that account for specific financial activities that may be regulated, restricted or limited in various ways.

The basic financial statements are comprised of three components:

Government-Wide Financial Statements
Fund Financial Statements
Notes to the Financial Statements

This report also contains other required and non-required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which present a total for the Primary Government. The focus of the *Statement of Net Position* (Exhibit II-A-1) is designed to be similar to bottom line results for the County and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets, deferred inflows and outflows of resources, and long term obligations. "Net Position" is the difference between the County's assets, deferred inflows and outflows of resources, and its liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Additionally, other factors, such as the diversification of the County's property tax base, the condition of its schools, and the condition of its facilities and infrastructure should also be a consideration of the County's condition and health.

The second government-wide statement, the *Statement of Activities* (Exhibit II-A-2), is focused on both the gross and net cost of various functions (including governmental, business-type and component units), which are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities and/or component units. This statement presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses

are reported in this statement for some items that will affect cash flows in future fiscal years and, to a limited effect, have affected cash flows in a prior reporting period.

The governmental activities reflects the County's basic services, including general government, public safety, public works, health, social services, education, parks, recreation and culture, conservation of natural resources, community development, public housing, economic development opportunity and debt service. Local property, income, and other local taxes, along with charges for services, and grants finance the majority of these services. The business-type activities reflect private sector type operations including water and sewer services, solid waste management, skilled nursing and assisted living facilities, and public housing, where the fee for service is intended to cover all or most of the cost of operations, including depreciation.

The Government-Wide Financial Statements include not only Frederick County (known as the primary government), but also a legally separate board of education, a legally separate community college, and a legally separate library board 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.

Component units, which are other governmental units over which the County can exercise influence and/or may be obligated to provide financial subsidies, are presented as separate columns in the Government-Wide Financial Statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. Additional detailed financial information for the Frederick County Board of Education and Frederick Community College may be obtained from their respective separately issued financial statements. The Library Board does not issue separate financial statements. Consolidated financial information is available in the Government-Wide Financial Statements. The Government-Wide Financial Statements can be found on pages 31-33 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The County, like other 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.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus 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.

The Governmental Major Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statement allows the demonstration of sources and uses and/or budgeting compliance. These presentations begin with Exhibit II-A-3.

Frederick County maintains nineteen individual governmental funds: the General Fund, the Debt Service Fund, the Capital Projects Fund, the Agricultural Preservation Fund, the Grants Fund, the Housing Initiative Fund, the School Construction Fund, the Impact Fees Fund, the Electric Lighting Tax Districts Fund, the Parks Acquisition & Development Fund, the Hotel Rental Tax Fund, the Watershed Protection and Restoration Fund, the Sheriff's Drug Enforcement Fund, the Narcotics

Investigative Section Fund, the State Attorney Law Enforcement Aid Fund, the Inmates' Canteen Fund, the Non-Profit Organizations Loans Fund, the Fire/Rescue Loans Fund, and the Economic Development Loans Fund. For GAAP reporting, the School Construction Fund, the Impact Fees Fund and the Parks Acquisition & Development Fund are eliminated and merged with the Capital Projects Fund.

Frederick County adopts an annual appropriated budget for its General Fund and each of the Special Revenue Funds (except for the Watershed Protection and Restoration Fund, the Sheriff's Drug Enforcement Fund, the Narcotics Investigative Section Fund, the State Attorney Law Enforcement Aid Fund, the Inmates' Canteen Fund, the Non-Profit Organizations Loans Fund, and the Fire/Rescue Loans Fund). A budgetary comparison statement is prepared for the General Fund. This statement can be found on Exhibit II-A-7 of this report. Budgetary schedules for the non-major special revenue funds and the Debt Service Fund can be found in Exhibit II-B-7 and Exhibit II-B-8, respectively in the Supplementary Data section. The Capital Projects Fund has a budget from inception until completion of the project. The budgetary display of this activity can be found in Exhibit II-B-9.

Proprietary Funds: Frederick County maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions as business-type activities in the Government-Wide Financial Statements. Frederick County has four individual enterprise funds: the Water & Sewer Fund, the Solid Waste Management Fund, the Comprehensive Care Facility Fund and the Bell Court Apartments Fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among Frederick County's various functions and activities. Frederick County uses internal service funds to account for worker's compensation, fleet services and voice services operations. Because the services of these funds benefit both the governmental and business-type functions, the change in net position is distributed between both the governmental activities and business-type activities in the Government-Wide Financial Statements. The basic proprietary fund financial statements are presented in Exhibits II-A-8, II-A-9, and II-A-10. Detailed statements for each of the internal service funds can be found in the Exhibits II-B-10, II-B-11, and II-B-12, in the Supplementary Data section of this report.

While the total column on the Proprietary Fund Financial Statements (see Exhibits II-A-8 and II-A-9) may be the same as the Business-type Activities column on the Government-Wide Financial Statements (after consideration of the "Internal Balances" account), the Governmental Activities total columns require reconciliations because of the different measurement focus (current financial resources versus total economic resources) which are reflected on Exhibits II-A-4 and II-A-6. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital expenditures and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets, deferred inflows and outflows of resources, and long-term obligations into the Governmental Activities column in the Government-Wide Financial Statements.

Fiduciary Funds: The Fund Financial Statements also allow the County to address its fiduciary funds. Summary statements for the fiduciary funds are displayed in Exhibits II-A-11 and II-A-12, while the detail for each fund is presented in Exhibits II-B-13, II-B-14 and II-B-15. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary funds include the Pension Trust Fund, the Other Post-Employment Benefits (OPEB) Trust Fund, the Length of Service Award Program (LOSAP) Trust, and various agency funds. While the fiduciary funds represent trust responsibilities of the County, these assets are restricted in purpose and do not represent discretionary assets of the County. Therefore, these assets are not presented as part of the Government-Wide Financial Statements. The basis of accounting used for the fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements are part of the basic financial statements and are presented in Exhibit II-A-13.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Frederick County's fiduciary trust liabilities and schedule of employer contributions. The required supplementary information is presented in Exhibit II-A-14 through Exhibit II-A-19.

Infrastructure Assets

Infrastructure assets is the County's largest group of assets (roads, bridges, and underground pipes [unless associated with a utility], etc.) in the governmental activities financial statements. These assets have been valued and reported within the Governmental Activities column of the Government-Wide Statements. Additionally, the County had the option to elect to either (a) depreciate these assets over their estimated useful lives or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The County has elected to depreciate the assets over their estimated useful lives.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

This section presents the County's financial information in the Government-Wide Financial statement format.

Changes in net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of Frederick County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$786.1 million at the close of the fiscal year.

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the current and prior year.

Statement of Net Position as of June 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 468,403	\$ 410,814	\$ 210,620	\$ 184,438	\$ 679,023	\$ 595,252
Capital assets	485,245	466,543	645,843	645,409	1,131,088	1,111,952
Total assets	<u>953,648</u>	<u>877,357</u>	<u>856,463</u>	<u>829,847</u>	<u>1,810,111</u>	<u>1,707,204</u>
Deferred outflows of resources	39,798	11,843	3,906	4,810	43,704	16,653
Current and other liabilities	119,536	107,355	30,283	32,249	149,819	139,604
Long-term debt outstanding	653,228	535,350	218,636	213,674	871,864	749,024
Total Liabilities	<u>772,764</u>	<u>642,705</u>	<u>248,919</u>	<u>245,923</u>	<u>1,021,683</u>	<u>888,628</u>
Deferred inflows of resources	46,031	8,443	-	-	46,031	8,443
Net Position:						
Net investment in capital assets	324,840	307,568	449,599	442,195	774,439	749,763
Restricted	173,536	163,711	38,936	27,602	212,472	191,313
Unrestricted (deficit)	<u>(323,725)</u>	<u>(233,227)</u>	<u>122,915</u>	<u>118,937</u>	<u>(200,810)</u>	<u>(114,290)</u>
Total net position	<u>\$ 174,651</u>	<u>\$ 238,052</u>	<u>\$ 611,450</u>	<u>\$ 588,734</u>	<u>\$ 786,101</u>	<u>\$ 826,786</u>

Frederick County's net position is divided into three categories, net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the County's net position, \$774.4 million or 98.5%, reflects its investment in capital assets net of depreciation (e.g., land, buildings, equipment, infrastructure, construction in progress, and improvements), less any outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net position of \$212.5 million includes resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a negative balance of \$200.8 million. The reason for this negative balance is related to the County issuing debt for public school construction as discussed below. The unrestricted net position for business-type activities has a positive balance of \$122.9 million.

The result of these basic current year calculations is that the County's overall financial position has increased from FY17 to FY18. The decline in the Unrestricted Net Position of the Governmental Activities by \$90.5 million while the already positive Business Activities Unrestricted Net Position increased \$4.0 million. The main reason for the current year's growing deficit in the Unrestricted Net Position in the governmental activities is the fact that counties in the State of Maryland issue debt for public school construction. These public schools are considered capital assets of the Frederick County Board of Education and Frederick Community College and are not included as assets of the County. The fact that the County must report the long-term debt for the schools as a liability, but cannot report the school buildings being financed by the County as assets, has a cumulative adverse impact on the County's unrestricted net position. In addition, the County's commitment to increasing reserves for subsequent year's budgets resulted in an additional \$3.9 million of restricted net position in FY18.

On March 7, 2018, the County issued \$99.7 million in general obligation bonds that included \$39.8 million in funding of Frederick County Board of Education capital projects and \$5.6 million in funding for Frederick Community College capital projects. Currently the County is carrying outstanding general obligation bonds issued for the Frederick County Board of Education and Frederick Community College projects in the amounts of \$265.6 million and \$31.9 million, respectively.

Overall, total net position increased by \$27.9 million. This increase is largely attributed to the increase in net position from the Water and Sewer Fund (\$23.1 million). While the governmental activities showed substantial increases in tax revenues and charges for services, they were offset by increased spending, as budgeted, to reflect the initiatives of the County, as well as absorbing the net OPEB liability.

For more detailed information see the Statement of Net Position (Exhibit II-A-1).

Statement of Activities

The following table presents the revenues and expenses for the current fiscal year, with comparative data for the prior year. This information reflects the changes in net position for these two fiscal years.

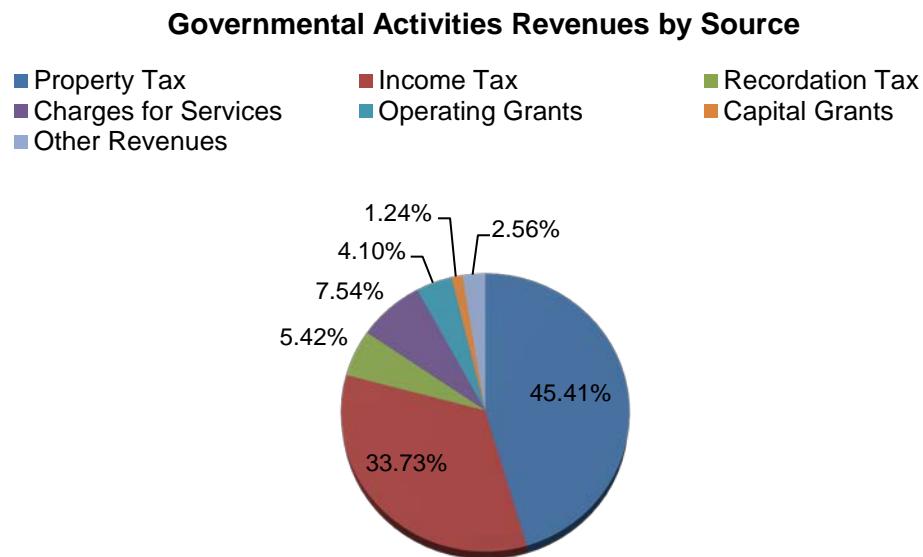
Statement of Activities For the Fiscal Year Ended June 30, (In Thousands)							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2018	2017	2018	2017	2018	2017	
REVENUES							
Program revenues							
Charges for services	\$ 51,165	\$ 45,498	\$ 91,940	\$ 80,157	\$ 143,105	\$ 125,655	
Operating grants and contributions	27,818	24,429	-	-	27,818	24,429	
Capital grants and contributions	8,452	11,454	25,228	39,754	33,680	51,208	
General revenues							
Local property taxes	308,185	293,612	-	-	308,185	293,612	
Local income taxes	228,887	203,994	-	-	228,887	203,994	
Other local taxes	40,062	38,329	-	-	40,062	38,329	
Build America Bond subsidy	1,244	1,248	365	388	1,609	1,636	
Investment earnings	3,048	339	2,107	1,034	5,155	1,373	
Miscellaneous	9,414	11,600	79	1	9,493	11,601	
Gain/Loss on Disposal of Assets	384	284	14	(27)	398	257	
Total revenues	<u>678,659</u>	<u>630,787</u>	<u>119,733</u>	<u>121,307</u>	<u>798,392</u>	<u>752,094</u>	
EXPENSES							
Program Activities							
Governmental Activities:							
General government	63,461	68,014	-	-	63,461	68,014	
Public safety	118,906	113,040	-	-	118,906	113,040	
Public works	53,272	44,509	-	-	53,272	44,509	
Health	7,418	7,312	-	-	7,418	7,312	
Social services	8,156	6,990	-	-	8,156	6,990	
Education	351,198	331,172	-	-	351,198	331,172	
Parks, recreation, and culture	23,678	20,007	-	-	23,678	20,007	
Conservation of natural resources	9,749	10,625	-	-	9,749	10,625	
Community development and public housing	8,479	8,256	-	-	8,479	8,256	
Economic development and opportunity	10,573	9,104	-	-	10,573	9,104	
Interest on long term debt	18,793	17,918	-	-	18,793	17,918	
Business-type Activities:							
Water and sewer	-	-	43,577	40,910	43,577	40,910	
Solid waste management	-	-	27,238	19,648	27,238	19,648	
Comprehensive Care Facility	-	-	25,859	20,679	25,859	20,679	
Public Housing	-	-	176	166	176	166	
Total expenses	<u>673,683</u>	<u>636,947</u>	<u>96,850</u>	<u>81,403</u>	<u>770,533</u>	<u>718,350</u>	
Change in net position before transfers	<u>4,976</u>	<u>(6,160)</u>	<u>22,883</u>	<u>39,904</u>	<u>27,859</u>	<u>33,744</u>	
Transfers	<u>167</u>	<u>427</u>	<u>(167)</u>	<u>(427)</u>	<u>-</u>	<u>-</u>	
Change in net position	<u>5,143</u>	<u>(5,733)</u>	<u>22,716</u>	<u>39,477</u>	<u>27,859</u>	<u>33,744</u>	
Net position - beginning of year	<u>238,052</u>	<u>255,732</u>	<u>588,734</u>	<u>549,257</u>	<u>826,786</u>	<u>804,989</u>	
Change in accounting principle	<u>(68,544)</u>	<u>(11,947)</u>	<u>-</u>	<u>-</u>	<u>(68,544)</u>	<u>(11,947)</u>	
Net position - beginning of year (restated)	<u>169,508</u>	<u>243,785</u>	<u>588,734</u>	<u>549,257</u>	<u>758,242</u>	<u>793,042</u>	
Net position - ending of year	<u>\$ 174,651</u>	<u>\$ 238,052</u>	<u>\$ 611,450</u>	<u>\$ 588,734</u>	<u>\$ 786,101</u>	<u>\$ 826,786</u>	

Governmental Activities: As noted earlier, the government's net position increased by \$27.9 million during the fiscal year. The net position of governmental activities increased \$5.1 million. Governmental activity revenues increased by \$47.9 million during FY18 with an offsetting increase to expenses of \$36.7 million. The increases in expenses represent the County Executive's initiatives to invest more in the areas of education, public works and public safety.

Key elements impacting the governmental activities revenues include:

- The County recorded \$308.2 million in local property tax revenues in FY18, compared to \$293.6 million in the prior year, representing a 5.0% increase.
- Increases in income tax revenues of \$24.9 million, reflecting a 12.2% increase over FY17.
- Capital Grants and Contributions decreased from \$11.4 million in FY17 to \$8.5 million in FY18. State funding for agricultural preservation and conservation easements is the largest area of decline at \$3.6 million. These easements require an application process initiated by the landowner with approval from the Maryland Department of Natural Resources and vary from year to year.
- Charges for services also increased \$5.7 million in FY18 from \$45.5 million in FY17 to \$51.2 million in FY18. Impact fees for general government capital projects accounted for \$3.1 million of this increase, with an additional \$1.9 million of ambulance billing revenues for public safety services.

The following chart illustrates the governmental activities revenues received by source for FY18:



Governmental activities expenses increased by \$36.7 million in FY18. The largest contributors to this increase were in the areas:

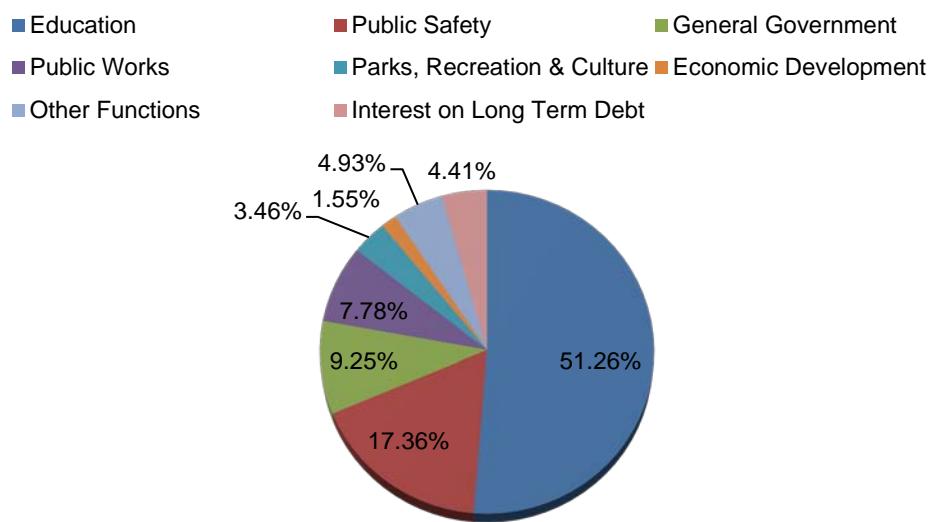
- Education expenses increased by \$20.0 million in FY18, compared to FY17. This is a result of the County Executive's focus on our education system. Increases include an additional

\$14.0 million in operating funds for FY18 and an increase of \$6.0 million in capital project expenditures related to education.

- Public Works spending increased by \$8.8 million in FY18. The majority of this was due to increased capital project expenses not meeting the requirements for capitalization (\$5.1 million), increased costs due to inclement weather (\$2.2 million) and additional grant funding for the purchase of seven new Transit buses (\$1.1 million).
- Public Safety increased spending by \$5.9 million. Approximately \$5.0 million of this variance is indicative of the budget initiatives established by the County Executive for FY18 to include additional staffing of eight Detention Center correctional officers, a courthouse security officer, four Sheriff's deputies and eight emergency communication operators. Supplemented by \$2.9 million of SAFER grant funding, the County was also able to add twelve fire fighters to our rosters.
- Parks, Recreation and Culture expenses reflect a \$3.7 million increase from FY17. This is largely due to increases in capital projects that did not meet the requirements for capitalization.
- General Government expenses decreased by \$4.6 million in FY18. This is due to decreases in pension expense (\$1.4 million), unused contingency funds for revenue stabilization and fuel cost reserves (\$2.8 million), and a reduction in expenses of municipal capital project expenses (\$1.9 million). These capital project expenses are related to intergovernmental (municipal /state highway) capital projects. These are also projects that the County contributes funding while not recording the related asset.

The following chart illustrates the governmental activities expenses by function for FY18:

Governmental Activities Expenses by Function



Business-type Activities: Business-type activities increased Frederick County's net position by \$22.7 million in FY18, compared to an increase of \$39.5 million in FY17. Capital grants and contributions continue to provide a major revenue source for the Water and Sewer Fund during the current fiscal year, producing \$25.2 million in revenue, representing a decrease of \$13.5 million from FY17.

Other key factors include:

- Charges for services increased by \$11.8 million. Both the Comprehensive Care Facility (\$5.8 million) and the Water and Sewer (\$5.3 million) funds experienced increases in FY18.
- In FY17 the County Executive decided to retain ownership of the skilled nursing and assisted living facilities accounted for in the new Comprehensive Care Facility Fund. During FY18, this fund recorded charges for services in the amount of \$26.0 million and expenses of \$25.9, increasing net position by slightly less than \$0.1 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds: The focus of Frederick County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Frederick County's financing requirements.

As of the end of the current fiscal year, Frederick County's governmental funds reported combined ending fund balances of \$335.1 million. Approximately 99.3% of this total amount (\$332.8 million) constitutes restricted, committed, assigned and/or unassigned fund balance, which is generally available for spending. The remainder of fund balance (\$2.3 million) is classified as nonspendable to indicate that it is not available for spending because it is in the form of inventories, prepaid expenditures, long-term receivables or other like conditions. Included in the committed fund balance of \$202.1 million is \$33.0 million that enabling legislation (Section 2-7-1(a)(2) of the Frederick County, Maryland Code of Ordinances) requires being set-aside in an amount equal to 6.5% percent of the General Fund expenditures and transfers to the Frederick County Board of Education and Frederick Community College. In accordance with the promulgations of GASB No. 54, this set-aside is classified as committed fund balance.

The General Fund is the chief operating fund of Frederick County. At the end of the current fiscal year, restricted, committed, assigned and unassigned fund balance of the General Fund was \$100.5 million. Reducing the committed fund balance for the legislative mandate noted earlier still provides a fund balance of \$67.5 million spendable for current operations. The remainder of the fund balance (\$2.2 million) is non spendable and is not available for spending because it is in the form of inventory, prepaid expenditures, long term receivables and salary advances. Total fund balance for the General Fund is \$102.7 million. As a measure of the General Fund's liquidity, it may be useful to compare restricted, committed, assigned, and unassigned fund balance and total fund balance to total expenditures. Restricted, committed, assigned and unassigned fund balance represents 19.9% of total general fund expenditures, while total fund balance represents 20.3% of that same amount.

The Capital Projects Fund has a total fund balance of \$98.8 million. The increase in fund balance was \$10.8 million. This represents a \$70.1 million increase over the decrease in fund balance in FY17 of \$59.3 million. This increase is primarily due to the timing of bond issuance. The County issued bonds in March of FY18, providing \$90.8 million of bond proceeds for governmental activity capital project funding. The County is not scheduled to issue bonds again until the fall of 2019. Other variances include an increase in capital project spending of \$24.0 million offset by increased revenues of \$5.3 million.

Proprietary Funds: Frederick County's proprietary fund statements provide the same type of information found in the Government-Wide Financial Statements, but in more detail. At the end of FY18, the enterprise funds reported a combined total net position in the amount of \$609.7 million. Of that total, unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$88.1 million and unrestricted net position in the Solid Waste Management Fund totaled \$29.8 million. The Comprehensive Care Facility Fund (new for FY17) ended the year with an unrestricted net position of \$3.3 million. The Bell Court Apartment Fund had an unrestricted deficit totaling \$2.4 thousand.

The County's internal service funds ended FY18 with a total net position of \$30.2 million, and an increase in net position of \$3.2 million from the prior year.

General Fund Budgetary Highlights

The final expenditure and transfer budgets for the General Fund increased \$4.5 million over the original budget. As part of the FY18 budget process, the County now has the authority to re-appropriate encumbrances outstanding at the end of the fiscal year for the General Fund. This accounted for \$3.6 million of the increase from the adopted budget. Other notable increases to the adopted budget included \$0.5 million in start-up funds to be matched by other private resources to implement detox services by a private provider within the County and \$0.2 million of initial funding for the LOSAP Trust. During the year, revenues were greater than budgetary estimates by \$24.8 million and expenditures were less than budgetary estimates by \$15.1 million. Other financing sources and uses had a favorable variance of \$0.7 million. The favorable variances totaled \$40.6 million, thereby reducing the need to draw upon all of the appropriated fund balance of \$35.9 million.

The major variances between the final budget and the actual amounts are summarized as follows:

- Local property tax revenue was greater than the budgeted amount by \$6.2 million. This is primarily due to taxes levied in excess of original estimates for real property (\$2.3 million) and public utilities (\$3.5 million). New construction billings have far exceeded FY17 assessments of \$244.0 million, with \$445.0 million in FY18.
- Local income tax distributions were greater than the budgeted amount by \$10.3 million. This is the result of distributions being volatile by nature and dependent in part on tax filing patterns.
- Recordation taxes exceeded budgeted amounts by \$2.1 million. These taxes are based on property transfers and are challenging to estimate.
- Permits in the construction area have also reported better than budget performance for FY18 by \$1.2 million, particularly in the single family dwelling applications. This is also indicative of the increased new construction property tax billings variance mentioned above, as a result of an increase in permitting activity.
- Investment income exceeded budget estimates in FY18 by \$1.7 million. This is the result of a rising interest rate environment during the fiscal year.
- Charges for services revenue surpassed the budgeted amount by \$2.8 million. The majority of these positive variances were in the areas of public safety, Scott Key Center, planning and zoning fees and recreation. Public safety revenues continue to exceed budget estimates for ambulance billings and subscription services, as well as Scott Key Center revenues for client services. Planning and zoning fees were higher than budgeted due to an increase in the number of applications received from property owners and developers for these reviews. Recreation has exceeded budgets for day camp programs, nature center and museum fees.

- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$15.1 million generally throughout all functions of government. The largest contributors to this savings were \$3.2 million in general government, with the largest savings in management services and planning and zoning in the areas of salaries and utility costs. Education had a favorable variance of \$1.3 million, due to in-kind costs coming in significantly lower than anticipated. Public safety had a total savings of \$3.8 million with salary savings from the sheriff's office and detention center offset by overages in fire and rescue operations related to overtime. Public works had a favorable budget variance of \$1.1 million which is partially attributed to salary recoveries related to time spent on capital projects exceeding expectations, while \$0.9 million was transferred to the public works budget from the severe weather contingency to cover overages in salaries and materials related to extreme cold and ice during the winter months. The extremely rainy spring prevented other public works activities from occurring resulting in savings in a number of areas. Various contingencies were also not required in FY18, leaving \$2.5 million of unspent budgeted dollars, predominantly in the areas of revenue stabilization (\$1.0 million) and snow removal (\$0.5 million).

Details of the variances can be found on Exhibit II-A-7.

Capital Asset and Debt Administration

Capital Assets: Frederick County Government's investments in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2017 and 2018, amount to \$1,112.0 million and \$1,131.0 million, respectively. This investment in capital assets includes land, easements, buildings, improvements, equipment, vehicles, roads, water and sewer lines, highways, bridges and construction in progress. The total increase in Frederick County's investment in capital assets for the current fiscal year was 1.7%.

Capital Assets, Net of Depreciation
as of June 30,
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 106,953	\$ 103,615	\$ 9,328	\$ 9,328	\$ 116,281	\$ 112,943
Buildings & improv.	237,403	231,478	361,844	342,466	599,247	573,944
Equipment	144,928	138,226	55,966	58,190	200,894	196,416
Infrastructure	389,492	385,843	415,698	404,769	805,190	790,612
Construction in progress	40,399	29,138	14,246	26,661	54,645	55,799
Accum. depreciation	(433,930)	(421,757)	(211,239)	(196,005)	(645,169)	(617,762)
Total	<u>\$ 485,245</u>	<u>\$ 466,543</u>	<u>\$ 645,843</u>	<u>\$ 645,409</u>	<u>\$ 1,131,088</u>	<u>\$ 1,111,952</u>

Change in Capital Assets
as of June 30,
(In Thousands)

	Governmental Activities	Business-type Activities	Total
Beginning Balance - July 1, 2017	\$ 466,543	\$ 645,409	\$ 1,111,952
Additions	82,596	45,650	128,246
Depreciation	(24,583)	(16,060)	(40,643)
Retirement*	(39,311)	(29,156)	(68,467)
Ending Balance - June 30, 2018	<u><u>\$ 485,245</u></u>	<u><u>\$ 645,843</u></u>	<u><u>\$ 1,131,088</u></u>

**Net of accumulated depreciation related to asset retirement.*

Major capital asset events during the fiscal year included, but are not limited to the following projects:

Governmental Activities:

- Costs were incurred for the following major projects and capital purchases:
 - Pavement Management \$12.1 million
 - Middletown Fire Station 4.7 million
 - Monocacy Boulevard 4.7 million
 - Walkersville Library 4.5 million
 - Boyers Mill Road 4.4 million
- The following transfers were made to the Frederick County Board of Education for school construction:
 - Butterfly Ridge Elementary School \$32.8 million
 - Sugarloaf Elementary School 29.6 million
 - Frederick High School 15.6 million
 - Systemic Projects 5.2 million
- The following transfer was made to Frederick Community College for school construction:
 - Monroe Reconfiguration \$3.6 million

Business-type Activities:

- Construction costs were incurred for the following major projects:
 - Monocacy WWPS 1B – Force Main \$4.0 million
 - Pinehurst Esplanada Replacement 0.2 million
 - Raw Water Intake & Pump Station Improvements 0.2 million

Additional information on capital assets is presented in detail in Note 3.C of this report.

Long-Term Debt

Bonds, Notes Payable and Capital Leases
as of June 30,
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 495,580	\$ 452,464	\$ 154,950	\$ 150,956	\$ 650,530	\$ 603,420
Ag Easement Notes (IPA)	50,619	49,113	-	-	50,619	49,113
Other Notes	38	49	54,221	57,354	54,259	57,403
Capital Leases	3,240	3,704	163	232	3,403	3,936
Total	<u>\$ 549,477</u>	<u>\$ 505,330</u>	<u>\$ 209,334</u>	<u>\$ 208,542</u>	<u>\$ 758,811</u>	<u>\$ 713,872</u>

As of year-end, the County had \$650.5 million in general obligation bonds outstanding compared to a total of \$603.4 million last year, a 7.8% net increase. This increase (\$47.1 million) is attributed to new bonds of \$136.4 million being issued during FY18 combined with principal payments of \$48.1 and \$41.2 million in refunded bonds.

The County issued refunding general obligation bonds in FY18, the detail of this transaction is located in Note 3.F.8 of this report.

The County maintains a debt affordability index to determine its self-imposed limits for issuing long-term general governmental debt. This debt affordability index is a blend of ratios to determine the maximum debt that can be issued each year and in total for its six-year capital program. The County's financial advisor reviews this index periodically.

Pursuant to the Charter of Frederick County Maryland, future authorizations for general obligation borrowings will be granted by the County Council. Section 508 of the Charter sets limitations for general obligation borrowings. This debt limit is calculated at an amount not to exceed a total of five percent of the assessable basis of real property of the County and fifteen percent of the County's assessable basis of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article of the Annotated Code of Maryland. Exhibit III-A-12 presents the calculation of legal debt margin at \$961.2 million. In FY17 the County Council granted an additional \$100 million for long-term borrowings.

Principal payments and reductions of all the County's long-term liabilities in the amounts of \$78.6 million and \$17.0 million were made in the governmental and business-type activities, respectively. Additional information on the County's long-term debt can be found in Note 3.F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The General Fund budget for FY19 is based on existing tax rates for both County property taxes (\$1.06) and income taxes (2.96%) and reflects a 5.2% increase in revenues compared to FY18. Property tax and income tax revenues increased by 5.0% and 5.1% respectively, reflecting a moderately recovering economy. The City of Frederick and the Town of Myersville use County property tax differential rates of which both were increased slightly. The City of Frederick rate for FY19 will be 0.9413, which is an increase from the FY18 rate of 0.9399. The Town of Myersville decreased their rate for FY19 to 0.9333 from the FY17 rate of 0.9391.
- Funding for Frederick County Public Schools exceeds the Maintenance of Effort (MOE) level, the minimum level required by state law. The FY19 budget provides for \$7.2 million over MOE, to

fund the third year of new teacher and staff pay scales. Overall funding increased to the school system in the amount of \$12.2 million. The total appropriation for FY18 is \$284.1 million. During FY19 the County Executive advanced funding for school projects with \$2.4 million of income tax revenues that exceeded budget estimates for the year.

- Funding for Frederick Community College will also experience an increase of \$1.3 million in FY19, to provide a step increase to staff that have gone 10 years without a step increase in pay. The total appropriation for FY19 is \$17.9 million. The capital budget includes funding for improvements to Building E and various systemic projects.
- The appropriation for Frederick County Libraries increased by \$0.9 million at \$12.3 million in FY19.
- As a result of operations in FY18, there remains \$25.8 million of fund balance in the General Fund that is committed for use in the FY20 budget. This represents a decrease from the \$31.5 million programmed as a budgeted use of fund balance in the FY19 budget.
- Interest rates have increased by 75 basis points over FY18 for the County's operating funds and are expected to continue into FY19. Budget estimates remain constant and conservative.
- As of June 2018, the average unemployment rate for the County was 4.1 percent, while the average unemployment rate for the State of Maryland was 4.3 percent.

Below are the property tax rates for Frederick County and the State of Maryland. Only the City of Frederick's differential tax rate has increased in FY19.

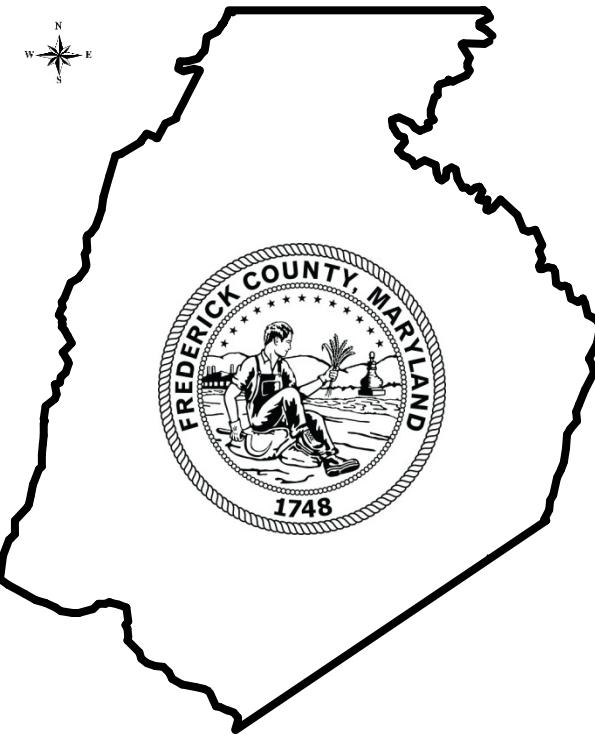
Jurisdiction	FY 2019	FY 2018
State of Maryland	0.1120	0.1120
Frederick County	1.0600	1.0600
City of Frederick Differential	0.9413	0.9399
Town of Myersville Differential	0.9333	0.9391
Total Real Property Assessed Values	29.5B	28.2B

REQUESTS FOR INFORMATION

The County's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions about the report or need additional financial information, contact the Director of Finance, Frederick County Government, 12 East Church Street, Frederick, Maryland 21701.

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BASIC FINANCIAL STATEMENTS



This section provides a combined overview of the County's net position and operating activities. The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which present a total for the Primary Government, using the accrual basis of accounting.

The fund financial statements presented in this section focus on major funds, and present a combined total for nonmajor funds.

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Assets						
Cash	\$ 603,883	\$ 3,000	\$ 606,883	\$ 17,910,382	\$ 13,534,801	\$ 6,405
Equity in pooled invested cash	136,010,132	125,919,970	261,930,102	-	-	-
Cash and cash equivalents - restricted	<u>29,726,726</u>	<u>20,293,480</u>	<u>50,020,206</u>	<u>15,011,363</u>	<u>-</u>	<u>20,000</u>
Total cash and cash equivalents	166,340,741	146,216,450	312,557,191	32,921,745	13,534,801	26,405
Investments - restricted	66,074,642	19,687,625	85,762,267			
Investments	124,165,977	29,940,450	154,106,427	34,060,225	15,720,289	524,825
Receivables, net of allowance for uncollectibles:						
Property taxes	678,398	-	678,398	-	-	-
Accounts	9,530,727	15,774,021	25,304,748	6,192,350	1,080,430	19,253
Intergovernmental	64,521,985		64,521,985	7,782,039	1,631,710	-
Internal balances	3,781,517	(3,781,517)	-	-	-	-
Net pension asset	20,126,708	-	20,126,708	-	-	-
Due from primary government				8,398,283	-	2,961,863
Due from component units	20,620	8,040	28,660	-	-	-
Inventories	2,485,024	135,563	2,620,587	1,051,694	528,529	-
Prepaid items	203,128	375,691	578,819	1,049,999	564,903	55,319
Long-term receivables, net of allowance for uncollectibles	10,474,030	2,263,622	12,737,652	-	-	-
Capital assets:						
Land	106,953,336	9,327,737	116,281,073	51,154,643	271,620	-
Buildings and improvements	237,402,552	361,844,406	599,246,958	975,194,272	124,785,648	-
Equipment	144,927,736	55,966,056	200,893,792	54,274,543	6,511,607	211,690
Library collection	-	-	-	-	2,065,438	9,488,348
Infrastructure	389,492,137	415,697,859	805,189,996	-	-	-
Construction in progress	40,399,372	14,246,137	54,645,509	83,223,933	445,804	-
Accumulated depreciation	<u>(433,930,160)</u>	<u>(211,239,330)</u>	<u>(645,169,490)</u>	<u>(397,766,482)</u>	<u>(51,727,153)</u>	<u>(5,727,253)</u>
Total assets	<u>953,648,470</u>	<u>856,462,810</u>	<u>1,810,111,280</u>	<u>857,537,244</u>	<u>115,413,626</u>	<u>7,560,450</u>
Deferred Outflows of Resources						
Deferred outflow related to Pension	21,414,492	-	21,414,492	7,779,406	-	-
Deferred outflow related to LOSAP	10,618	-	10,618	-	-	-
Deferred outflow related to OPEB	7,371,320	-	7,371,320	22,277	-	-
Deferred charge on refunding	<u>11,001,672</u>	<u>3,906,039</u>	<u>14,907,711</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>39,798,102</u>	<u>3,906,039</u>	<u>43,704,141</u>	<u>7,801,683</u>	<u>-</u>	<u>-</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Units		
	Governmental Activities		Business-type Activities	Total	Board of Education	Community College
						Public Libraries
Liabilities						
Accounts payable	\$ 865,024	\$ 3,626	\$ 868,650	\$ 34,010,969	\$ 648,084	\$ 5,132
Accrued liabilities	22,083,710	7,781,861	29,865,571	108,034	623,159	-
Payroll and benefit deductions	14,005,506	867,104	14,872,610	9,966,432	1,526,071	502,190
Property taxes payable	149,684	-	149,684	-	-	-
Due to third parties	7,846,044	-	7,846,044	-	146,975	-
Due to primary government	-	-	-	16,270	-	-
Due to other governmental units	186,758	-	186,758	-	-	-
Due to component units	11,740,276	-	11,740,276	-	-	-
Due to fiduciary funds	-	-	-	10,767	-	-
Unearned revenues	9,546,174	205,288	9,751,462	1,527	1,509,579	237,943
Performance and security deposits	-	931,261	931,261	-	-	-
Other liabilities	3,219,848	1,356,059	4,575,907	-	-	-
Noncurrent liabilities:						
Due within one year	49,892,929	19,137,475	69,030,404	8,717,880	295,000	48,203
Due in more than one year	653,227,807	218,636,447	871,864,254	737,532,520	5,801,080	485,371
Total liabilities	<u>772,763,760</u>	<u>248,919,121</u>	<u>1,021,682,881</u>	<u>790,364,399</u>	<u>10,549,948</u>	<u>1,278,839</u>
Deferred Inflows of Resources						
Deferred inflow related to pensions	44,339,102	-	44,339,102	2,637,478	-	-
Deferred inflow related to LOSAP	66,199	-	66,199	2,637,478	-	-
Deferred inflow related to OPEB	1,626,233	-	1,626,233	19,218,074	-	-
Total deferred inflows of resources	<u>46,031,534</u>	<u>-</u>	<u>46,031,534</u>	<u>21,855,552</u>	<u>-</u>	<u>-</u>
Net Position						
Net investment in capital assets	324,840,212	449,599,222	774,439,434	755,606,756	76,411,837	3,972,785
Restricted for:						
School and library construction	47,086,454	-	47,086,454	-	-	-
Additional or expanded road facilities	11,965,683	-	11,965,683	-	-	-
Parks acquisition	12,695,943	-	12,695,943	-	-	-
Capital projects	-	19,247,603	19,247,603	-	-	-
Agricultural preservation	2,010,831	-	2,010,831	-	-	-
County code required set-aside	33,006,509	-	33,006,509	-	-	-
Debt service	66,579,921	19,687,747	86,267,668	10,667,947	-	-
Other purposes	191,082	-	191,082	-	14,668,594	544,825
Unrestricted (Deficit)	<u>(323,725,357)</u>	<u>122,915,156</u>	<u>(200,810,201)</u>	<u>(713,155,727)</u>	<u>13,783,247</u>	<u>1,764,001</u>
Total net position	<u>\$ 174,651,278</u>	<u>\$ 611,449,728</u>	<u>\$ 786,101,006</u>	<u>\$ 53,118,976</u>	<u>\$ 104,863,678</u>	<u>\$ 6,281,611</u>

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Board of Education	Community College
Primary government:									
Governmental activities:									
General government	\$ 63,460,776	\$ 35,709,760	\$ 2,140,369	\$ 23,807	\$ (25,586,840)	\$ -	\$ (25,586,840)	\$ -	\$ -
Public safety	118,905,575	10,255,623	6,121,202	971,896	(101,556,854)	-	(101,556,854)	-	-
Public works	53,272,452	1,005,135	5,946,379	3,840,319	(42,480,619)	-	(42,480,619)	-	-
Health	7,418,055	316,946	731,209	-	(6,369,900)	-	(6,369,900)	-	-
Social services	8,156,301	1,958,040	1,175,799	-	(5,022,462)	-	(5,022,462)	-	-
Education	351,197,463	-	-	1,000,000	(350,197,463)	-	(350,197,463)	-	-
Parks, recreation and culture	23,678,439	1,626,022	-	-	(22,052,417)	-	(22,052,417)	-	-
Conservation of natural resources	9,749,130	292,960	1,076,543	2,584,538	(5,795,089)	-	(5,795,089)	-	-
Community development and public housing	8,479,237	-	7,486,393	-	(992,844)	-	(992,844)	-	-
Economic development and opportunity	10,572,727	-	3,140,513	31,527	(7,400,687)	-	(7,400,687)	-	-
Interest on long term debt	18,792,919	-	-	-	(18,792,919)	-	(18,792,919)	-	-
Total governmental activities	<u>673,683,074</u>	<u>51,164,486</u>	<u>27,818,407</u>	<u>8,452,087</u>	<u>(586,248,094)</u>	<u>-</u>	<u>(586,248,094)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	43,576,797	39,897,755	-	25,227,165	-	21,548,123	21,548,123	-	-
Solid waste management	27,238,710	25,920,502	-	-	-	(1,318,208)	(1,318,208)	-	-
Comprehensive care facility	25,858,932	25,993,069	986	-	-	135,123	135,123	-	-
Public housing	176,422	128,367	-	-	-	(48,055)	(48,055)	-	-
Total business-type activities	<u>96,850,861</u>	<u>91,939,693</u>	<u>986</u>	<u>25,227,165</u>	<u>-</u>	<u>20,316,983</u>	<u>20,316,983</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>\$ 770,533,935</u></u>	<u><u>\$ 143,104,179</u></u>	<u><u>\$ 27,819,393</u></u>	<u><u>\$ 33,679,252</u></u>	<u><u>(586,248,094)</u></u>	<u><u>20,316,983</u></u>	<u><u>(565,931,111)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Component Units:									
Board of Education	\$ 659,864,286	\$ 6,910,074	\$ 146,096,821	\$ 101,509,193	-	-	-	(405,348,198)	-
Community College	64,585,825	20,414,492	40,051,832	2,988,550	-	-	-	-	(1,130,951)
Public Libraries	11,936,779	420,264	13,875,471	-	-	-	-	-	2,358,956
Total Component Units	<u>\$ 736,386,890</u>	<u>\$ 27,744,830</u>	<u>\$ 200,024,124</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(405,348,198)</u>	<u>(1,130,951)</u>
General Revenues:									
Local property taxes				308,184,413	-	308,184,413	-	-	-
Local income taxes				228,887,334	-	228,887,334	-	-	-
Recordation taxes				36,775,159	-	36,775,159	-	-	-
Hotel rental tax				2,584,301	-	2,584,301	-	-	-
Agriculture transfer tax				702,255	-	702,255	-	-	-
Build America Bond Subsidy				1,244,234	364,816	1,609,050	-	-	-
Grants and contributions not restricted to specific programs				-	-	-	421,491,287	-	-
Investment earnings				3,048,508	2,107,163	5,155,671	544,643	1,348,796	6,266
Miscellaneous				9,413,511	79,277	9,492,788	392,108	30,542	-
Gain/(Loss) on disposal of assets				384,230	14,055	398,285	-	-	(8,362)
Equity transfer				166,960	(166,960)	-	-	-	-
Transfers				-	-	-	-	-	-
Total general revenues and transfers				<u>591,390,905</u>	<u>2,398,351</u>	<u>593,789,256</u>	<u>422,428,038</u>	<u>1,379,338</u>	<u>(2,096)</u>
Change in net position				<u>5,142,811</u>	<u>22,715,334</u>	<u>27,858,145</u>	<u>17,079,840</u>	<u>248,387</u>	<u>2,356,860</u>
Net position - beginning of year				<u>238,052,004</u>	<u>588,734,394</u>	<u>826,786,398</u>	<u>363,698,980</u>	<u>-</u>	<u>2,482,397</u>
Change in accounting principle				<u>(68,543,537)</u>	<u>-</u>	<u>(68,543,537)</u>	<u>(327,659,844)</u>	<u>-</u>	<u>1,442,354</u>
Net position - beginning of year (restated)				<u>169,508,467</u>	<u>588,734,394</u>	<u>758,242,861</u>	<u>36,039,136</u>	<u>104,615,291</u>	<u>3,924,751</u>
Total net position - end of year				<u><u>\$ 174,651,278</u></u>	<u><u>\$ 611,449,728</u></u>	<u><u>\$ 786,101,006</u></u>	<u><u>\$ 53,118,976</u></u>	<u><u>\$ 104,863,678</u></u>	<u><u>\$ 6,281,611</u></u>

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

FREDERICK COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 288,804	\$ -	\$ -	\$ 315,079	\$ 603,883
Equity in pooled invested cash	<u>24,732,415</u>	<u>78,777,695</u>	<u>5,491,964</u>	<u>13,317,096</u>	<u>122,319,170</u>
Total cash and cash equivalents	25,021,219	78,777,695	5,491,964	13,632,175	122,923,053
Investments	84,859,541	-	-	39,306,436	124,165,977
Receivables, net of allowance for uncollectibles:					
Property taxes	678,398	-	-	-	678,398
Accounts	6,484,930	-	402,107	1,021,310	7,908,347
Intergovernmental	56,065,794	1,565,762	-	6,347,333	63,978,889
Prepaid items	95,846	-	-	68,514	164,360
Due from other funds	8,018,106	-	-	-	8,018,106
Due from component units	20,620	-	-	-	20,620
Inventories	2,027,667	-	-	-	2,027,667
Long-term receivables, net of allowance for uncollectibles:					
Employee salary advances	27,710	-	-	-	27,710
Non-profit organization loans	78,381	-	-	2,104,411	2,182,792
Housing loans	-	-	-	7,793,528	7,793,528
Other long term receivables	-	-	-	470,000	470,000
Investments- restricted	37,260	-	66,037,382	-	66,074,642
Cash and cash equivalents - restricted	-	<u>29,586,035</u>	<u>140,691</u>	-	<u>29,726,726</u>
Total assets	<u><u>\$ 183,415,472</u></u>	<u><u>\$ 109,929,492</u></u>	<u><u>\$ 72,072,144</u></u>	<u><u>\$ 70,743,707</u></u>	<u><u>\$ 436,160,815</u></u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 703,101	\$ -	\$ -	\$ 123,486	\$ 826,587
Accrued liabilities	3,431,403	7,038,618	47,753	1,961,605	12,479,379
Payroll and benefit deductions	13,019,897	105,297	-	880,312	14,005,506
Property taxes payable	149,684	-	-	-	149,684
Due to third parties	7,731,953	-	-	114,091	7,846,044
Due to general fund	-	-	-	1,095,315	1,095,315
Due to other governmental units	112,122	-	-	74,636	186,758
Due to component units	11,411,573	-	-	-	11,411,573
Other liabilities	715,804	1,679,312	-	824,732	3,219,848
Unearned revenues	3,153,999	2,257,574	-	4,134,601	9,546,174
Total liabilities	<u><u>40,429,536</u></u>	<u><u>11,080,801</u></u>	<u><u>47,753</u></u>	<u><u>9,208,778</u></u>	<u><u>60,766,868</u></u>
Deferred Inflows of Resources					
Unavailable revenue	40,263,630	-	-	-	40,263,630
Total deferred inflows of resources	<u><u>40,263,630</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>40,263,630</u></u>
Fund balances:					
Nonspendable	2,229,603	-	-	68,514	2,298,117
Restricted	948,467	36,790,982	66,579,921	4,788,291	109,107,661
Committed	83,364,687	62,057,709	-	56,678,124	202,100,520
Assigned	15,879,549	-	5,444,470	-	21,324,019
Unassigned	300,000	-	-	-	300,000
Total fund balances	<u><u>102,722,306</u></u>	<u><u>98,848,691</u></u>	<u><u>72,024,391</u></u>	<u><u>61,534,929</u></u>	<u><u>335,130,317</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 183,415,472</u></u>	<u><u>\$ 109,929,492</u></u>	<u><u>\$ 72,072,144</u></u>	<u><u>\$ 70,743,707</u></u>	<u><u>\$ 436,160,815</u></u>

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

Exhibit II-A-4

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 335,130,317

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (includes capital assets of the internal service fund).

Land	\$ 106,953,336
Buildings and Improvements	237,402,552
Equipment	144,927,736
Infrastructure	389,492,137
Construction in Progress	40,399,372
Less Accumulated Depreciation	<u>(433,930,160)</u>
	485,244,973

Deferred outflows of resources are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.

Deferred Outflows on Refundings	\$ 11,001,672
Deferred Outflows related to pensions and OPEB	<u>28,796,430</u>
	39,798,102

Long-term liabilities related to governmental activities are not due and payable in the current period and therefore are not reported in the funds (includes long-term liabilities of the internal service fund).

Bonds Payable	\$ (495,580,391)
Unamortized Premium on Bonds Payable	(37,379,242)
Installment Purchase Agreements	(50,618,445)
Notes Payable	(38,042)
Capital Lease Obligations	(3,239,985)
Compensated Absences	(12,319,550)
Net Other Post Employment Benefit Liability	(92,062,481)
Net LOSAP Pension Liability	(11,597,594)
Termination Benefits	(285,006)
Net Pension Asset	20,126,708
Accrued Bond Interest	(9,133,206)
Build America Bond Subsidy Receivable	521,234
Recognition of Deferred Inflows - unearned revenues in governmental funds	<u>40,263,630</u>
	(651,342,370)

Deferred inflows of resources are not in the current period and therefore are not reported in the funds.

Deferred Inflows Related to pensions and OPEB	<u>(46,031,534)</u>
	(46,031,534)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of an internal service fund are included in governmental activities in the statement of net position. This balance is net of capital assets and long-term liabilities included above.

11,851,790

Net position of governmental activities (See Exhibit II-A-1) \$ 174,651,278

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 308,021,607	\$ -	\$ -	\$ 16,027	\$ 308,037,634
Local income taxes	217,210,924	-	-	-	217,210,924
Other local taxes	23,106,350	10,726,206	-	7,883,451	41,716,007
Licenses and permits	5,870,061	-	-	-	5,870,061
Grants from federal government	818,673	2,621,022	-	19,862,261	23,301,956
Grants from state government	3,807,068	1,005,645	-	8,531,234	13,343,947
Charges for services	11,948,627	28,065,148	-	1,593,398	41,607,173
Fines and forfeitures	88,920	-	-	221,449	310,369
Interest from loans	-	-	-	34	34
Investment income	2,008,672	855,509	289,109	(281,491)	2,871,799
Build America bond subsidy	-	-	1,254,053	-	1,254,053
Miscellaneous	2,596,530	399,975	2,345	4,434,542	7,433,392
Total revenues	<u>575,477,432</u>	<u>43,673,505</u>	<u>1,545,507</u>	<u>42,260,905</u>	<u>662,957,349</u>
Expenditures					
Current:					
General government	42,567,880	-	-	2,251,028	44,818,908
Public safety	111,469,698	-	-	6,037,428	117,507,126
Public works	20,070,959	-	-	8,057,429	28,128,388
Health	6,166,996	-	-	1,301,658	7,468,654
Social services	5,708,420	-	-	2,187,475	7,895,895
Education	287,567,740	-	-	-	287,567,740
Parks, recreation and culture	17,589,839	-	-	-	17,589,839
Conservation of natural resources	2,708,867	-	-	8,840,535	11,549,402
Community development and public housing	614,563	-	-	7,902,921	8,517,484
Economic development and opportunity	3,382,121	-	-	7,315,160	10,697,281
Miscellaneous	1,864,036	-	-	-	1,864,036
Intergovernmental	5,392,457	-	-	-	5,392,457
Debt service	-	-	58,438,459	-	58,438,459
Capital projects	-	<u>127,082,296</u>	-	-	<u>127,082,296</u>
Total expenditures	<u>505,103,576</u>	<u>127,082,296</u>	<u>58,438,459</u>	<u>43,893,634</u>	<u>734,517,965</u>
Excess (deficiency) of revenues over expenditures	<u>70,373,856</u>	<u>(83,408,791)</u>	<u>(56,892,952)</u>	<u>(1,632,729)</u>	<u>(71,560,616)</u>
Other financing sources (uses)					
Transfers in from:					
General fund	-	14,954,639	40,533,525	6,234,579	61,722,743
Capital projects fund	-	-	11,453,087	-	11,453,087
Special revenue funds	-	-	3,198,428	-	3,198,428
Enterprise funds	-	119,000	-	-	119,000
Transfers out to:					
Capital projects fund	(14,954,639)	-	-	-	(14,954,639)
Special revenue funds	(6,234,579)	-	-	-	(6,234,579)
Internal service funds	(1,211,801)	(111,380)	-	-	(1,323,181)
Debt service fund	(40,533,525)	(11,453,087)	-	(3,198,428)	(55,185,040)
Refunding bonds issued	-	-	35,860,543	-	35,860,543
Payment to refunded bond escrow agent	-	-	(43,852,615)	-	(43,852,615)
General obligation bonds issued	-	84,465,639	-	-	84,465,639
Premium on debt	-	6,254,361	8,944,463	-	15,198,824
Installment purchase agreement	-	-	-	2,376,049	2,376,049
Total other financing sources and (uses)	<u>(62,934,544)</u>	<u>94,229,172</u>	<u>56,137,431</u>	<u>5,412,200</u>	<u>92,844,259</u>
Net change in fund balances	<u>7,439,312</u>	<u>10,820,381</u>	<u>(755,521)</u>	<u>3,779,471</u>	<u>21,283,643</u>
Fund balances - beginning of year	<u>95,282,994</u>	<u>88,028,310</u>	<u>72,779,912</u>	<u>57,755,458</u>	<u>313,846,674</u>
Fund balances - end of year	<u>\$ 102,722,306</u>	<u>\$ 98,848,691</u>	<u>\$ 72,024,391</u>	<u>\$ 61,534,929</u>	<u>\$ 335,130,317</u>

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

Exhibit II-A-6

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 21,283,643

Amounts reported for governmental activities in the statement of activities are different because:

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	(10,926,354)
Depreciation Expense	(24,582,688)
Adjusted for Internal Service Fund Depreciation	<u>2,168,246</u> (33,340,796)

The net effect of various miscellaneous transactions involving capital assets is an increase net position.

Additions to Construction in Progress	48,797,017
Asset Replacements, Retirements and Deletions	<u>(2,122,239)</u> 46,674,778

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes - Deferred in the Fund Statements	37,120,554
Income Taxes - Recognized as Income in the Prior Year	(25,444,144)
Other Revenues - Deferred in the Fund Statements	3,143,076
Other Revenues - Recognized as Income in the Prior Year	<u>(1,251,630)</u> 13,567,856

(continued)

Exhibit II-A-6
(continued)

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

The issuance of long-term debt proceeds (i.e. bonds, leases, installment purchase agreements) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of Installment Purchase Agreements	\$ (2,376,049)
Issuance of General Obligation Bonds	(84,465,639)
Issuance of Refunding Bonds	(35,860,543)
Build America Bond Subsidy Receivable - Prior Year	(531,053)
Build America Bond Subsidy Receivable - Current Year	521,234
Bond Premium	(15,198,824)
Payment to Refunded Bond Escrow Agent	43,852,615
Principal Payments on General Obligation Debt	36,864,777
Principal Payments on Notes Payable	11,260
Principal Payments on Capital Leases	464,247
Principal Payments on IPA's	870,918
Amortization of Bond Premiums	5,898,234
Amortization of Deferred Loss on Bonds	<u>(3,306,911)</u> \$ (53,255,734)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net Pension	9,876,143
Net Other Post Employment Benefit Obligations	(1,027,935)
Net LOSAP	265,163
Accrued Interest - Prior Year	7,976,221
Accrued Interest - Current Year	(9,133,206)
Compensated Absences Accrual	(726,620)
Termination Benefits Accrual	<u>(20,338)</u> 7,209,428

Internal service funds are used by management to charge the costs of fleet, voice services and workers compensation to individual funds.

3,003,636

Change in net position of governmental activities (See Exhibit II-A-2)

\$ 5,142,811

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	Variance- Positive (Negative)
Local property taxes				
Real property (inc. additions & abatements)	\$ 296,292,938	\$ 296,292,938	\$ 298,553,142	\$ 2,260,204
Public utilities	7,115,200	7,115,200	10,608,058	3,492,858
Payments in lieu of taxes	265,000	265,000	413,821	148,821
Total levy	<u>303,673,138</u>	<u>303,673,138</u>	<u>309,575,021</u>	<u>5,901,883</u>
Tax credit - state reimbursement	3,250,000	3,250,000	365,143	(2,884,857)
Homestead credit	(845,100)	(845,100)	(794,264)	50,836
Other tax credits and refunds	(5,185,500)	(5,185,500)	(1,983,322)	3,202,178
Interest - delinquent taxes	2,713,800	2,713,800	2,816,514	102,714
Discounts allowed on taxes	(1,757,600)	(1,757,600)	(1,957,485)	(199,885)
Total adjustments	<u>(1,824,400)</u>	<u>(1,824,400)</u>	<u>(1,553,414)</u>	<u>270,986</u>
Total local property taxes	<u>301,848,738</u>	<u>301,848,738</u>	<u>308,021,607</u>	<u>6,172,869</u>
Local income taxes				
	<u>206,895,978</u>	<u>206,895,978</u>	<u>217,210,924</u>	<u>10,314,946</u>
Other local taxes				
Recordation	19,393,977	19,393,977	21,452,057	2,058,080
911 fees - local	1,550,000	1,550,000	1,654,048	104,048
Security interest filing fees	200	200	245	45
Total other local taxes	<u>20,944,177</u>	<u>20,944,177</u>	<u>23,106,350</u>	<u>2,162,173</u>
Licenses and permits				
Alcoholic beverage licenses	400,100	400,100	405,726	5,626
Traders' licenses	195,600	195,600	213,967	18,367
Animal licenses	52,100	52,100	53,589	1,489
Marriage fees	17,500	17,500	19,315	1,815
Building permits	1,329,100	1,329,100	1,962,451	633,351
Electrical permits	919,300	919,300	957,760	38,460
Plumbing permits	780,400	780,400	1,092,214	311,814
Grading permits	750,000	750,000	855,506	105,506
Miscellaneous licenses and permits	233,000	233,000	309,533	76,533
Total licenses and permits	<u>4,677,100</u>	<u>4,677,100</u>	<u>5,870,061</u>	<u>1,192,961</u>
Grants from federal government				
	<u>350,520</u>	<u>344,148</u>	<u>818,673</u>	<u>474,525</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Grants from state government				
Police protection	\$ 1,048,600	\$ 1,048,600	\$ 1,076,493	\$ 27,893
Aid for fire, rescue and ambulance services	495,000	566,350	566,349	(1)
Highway user revenues	1,980,651	1,980,651	1,960,241	(20,410)
County inmate housing	190,000	190,000	203,985	13,985
Total grants from state government	<u>3,714,251</u>	<u>3,785,601</u>	<u>3,807,068</u>	<u>21,467</u>
Charges for services				
Planning and zoning fees	761,690	761,690	1,109,702	348,012
Court costs, fees and charges	2,700	2,700	16,074	13,374
Scott Key Center	1,472,974	1,472,974	1,948,665	475,691
Other general government	126,850	126,850	351,648	224,798
Public safety	4,907,147	4,907,147	5,984,634	1,077,487
Public improvement inspections	200,000	200,000	384,257	184,257
Frederick County Developmental Center	10,000	10,000	22,164	12,164
Weed control	247,938	247,938	292,449	44,511
Municipal recoveries	87,000	87,000	208,207	121,207
Citizens services	7,420	7,420	4,805	(2,615)
Recreation	1,277,320	1,277,320	1,626,022	348,702
Total charges for services	<u>9,101,039</u>	<u>9,101,039</u>	<u>11,948,627</u>	<u>2,847,588</u>
Fines and forfeitures				
Court	47,500	47,500	32,467	(15,033)
Alcoholic beverages	18,000	18,000	51,650	33,650
Other fines and forfeitures	2,500	2,500	4,803	2,303
Total fines and forfeitures	<u>68,000</u>	<u>68,000</u>	<u>88,920</u>	<u>20,920</u>
Investment income				
	<u>300,011</u>	<u>300,011</u>	<u>2,008,672</u>	<u>1,708,661</u>
Miscellaneous revenues				
Rents and concessions	1,360,387	1,360,387	1,577,083	216,696
Contributions and donations	41,265	46,594	35,389	(11,205)
Other miscellaneous revenues	1,194,100	1,256,785	984,058	(272,727)
Total miscellaneous revenues	<u>2,595,752</u>	<u>2,663,766</u>	<u>2,596,530</u>	<u>(67,236)</u>
Total revenues	<u>550,495,566</u>	<u>550,628,558</u>	<u>575,477,432</u>	<u>24,848,874</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
General government				
Legislative and executive				
County Executive	\$ 1,396,703	\$ 1,396,703	\$ 1,379,828	\$ 16,875
County Council	775,104	775,104	712,580	62,524
Ethics Commission	10,419	10,419	-	10,419
Total legislative and executive	<u>2,182,226</u>	<u>2,182,226</u>	<u>2,092,408</u>	<u>89,818</u>
Judicial				
Circuit court	1,601,445	1,673,666	1,584,972	88,694
Orphans court	39,687	39,687	29,520	10,167
State's attorney	6,302,573	6,302,573	6,265,328	37,245
Grand jury	97,395	97,395	55,801	41,594
Total judicial	<u>8,041,100</u>	<u>8,113,321</u>	<u>7,935,621</u>	<u>177,700</u>
Elections				
Board of supervisors of elections	<u>1,796,706</u>	<u>1,796,706</u>	<u>1,488,826</u>	<u>307,880</u>
Financial administration				
Accounting	2,564,392	2,564,392	2,338,156	226,236
Independent auditing	400,850	400,850	256,868	143,982
Budgeting	799,273	799,273	704,402	94,871
Procurement & contracting	1,261,422	1,261,422	1,196,845	64,577
Risk management	386,020	386,020	370,986	15,034
Treasury	1,241,681	1,241,681	1,245,663	(3,982)
Total financial administration	<u>6,653,638</u>	<u>6,653,638</u>	<u>6,112,920</u>	<u>540,718</u>
Legal				
County attorney	<u>1,448,610</u>	<u>1,448,610</u>	<u>1,386,954</u>	<u>61,656</u>
Personnel administration				
Human resources	<u>1,275,024</u>	<u>1,275,024</u>	<u>1,269,509</u>	<u>5,515</u>
Planning & Zoning				
Permits & inspection	3,740,519	3,740,519	3,412,471	328,048
Planning & development review	2,603,694	2,634,299	2,264,512	369,787
Environmental sustainability	219,410	219,410	207,163	12,247
Total planning and zoning	<u>6,563,623</u>	<u>6,594,228</u>	<u>5,884,146</u>	<u>710,082</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Management services				
Custodial/security	\$ 2,268,597	\$ 2,268,597	\$ 2,144,190	\$ 124,407
Maintenance	8,487,468	8,691,230	7,869,019	822,211
Total management services	<u>10,756,065</u>	<u>10,959,827</u>	<u>10,013,209</u>	<u>946,618</u>
Other general government				
Interagency information technologies	9,344,404	9,584,519	9,253,958	330,561
Communications	782,098	782,098	756,460	25,638
Internal audit	316,669	316,669	371,064	(54,395)
Board of liquor license commissioners	503,051	503,051	462,285	40,766
Total other general government	<u>10,946,222</u>	<u>11,186,337</u>	<u>10,843,767</u>	<u>342,570</u>
Total general government	<u>49,663,214</u>	<u>50,209,917</u>	<u>47,027,360</u>	<u>3,182,557</u>
Public safety				
Sheriff	28,233,976	28,360,266	27,356,066	1,004,200
Detention center	14,961,385	15,285,075	13,823,765	1,461,310
Work release center	4,032,205	4,034,461	3,742,026	292,435
Ambulance billing	699,590	699,590	595,530	104,060
Fire and rescue operations	43,622,740	44,133,507	44,594,833	(461,326)
Fire/rescue technical services	1,368,513	1,402,122	1,200,365	201,757
Emergency communications	7,878,919	7,878,919	7,833,399	45,520
Volunteer fire and rescue	7,177,196	7,674,509	6,784,548	889,961
Training and emergency medical	934,674	934,674	930,793	3,881
Fire and rescue services	601,617	605,860	505,864	99,996
Emergency preparedness	506,601	506,601	497,451	9,150
Fire inspection	596,428	596,428	588,666	7,762
Fire/rescue state grant allocation	495,000	566,350	566,348	2
Director of division of fire rescue services	700,408	700,408	617,792	82,616
Emergency management	292,900	292,900	228,261	64,639
Animal control	2,054,606	2,176,577	2,162,678	13,899
Total public safety	<u>114,156,758</u>	<u>115,848,247</u>	<u>112,028,385</u>	<u>3,819,862</u>
Public works				
Highways	15,970,400	17,332,838	16,977,709	355,129
Public works administration	1,063,621	1,063,621	1,033,709	29,912
Facilities and project services	1,266,951	1,266,951	957,294	309,657
Transportation engineering	1,900,614	2,015,489	1,564,727	450,762
Total public works	<u>20,201,586</u>	<u>21,678,899</u>	<u>20,533,439</u>	<u>1,145,460</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Health				
County administrator	\$ 128,184	\$ 128,184	\$ 91,303	\$ 36,881
Core services	2,156,297	2,201,754	2,064,846	136,908
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	421,533	421,533	421,533	-
School health	10,000	10,000	45	9,955
Frederick County Developmental Center	3,536,383	3,594,311	3,456,697	137,614
Total health	<u>6,384,969</u>	<u>6,488,354</u>	<u>6,166,996</u>	<u>321,358</u>
Social services				
Contribution to department of social services	534,907	534,907	533,681	1,226
Scott Key Center	3,220,668	3,220,668	3,113,423	107,245
Department of aging	1,322,364	1,329,715	1,025,645	304,070
Office of children and families	221,959	275,413	268,849	6,564
Medical transportation services	104,014	134,014	111,609	22,405
Family partnership	408,300	408,300	347,985	60,315
Child advocacy center	346,346	350,175	341,181	8,994
Deinstitutionalization day care	11,514	11,514	11,514	-
Total social services	<u>6,170,072</u>	<u>6,264,706</u>	<u>5,753,887</u>	<u>510,819</u>
Education				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	272,256,736	272,256,736	271,000,287	1,256,449
Frederick Community College	<u>16,560,897</u>	<u>16,654,016</u>	<u>16,567,453</u>	<u>86,563</u>
Total education	<u>288,819,633</u>	<u>288,912,752</u>	<u>287,567,740</u>	<u>1,345,012</u>
Parks, recreation and culture				
Frederick County Public Libraries	10,632,689	10,666,705	10,582,110	84,595
Parks	7,031,918	7,093,418	6,960,118	133,300
Frederick Arts Council	50,000	50,000	50,000	-
Maryland Ensemble Theater	10,000	10,000	10,000	-
Total parks, recreation and culture	<u>17,724,607</u>	<u>17,820,123</u>	<u>17,602,228</u>	<u>217,895</u>
Conservation of natural resources				
Extension service	389,826	389,826	381,734	8,092
Weed control	247,938	247,938	284,458	(36,520)
Watershed management section	1,539,543	2,305,452	1,931,686	373,766
Soil conservation	109,335	109,335	110,989	(1,654)
Total conservation of natural resources	<u>2,286,642</u>	<u>3,052,551</u>	<u>2,708,867</u>	<u>343,684</u>

(continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Community development and public housing				
Housing administration	\$ 611,770	\$ 611,770	\$ 614,563	\$ (2,793)
Total community development and public housing	<u>611,770</u>	<u>611,770</u>	<u>614,563</u>	<u>(2,793)</u>
Economic development and opportunity				
Office of economic development	1,512,153	1,529,173	1,373,442	155,731
Citizens services administration	493,121	454,365	450,582	3,783
Workforce services	614,593	640,021	554,799	85,222
Center for Ed & Res in Science and Tech	25,000	25,000	25,000	-
Human relations	150,103	150,103	144,389	5,714
Commission for women	11,196	11,196	8,909	2,287
Community partnership grants	<u>825,000</u>	<u>1,325,000</u>	<u>825,000</u>	<u>500,000</u>
Total economic development and opportunity	<u>3,631,166</u>	<u>4,134,858</u>	<u>3,382,121</u>	<u>752,737</u>
Non-departmental				
Property and liability insurance	1,569,289	1,569,289	1,169,042	400,247
Employee benefits	646,500	646,500	305,451	341,049
Other various contingencies	3,599,420	2,692,855	180,453	2,512,402
Indirect cost recovery	(2,628,559)	(2,628,559)	(2,849,639)	221,080
Dues & subscriptions	<u>159,092</u>	<u>159,092</u>	<u>209,090</u>	<u>(49,998)</u>
Total non-departmental	<u>3,345,742</u>	<u>2,439,177</u>	<u>(985,603)</u>	<u>3,424,780</u>
Intergovernmental				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
State Department of Assessments and Taxation	876,118	876,118	848,028	28,090
Town of Thurmont	15,000	15,000	15,000	-
Tax rebate to municipalities	<u>4,480,157</u>	<u>4,480,157</u>	<u>4,480,156</u>	<u>1</u>
Total intergovernmental	<u>5,421,275</u>	<u>5,421,275</u>	<u>5,392,457</u>	<u>28,818</u>
Total expenditures	<u>518,417,434</u>	<u>522,882,629</u>	<u>507,792,440</u>	<u>15,090,189</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Other financing sources (uses)				
Transfers out to:				
Grants special revenue fund	\$ (6,485,967)	\$ (6,400,974)	\$ (5,729,742)	\$ 671,232
Agriculture preservation special revenue fund	(504,837)	(504,837)	(504,837)	-
Capital projects fund	(14,954,639)	(14,954,639)	(14,954,639)	-
Fleet services	(1,067,857)	(1,211,801)	(1,211,801)	-
Debt service fund	(40,533,525)	(40,533,525)	(40,533,525)	-
Total other financing sources (uses)	<u>(63,546,825)</u>	<u>(63,605,776)</u>	<u>(62,934,544)</u>	<u>671,232</u>
Budgeted use of fund balance	\$ <u>(31,468,693)</u>	\$ <u>(35,859,847)</u>	\$ <u>4,750,448</u>	\$ <u>40,610,295</u>
Net change in reserves and adjustments to GAAP basis			2,688,864	
Fund balance - beginning of year			95,282,994	
Fund balance - end of year			<u>\$ 102,722,306</u>	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

Business-type Activities-Enterprise Funds						
					Nonmajor Enterprise Funds	
	Enterprise Funds				Total Enterprise Funds	
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments	Governmental Activities- Internal Service Funds	
Assets						
Current assets:						
Cash	\$ 400	\$ 2,600	\$ -	\$ 3,000	\$ -	
Equity in pooled invested cash	82,758,381	35,311,435	7,831,351	18,803	125,919,970	13,690,962
Restricted cash and cash equivalents	19,551,916	3	133,192	608,369	20,293,480	-
Total cash and cash equivalents	102,310,697	35,314,038	7,964,543	627,172	146,216,450	13,690,962
Restricted investments	19,185,157	502,468	-	-	19,687,625	
Short-term investments	9,970,225	9,970,225	-	-	19,940,450	
Receivables, net of allowance for uncollectibles accounts	9,571,836	2,557,183	3,645,002	-	15,774,021	199,584
Due from component units	8,040	-	-	-	8,040	-
Inventories	135,563	-	-	-	135,563	457,357
Prepaid items	80,000	-	295,691	-	375,691	38,768
Total current assets	<u>141,261,518</u>	<u>48,343,914</u>	<u>11,905,236</u>	<u>627,172</u>	<u>202,137,840</u>	<u>14,386,671</u>
Noncurrent assets:						
Notes receivable	2,263,622	-	-	-	2,263,622	-
Long-term investments	5,000,000	5,000,000	-	-	10,000,000	-
Capital assets:						
Land	5,558,373	2,837,164	800,000	132,200	9,327,737	-
Buildings and improvements	272,038,204	53,636,065	34,292,257	1,877,880	361,844,406	1,833,133
Equipment	47,824,694	7,047,163	919,199	175,000	55,966,056	35,584,358
Other improvements	412,562,499	3,135,360	-	-	415,697,859	
Accumulated depreciation	(164,755,589)	(40,110,116)	(5,016,031)	(1,357,594)	(211,239,330)	(20,901,915)
Construction in progress	14,029,374	216,763	-	-	14,246,137	-
Total noncurrent assets	<u>594,521,177</u>	<u>31,762,399</u>	<u>30,995,425</u>	<u>827,486</u>	<u>658,106,487</u>	<u>16,515,576</u>
Total assets	<u>735,782,695</u>	<u>80,106,313</u>	<u>42,900,661</u>	<u>1,454,658</u>	<u>860,244,327</u>	<u>30,902,247</u>
Deferred Outflows of Resources						
Deferred charge on refunding	3,325,466	580,573	-	-	3,906,039	-
Total deferred outflows of resources	<u>3,325,466</u>	<u>580,573</u>	<u>-</u>	<u>-</u>	<u>3,906,039</u>	<u>-</u>
Liabilities						
Current liabilities:						
Accounts payable	-	1,980	-	1,646	3,626	38,437
Payroll and benefit deductions	659,907	206,631	-	566	867,104	170,505
Accrued expenses	3,506,935	1,625,619	2,643,549	5,758	7,781,861	300,620
Unearned revenues	194,353	10,935	-	-	205,288	-
Security deposits	912,563	5,420	-	13,278	931,261	-
Other liabilities	1,222,867	-	5,633,187	-	6,856,054	-
Current portion landfill closure and postclosure liability	-	302,976	-	-	302,976	-
Current portion general obligation bonds, notes and leases	14,741,196	2,422,562	1,571,242	-	18,735,000	-
Current portion of compensated absences	36,354	4,073	59,072	-	99,499	1,419
Total current liabilities	<u>21,274,175</u>	<u>4,580,196</u>	<u>9,907,050</u>	<u>21,248</u>	<u>35,782,669</u>	<u>510,981</u>
Noncurrent liabilities:						
Long term portion landfill closure and postclosure liability	-	19,185,186	-	-	19,185,186	-
Long term portion general obligation bonds, notes and leases	154,394,660	11,478,382	32,368,918	-	198,241,960	-
Liability for compensated absences	759,804	187,090	236,288	-	1,183,182	213,321
Accrued termination benefits	20,351	5,768	-	-	26,119	-
Total noncurrent liabilities	<u>155,174,815</u>	<u>30,856,426</u>	<u>32,605,206</u>	<u>-</u>	<u>218,636,447</u>	<u>213,321</u>
Total liabilities	<u>176,448,990</u>	<u>35,436,622</u>	<u>42,512,256</u>	<u>21,248</u>	<u>254,419,116</u>	<u>724,302</u>
Net Position						
Net investment in capital assets	436,761,053	14,955,418	(2,944,735)	827,486	449,599,222	16,515,576
Restricted for:						
Capital projects	18,639,234	-	-	608,369	19,247,603	-
Debt Service	19,185,276	502,471	-	-	19,687,747	-
Unrestricted	88,073,608	29,792,375	3,333,140	(2,445)	121,196,678	13,662,369
Total net position	<u>\$ 562,659,171</u>	<u>\$ 45,250,264</u>	<u>\$ 388,405</u>	<u>\$ 1,433,410</u>	<u>\$ 609,731,250</u>	<u>\$ 30,177,945</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					1,718,478	
Net position of business-type activities					\$ 611,449,728	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities Enterprise Funds					
	Major Enterprise Funds			Nonmajor Enterprise Funds		Governmental Activities-Internal Service Funds
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments	Total Enterprise Funds	
Operating revenues						
Service charges	\$ 36,856,313	\$ 25,839,299	\$ 25,857,418	\$ -	\$ 88,553,030	\$ 17,600,887
Rental charges	-	-	-	128,367	128,367	-
Total net charges for services	36,856,313	25,839,299	25,857,418	128,367	88,681,397	17,600,887
Delinquent fees collected	65,736	66,610	-	-	132,346	-
Other revenues	2,975,706	14,593	135,651	-	3,125,950	-
Total operating revenues	39,897,755	25,920,502	25,993,069	128,367	91,939,693	17,600,887
Operating expenses						
Personnel services	9,801,595	2,460,714	-	36,866	12,299,175	3,333,059
Operating expenses (including administrative overhead)	7,724,248	22,729,942	24,218,300	63,709	54,736,199	3,778,598
Prefunded loss & estimated claims	-	-	-	-	-	1,198,419
Insurance	402,130	50,180	43,417	3,036	498,763	-
Supplies	2,332,856	31,478	-	81	2,364,415	5,020,440
Repairs and maintenance	3,196,037	319,706	-	194	3,515,937	815,723
Depreciation expense	13,961,844	1,160,231	866,615	71,346	16,060,036	2,168,246
Total operating expenses	37,418,710	26,752,251	25,128,332	175,232	89,474,525	16,314,485
Operating income (loss)	2,479,045	(831,749)	864,737	(46,865)	2,465,168	1,286,402
Nonoperating revenues (expenses)						
Investment earnings	1,410,278	668,079	28,806	(1,190)	2,105,973	176,675
Miscellaneous income (expense)	(1,867,280)	9,557	69,721	-	(1,788,002)	11
Build America Bonds Subsidy	364,816	-	-	-	364,816	-
Insurance recovery	-	-	-	-	-	20,025
Interest expense	(4,378,081)	(531,020)	(730,600)	-	(5,639,701)	-
Contributions and donations	-	-	986	-	986	-
Gain (loss) on disposition of capital assets	6,255	7,800	-	-	14,055	384,230
Total nonoperating revenues (expenses)	(4,464,012)	154,416	(631,087)	(1,190)	(4,941,873)	580,941
Net income (loss) before contributions and transfers	(1,984,967)	(677,333)	233,650	(48,055)	(2,476,705)	1,867,343
Capital contributions	25,227,165	-	-	-	25,227,165	
Transfers (out)	(166,960)	-	-	-	(166,960)	1,371,141
Total contributions and transfers	25,060,205	-	-	-	25,060,205	1,371,141
Change in net position	23,075,238	(677,333)	233,650	(48,055)	22,583,500	3,238,484
Net position - beginning of year	539,583,933	\$ 45,927,597	\$ 154,755	\$ 1,481,465		\$ 26,939,461
Net position - end of year	\$ 562,659,171	\$ 45,250,264	\$ 388,405	\$ 1,433,410		\$ 30,177,945

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

\$ 131,834

\$ 22,715,334

Change in net position of business-type activities (Exhibit II-A-2)

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities-Internal Service Funds	
	Major Enterprise Funds			Nonmajor Enterprise Funds				
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments	Total Enterprise Funds			
Cash flows from operating activities								
Cash received from residents and customers	\$ 39,844,847	\$ 25,636,050	\$ 27,389,995	\$ 128,906	\$ 92,999,798	\$ 17,635,405		
Cash paid to suppliers	(12,801,374)	(17,441,116)	(24,548,757)	(68,171)	(54,859,418)	(10,960,094)		
Cash paid to employees	(9,733,233)	(2,404,335)	-	(36,931)	(12,174,499)	(3,117,661)		
Net cash provided (used) by operating activities	<u>17,310,240</u>	<u>5,790,599</u>	<u>2,841,238</u>	<u>23,804</u>	<u>25,965,881</u>	<u>3,557,650</u>		
Cash flows from noncapital financing activities								
Cash received from donations	-	-	986	-	986	986		
Cash received from insurance recovery	-	-	-	-	-	-		
Transfers in (out)	(166,960)	-	-	-	(166,960)	1,371,141		
Net cash provided (used) by noncapital financing activities	<u>(166,960)</u>	<u>-</u>	<u>986</u>	<u>-</u>	<u>(165,974)</u>	<u>1,371,141</u>		
Cash flows from capital and related financing activities								
Acquisition and construction of capital assets	(16,751,052)	(779,287)	(97,243)	-	(17,627,582)	(7,581,037)		
Recoveries for damages	-	-	-	-	-	20,025		
Proceeds from sale of capital assets	-	22,468	-	-	22,468	429,397		
Proceeds from debt issues	16,464,160	-	-	-	16,464,160	-		
Payment of bond and note principal	(12,524,537)	(2,203,490)	(1,415,000)	-	(16,143,027)	-		
Interest paid on bonds	(4,304,479)	(495,318)	(943,342)	-	(5,743,139)	-		
Contributed capital	25,227,165	-	-	-	25,227,165	-		
Net cash provided (used) by capital & related financing activities	<u>8,111,257</u>	<u>(3,455,627)</u>	<u>(2,455,585)</u>	<u>-</u>	<u>2,200,045</u>	<u>(7,131,615)</u>		
Cash flows from investing activities								
Purchase of investments	(32,314,611)	(13,007,175)	-	-	(45,321,786)	-		
Proceeds from the sale of investments	15,000,000	15,000,000	-	-	30,000,000	-		
Interest received on investments	1,966,244	650,053	98,961	810	2,716,068	176,675		
Net cash provided (used) by investing activities	<u>(15,348,367)</u>	<u>2,642,878</u>	<u>98,961</u>	<u>810</u>	<u>(12,605,718)</u>	<u>176,675</u>		
Net increase (decrease) in cash and cash equivalents	9,906,170	4,977,850	485,600	24,614	15,394,234	(2,026,149)		
Cash and cash equivalents - beginning of year	92,404,527	30,336,188	7,478,943	602,558	130,822,216	15,717,111		
Cash and cash equivalents - end of year	<u>\$ 102,310,697</u>	<u>\$ 35,314,038</u>	<u>\$ 7,964,543</u>	<u>\$ 627,172</u>	<u>\$ 146,216,450</u>	<u>\$ 13,690,962</u>		

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities-Internal Service Funds	
	Major Enterprise Funds			Nonmajor Enterprise Funds				
	Water and Sewer	Solid Waste Management	Comprehensive Care Facility	Bell Court Apartments	Total Enterprise Funds			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 2,479,045	\$ (831,749)	\$ 864,737	\$ (46,865)	\$ 2,465,168	\$ 1,286,402		
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	13,961,844	1,160,231	866,615	71,346	16,060,036	2,168,246		
Landfill closing costs	-	5,661,736	-	-	5,661,736	-		
Accrued termination benefits	307	205	-	-	512	-		
Miscellaneous non-operating income (expense)	-	-	-	-	-	-		
Change in assets and liabilities:								
(Increase) decrease:								
Accounts receivable	(141,880)	(182,582)	675,502	539	351,579	34,519		
Inventory	(2,754)	-	-	-	(2,754)	8,545		
Prepaid items	(80,000)	-	(238,596)	-	(318,596)	82,475		
Increase (decrease):								
Accounts payable	(88,507)	(10,316)	-	(1,244)	(100,067)	(193,356)		
Accrued expenses	880,959	283,656	(26,138)	28	1,138,505	148,574		
Deferred revenues	10,487	(100,064)	-	-	(89,577)	-		
Liability for compensated leave	40,823	11,714	(22,306)	-	30,231	22,245		
Closure liability	-	(203,499)	-	-	(203,499)	-		
Other liabilities	249,916	1,267	721,424	-	972,607	-		
Net cash provided (used) by operating activities	\$ 17,310,240	\$ 5,790,599	\$ 2,841,238	\$ 23,804	\$ 25,965,881	\$ 3,557,650		

Non-cash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$241,807. Included in interest income in the Solid Waste Fund is an unrealized loss of \$2,000.

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

Exhibit II-A-11

**FREDERICK COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 793,589	\$ 8,783,434
Equity in pooled invested cash	7,654,223	-
Investments:		
Money markets	7,067,616	-
Fixed income securities	190,013,860	-
Equity securities	583,315,640	-
Accounts receivable	558,276	-
Interest receivable	809,308	-
Total assets	<u>790,212,512</u>	<u>8,783,434</u>
LIABILITIES		
Accounts payable	536,235	-
Accrued payroll	6,813	-
Due to third parties	1,243	4,550,503
Bond forfeitures	-	133,150
Performance deposits	-	4,097,436
Other liabilities	1,422,796	2,345
Retirement benefit deductions	<u>224,583</u>	<u>-</u>
Total liabilities	<u>2,191,670</u>	<u>8,783,434</u>
NET POSITION		
Net position held in trust for pension benefits and other purposes	<u>\$ 788,020,842</u>	<u>\$ -</u>

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

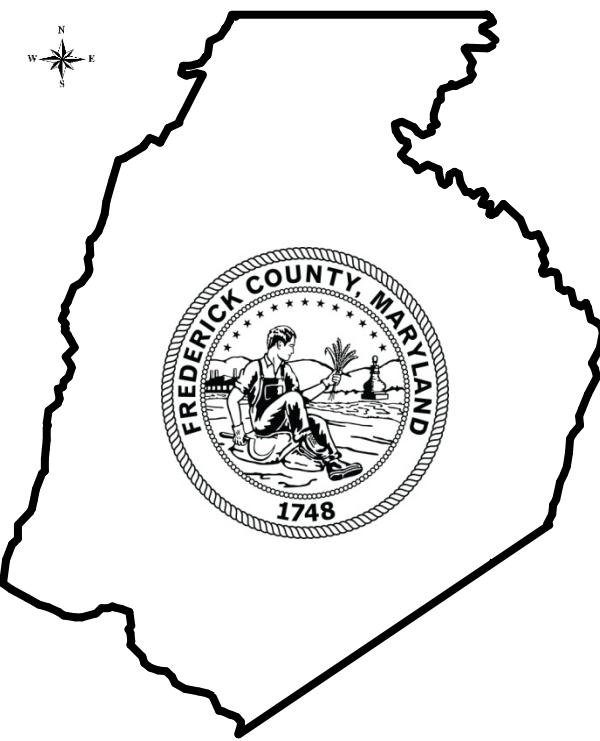
FREDERICK COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Pension Trust Funds
Additions	
Contributions	
Employer contributions	\$ 32,134,379
Member contributions	9,763,572
County contributions	1,240,968
Other	375,574
Total contributions	<u>43,514,493</u>
Investment income	
Net appreciation in fair value of plan investments	54,199,090
Interest and dividends	15,992,404
Investment expense	(1,801,687)
Net investment income	<u>68,389,807</u>
Total additions	<u>111,904,300</u>
Deductions	
Benefits and refunds	29,925,255
Administrative expenses	1,573,812
Total deductions	<u>31,499,067</u>
Change in net position	80,405,233
Net position - beginning of year	<u>707,615,609</u>
Net position - end of year	<u>\$ 788,020,842</u>

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

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NOTES TO FINANCIAL SECTION



**FREDERICK COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Frederick County, Maryland (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies consistent with these principles are described below.

A. Financial Reporting Entity

Frederick County, Maryland is governed by an elected County Executive and an elected County Council pursuant to the Charter of Frederick County, Maryland that became effective in December 2014. The Charter provides, among other things, for the election of the County Executive and the organization, powers, and duties of the executive and administrative branches; the election of a seven member County Council and the organization, powers and duties of the legislative branch; and fiscal and budgetary matters. The Charter supersedes a Commissioner form of government where the five Commissioners (combined executive/legislative) exercised powers granted by the General Assembly of Maryland. For financial reporting purposes, in conformance with GAAP, the reporting entity includes Frederick County, Maryland (the primary government) and its component units. The concept of "financial accountability" determines which organizations are included in the reporting entity and how they are reported. The primary government or the separately elected governing body is the nucleus of the financial reporting entity. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the primary government.

Component Units

A primary government may be financially accountable for governmental organizations that are fiscally dependent on it, regardless of the method of election or appointment of the governing board of the fiscally dependent government. Fiscal dependence occurs if the government may not 1) determine its budget without another government's having the authority to approve and modify that budget, 2) levy taxes or set rates or charges without approval by another government, or 3) issue bonded debt without approval by another government. The Board of Education of Frederick County and the Board of Trustees of Frederick Community College meet the conditions for fiscal dependency with respect to the County as discussed below and are included in the reporting entity.

The Board of Education of Frederick County (BOE) is a legally separate organization created by State Law to operate the County's school system. Day-to-day management of the schools is under the control of the BOE with final decision-making authority held by the State Board of Education. The BOE's budget is subject to approval by the County Executive and County Council. The BOE submits a funding request by major categories of expenditure. The County Executive and County Council also must approve budget amendments between major categories. The State Board of Education, through the State Department of Education, reviews the BOE's budget to ensure that the County funds a minimum budget as a condition for State funding.

The Board of Trustees of Frederick Community College oversees the day-to-day management of Frederick Community College (FCC). FCC is also legally separate under State Law. The Governor appoints FCC board members. FCC's budget is subject to approval by the County. FCC requests

NOTES TO FINANCIAL STATEMENTS
(Continued)

a single amount to fund its operations. The County can reject FCC's request and appropriate a lesser amount, but it does not have the ability to modify the individual line item amounts in FCC's requested budget. Financial data related to FCC also includes its component unit, Frederick Community College Foundation, Inc. (the Foundation).

Finally, a primary government is also financially accountable for legally separate organizations if its officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific benefits to, or to impose specific financial burdens on, the primary government. The Board of Trustees of Frederick County Public Library meets the conditions for financial accountability with respect to the County as discussed below and is included in the reporting entity.

The Board of Trustees of Frederick County Public Library (FCPL) is a legally separate organization created by State law to operate the County's library system. The County appoints the FCPL Board of Trustees. The FCPL's budget is submitted to and approved by the County in accordance with the budgetary procedures described in Note 2, except that any unspent appropriations are retained by the FCPL as a component of fund balance.

The above component units have been included with the financial reporting entity using a discrete presentation. The component units do not provide services entirely, or almost entirely, to the County nor are any of the governing boards substantially the same. Discrete presentations in the combined financial statements are created with separate columns for the individual component units in the government-wide financial statements to emphasize that they are legally separate from the primary government.

The FCPL does not issue separate financial statements. The FCPL statements are provided solely on the government-wide financial statements, as described above, since the FCPL is made up of one operating fund. Complete financial statements of the BOE and FCC can be obtained from their respective administrative offices and websites.

Board of Education of Frederick County
 191 South East Street
 Frederick, Maryland 21701
www.fcps.org

Frederick Community College
 7932 Opossumtown Pike
 Frederick, Maryland 21702
www.frederick.edu

Joint Venture

The following organization is considered a joint venture of the County: Northeast Maryland Waste Disposal Authority (NMWDA). Disclosure of the County's participation in this joint venture is presented in Note 4H. Complete financial statements can be obtained at the joint venture's office listed below:

Northeast Maryland Waste Disposal Authority
 100 South Charles St., Tower II-Suite 402
 Baltimore, MD 21201-3330

NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity, for the most part, and all fiduciary activity has been removed from these statements. Governmental activities which normally 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 or for which their relationship with the County is of such significance that exclusion would cause the County's financial statements to be misleading.

The Statement of Net Position displays the financial position of the County as of fiscal year-end. Governmental activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The County's net position is reported in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with 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 as general revenues.

Fund Financial Statements: 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 governmental funds and enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

General Fund Budget-to-Actual Comparison Statement: Demonstrating compliance with the adopted budgets is an important component of a government's accountability to the public. For this reason, the County has chosen to make its General Fund budget-to-actual comparison statement part of the basic financial statements. The County revises its original budgets over the course of the year for a variety of reasons; such revisions are reflected in a separate column in this statement.

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 the fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds also use the accrual basis of accounting to recognize assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are

NOTES TO FINANCIAL STATEMENTS
(Continued)

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except 1) employees' annual leave is recognized in the year it is accrued and expected to be liquidated with expendable available financial resources; and 2) principle and interest on general long-term debt are recognized when due.

Property taxes, income taxes, other local taxes, licenses 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 government.

The County reports the following major governmental funds:

- The General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Debt Service Fund – This fund is used for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligations of governmental funds. Transfers from the General, Agricultural Preservation, Hotel Tax, Impact Fee, Parks Acquisition and School Construction funds contribute resources, as well as proceeds from debt issuances.
- The Capital Projects Fund – This fund accounts for the purchase, construction or renovation of major capital assets. It is composed of the General Government Capital Projects Fund and accounts for additions of education facilities, roads and similar general government capital assets (other than those financed by the proprietary funds). With the implementation of Governmental Accounting Standards Board (GASB) Statement Number 54, the activities of the former special revenue funds listed below are combined with the Capital Projects Funds in the fund statements. These revenues are dedicated for the purpose of funding capital projects. They are also presented individually as supplementary data in the Budget to Actual statements. See Note 2B.
- Impact Fees Fund – This fund accounts for impact fees collected from developers to pay a portion of the cost of schools and libraries necessitated by the development.
- Parks Acquisition and Development Fund – This fund accounts for recordation taxes dedicated for parkland acquisition and development.
- School Construction Fund – This fund accounts for recordation taxes dedicated to pay a portion of the cost of school construction.

Nonmajor governmental funds include the following special revenue funds:

- Electric Lighting Tax Districts Fund – This fund accounts for property taxes that are legally restricted to paying for street lighting.

NOTES TO FINANCIAL STATEMENTS
(Continued)

- Grants Fund – This fund accounts for Federal and State grant revenues and expenditures. This fund is a special revenue fund and receives revenues from Federal and State grants and expends these funds in accordance with the terms of the grants.
- The Agricultural Preservation Fund – This fund accounts for taxes on the transfer of agricultural properties that are legally restricted to providing funding for state or approved local agricultural land preservation programs. It also accounts for other revenue sources designated for agricultural land preservation.
- Hotel Rental Tax Fund – This fund accounts for the hotel tax received from the local hotels as defined by the Hotel Tax Ordinance.
- Loan Activities Funds – These funds account for the loan activities associated with four loan funds – Housing Initiative Loans, Non-Profit Organization Loans, Fire/Rescue Loans and Economic Development Loans.
- Sheriff's/Judicial Activities Funds – These four funds account for activities such as the Sheriff's Drug Enforcement, Narcotics Investigative Section, Inmates' Canteen and the State's Attorney Law Enforcement Aid.
- Watershed Protection and Restoration Fund – This fund was established to account for stormwater remediation fees assessed against each property in the County. All funds collected will be dedicated to pay for stormwater remediation projects and related expenses.

The County reports the following major proprietary funds:

- Solid Waste Management Enterprise Fund – This fund accounts for the capital outlay, operation and maintenance of the County's recycling program and the County's landfill, providing solid waste disposal service to County residents through commercial haulers.
- Water and Sewer Enterprise Fund – This fund accounts for the acquisition and operation of utility systems providing water and sewer service to certain sections of the County.
- Comprehensive Care Facility Fund – This fund accounts for the operations of both Citizens Care and Rehabilitation Center, a skilled nursing facility, and Montevue Assisted Living facility.

Nonmajor proprietary funds include the following enterprise funds:

- Bell Court Apartments Fund – This fund accounts for the operation of the Bell Court low income, elderly housing rental project.

Additionally, the County reports the following fund types:

- Agency Funds are used to account for monies received and held by the County as an agent for such activities as sales of property for delinquent tax bills, deposits for subdivisions, work release, servicing tax increment financing bonds, law library, juror's fund and revenue sharing.
- Internal Service Funds account for worker's compensation, fleet and voice related services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

NOTES TO FINANCIAL STATEMENTS
(Continued)

- Other Post-Employment Benefits Trust Fund accounts for the activities of the Frederick County Retiree Health Benefit Plan, which accumulates resources for healthcare benefits to eligible retirees and, in certain instances, their eligible survivors and dependents.
- Pension Trust Fund accounts for the activities of the Frederick County Employee Retirement Plan, which accumulates resources for pension benefit payments to qualified employees.
- Length of Service Award Program (LOSAP) Trust Fund: This fund was established to account for the LOSAP for the volunteer fire and rescue personnel serving the various independent volunteer fire companies in the County.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges from the Statement of Activities 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 nonoperating 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 proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

1. Pooled Cash and Investments

The County operates a centralized cash receipt and disbursement function for all funds except the Pension Trust Funds, Length of Service Award Trust Fund, Other Post-Employment Benefits Trust Funds, Tax Agency Fund, Work Release Fund and the Tax Incremental Financing Bond Fund, which maintain their own cash accounts. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash. "Cash and Cash Equivalents" includes currency on hand, demand deposits, and investments with original maturities of three months or less at the time of purchase.

Investments other than those of the County's Pension, Other Post-Employment Benefits Trust Funds and Length of Service Award Trust Fund with original maturities of one year or less are stated at cost or amortized cost, which approximates fair value. Remaining investments are recorded at fair value. The investments in the County's Pension, Other Post-Employment Benefits Trust Funds, Length of Service Award Trust Fund are recorded at fair value.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Frederick County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; Level 2 inputs are valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and Level 3 inputs are valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

2. Property Taxes Receivable

The County's property taxes are levied each July 1 at rates enacted by the County on the total assessed value as determined by the Maryland State Department of Assessments and Taxation. Although the rates of levy are not legally limited, State law stipulates that the Constant Yield Tax Rate, which is furnished by the Maryland State Department of Assessments and Taxation, cannot be exceeded without public notice and public hearings regarding the intent to exceed. As a result of State legislation passed in 1979, the assessment of real property returned to a triennial system beginning in fiscal year 1981. Under the provisions of this legislation, the increase in established market value of the one-third of the properties reassessed each year is phased in over a three-year period.

Property taxes are levied as of July 1 and become delinquent on October 1. Interest accrues at 1 percent monthly for delinquent property taxes. Tax liens on real property are sold at public auction the second Monday in May on taxes delinquent since October 1 of the current fiscal year. Discounts of one percent and one-half percent are granted for the property taxes paid during July and August respectively.

The County bills and collects its own property taxes and those of the State and local municipalities. County property tax revenues are recognized when levied to the extent that they result in current receivables. State and municipal property taxes collected are accounted for as liabilities in the General Fund of the County.

Total assessed value on which levies were made for the year ended June 30, 2018, was \$29,758,193,877. The Countywide property tax rate was \$1.060 per \$100 of assessed value on real property taxes, except in the municipalities of the City of Frederick and the Town of Myersville. The County's property tax differential rates within the City of Frederick and the Town of Myersville are \$0.9399 and \$0.9391, respectively. In addition, taxes were levied in three lighting tax districts. The County collected 99.77 percent of taxes levied in the current year. The receivable portion of the current year property tax levy, including the lighting tax districts and public utility tax, is \$251,179 and is included in total property taxes receivable of \$678,398 on the Statement of Net Position. This compares to the current portion of the prior year levy of \$268,867 included in the total property taxes of \$455,740 as of June 30, 2017.

3. Inventories and Prepays

Inventory is valued at cost (first-in, first-out), which approximates market except for the Water and Sewer Enterprise Fund, which uses specific identification to value its inventory of supplies, which also approximates market. Inventory consists of expendable supplies held for consumption. The cost, other than in the proprietary funds, is recorded as an expenditure when items are purchased. The fund balance of the General Fund is restored for the value of the inventory on hand at year-end and fund balance is reserved by an equal amount to indicate it is unavailable for appropriation.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaids in both the government-wide and fund financial statements. The cost of the prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets including property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are recorded at historical costs or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value at the date of donation.

Most capital assets used in operations are depreciated using the straight-line method over their estimated useful lives. The County defines capital assets, other than infrastructure and internally generated software, as assets with an initial, individual cost of \$10,000 or more, and an estimated useful life in excess of one year. Infrastructure and internally generated software is defined as capital assets with an initial cost of \$100,000 or more, and an estimated useful life in excess of one year. The County has included infrastructure acquired prior to fiscal years ended after June 30, 1980 in capital assets. The estimated useful lives for assets depreciated using the straight-line method are as follows:

Bridges	50 years
Buildings	30 - 50 years
Computer Software	5 years
Furniture, Machinery and Equipment	5 - 30 years
Improvements	10 - 30 years
Misc. Infrastructure	10 - 20 years
Roads	30 years
Vehicles	5 - 15 years
Water and Sewer Lines	25 - 75 years

Certain solid waste assets are depreciated using the activity method. Depreciation is based on capacity used of the Site B landfill in order to match depreciation expense with the landfill usage and revenues. The basis for calculating landfill capacity used is 4,121,115 tons for Site B.

The capital asset accounting policy for BOE includes capital assets with an initial, individual cost of more than \$5,000. FCC's policy is to include those capital assets with a purchase price or fair value at donation of at least \$2,500. The following useful lives are used for depreciation purposes for the assets of these component units:

	In Years		
	BOE	FCC	FCPL
Buildings and Improvements	7 - 40	10 - 40	n/a
Furniture and equipment	4 - 15	5 - 10	5 - 20
Library Collection	n/a	10	5

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Deferred Outflows/Inflows

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until that time. The County recognizes three items that qualify for reporting in this category: 1) the deferred charge on refunding resulting from the difference in the net carrying value of refunded debt and its reacquisition price; this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; 2) changes in total pension liability and 3) changes in OPEB liability. The changes in pension and OPEB liability arise from the differences between projected and actual earnings on pension plan investments, changes of assumptions, and differences between expected and actual experience are recognized as deferred outflows or inflows of resources. The differences between net projected and actual earnings on pension plan investments are amortized over a closed five year period. The effects of changes of assumptions and the differences between projected and actual experience are amortized over a closed period equal to the average of the remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees), determined as of the beginning of the measurement period.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The County has an item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only on the governmental funds Balance Sheet. The governmental funds record unavailable revenues from property taxes. The County also recognizes deferred inflows of resources related to pensions and OPEB in the Statement of Net Position. These differences are between expected and actual experience, changes in assumptions, and the net difference between projected and actual investment earnings on pension plan investments. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

6. Compensated Absences

Frederick County personnel policies allow employees to accumulate a limited amount of earned but unused annual leave which can be used in a subsequent period or will be paid to employees upon separation from County service. In the government-wide financial statements and proprietary fund financial statements, all annual, holiday, and compensatory leave are accrued when earned. A liability for these amounts is only reported in governmental funds for the portion estimated to be due and payable at year-end from resources of that year.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, non-current obligations are reported as liabilities in either governmental activities or business-type activities in the statement of net position. Bond premiums, discounts, and deferred losses on refundings are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other

NOTES TO FINANCIAL STATEMENTS

(Continued)

financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, represents all capital assets, including infrastructure, reduced by accumulated depreciation and the outstanding debt directly attributable to the acquisition, construction or improvements of these assets. Restricted net position represents external restrictions by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. In the Water & Sewer Enterprise Fund, a portion of the unrestricted net position is reserved to represent the intent of the County's administration to use the unrestricted net position for specific purposes in the future. Data specific to these reserves is available in Note 3.G.7.

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned.

- *Nonspendable* – This component includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the County to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- *Committed* – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal County Council legislative action. Those committed amounts cannot be used for any other purpose unless the County Council removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.
- *Assigned* – This component consists of amounts that are constraints imposed by the County Executive or their designee(s), but are neither restricted nor committed. The assigned amounts that are allocated for future use by the County Executive or their designee(s) but are not spendable until a budget ordinance is passed by the County Council.
- *Unassigned* – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

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

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. *Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The budget document is a comprehensive financial plan showing all anticipated revenues, expenditures for the annual Operating Budget, the annual Capital Budget and the Capital Improvement Program, and any surplus or deficit in the general or special funds of the government. The Capital Improvement Program sets forth clearly the plan for proposed capital projects to be undertaken in the ensuing fiscal year and the next five years. Budgets are adopted on an annual cycle for all governmental funds except as noted below.

The majority of these procedures are set forth in the Charter for preparing the County Budget.

1. The County Executive must hold at least two public hearings to receive public comment. One hearing must occur in December to receive proposals for inclusion in the budget. The other hearing shall be held in March to receive comments on budget requests.
2. All departments submit their proposed budgets for the upcoming fiscal year (commencing the following July 1) to the Budget Director.
3. All budget requests are compiled and reviewed by the Budget Office and, with direction from the County Executive, a proposed budget is prepared, along with a budget message.
4. The County Executive submits a proposed budget to the County Council no later than April 15 of each year.
5. At least one public hearing on the proposed budget must be held by the County Council.
6. After the public hearing the County Council may decrease or delete any items in the budget, except those required by State law, by provisions for debt service on obligations then outstanding or for estimated cash deficits.
7. If the County Council's decrease or deletion from the proposed budget equals or exceeds a one percent change in the total budget or equals or exceeds a fifty percent decrease in any one line item, the County Council must proceed with a public hearing after posting a fair summary of the change. This notice must be posted on the County website at least two days in advance of the hearing.
8. Adoption of the Budget Ordinance will (by the affirmative vote of not less than four members of the Council) occur no later than May 31. If the Council fails to adopt the budget by May 31, then the proposed budget submitted by the County Executive will become law.

NOTES TO FINANCIAL STATEMENTS
(Continued)

9. The County Council then levies the amount of taxes required by the budget to ensure that the Budget is balanced so that proposed revenues equal proposed expenditures.
10. The County Council adopts the budget for funds at various levels of budgetary control as defined in the annual Budget Adoption Ordinance. Budgetary schedules in this document may display greater detail than the legal level of budget adoption.
11. Unless otherwise provided by law and except for grant appropriations or grant funds deposited in special accounts dedicated to specific functions, activities or purposes, all unexpended and unencumbered appropriations in the Operating Budget at the end of the fiscal year shall revert into the treasury. No appropriation for a capital project in the Capital Budget may revert until the purpose for which the appropriation was made is accomplished or abandoned; but any capital project shall be considered abandoned if three fiscal years elapse without any expenditure from or encumbrance of the appropriation.
12. Formal budgetary integration is employed as a management control device for all funds for which a budget is legally adopted, namely, the General Fund, Special Revenue Funds (except: Sheriff's/Judicial Activities, Non-Profit Organization Loans, Fire/Rescue Loans and Watershed Protection and Restoration), Enterprise Funds and Capital Projects Fund. Budgets that are maintained for management control but are not legally adopted include the Other Post Employment Benefit Trust Fund, Pension Trust Fund, Length of Service Award Program Trust Fund, Debt Service Fund and Internal Service Funds.
13. During the fiscal year, the Executive may transfer unencumbered appropriations in the Operating Budget within the same department, agency, or office and within the same fund. On the recommendation of the Executive, the Council may transfer unencumbered appropriations in the Operating Budget between departments, agencies and offices within the same fund. A transfer may not be made between the Operating Budget and Capital Budget appropriations. On the recommendation of the Executive, the Council may transfer appropriations between capital projects within the same fund provided the Council neither creates nor abandons any capital projects except in accordance with Section 512 of the County charter.
14. On the recommendation of the Executive, the Council may make supplemental appropriations from any contingency appropriations in the Budget; from revenues received from anticipated sources but in excess of budget estimates; or from revenues received from sources not anticipated in the budget.

The policy established by the County with respect to the budget is at variance with GAAP. The County's budgetary basis of accounting differs from GAAP as follows:

- Encumbrances are treated as expenditures for budgetary accounting purposes. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
- Inventories are recorded as expenditures at the time of purchase.
- The use of prior years' fund balance is reported as another financing source (appropriated fund balance).

NOTES TO FINANCIAL STATEMENTS
(Continued)

15. In accordance to the annual budget and appropriations ordinance of Frederick County, encumbered but unexpended appropriations in the General Fund and Library are re-appropriated and carried forward to the following fiscal year.

B. Reconciliation of Budgetary Basis to GAAP Basis

The General Fund has a legally adopted annual budget. Exhibit II-A-7 the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual," is prepared on a basis consistent with that budget. The budget is prepared using encumbrance accounting where encumbrances are treated as expenditures of the current period. The reconciliation of Budget to GAAP, as presented on the "Statement of Revenues, Expenditures, and Changes in Fund Balances," reflects adjustments as described below. The "Statement of Revenues, Expenditures and Changes in Fund Balance" for all major governmental funds is prepared on a basis consistent with GAAP where encumbrances are treated as a reservation of fund balance.

General Fund				
	Revenues	Expenditures	Other Financing Sources (Uses)	Net change in Fund Balance
Budgetary Basis	\$ 575,477,432	\$ 507,792,440	\$ (62,934,544)	\$ 4,750,448
Basis Adjustments:				
Encumbrance adjustment	-	(2,667,710)	-	2,667,710
Inventory adjustment	-	(21,154)	-	21,154
Net affect of basis adjustments	-	(2,688,864)	-	2,688,864
GAAP Basis	<u><u>\$ 575,477,432</u></u>	<u><u>\$ 505,103,576</u></u>	<u><u>\$ (62,934,544)</u></u>	<u><u>\$ 7,439,312</u></u>

The following departments over expended their fiscal year 2018 budget:

	Amended Budget	Actual	Variance
Fire & Rescue Operations	\$ 44,133,507	\$ 44,594,833	\$ (461,326)
Internal Audit	316,669	371,064	(54,395)
Weed Control	247,938	284,458	(36,520)
Non-Departmental	159,092	209,090	(49,998)

Fire & Rescue Operation's negative budget variance was attributed to overtime personnel costs incurred as a result of vacancies, staff on extended leave, and leave impact. Firefighter positions are required 24/7 staffing. Internal Audit's negative variance was due to the component unit in-kind recovery not materializing during the fiscal year. Weed Control's negative variance is due to an increase in demand for services during fiscal year 2018 above budget. These costs were offset by an increase in fees collected for services. Non-Departmental's negative budget variance was the result of the fiscal year 2018 lease agreement at 118N. Market Street being finalized after the budget was adopted.

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Cash, Investments and Equity in Pooled Invested Cash

1. *Deposits*

Primary Government

At year-end, Frederick County's carrying amount of deposits was \$13,766,700 and the bank balance was \$14,006,155. The County's deposits are categorized below to give an indication of the level of custodial credit risk assumed by the County at year-end. The bank's balances were collateralized as follows:

Federal Deposit Insurance Corporation (FDIC)	\$ 466,617
Held by the government's agent in the government's name	13,539,538
Total Bank Balance	<u>\$ 14,006,155</u>

The County's cash and investments as of June 30, 2018, totaled \$552,425,885 as presented in the Statement of Net Position. Restricted cash and cash equivalents represent unspent bond proceeds and various funds restricted by law or third party agreements. The following table reconciles the County's deposits and investments to the Statement of Net Position:

Total Primary Government - Exhibit II-A-1	
Cash	\$ 606,883
Equity in Pooled Invested Cash	261,930,102
Investments	154,106,427
Restricted Cash and Investments	135,782,473
Total	<u>\$ 552,425,885</u>
Deposit & Investment Summary:	
Investments	\$ 555,901,659
Cash on Hand	28,040
Deposits	13,766,700
Less: Component Units and Agency Fund Cash Equivalents	
Pension Trust	(8,447,812)
Frederick County Public Libraries	(39,266)
Agency Funds	(8,783,436)
Total	<u>\$ 552,425,885</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Trust Fund

As of June 30, 2018, the carrying amount of the Pension Trust Fund's deposits was \$793,589 and the bank balance was \$859,980. The deposits of the Pension Trust Fund were not exposed to custodial risk as of June 30, 2018.

Component Units

Deposits and investments of the BOE, FCC and FCPL are governed by the same law governing the County's investments. As of June 30, 2018, BOE's cash on hand for petty cash was \$550. The carrying amount of the Board's deposits was \$36,229,606 and investments, including \$106,647,595 of fiduciary funds, were \$137,399,410. Cash and cash equivalents restricted for debt service was \$15,011,363. The bank balance was \$38,113,009. The deposits of the Board were not exposed to custodial risk as of June 30, 2018.

As of June 30, 2018, FCC's cash on hand for petty cash was \$8,200. The carrying amount of the college's deposits was \$4,509,170 and cash equivalents were \$8,603,046. Cash and cash equivalents, as shown on the Statement of Net Position, include Frederick Community College Foundation, Inc. in the amount of \$414,385. The bank balance was \$5,122,507. The deposits of the college were not exposed to custodial risk as of June 30, 2018.

As of June 30, 2018, FCPL's cash on hand for petty cash was \$2,875. The carrying amount of FCPL's deposits was \$23,530, including \$20,000 of restricted cash. The bank balance was \$23,396. The deposits of the library were not exposed to custodial risk as of June 30, 2018.

2. Investments

Primary Government

As of June 30, 2018, Frederick County held the following investments and maturities. The government's investment balances were as follows:

Investment Type (All funds)	Fair Value	0-18 Month Maturities	18-24 Month Maturities	> 24 Month Maturities
U. S. Treasuries	\$ 140,021,242	\$ 20,365,799	\$ 84,879,431	\$ 34,776,012
MD Local Government Investment Pool	316,070,225	316,070,225	-	-
Money Market Funds	10,142	10,142	-	-
Federal Agency Securities	99,800,050	99,800,050	-	-
Total Fair Value	\$ 555,901,659	\$ 436,246,216	\$ 84,879,431	\$ 34,776,012

NOTES TO FINANCIAL STATEMENTS
(Continued)

	June 30, 2018	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
U. S. Treasuries	\$ 140,021,242	\$ 140,021,242	\$ -	\$ -
Federal Agency Securities	99,800,050	-	99,800,050	-
Total investments by fair value levels	<u>239,821,292</u>	<u>\$ 140,021,242</u>	<u>\$ 99,800,050</u>	<u>\$ -</u>
Investments carried at amortized cost				
MD Local Government Investment Pool	316,070,225			
Money Market Funds	10,142			
Total investments carried at amortized cost	<u>316,080,367</u>			
Total investments at fair value	<u><u>\$ 555,901,659</u></u>			

Frederick County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 investments are valued at the closing price reported in the active market in which the individual security is traded.
- Level 2 investments are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.
- Level 3 investments are valued using techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Interest Rate Risk – The County recognizes that interest rate risk can result from market price losses due to changes in interest rates. Portfolio diversification of maturities is employed as a way to control these risks. The County's investment policy limits 75% of the investments to a short-term basis of a maximum maturity of up to eighteen months. The balance of the portfolio and those funds attributed to bond proceeds may be invested in investments with longer maturities up to a maximum maturity of three years. In all funds, portfolio maturities are staggered to avoid undue concentration of assets in a specific maturity sector. The Maryland Local Government Investment Pool is managed to a Weighted Average Maturity (WAM) of a sixty day maximum to reduce their exposure to interest rate risk. There are no significant redemption notices, maximum transaction amounts or other limitations or restrictions on the County's withdrawals from the Maryland Local Government Investment Pool.

Credit Risk – Funds of the County will only be invested in accordance with the Provision of Article 95, Sections 22, 22L, and 22N of the Annotated Code of Maryland and State Finance and Procurement Article 6-222(a) of the Annotated Code of Maryland. The State's restrictions are included in parentheses below. In addition to the State's provisions, the County investment policy lists the following investments as legal for purchase:

1. U. S. Treasury securities
2. Obligations of U. S. government agencies

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Repurchase agreements (collateralized in an amount not less than 102 percent of the principal amount by an obligation of the U.S., its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller and designated by the buyer)
4. Bankers' acceptances
5. Money market mutual funds that contain only securities of the organizations listed in items 1), 2), and 3) above
6. Certificates of deposit (collateralized within the guidelines of the Annotated Code of Maryland, State Finance and Procurement Article 6-202)
7. Maryland Local Government Investment Pool (MLGIP)

The County's investments have received the following ratings:

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Poors</u>	<u>Standard & Fitch Ratings</u>
MD Local Government Investment Pool	\$ 316,070,225	not rated	AAAm	not rated
Federal Agriculture Mortgage Corporation	44,971,650	not rated	not rated	not rated
Federal Home Loan Bank	54,828,400	AAA	AA+	not rated

All other investments are debt securities of the U.S. government or obligations of the U.S. government that are explicitly guaranteed by the U.S. government.

Concentration of Credit Risk – To reduce this risk, the County seeks to maintain a balanced portfolio by issuer or financial institution and class of security or money market instrument. More than five percent of the County's portfolio is invested in the Maryland Local Government Investment Pool (MLGIP) and federal agency securities. The MLGIP may invest in instruments rated only Tier 1 by at least one Nationally Recognized Securities Rating Organization (NRSRO). They have maximum exposure limits per issuer to maintain a diversified portfolio.

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
MD Local Government Investment Pool (MLGIP)	\$ 316,070,225	56.857 %
U. S. Treasuries	140,021,242	25.188
Federal Agricultural Mortgage Corp.	54,828,400	9.863
Federal Home Loan Bank	44,971,650	8.090
Money Market Funds	10,141	0.002
Total Fair Value	<u>\$ 555,901,658</u>	<u>100.000 %</u>

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment policy requires

NOTES TO FINANCIAL STATEMENTS
(Continued)

that all securities purchased by the County and securities taken as collateral, shall be held in third-party safekeeping by an institution designated as primary agent. All securities shall be purchased, sold, titled or released using the delivery vs. payment procedure. Collateral shall be:

1. In an amount not less than 102 percent of the principal amount of the repurchase agreement,
2. Include debt securities of the issuing agency or mortgage-backed securities guaranteed by the issuing agency, but no derivatives thereof,
3. Direct obligations of the U. S. Treasury, and derivatives thereof insofar as they represent principal portions of the debt stripped of their interest coupons (Treasury strips),
4. Held to a minimum number of pieces at all times, and
5. Marked to market daily and reported monthly by the investment custodian.

Pension Trust Fund

The County's Pension Trust fund (the Plan) has an investment policy that is designed to protect its principal from both market value erosion and inflationary erosion. The Plan's objective is to achieve a real rate of return over the long term, solely in the financial interest of the Plan, its participants and beneficiaries. To help achieve this return, professional investment managers are employed by the Plan to manage the Plans' assets.

Investments – The Plan's investment policy includes an asset allocation plan for investments. The target allocation is 65 percent equities and 35 percent fixed income. The minimum and maximum percentages for equities are 45 percent and 75 percent, respectively and for fixed income are 25 percent and 55 percent, respectively.

As of June 30, 2018, the Plan held the following investments and maturities:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>> 24 Month Maturities</u>
Money Market Funds	\$ 6,847,694	\$ 6,847,694	\$ -	\$ -
Equity Mutual Funds	175,054,112	175,054,112	-	-
U.S. Government Securities	31,456,995	618,690	-	30,838,305
Corporate Bonds and Notes	29,185,092	230,501	2,806,690	26,147,901
Other Government Agencies	129,371,773	128,214,022	-	1,157,751
Common Stock	263,352,839	263,352,839	-	-
Total Fair Value	\$ 635,268,505	\$ 574,317,858	\$ 2,806,690	\$ 58,143,957

NOTES TO FINANCIAL STATEMENTS
(Continued)

Frederick County has the following recurring fair value measurements as of June 30, 2018:

Investments by fair value level	June 30, 2018	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
Equity Mutual Funds	\$ 175,054,112	\$ 175,054,112	\$ -	\$ -
U.S. Government Securities	31,456,995	31,456,995	-	-
Corporate Bonds and Notes	29,185,092	-	29,185,092	-
Other Government Agencies	129,371,773	-	129,371,773	-
Common Stock	263,352,839	263,352,839	-	-
Total investments by fair value levels	<u>628,420,811</u>	<u>\$ 469,863,946</u>	<u>\$ 158,556,865</u>	<u>\$ -</u>
Investments carried at amortized cost				
Money Market Funds	<u>6,847,694</u>			
Total investments carried at amortized cost	<u>6,847,694</u>			
Total investments at fair value	<u>\$ 635,268,505</u>			

Interest Rate Risk – The Plan's investment policy does not place any limits on the investment managers with respect to the duration of their investments.

Credit Risk – The Plan's investment policy lists the following investments as permissible for purchase:

Equities

1. Common and preferred stocks listed on a major U.S. exchange or traded regularly on another established U.S. market or exchanges such as NASDAQ;
2. Securities convertible into common stocks;
3. Equity securities of non-U.S. incorporated entities; and
4. Other specialized asset classes, as authorized by the Retirement Plan Committee.

Fixed Income

All debt instruments except:

1. Tax-exempt municipal bonds;
2. Securities of the asset manager, their parent or subsidiaries (excluding money market funds and publicly available market funds);

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Common stock - not on established exchange as listed above;
4. Inverse floaters;
5. CLOs (Collateralized Loan Obligations);
6. CBOs (Collateralized Bond Obligations);
7. Capped floaters;
8. Interest-only MBS (Mortgage Backed Securities) securities;
9. Principal-only MBS (Mortgage Backed Securities) securities;
10. Support CMO (Collateralized Mortgage Obligation) or Support MBS (Mortgage Backed Securities) tranches;
11. Swap contracts; and
12. Derivative securities including futures, options, swaps, and high risk mortgage derivatives (not permitted for active investment managers; permitted for index fund managers).

The money market funds are unrated, as are the mutual funds and common stocks used by the Plan. As of June 30, 2018, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 81,162,848
BAA3 to BA1	30,414,457
CAA2 to C	1,927,017
Not rated	<u>78,888,018</u>
Total Fair Value	<u><u>\$ 192,392,340</u></u>

The Plan's investment policy limits its Fixed Income portfolio to the average credit quality of at least AA. The Plan also limits Equities securities to those that are publicly traded and have sufficient marketability to permit prompt, orderly liquidation under normal circumstances.

Foreign Currency Risk – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains two investment managers for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The country of origin for the two investments is the United States; therefore, the Plan did not have foreign currency risk as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Length of Service Awards Program

The Length of Service Award Program (LOSAP) Trust Fund has an investment policy that is designed to preserve and/or increase the value of the LOSAP's assets, net of inflation. The performance objective of the plan is to generate an annualized total rate of return which meets or exceeds the discount rate over the long-term. Professional investment managers are employed by the plan to manage the Plan's assets.

Investments – The Plan's investment policy includes an asset allocation plan for investments. The target allocation is 65 percent equities and 35 percent US fixed income. The minimum and maximum percentages for equities are 50 percent and 80 percent respectively and for fixed income are 25 percent and 55 percent, respectively.

As of June 30, 2018, the Plan held the following investments and maturities:

Investment Type (All funds)	Fair Value	0 - 18 Month Maturities	18 - 24 Month Maturities	> 24 Month Maturities
		\$ 17	\$ 17	\$ -
Money Market Funds	\$ 484,980	484,980	-	-
Mutual Funds	265,350	265,350	-	-
Collective Investment Trust (Fixed Income)				
Total Fair Value	\$ 750,347	\$ 750,347	\$ -	\$ -

Frederick County has the following recurring fair value measurements as of June 30, 2018:

	June 30, 2018	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Mutual Funds	\$ 484,980	\$ 484,980	\$ -	\$ -
Collective Investment Trust (Fixed Income)	265,350	265,350	-	-
Total investments by fair value levels	750,330	\$ 750,330	\$ -	\$ -
Investments carried at amortized cost				
Money Market Funds	17			
Total investments carried at amortized cost	17			
Total investments at fair value	\$ 750,347			

Interest Rate Risk – The Plan's investment policy does not place any limits on the investment managers with respect to the duration of their investments.

Credit Risk – The Plan's investment policy states that the assets of the County's LOSAP Trust will be invested in accordance with Article 95, Section 22 of the Annotated Code of Maryland. The Investment Committee may consider both actively and passively managed investment strategies.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Foreign Currency Risk – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan's investment policy does not establish any limitation related to foreign currency risk. The country of origin for the investments is the United States; therefore, the Plan did not have foreign currency risk as of June 30, 2018.

Other Post Employment Benefit (OPEB) Trust Fund

The County's OPEB Trust is one of two OPEB trusts that participate in the Frederick County Master Retiree Benefit Trust Agreement ("OPEB Master Trust"). The other OPEB Trust, which participates in the OPEB Master Trust, is the Retiree Benefit Trust of Frederick County Public Schools ("Public Schools OPEB Trust"). The OPEB Master Trust exists for the purpose of receiving, holding and managing the investment of funds contributed on behalf of both the Frederick County, Maryland Retiree Health Benefit Plan and the Frederick County Public Schools Retiree Health Benefit Plan, in connection with the funding of their OPEB obligations. As of June 30, 2018 Frederick County Public Schools separated from the Master Retiree Trust Agreement and as a result the Master Trust was dissolved.

The County's OPEB Trust fund (the Plan) has an investment policy that is designed to protect its principal from both market value erosion and inflationary erosion. The Plan's objective is to achieve a real rate of return over the long term, solely in the financial interest of the Plan, its participants and beneficiaries. To help achieve this return, professional investment managers are employed by the Plan to manage the Plan's assets.

Investments – The Plan's investment policy includes an asset allocation plan for investments. The target allocation is 65 percent equities and 35 percent bonds. The minimum and maximum percentages for equities are 45 percent and 75 percent, respectively and for bonds are 25 percent and 55 percent, respectively.

As of June 30, 2018, the Plan held the following investments and maturities:

Investment Type (All funds)	Fair Value	0 - 18 Month Maturities	18 - 24 Month Maturities	> 24 Month Maturities
Money Market Funds	\$ 219,905	\$ 219,905	\$ -	\$ -
Mutual Funds	99,600,859	99,600,859	-	-
Collective Investment Trust (Fixed Income)	44,557,500	44,557,500	-	-
Total Fair Value	\$ 144,378,264	\$ 144,378,264	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS
(Continued)

Frederick County has the following recurring fair value measurements as of June 30, 2018:

	June 30, 2018	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Mutual Funds	\$ 99,600,859	\$ 99,600,859	\$ -	\$ -
Collective Investment Trust (Fixed Income)	44,557,500	-	-	44,557,500
Total investments by fair value levels	<u>144,158,359</u>	<u>\$ 99,600,859</u>	<u>\$ -</u>	<u>\$ 44,557,500</u>
Investments carried at amortized cost				
Money Market Funds	219,905			
Total investments carried at amortized cost	<u>219,905</u>			
Total investments at fair value	<u>\$ 144,378,264</u>			

The collective investment trust classified in Level 3 of the hierarchy is valued based on a non-M&T Bank independent source using internal valuation models.

Interest Rate Risk – The Plan's investment policy does not place any limits on the investment managers with respect to the duration of their investments.

Credit Risk – The Plan's investment policy states that the assets of the County's OPEB Trust will be invested in accordance with Article 95, Section 22 of the Annotated Code of Maryland. The Investment Committee may consider both actively and passively managed investment strategies

Foreign Currency Risk – The Plan's exposure to foreign currency risk derives from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains two investment managers for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The country of origin for the two investments is the United States; therefore, the Plan did not have foreign currency risk as of June 30, 2018.

Component Units

The Board of Education's investments as of June 30, 2018 are categorized in the following table:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate as of June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 29,704,980	\$ 29,704,980	\$ -	\$ -	1.82%
Money Market	4,355,459	4,355,459	-	-	0.79%
Certificates of Deposit	4,557	4,557	-	-	Various
Fixed Income Securities	31,052,528	31,052,528	-	-	0.00%
Equity Securities	72,281,886	72,281,886	-	-	8.60%
Totals	\$ 137,399,410	\$ 137,399,410	\$ -	\$ -	

NOTES TO FINANCIAL STATEMENTS
(Continued)

The above investment balances include fiduciary funds in the amount of \$103,334,414. Total net investment income per the statement of activities as of June 30, 2018 was \$544,643.

FCC's investments as of June 30, 2018 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	<u>\$ 8,603,046</u>	<u>\$ 8,603,046</u>	\$ -	\$ -	1.82%

Total net investment income for FCC (excluding the FCC Foundation) as of June 30, 2018 was \$114,692. The Frederick Community College Foundation investments as of June 30, 2018 were:

Investment Type	June 30, 2018		
	Cost	Fair Value	Unrealized Gains (Losses)
USMF Fund	\$ 15,360,648	\$ 15,720,289	\$ 359,641
Total Investments	<u>\$ 15,360,648</u>	<u>\$ 15,720,289</u>	<u>\$ 359,641</u>

As of June 30, 2018, the Foundation had 403,297.4019 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$38.9794 per unit with a value of \$15,720,289.

FCPL's investments as of June 30, 2018 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 338,749	\$ 338,749	\$ -	\$ -	0.06%
Certificates of Deposit	206,076	206,076	-	-	Various
Total Investments	<u>\$ 544,825</u>	<u>\$ 544,825</u>	<u>\$ -</u>	<u>\$ -</u>	

Total net investment income per the statement of activities for the year ended June 30, 2018 was \$6,266.

Investment Rate Risk - Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk - The BOE, FCC and FCPL invest in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAA by Standard and Poor's, their highest rating for money market funds. The MLGIP seeks to maintain a constant unit value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the BOE, FCC and FCPL will not be able to recover all or portion of the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2018, all of the component unit investments were insured or registered, or securities were held by the unit or its agent in the unit's name or were invested in the MLGIP.

Foreign Currency Risk – There are no investments in foreign currency by FCC or FCPL. The BOE's OPEB Plan has exposure to foreign currency risk from its investment in foreign currency or instruments denominated in foreign currency. The Plan recognizes the value of global diversification and retains one investment manager for global and international equity investments. The Plan's investment policy does not establish any limitation related to foreign currency risk. The Plan's exposure to foreign currency risk is as follows:

Currency	Fair Value
European Monetary Unit (Euro)	\$ 3,198,020
Japanese Yen	2,384,069
UK Pound	1,777,342
Swiss Franc	772,108
Australian Dollar	688,421
Hong Kong Dollar	330,761
Swedish Krone	255,045
Danish Krone	164,384
Singapore Krone	126,526
Norwegian Krone	73,724
Israeli Shekel	25,903
New Zealand Dollar	20,922
	<u>\$ 9,817,225</u>

B. Receivables and Payables

1. *Accounts and Other Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The associated allowance for doubtful accounts has been established in the following governmental and business-type funds: General Fund, \$845,482; Comprehensive Care Facility; \$193,496 and Solid Waste, \$23,647.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Due To/From Primary Government and Component Units

The receivable and payable balances between the primary government and its component units as of June 30, 2018, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	\$ 26,573	\$ 2,087	\$ -	\$ 28,660
Less: Not recorded as payable by component unit in FY18	<u>(10,303)</u>	<u>(2,087)</u>	<u>-</u>	<u>(12,390)</u>
Due to primary government per Component Units	<u><u>\$ 16,270</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,270</u></u>
Due to component units per Primary Government	\$ 8,852,233	\$ 246	\$ 2,887,797	\$ 11,740,276
Add: Receivables recorded by component unit in FY18		-	74,066	74,066
Less: Receivable recorded by component unit in FY 18	<u>(453,950)</u>	<u>(246)</u>	<u>-</u>	<u>(454,196)</u>
Due from primary government per Component Units	<u><u>\$ 8,398,283</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,961,863</u></u>	<u><u>\$ 11,360,146</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

Capital Asset activity for the year ended June 30, 2018 is as follows:

	Primary Government				
	Beginning Balance	Increases	Adjustments/ Transfers	Decreases	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 103,615,049	\$ 4,601,888	\$ -	\$ (1,263,601)	\$ 106,953,336
Construction in progress	29,138,008	48,108,578	688,439	(37,535,653)	40,399,372
Total capital assets at historical cost not being depreciated	<u>132,753,057</u>	<u>52,710,466</u>	<u>688,439</u>	<u>(38,799,254)</u>	<u>147,352,708</u>
Capital assets being depreciated:					
Buildings and improvements	231,477,812	7,592,094	-	(1,667,354)	237,402,552
Equipment	138,225,805	17,956,306	-	(11,254,375)	144,927,736
Infrastructure	385,843,692	3,648,445	-	-	389,492,137
Total capital assets at historical cost being depreciated	<u>755,547,309</u>	<u>29,196,845</u>	<u>-</u>	<u>(12,921,729)</u>	<u>771,822,425</u>
Less accumulated depreciation for:					
Buildings and improvements	100,791,131	6,440,913	-	(1,340,552)	105,891,492
Equipment	87,401,952	9,187,864	-	(11,068,988)	85,520,828
Infrastructure	233,563,929	8,953,911	-	-	242,517,840
Total accumulated depreciation	<u>421,757,012</u>	<u>24,582,688</u>	<u>-</u>	<u>(12,409,540)</u>	<u>433,930,160</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>333,790,297</u>	<u>4,614,157</u>	<u>-</u>	<u>(512,189)</u>	<u>337,892,265</u>
Governmental activities capital assets, net	<u>\$ 466,543,354</u>	<u>\$ 57,324,623</u>	<u>\$ 688,439</u>	<u>\$ (39,311,443)</u>	<u>\$ 485,244,973</u>
Depreciation expense was charged to governmental functions as follows:					
General government					\$ 3,000,470
Public safety					7,274,017
Public works					2,062,333
Health					199,131
Social services					531,218
Recreation and culture					2,540,448
Economic development and opportunity					21,160
Infrastructure					8,953,911
Total depreciation expense					<u>\$ 24,582,688</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government				
	Beginning Balance	Increases	Adjustments/ Transfers	Decreases	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 9,327,737	\$ -	\$ -	\$ -	\$ 9,327,737
Construction in progress	26,661,039	16,697,460	-	(29,112,362)	14,246,137
Total capital assets at historical cost not being depreciated	<u>35,988,776</u>	<u>16,697,460</u>	<u>-</u>	<u>(29,112,362)</u>	<u>23,573,874</u>
Capital assets being depreciated:					
Buildings and improvements	342,466,426	16,791,236	2,652,184	(65,440)	361,844,406
Equipment	58,190,472	1,232,386	(2,652,184)	(804,618)	55,966,056
Infrastructure	404,769,087	10,928,772	-	-	415,697,859
Total capital assets at historical cost being depreciated	<u>805,425,985</u>	<u>28,952,394</u>	<u>-</u>	<u>(870,058)</u>	<u>833,508,321</u>
Less accumulated depreciation for:					
Buildings and improvements	82,788,141	7,836,317	1,511,698	(36,106)	92,100,050
Equipment	38,343,349	2,642,883	(1,511,698)	(789,951)	38,684,583
Infrastructure	74,873,861	5,580,836	-	-	80,454,697
Total accumulated depreciation	<u>196,005,351</u>	<u>16,060,036</u>	<u>-</u>	<u>(826,057)</u>	<u>211,239,330</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>609,420,634</u>	<u>12,892,358</u>	<u>-</u>	<u>(44,001)</u>	<u>622,268,991</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 645,409,410</u>	<u>\$ 29,589,818</u>	<u>\$ -</u>	<u>\$ (29,156,363)</u>	<u>\$ 645,842,865</u>
Depreciation expense was charged to business-type functions as follows:					
Bell Court					\$ 71,346
Comprehensive Care Facility					866,615
Solid Waste					1,160,231
Water & Sewer					13,961,844
Total depreciation expense					<u>\$ 16,060,036</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component units' capital asset activity for the year ended June 30, 2018 was as follows:

BOE	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 50,692,385	\$ 462,258	\$ -	\$ 51,154,643
Construction in progress	<u>107,205,096</u>	<u>90,290,690</u>	<u>(114,271,853)</u>	<u>83,223,933</u>
Total capital assets at historical cost not being depreciated	<u>157,897,481</u>	<u>90,752,948</u>	<u>(114,271,853)</u>	<u>134,378,576</u>
Capital assets being depreciated:				
Building and improvements	880,373,297	107,815,296	(12,994,321)	975,194,272
Furniture and equipment	<u>52,928,189</u>	<u>4,120,121</u>	<u>(2,773,767)</u>	<u>54,274,543</u>
Total capital assets at historical cost being depreciated	<u>933,301,486</u>	<u>111,935,417</u>	<u>(15,768,088)</u>	<u>1,029,468,815</u>
Less accumulated depreciation for:				
Building and improvements	348,948,337	25,299,187	(10,562,946)	363,684,578
Furniture and equipment	<u>33,089,315</u>	<u>3,291,828</u>	<u>(2,299,239)</u>	<u>34,081,904</u>
Total accumulated depreciation	<u>382,037,652</u>	<u>28,591,015</u>	<u>(12,862,185)</u>	<u>397,766,482</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>551,263,834</u>	<u>83,344,402</u>	<u>(2,905,903)</u>	<u>631,702,333</u>
BOE's capital assets, net of accumulated depreciation	<u><u>\$ 709,161,315</u></u>	<u><u>\$ 174,097,350</u></u>	<u><u>\$ (117,177,756)</u></u>	<u><u>\$ 766,080,909</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCC	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in progress	5,465	445,804	(5,465)	445,804
Total capital assets at historical cost not being depreciated	<u>277,085</u>	<u>445,804</u>	<u>(5,465)</u>	<u>717,424</u>
Capital assets being depreciated:				
Library collection	2,063,278	2,160	-	2,065,438
Building and improvements	116,160,049	1,070,524	-	117,230,573
Furniture and equipment	6,085,077	732,439	(305,909)	6,511,607
Site improvement	7,463,860	91,215	-	7,555,075
Total capital assets at historical cost being depreciated	<u>131,772,264</u>	<u>1,896,338</u>	<u>(305,909)</u>	<u>133,362,693</u>
Less accumulated depreciation for:				
Library collection	1,954,656	22,975	-	1,977,631
Building and improvements	36,235,579	2,965,615	-	39,201,194
Furniture and equipment	4,306,203	542,760	(295,380)	4,553,583
Site improvement	5,854,044	140,701	-	5,994,745
Total accumulated depreciation	<u>48,350,482</u>	<u>3,672,051</u>	<u>(295,380)</u>	<u>51,727,153</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>83,421,782</u>	<u>(1,775,713)</u>	<u>(10,529)</u>	<u>81,635,540</u>
FCC's capital assets, net of accumulated depreciation	<u>\$ 83,698,867</u>	<u>\$ (1,329,909)</u>	<u>\$ (15,994)</u>	<u>\$ 82,352,964</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets being depreciated:				
Library collection	\$ 7,544,973	\$ 1,083,218	\$ 860,158	\$ 9,488,349
Furniture and equipment	258,842	139,899	(57,618)	341,123
Total capital assets at historical cost being depreciated	<u>7,803,815</u>	<u>1,223,117</u>	<u>802,540</u>	<u>9,829,472</u>
Less accumulated depreciation for:				
Library collection	6,033,458	1,140,564	(1,446,768)	5,727,254
Furniture and equipment	160,618	18,071	(49,256)	129,433
Total accumulated depreciation	<u>6,194,076</u>	<u>1,158,635</u>	<u>(1,496,024)</u>	<u>5,856,687</u>
FCPL's capital assets, net of accumulated depreciation	<u>\$ 1,609,739</u>	<u>\$ 64,482</u>	<u>\$ 2,298,564</u>	<u>\$ 3,972,785</u>

D. Interfund Receivables, Payables and Transfers

1. *Primary Government Interfund Receivables and Payable Balances*

Receivable Fund	Payable Fund			Total Due from Other Funds
	Comprehensive Care Facility	Nonmajor Governmental	Fiduciary Fund	
General Fund	\$ 5,499,996	\$ 1,095,314	\$ 1,422,796	\$ 8,018,106
Total Due to Other Funds	<u>\$ 5,499,996</u>	<u>\$ 1,095,314</u>	<u>\$ 1,422,796</u>	<u>\$ 8,018,106</u>

\$4,911,763 due from the Comprehensive Care Facility is working capital that was provided by the General Fund after reacquiring the facilities on September 1, 2016. This amount was necessary to reestablish County ownership of the operations. The additional \$588,233 will reverse in FY 2019, as this was due to the timing of transfers between bank accounts. The Nonmajor Governmental amount is due from the Grants Fund and is the cash amount needed during the year ended 6/30/2018, to fund grant expenditures, until the County is reimbursed by the grantor agencies. The Fiduciary Fund is a result of a negative equity in pooled cash at year-end which will reverse in FY 2019.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund Transfers – Primary Government

Interfund transfers for the year ended June 30, 2018 consists of the following:

	Transfers In				
	Debt Service	Capital Projects	Nonmajor Governmental	Internal Service	Total Transfers To Other Funds
Transfers Out					
General Fund	\$ 40,533,525	\$ 14,954,639	\$ 6,234,579	\$ 1,211,801	\$ 62,934,544
Nonmajor Governmental	3,198,428	-	-	-	3,198,428
Capital Projects	11,453,087	-	-	111,380	11,564,467
Water and Sewer	-	119,000	-	47,960	166,960
Total Transfers in from Other Funds	<u>\$ 55,185,040</u>	<u>\$ 15,073,639</u>	<u>\$ 6,234,579</u>	<u>\$ 1,371,141</u>	<u>\$ 77,864,399</u>

Primary activities include:

- Transfers of pay-go funding from the General Fund and various non-major governmental funds to the Capital Projects Fund;
- Transfers of matching County grants funding from the General Fund to the Grants Fund.
- Transfers from various funds to the Debt Service Fund for the payment of interest and principal on long term obligations of governmental funds.

NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Operating Leases

Frederick County is committed under various leases for building and office space, the majority of which are cancelable. These leases are considered for accounting purposes to be operating leases. Operating lease expenditures for fiscal year 2018 were \$1,097,987.

The future minimum lease payments for these leases are as follows:

Years Ending		
June 30,	Total	Payment
2019	\$	515,964
2020	465,219	
2021	433,796	
2022	433,796	
2023	375,491	
2024-2028	1,044,306	
2029-2033	424,642	
2034-2038	218,627	
Total	\$	3,911,841

The County subleases a portion of one of these buildings to other companies and government agencies; this does not however release the County from the lease obligation. Lease revenues from subleases for fiscal year 2018 totaled \$94,913.

The future minimum lease revenues for the subleases are \$463,905 for fiscal year 2018.

The County is committed under various rental lease agreements as lessor. All leases are considered for accounting purposes to be non-cancelable leases. Lease revenues for fiscal year 2018 totaled \$1,315,368.

Future minimum lease revenues for these rentals are as follows:

Years Ending		
June 30,	Total Payment	
2019	\$	1,251,279
2020	967,030	
2021	952,028	
2022	943,285	
2023	883,738	
2024 - thereafter	4,024,579	
	\$	9,021,939

NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Non-Current Liabilities

1. *Changes in Non-Current Liabilities*

Primary Government:

	Balance July 1, 2017	Additions	Principal		Balance June 30, 2018	Due Within One Year
			Repayments & Reductions			
Governmental Activities:						
Bonds Payable	\$ 452,463,746	\$ 120,326,182	\$ (77,209,537)	\$ 495,580,391	\$ 41,040,918	
Unamortized Premium on Bonds	29,120,562	15,198,824	(6,940,144)	37,379,242	6,323,663	
Installment Purchase Agreements	49,113,314	2,376,049	(870,918)	50,618,445	1,491,857	
Notes Payable	49,302	-	(11,260)	38,042	11,942	
Capital Lease Obligations	3,704,232	-	(464,247)	3,239,985	481,903	
Compensated Absences	11,570,685	15,265,895	(14,517,030)	12,319,550	542,646	
Net OPEB Liability*	85,289,459	29,298,287	(22,525,265)	92,062,481	-	
Net LOSAP Pension Liability	11,918,338	1,017,341	(1,338,085)	11,597,594	-	
Termination Benefits	264,667	85,184	(64,845)	285,006	-	
Total Governmental Activity- Long Term Liabilities	<u>\$ 643,494,305</u>	<u>\$ 183,567,762</u>	<u>\$ (123,941,331)</u>	<u>\$ 703,120,736</u>	<u>\$ 49,892,929</u>	

* Restated due to implementation of GASB 75

Payments on the non-current liabilities above (excluding personnel related liabilities), that pertain to the County's governmental activities are recorded in the Debt Service Fund and supported by revenue transfers from the General, Parks Acquisition and Development, Agricultural Preservation, Impact Fee, School Construction and Hotel Rental Tax Funds. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. The additions to the unamortized premium on bonds payable for governmental activities are recorded as an Other Financing Source.

The Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities related to the Internal Service Funds are included as part of the above totals for governmental activities. As of June 30, 2018, Internal Service Funds compensated absences totaling \$214,740 are included in the above amounts.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance July 1, 2017	Additions	Principal Repayments & Reductions	Balance June 30, 2018	Due Within One Year
Business-type Activities:					
Bonds Payable	\$ 150,956,254	\$ 16,093,818	\$ (12,100,463)	\$ 154,949,609	\$ 12,579,082
Unamortized Premium on Bonds	7,972,680	1,395,033	(1,724,989)	7,642,724	1,542,532
Notes Payable	57,353,912	1,716,461	(4,849,102)	54,221,271	4,567,931
Capital Lease Obligations	231,830	-	(68,475)	163,355	45,455
Landfill Closure Costs	14,029,925	5,661,736	(203,499)	19,488,162	302,976
Compensated Absences	1,252,450	1,454,451	(1,424,219)	1,282,682	99,499
Termination Benefits	25,607	512	-	26,119	-
Total Business-type Activities - Long Term Liabilities	<u>\$ 231,822,658</u>	<u>\$ 26,322,011</u>	<u>\$ (20,370,747)</u>	<u>\$ 237,773,922</u>	<u>\$ 19,137,475</u>
Component Units:					
Board of Education					
Capital lease obligations	\$ 11,013,825	\$ 14,462,370	\$ 25,476,195	\$ 557,225	
Compensated absences	7,678,395	307,190	7,985,585	5,553,600	
Net OPEB liability *	634,848,665	18,154,297	653,002,962	-	
Termination benefits payable	21,788,268	1,178,771	22,967,039	2,607,055	
Net pension liability	42,334,928	(5,516,309)	36,818,619	-	
Board of Education - Long-term Liabilities	<u>\$ 717,664,081</u>	<u>\$ 28,586,319</u>	<u>\$ 746,250,400</u>	<u>\$ 8,717,880</u>	
Frederick Community College					
Certificates of Participation	\$ 6,220,462	\$ (279,336)	\$ 5,941,126	\$ 295,000	
Compensated absences	1,320,968	181,529	1,502,497	1,347,543	
Net OPEB liability *	271,202	24,323	295,525	-	
Frederick Community College - Long-term Liabilities	<u>\$ 7,812,632</u>	<u>\$ (73,484)</u>	<u>\$ 7,739,148</u>	<u>\$ 1,642,543</u>	
Frederick County Public Libraries					
Compensated absences	\$ 503,347	\$ 26,471	\$ 529,818	\$ 48,203	
Termination Benefits	-	3,756	3,756	-	
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 503,347</u>	<u>\$ 30,227</u>	<u>\$ 533,574</u>	<u>\$ 48,203</u>	

* As restated upon implementation of GASB 75

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. General Obligation Bonds

Primary Government

Under the Commissioner form of government the County could not issue general obligation bonds and installment purchase agreements unless specific enabling legislation was passed by the Maryland General Assembly. As of June 30, 2018, there remains \$14,583,884 of authorization under the authority granted under Chapter 54 of the Laws of Maryland of 2012. Any indebtedness authorized by the General Assembly may not be issued until a resolution authorizing the same has been adopted by the County Council.

Pursuant to the Charter of Frederick County Maryland, future authorizations for general obligation borrowings will be granted by the County Council. Section 508 of the Charter sets limitations for general obligation borrowings. This debt limit is calculated at an amount not to exceed a total of five percent of the assessable base of real property of the County and fifteen percent of the County's assessable base of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article of the Annotated Code of Maryland. As of June 30, 2018, Council bill 17-03 granted an additional \$100,000,000 for long-term borrowings.

The debt limit for the primary government's general obligation borrowings as of June 30, 2018 was \$1,692,327,206 and the legal debt margin was \$961,178,761.

The County's most recent credit ratings as of March, 2017 are Moody's – Aaa, S&P – AAA, Fitch – AAA. These bonds are a general obligation of the County and as such, are supported by the full faith and credit of the County.

Government Activities	Date of Debt Issue	Date of Debt Maturity Due Serially to	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/18
Pub Facility Refunding Bonds of 2006	2/1/2006	11/1/2022	4.00%-5.25%	\$ 12,608,476	\$ 12,608,476
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	47,213,456	10,075,585
Pub Fac Bonds of 2010B (BAB)	1/26/2010	2/1/2030	4.90%-5.90%	71,261,044	63,241,044
Pub Fac Bonds of 2010C Refunding	4/27/2010	12/1/2020	2.00%-5.00%	57,786,283	18,095,992
Public Facilities Bonds of 2011	8/4/2011	8/1/2031	2.50%-5.00%	55,810,000	5,900,000
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	2.00%-4.00%	59,842,669	46,139,896
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	51,946,393	27,183,614
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	26,800,000	21,653,037
Public Facilities Bonds of 2014, Series A	7/24/2014	8/1/2034	2.00%-5.00%	32,117,727	18,354,965
Pub Fac Bonds of 2014C Refunding	11/25/2014	6/1/2028	2.49%	12,429,335	12,429,335
Pub Fac Bonds of 2015A Refunding	3/19/2015	6/1/2027	2.25%	8,061,868	7,929,471
Pub Fac Bonds of 2016, Series A	6/29/2016	8/1/2036	2.00%-5.00%	77,186,341	74,741,647
Pub Fac Bonds of 2017A - Refunding (2020 Crossover)	4/11/2017	2/11/2030	5.00%	56,901,147	56,901,147
Pub Fac Bonds of 2017B - Refunding	12/20/2017	8/1/2031	2.00%-5.00%	35,860,543	35,860,543
Pub Fac Bonds of 2018, Series A	3/7/2018	8/1/2037	2.00%-5.00%	84,465,639	84,465,639
Total Bonds Outstanding				\$ 690,290,921	\$ 495,580,391

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize governmental activities bond debt outstanding as of June 30, 2018 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2019	\$ 41,040,918	\$ 19,980,945	\$ 61,021,863
2020	40,128,096	18,838,879	58,966,975
2021	39,545,651	17,366,668	56,912,319
2022	29,713,754	15,796,095	45,509,849
2023	30,732,063	14,452,925	45,184,988
2024-2028	157,020,342	51,377,196	208,397,538
2029-2033	104,849,918	17,708,013	122,557,931
2034-2038	52,549,649	3,850,999	56,400,648
	<u>\$ 495,580,391</u>	<u>\$ 159,371,720</u>	<u>\$ 654,952,111</u>

For the year ended June 30, 2018, total principal and interest incurred related to general obligation bonds was \$36,864,777 and \$16,986,166.

Business Type Activities	Date of Debt Issue	Date of Debt Maturity Due Serially to	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/18
Pub Facility Refunding Bonds of 2006	2/1/2006	11/1/2022	4.00%-5.25%	\$ 7,756,524	\$ 7,756,524
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	12,491,544	3,004,415
Pub Fac Bonds of 2010B (BAB)	1/26/2010	2/1/2030	4.90%-5.90%	18,853,956	18,853,956
Pub Fac Bonds of 2010C Refunding	4/27/2010	12/1/2020	2.00%-5.00%	21,578,717	6,834,008
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	4.00%	25,232,331	23,730,104
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	9,423,607	4,931,386
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	4,650,000	3,756,963
Public Facilities Bonds of 2014, Series A	7/14/2014	8/1/2034	2.00%-5.00%	2,677,273	1,530,035
Pub Fac Bonds of 2014C Refunding	11/25/2014	6/1/2028	2.49%	4,285,665	4,285,665
Pub Fac Bonds of 2015A Refunding	3/19/2015	6/1/2027	2.25%	5,943,132	5,845,529
Pub Fac Bonds of 2016, Series A	6/29/2016	8/1/2036	2.00%-5.00%	8,218,659	7,958,353
Pub Fac Bonds of 2016B - Refunding	6/29/2016	8/1/2036	2.00%-3.00%	34,820,000	33,405,000
Pub Fac Bonds of 2017A - Refunding (2020 Crossover)	4/11/2017	2/1/2030	0.05	16,963,853	16,963,853
Pub Fac Bonds of 2017B - Refunding	12/20/2017	8/1/2031	2.00%-5.00%	824,457	824,457
Pub Fac Bonds of 2018, Series A	3/7/2018	8/1/2037	2.00%-5.00%	15,269,361	15,269,361
Total Bonds Outstanding				<u>\$ 188,989,079</u>	<u>\$ 154,949,609</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize business-type activities bonded debt outstanding as of June 30, 2018 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2019	\$ 12,579,082	\$ 5,812,870	\$ 18,391,952
2020	13,131,904	5,389,217	18,521,121
2021	13,759,349	4,888,066	18,647,415
2022	10,931,246	4,353,955	15,285,201
2023	11,322,937	3,883,938	15,206,875
2024-2028	50,449,658	13,168,988	63,618,646
2029-2033	26,650,082	4,628,499	31,278,581
2034-2038	16,125,351	1,095,865	17,221,216
	<u>\$ 154,949,609</u>	<u>\$ 43,221,398</u>	<u>\$ 198,171,007</u>

For the year ended June 30, 2018, total principal and interest incurred related to business-type activities was \$11,225,223 and \$5,529,340.

3. Agricultural Preservation Installment Purchase Agreements

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 annual or semi-annual interest payments for the term of the agreement, which range in length from 10 to 20 years. At the time the agreement is made, the County purchases securities with maturities that coincide with the principal payment due to the property owner at the end of the agreement. The interest rate of the investment is the interest rate paid to the owner on the installment purchase agreement. Recordation taxes and Rural Legacy grant funds are the revenue sources for the investment purchases.

The annual requirements to amortize agricultural land preservation installments outstanding are as follows:

Year Ending June 30,	Principal	Interest	Total Requirement
2019	\$ 1,491,857	\$ 2,160,921	\$ 3,652,778
2020	3,194,665	2,179,674	5,374,339
2021	770,675	1,991,448	2,762,123
2022	1,818,558	1,983,036	3,801,594
2023	5,959,489	2,031,939	7,991,428
2024-2028	17,373,644	6,468,874	23,842,518
2029-2033	10,942,972	2,416,270	13,359,242
2034-2038	9,066,585	927,259	9,993,844
	<u>\$ 50,618,445</u>	<u>\$ 20,159,421</u>	<u>\$ 70,777,866</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2018, total principal and interest incurred related to agricultural land preservation installment agreements was \$870,918 and \$2,148,018, respectively. These agreements have interest rates that vary from 2.37 percent to 5.73 percent.

4. Capital Lease Obligations

Primary Government

The County has entered into various lease agreements as lessee for financing the acquisition of numerous pieces of equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of their inception dates. The value of the assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 15,078,323
Less: Accumulated depreciation	<u>(9,209,425)</u>
Total:	<u><u>\$ 5,868,898</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Years Ending June 30,	Governmental Activities	Business Type Activities	Total Primary Government
2019	\$ 541,815	\$ 48,223	\$ 590,038
2020	541,815	60,223	602,038
2021	541,815	60,223	602,038
2022	541,815	-	541,815
2023	541,816	-	541,816
2024 - 2029	<u>755,122</u>	<u>-</u>	<u>755,122</u>
	3,464,198	168,669	3,632,867
Less: amount representing interest	<u>(224,213)</u>	<u>(5,316)</u>	<u>(229,529)</u>
Present value-net minimum lease payments	<u><u>\$ 3,239,985</u></u>	<u><u>\$ 163,353</u></u>	<u><u>\$ 3,403,338</u></u>

Component Unit

In 2007, the BOE entered into a lease agreement, as lessee, for a new central office building in the amount of \$16,700,000. Financing was completed in December 2007. The BOE refinanced the central office lease agreement in fiscal year 2013. The terms of the refinanced lease agreement lowered the interest rate from 4.62% to 3.1%. Principal and interest payments were adjusted under the refinanced lease agreement but the agreement still terminates on September 1, 2032. Payments including interest during fiscal year 2018 were \$872,741.

NOTES TO FINANCIAL STATEMENTS
(Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Building	\$ 16,361,159
Machinery and equipment	6,789,591
Less: Accumulated depreciation	(8,578,059)
Total	<u><u>\$ 14,572,691</u></u>

As of June 30, 2018, the minimum obligations under capital leases was as follows:

	Years Ending June 30	Governmental Activities
	2019	\$ 873,286
	2020	3,611,022
	2021	1,858,833
	2022	1,889,077
	2023	1,919,389
	2024-2028	10,085,839
	2029-2033	10,997,653
	2034	<u>1,197,534</u>
Total obligations		32,432,633
Less: Portion representing interest		<u>(6,956,438)</u>
Present value of lease obligation		<u><u>\$ 25,476,195</u></u>

5. Certificates of Participation

Component Unit

Frederick Community College issued Certificates of Participation in December 2010 to finance a new parking garage and a portion of the enrollment services building. Manufactures and Traders Trust Company serves as trustee for the transaction and there is a term of twenty-five years. Principal payments began in fiscal year 2013.

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize the Certificates of Participation as of June 30, 2018 are as follows:

Years Ending June 30,	Certificates of Participation			
	Principal	Less Discount	Net	Interest
2019	\$ 295,000	\$ 5,664	\$ 289,336	\$ 410,278
2020	275,000	5,201	269,799	395,528
2021	285,000	5,201	279,799	380,403
2022	295,000	5,201	289,799	364,728
2023	300,000	5,201	294,799	348,503
2024-2028	1,660,000	26,003	1,633,997	1,438,460
2029-2033	2,000,000	26,003	1,973,997	803,400
2034-2038	920,000	10,401	909,599	104,250
	<u>\$ 6,030,000</u>	<u>\$ 88,875</u>	<u>\$ 5,941,125</u>	<u>\$ 4,245,550</u>

6. Notes Payable

Primary Government

Governmental Activity:

Maryland Industrial Land Act Loans

The County has an outstanding loan from the Maryland Department of Commerce in the original amount of \$181,059 under the Maryland Industrial Land Act, Article 83A, Section 5-401 et. seq. of the Maryland Code. The outstanding balance of this loan as of June 30, 2018 was \$38,042. The proceeds of this loan have been reloaned by the County to State Farm Insurance to assist in the financing of certain street and site improvements within the County. The loan is a full faith and credit obligation of the County.

Governmental Activity:	Paying Fund	Amount of	Date of	Date of	Annual Rate/	Amount
		Original Issue	Debt Issue	Debt Maturity	Payment Frequency	Outstanding 06/30/18
MD Industrial Land Act Loan - State Farm	General	\$ 181,059	05/12/94	05/12/21	5.93%/Quarterly	\$ 38,042
Total Notes Payable		<u>\$ 181,059</u>				<u>\$ 38,042</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual debt service requirements to maturity for the notes payable are as follows:

Years Ending June 30,	Principal	Interest
2019	\$ 11,942	\$ 1,994
2020	12,666	1,269
2021	13,434	502
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	\$ 38,042	\$ 3,765

Business Type Activities:

Maryland Department of the Environment Loans

The Department of the Environment of the State of Maryland (MDE) through the Maryland Water Quality Financing Administration, makes funds available to local governments at below market interest rates for certain water quality and drinking water projects. Proceeds of the loans are dispersed to the County as draws according to construction payments.

The County has been a participant in the MDE's loan program since fiscal year 1992. As of June 30, 2018, the County has authorized and approved borrowings in an aggregate principal amount of \$94,639,145 for ten water and sewer loans. The County has also authorized and approved borrowings in an aggregate principal amount of \$23,083,532 for three solid waste loans. As of June 30, 2018, \$94,639,145 of the water and sewer loan proceeds and \$23,083,532 of the solid waste loan proceeds have been drawn. The outstanding principal balance on these loans as of June 30, 2018 is \$54,221,271. These loans have interest rates of 0.80 – 3.48 percent.

7. Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs

The Solid Waste Enterprise Fund recorded a liability for the costs of closing and post closure monitoring and care for thirty years of both sanitary landfills (Site A and B) as mandated by state and federal regulations. The liability recognized to date is based on the percentage to total landfill capacity multiplied by the total estimated current costs of closure and post closure care. The liability is reduced as the estimated costs are incurred.

As of June 30, 2005, the Site A landfill was at 100 percent of capacity. Total capacity of Site A is 3,228,000 tons. In fiscal year 2018, \$203,499 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was increased \$5,441,941 to reflect the variance between estimated and actual costs. The total remaining estimated costs for closure and post closure care of Site A are \$7,472,978 as of June 30, 2018. This entire amount is reported as a liability for Site A.

As of June 30, 2018, the Site B landfill had capacity used of 2,168,864 tons, which is 52.63 percent of the revised capacity of 4,121,115 tons which includes the vertical expansion and an aerial adjustment. The total estimated costs for closure and post closure care of Site B are \$22,830,358. The resulting liability is \$12,015,184 with \$10,815,714 remaining to be recognized. The current operating strategy includes the utilization of a transfer station that became operational in January 2009.

NOTES TO FINANCIAL STATEMENTS
(Continued)

The Solid Waste Enterprise Fund has a total liability for closure and post closure care of \$19,488,162 as of June 30, 2018. No assets are restricted for payment of the closure and post closure care costs. The costs are based on estimates and actual costs may differ due to inflation, changes in technology, or changes in regulations.

8. Current Year Defeasance of Debt

Public Facilities Refunding Bonds, Series 2017B

On December 20, 2017, Frederick County issued its Tax-Exempt General Obligation Public Facilities Refunding Bond, Series 2017B, in the amount of \$45,210,112 (including premium) to advance refund certain maturities of the Series 2011A and Series 2014A Tax Exempt General Obligation bonds. The Series 2017B Bond bears a true interest cost of 2.03%. The principal amount of the Series 2017B Bond is payable August 1, 2018 through 2031.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 2.49 million. This difference is reported in the accompanying financial statements as a Deferred Outflow of Resources and is being charged to operations through fiscal year 2022 using the straight line amortization method. The County completed the refunding to reduce its total debt service payments through fiscal year 2032 by \$2.62 million, and to obtain an economic gain of \$2.53 million

As of June 30, 2018, there remains \$63,235,000 of outstanding defeased bonds.

G. Fund Balances/Net Position

1. Governmental Funds – Nonspendable

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Inventory	\$ 2,027,667	\$ -	\$ 2,027,667
Prepaid	95,846	68,514	164,360
Long-term receivables	78,381	-	78,381
Salary advances	27,709	-	27,709
Total nonspendable fund balances	<u>\$ 2,229,603</u>	<u>\$ 68,514</u>	<u>\$ 2,298,117</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. *Governmental Funds – Restricted*

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Debt service	\$ -	\$ -	\$ 66,579,921	\$ -	\$ 66,579,921
Animal control	855,191	-	-	-	855,191
Forfeitures - Circuit Court	33,120	-	-	-	33,120
School and library construction	-	33,903,836	-	-	33,903,836
Parks subgrant	5,770	-	-	-	5,770
Weed control	54,386	-	-	-	54,386
Parks construction	-	784,631	-	-	784,631
Roads and bridges construction	-	21,720	-	-	21,720
Watershed restoration	-	1,429,860	-	-	1,429,860
General government/other construction	-	650,935	-	-	650,935
Grants	-	-	-	2,596,221	2,596,221
Sheriffs/judicial activities	-	-	-	181,239	181,239
Agricultural Preservation	-	-	-	156,485	156,485
Rural Legacy	-	-	-	1,854,346	1,854,346
Total restricted fund balances	<u>\$ 948,467</u>	<u>\$ 36,790,982</u>	<u>\$ 66,579,921</u>	<u>\$ 4,788,291</u>	<u>\$ 109,107,661</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Governmental Funds – Committed

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Bond rating enhancement	\$ 100,000	\$ -	\$ -	\$ 100,000
Enabling legislation	33,006,509	- -	- -	33,006,509
Length of Service Award Program	336,818	- -	- -	336,818
Severe weather	1,409,900	- -	- -	1,409,900
FY19 budget	22,698,108	- -	- -	22,698,108
Permanent public improvement	50,000	- -	- -	50,000
FY20 budget	25,763,352	- -	- -	25,763,352
School and library construction	- 17,339,093	- -	- -	17,339,093
Parks construction	- 11,911,312	- -	- -	11,911,312
Roads and bridges construction	- 11,943,963	- -	- -	11,943,963
General government/other construction	- 11,156,450	- -	- -	11,156,450
Watershed restoration	- 9,706,891	2,537	- -	9,709,428
Grant activities	- -	1,739,172	- -	1,739,172
Electric lighting	- -	7,306	- -	7,306
Sheriff's/judicial activities	- -	1,044,364	- -	1,044,364
Loan activities	- -	10,389,032	- -	10,389,032
Agricultural Preservation	- -	1,994,526	- -	1,994,526
Installment purchase agreements	- -	41,501,187	- -	41,501,187
Total committed fund balances	<u>\$ 83,364,687</u>	<u>\$ 62,057,709</u>	<u>\$ 56,678,124</u>	<u>\$ 202,100,520</u>

* Section 2-7-1(a) (2) of the Frederick County, Maryland Code of Ordinances provides for the County to maintain a committed General Fund balance equal to 6.5 percent of General Fund expenditures and transfers to the Board of Education and Frederick Community College on a budgetary basis. As of June 30, 2018 the required balance is \$33,006,509. This is classified as "committed" fund balance in accordance with the promulgations of Governmental Accounting Standards Board Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions. Due to the restricting nature of the set-aside, the 6.5 percent is reported as restricted net position in the governmental activities column of the government-wide Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Governmental Funds – Assigned

	General Fund	Debt Service Fund
Encumbrances		
General government	\$ 1,609,840	-
Parks & recreation	12,389	-
Public safety	558,688	-
Public works	441,326	-
Social services	45,467	-
Income taxes	150,000	-
Road/Street inspection	745,931	-
Automation enhancement fee	348,526	-
Revenue stabilization	11,467,382	-
Substance Abuse and Detox Program	500,000	-
Debt Service	-	5,444,470
Total assigned fund balances	<u>\$ 15,879,549</u>	<u>\$ 5,444,470</u>

5. Governmental Funds - Unassigned

Sections 2-7-1(b) and (4) of the Frederick County, Maryland Code of Ordinances stipulates that the County may not levy more than \$500,000 as use in a contingency fund and must be maintained as part of unassigned fund balance. It shall be dedicated and appropriated to meet any unexpected demand which arises after the tax levy has been made, the occurrence of which could not reasonably have been foreseen. As of June 30, 2018, Frederick County, Maryland has appropriated \$300,000 for use in a contingency fund which is maintained as part of unassigned fund balance.

6. Net Position Restricted by Enabling Legislation

Net position restricted by enabling legislation represent accumulated net position 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 position in the government-wide Statement of Net Position, are as follows at year end:

	Governmental Activities	Business-type Activities
Restricted by Enabling Legislation	\$ 104,764,432	\$ -
Other Amounts Restricted by Third Parties	<u>68,771,991</u>	<u>38,935,350</u>
Total Restricted Net Position	<u>\$ 173,536,423</u>	<u>\$ 38,935,350</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Business-Type Activities with Unrestricted Net Position

On February 19, 2002, the former Board of County Commissioners adopted a Water and Sewer rate study, which recommended the establishment of several reserves to promote the financial stability of the Water and Sewer Enterprise Fund. As of June 30, 2018, the calculation of these reserves is \$88,073,610 (detailed below). These reserves are a part of the \$562,659,172 net position balance.

Reserved for:	
Operating Reserves	\$ 5,864,217
3 R Reserves	2,972,805
Tap Credits	1,057,554
Cash Funding of Capital Projects	11,152,702
Rosemont MDE	159,877
System Development	<u>69,473,195</u>
Total Water and Sewer Reserves	90,680,350
Unfunded reserves	<u>(2,606,740)</u>
Unrestricted net position	<u><u>\$ 88,073,610</u></u>

8. Net Investment in Capital Assets

As of June 30, 2018, net investment in capital assets in the Government-Wide Statement of Net Position was calculated as follows:

	Governmental Activities	Business-type Activities
Capital Assets (Exhibit II-A-1)	\$ 485,244,973	\$ 645,842,865
Debt related to Capital Assets	(256,570,717)	(215,385,465)
Unspent bond proceeds included in debt related to capital assets	<u>96,165,956</u>	<u>19,141,822</u>
Net Investment in Capital Assets (Exhibit II-A-1)	<u><u>\$ 324,840,212</u></u>	<u><u>\$ 449,599,222</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4. OTHER INFORMATION

A. Commitments and Contingencies

1. Construction Commitments

As of June 30, 2018, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	\$ 67,529,404	\$ 14,221,211	\$ 24,249,643	\$ 43,279,761
Roads and bridges	87,759,780	38,243,154	41,795,379	45,964,401
Board of Education	192,878,286	153,972,139	149,605,362	43,272,924
Frederick Community College	53,498,759	29,877,438	34,033,913	19,464,846
Parks and recreation	21,174,802	6,552,134	10,092,311	11,082,491
Watershed restoration	18,684,331	4,655,528	13,645,146	5,039,185
Municipal	9,999,021	7,135,717	3,496,360	6,502,661
	<u>\$ 451,524,383</u>	<u>\$ 254,657,321</u>	<u>\$ 276,918,114</u>	<u>\$ 174,606,269</u>

2. Federal Financial Assistance

The County participates in a number of federally assisted programs, principal of which are the Child Support Enforcement, Mass Transit, Workforce Innovation and Opportunity Act, Section 8 Housing, Capital Projects, and State Homeland Security Programs. Audits of these programs are conducted according to the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Single Audit report for the year ended June 30, 2018 is issued under separate cover.

The grant programs are subject to audit by the grantor, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as a result of these audits, in the opinion of management, is believed to be immaterial.

3. Pending Litigation

There are several pending lawsuits in which the County is involved. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Economic Dependency

Two enterprise funds are financially dependent upon certain major revenue sources that contribute more than 10 percent of the fund's total operating revenues.

The Solid Waste Enterprise Fund has four customers which account for 24.07 percent of total operating revenues. Three commercial haulers accounted for \$6,235,280 or 18.11 percent of fiscal year 2018 operating revenues. A single municipality accounted for \$1,544,520 or 5.96 percent of fiscal year 2018 operating revenues. Should the revenues from any of these customers decrease significantly, certain variable operating expenses, such as transfer expense and closure and post closure care costs would decrease.

The Comprehensive Care fund, a non-major enterprise fund, has three payer types that individually exceed ten percent of total operating revenues for this fund. They are Medicaid (40.79 percent), Medicare (27.86 percent), and Private Pay (21.17 percent).

5. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions for which it carries commercial insurance. The County retains no risk for claims up to the maximum amount of the policy except for deductible amounts.

Employers are required by law to provide workers' compensation coverage to their employees. The County participates in a high-deductible workers' compensation program to keep the annual insurance premium low. The cost of employee injury claims that fall under the deductible are paid through the County's Workers' Compensation Internal Service Fund.

6. Contingent Liability

The County is using the Bell Court Apartment project as residential rental units for lower income households. The deed of trust deferred all principal and interest payments to the Department of Housing and Community Development of the State of Maryland (DHCD), which loaned funds for the construction project, in perpetuity, provided contractual responsibilities were followed. Should the County cease to use the project for this purpose or refinance, sell, transfer or convey the project, the County would be obligated to DHCD for the principal and interest amount of the loan and other specified costs. The principal, interest and associated costs would also become immediately due if any encumbrance is placed upon the project without the prior written consent of DHCD or in the event of default as defined in the deed of trust. The principal amount of the loan is \$1,813,056.

On June 20, 2013 the County entered into two loan agreements with the Maryland Department of the Environment (MDE) for the purpose of replacing the aging water distribution system located in the Village of Rosemont. The principal amount approved for the first loan to be repaid to MDE is \$202,455, maturing on February 1, 2036. The second loan was approved in the amount of \$1,417,182. At any time prior to June 20, 2023, the principal advanced under the second loan agreement shall be payable in full, on demand. MDE has agreed to forgive the repayment of the principal amount of the loan and interest payable, so long as the County performs all of its other obligations under the loan agreement.

NOTES TO FINANCIAL STATEMENTS

(Continued)

B. Arbitrage Rebate Requirements

Arbitrage rebate requirements under Internal Revenue Code Section 1.148-3 apply to the County's investment of the proceeds of certain bond issues. The law requires the computation and payment of arbitrage profits on unspent proceeds of a bond issue if the current investment of these funds yields a higher rate of return than the original bond issue. The filing of this computation and payment to the Internal Revenue service is required at the end of the fifth year of the bond issuance date and every 5 years subsequently; however, computations and filings can be made for annual periods. There is no rebatable arbitrage to report as of June 30, 2018.

C. Tax Abatements

Facts and Assumptions

Frederick County provides tax abatements to encourage economic development: the Golden Mile Tax Credit, the Rehabilitated Vacant Commercial Structures Tax Credit, and the New Jobs Tax Credit.

- The Golden Mile Tax Credit provided property tax abatements to encourage improvements to non-residential properties located within the Golden Mile Tax Credit District. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Articles, §9-236) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-302. The program has a sunset provision and new projects no longer qualify. There is currently one project still under the program and fiscal year 2018 is the last year a tax credit will be issued for this program. The abatements equal a percentage of the additional property tax resulting from the lesser of the increase in assessed value as a result of the improvement to the property or the cost expended for the rehabilitation of the property. The percentage of tax credit is 100% in years one through four, 75% in year five, 50% in year six, and 25% in the final year seven. The credit is administered as a reduction in the tax bill. Abatements are obtained through application by the property owner and require subsequent annual applications. All rehabilitation projects must have or provide pedestrian and vehicular connections to adjacent commercial properties. Because taxes are not abated until after the improvements have been made, there are no provisions for recapturing abated taxes. No other commitments were made by the County as part of those agreements.
- The Rehabilitated Vacant Commercial Structures Tax Credit provides property tax abatements to encourage improvements in vacant commercial structures. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Article, §9-236) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-303. The program requires that the property be vacant for not less than 18 of the previous 24 months prior to the commencement of the rehabilitation or application for the credit. All rehabilitation projects must have or provide pedestrian and vehicular connections to adjacent commercial properties. A qualifying structure must have been constructed no fewer than five years prior to the submission of an application. The abatement only applies to rehabilitation of existing structures, and is only granted on the non-residential portion if the structure is multi-use. The abatement equals a percentage of the additional property tax resulting from the lesser of the increase in assessed value as a result of the improvements or the cost expended for the project. Abatements are obtained through application by the property owner and require subsequent annual applications. Because taxes are not abated until after the improvements have been made, there are no provisions for recapturing abated taxes. No other commitments were made by the County as part of those agreements. The credits are administered as a reduction in the tax bill and last for seven years as shown in the scheduled below:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Rehabilitated Vacant Commercial Structures
Tax Credit Schedule

Based on Cost of Rehabilitation Project/Change in Assessed Value

Years	<\$1.0 Million	\$1.0 to \$4.0 Million	>\$4.0 Million
1	100%	100%	100%
2	100%	100%	100%
3	100%	100%	100%
4	80%	100%	100%
5	60%	75%	100%
6	40%	50%	66%
7	20%	25%	33%
8	0%	0%	0%

- The New Jobs Tax Credit provides property tax abatements to encourage growth in the local business community. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Article, §9-230) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-431. The program provides a six-year tax credit for businesses that either construct or expand premises in the County by buying, building or leasing new premises. The program requires the employment of 25 persons in new permanent full-time positions located in the new or expanded premises within the first 24 month period after it occupies the new or expanded premises. The business entity must thereafter maintain at least 25 persons in permanent full-time positions in the new or expanded premises for a period of three years after each year that a tax credit is allowed. The property must also be located in a priority funding area and the business entity must notify the County of the intent to apply for the credit. An application is filed with the County when the business entity believes it has met all of the requirements, and an annual submission of supporting information is necessary for the credit to continue. The abatements equal a percentage of the property tax imposed on the assessment of the new or expanded premises. The percentage is 52% in years one and two, 39% in years three and four, and 26% in years five and six. The credits are administered as a reduction in the tax bill. The program has a recapture provision that allows the County to recapture tax credits if the business entity does not continue to satisfy all applicable requirements to qualify for the credit. Interest will accrue on any repayable tax credit, and unrepaid tax credits are a lien against the property in the same manner as unpaid property taxes and may be collected through the tax sale process. No other commitments were made by the County as part of those agreements.
- The Commercial and Industrial Tax Credit provides tax abatements to encourage growth in the local business community. The program is established under the auspices of a state statute (Md. Code Ann., Tax Property Article, §9-205) empowering counties to establish such programs. The program was enacted locally under Frederick County Code §1-8-441. The program provides a ten-year tax credit for businesses that make a substantial investment of at least \$5,000,000 in developing and operating a facility within Frederick County. The program requires the creation of at least 25 new permanent full time positions at the facility paying at least 150% of the federal minimum wage and which positions may not have been transferred to the facility from another location in Frederick County. The business must acquire or expand a building, land or equipment, and the facility must be used for manufacturing, fabricating or assembling purposes. The

NOTES TO FINANCIAL STATEMENTS
(Continued)

County Executive shall establish the term and amount of each tax credit. The amount would be a percentage of the additional County tax due as a result of an increase in assessment due to the new construction or expansion of a qualifying facility. If the credit would exceed 60% of total incremental tax, it must be reviewed and approved by the County Council. The credits are administered as a reduction in the tax bill. The program has a recapture provision that allows the County to recapture tax credits if the business entity does not continue to satisfy all applicable requirements to qualify for the credit. Interest will accrue on any repayable tax credit, and unrepaid tax credits are a lien against the property in the same manner as unpaid property taxes and may be collected through the tax sale process. No credits have been issued under this program, but the County has been notified that one business entity is interested and may qualify in the future.

Information relevant to the disclosure of those programs for the fiscal year ended June 30, 2018 is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>	
Economic Development:		
Golden Mile Tax Credit	\$	6,462
Rehabilitated Vacant Commercial Structures Tax Credit		89,301
New Jobs Tax Credit		-
Commercial and Industrial Tax Credit		-
Total	<u>\$</u>	<u>95,763</u>

D. Conduit Debt

1. Community Development Authority (Special Tax) Financing

Frederick County has issued special obligation bonds for Urbana, Villages of Lake Linganore, Jefferson Technology Park, and Oakdale-Lake Linganore Community Development Authorities. These bonds were for infrastructure costs within the boundaries of the respective Authorities. The Bonds are secured by special taxes levied on the properties within the respective Authorities. These are limited obligation bonds and as such do not pledge the full faith and credit of the County.

2. Tax Increment Financing

Frederick County has issued Tax Increment Financing Bonds to finance a portion of the infrastructure needed in the Dudrow Industrial Park, Jefferson Technology Park, and Oakdale-Lake Linganore Development Districts. The County surrenders its tax revenues on the incremental increase in property taxes within the districts to pay the debt service on these bonds. Cash and the related liability to bondholders are accounted for in an Agency Fund. These are limited obligation bonds and as such, do not pledge the full faith and credit of the County. More recent series of these bonds are supported by additional special tax assessments within the CDA, if needed.

NOTES TO FINANCIAL STATEMENTS
(Continued)

On March 6, 2014, the former Board of County Commissioners enacted ordinances and adopted resolutions creating the Oakdale-Lake Linganore Development District, authorizing the issuance of up to \$75 million aggregate principal amount of special obligation bonds to finance infrastructure costs within the District, pledging certain incremental tax revenues to the payment of debt service on such bonds, and authorizing the levy of special taxes within the District to pay debt serve on such bonds. These bonds were issued on November 14, 2014, as draw-down bonds. On June 19, 2018, the County entered into a Memorandum of Understanding with Oakdale Infrastructure Development to cancel the Series A bonds. Also as part of that agreement the County agreed to remarket the Series B bonds in an amount not to exceed \$5 million, with a target closing date no later than December 31, 2019. As of June 30, 2018, the developer has drawn \$381,622 of the Series B bonds.

Below is information on the current outstanding Tax Increment Financing and Community Development Authority bond issues.

Conduit Borrower	TIF/CDA	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount Outstanding 6/30/2018
Toys'R-Us	TIF-Serial	\$ 1,890,094	09/26/96	09/15/18	8.160%	\$ 172,394
Lake Linganore - Series 2001A	CDA-Term	1,957,000	02/05/01	07/01/20	5.600%	1,957,000
Lake Linganore - Series 2001A	CDA-Term	4,285,000	02/05/01	07/01/29	5.700%	4,285,000
Lake Linganore - Series 2007A	CDA-Loan	3,114,000	09/20/07	07/01/29	0.000%	1,864,963
Lake Linganore - Series 2007B	CDA-Loan	3,232,142	09/20/07	03/01/28	0.000%	1,794,142
Urbana CDA - Series 2010A	CDA-Serial	30,440,000	09/23/10	07/01/25	2.00-5.00%	20,150,000
Urbana CDA - Series 2010A	CDA-Term	20,455,000	09/23/10	07/01/30	4.400%	20,455,000
Urbana CDA - Series 2010A	CDA-Term	26,780,000	09/23/10	07/01/40	4.700%	26,780,000
Urbana CDA - Series 2010B	CDA-Term	20,020,000	09/23/10	07/01/40	5.500%	20,020,000
Jefferson Technology Park - Series 2013A	CDA-Serial	6,640,000	08/06/13	07/01/43	7.250%	6,605,000
Jefferson Technology Park - Series 2013B	TIF/CDA-Serial	33,360,000	08/06/13	07/01/43	7.125%	33,320,000
Oakdale-Lake Linganore - Series 2014B	TIF/CDA-Serial	7,750,000	11/14/14	07/01/44	2.000%	381,622
						<u>\$ 137,785,121</u>

3. Other Conduit Financing

From time to time, the County has issued Maryland Industrial Development Revenue Bonds, Maryland Economic Development Revenue Bonds, and Maryland Mortgage Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities and provision of housing deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the underlying revenues and resources of the private-sector entities served by the bond issuance. 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, neither the bonds nor the assets are reported in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Retirement and Pension Programs

Frederick County employees either participate in the Frederick County Employees Retirement Plan (employer sponsored defined benefit plan), the Frederick County Defined Contribution Plan (employer sponsored defined contribution plan) or the Maryland State Retirement and Pension systems which are cost sharing multiple-employer pension plans administered by the State of Maryland.

1. Single-Employer Pension Plan

Plan Description

The Frederick County Employees Retirement Plan was established on July 1, 1993, under authority created by State Legislation and Section 2-2-2 of the County Code. Benefit provisions of the plan were adopted by ordinance after a public hearing.

The Retirement Plan Committee was established July 13, 1993. Their purpose is to administer and operate the pension plan. There are seven members that have staggered three year terms. The committee membership requires representatives from the Human Resources Division, Finance Division, Fraternal Order of Police, Career Firefighter's Association, a retiree and two non-uniformed at-large representatives. Any changes to the Frederick County Employees Retirement Plan initiated by this committee, must also meet the approval of the County Executive and County Council.

For County employees hired prior to July 1, 1993, the participation in the Plan was optional and employees had the right to elect to transfer to the County Plan from the Maryland State Retirement or Pension System.

For County employees hired on or after July 1, 1993, their participation in the County Plan is a condition of employment with the County. Participation classification is based on the employee's status as either "uniformed" or "non-uniformed." County employees who meet these requirements are referred to as "qualified" or "covered" employees. An employee must work 700 hours per year to be eligible for benefits. Members of the County Council are not eligible to participate in this Plan. In addition, grant funded employees hired or rehired after June 30, 2012, are not eligible to participate in this Plan.

The type and number of employees covered as of June 30, 2018, was as follows:

	<u>Uniformed</u>	<u>Non-Uniformed</u>	<u>Non-Vested Terminations</u>	<u>Vested Terminations</u>
Retirees and beneficiaries currently receiving benefits	212	756	-	-
Terminated employees entitled to benefits	-	-	327	225
Active employees	674	1,185	-	-

Uniformed employees hired on or before June 30, 2011 may retire at the earlier of age 50 or 20 years of eligible service. Uniformed employees hired on or after July 1, 2011 may retire at age 55 or 25 years of eligible service. Vesting begins after five years of service. Retirement benefits are calculated by formula which provides a retirement income of approximately 50 percent to 66 percent of average pay depending on length of service. An early retirement benefit option is not provided.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Non-uniformed employees hired on or before June 30, 2011 may retire at the earlier of age 60 or 25 years of service and are 100 percent vested after five years of service. Non-uniformed employees hired on or after July 1, 2011 through June 30, 2012 may retire at the earlier of age 65 or 30 years of service and are 100 percent vested after five years of service. Non-uniformed employees hired on or after July 1, 2012 may retire at the earlier of age 65 or 30 years of service and are 100 percent vested after ten years of service. Retirement benefits are calculated by formula which provides a retirement income of approximately 50 percent to 60 percent of average pay depending on length of service. An early retirement benefit option is available with reduced benefits at age 55 with 15 years of service.

The benefits payable under the County's Plan not funded by employee contributions are funded entirely by the County. The plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system or another entity.

Summary of Significant Accounting Policies

The plan follows the accrual basis of accounting. Contributions are recognized in amounts determined by actuarial valuations. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The fair value of investments is determined by market price.

Funding Policy

Obligations to contribute to the plan were established by local resolution after a public hearing.

Funding for the plan provides for periodic contributions based upon actuarial valuations. The recommended contribution is based on a level funding policy of maintaining the County's minimum contribution rate at 18.6 percent of pay unless an increase is recommended through the actuarial valuation. Required contributions under the plan that are not funded by employee contributions are funded entirely by the County. Costs of administering the plan are financed on a current funding basis

As of July 1, 2012, uniformed employees contribute nine percent of their base pay under the plan and non-uniformed employees contribute six percent. The County's required payroll contribution in fiscal year 2018 was 18.6 percent.

Net Pension Liability

The components of the net pension liability of the County at June 30, 2018, were as follows:

Total pension liability	\$ 615,134,357
Plan fiduciary net position	(635,261,065)
County's net pension asset	<u>\$ (20,126,708)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.27%

NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual Pension Cost

During the fiscal year ending June 30, 2018 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2016.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Rates vary by participant years of service and status (uniformed vs non-uniformed)
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality rates	Pre-retirement participants and beneficiaries were based on the RP-2000 Active Blue Collar Mortality Tables, set back one year for non-uniformed employees.
	Post retirement participants and beneficiaries were based on the Generational RP-2000 Combined No Collar Mortality Tables, set back one year for all employees.
	Disabled participants were based on the RP-2000 Combined No Collar Mortality Tables, set forward 10 year for all employees

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2016 actuarial valuation report.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	5.50%
International Equity	6.60%
Fixed Income	1.10%
Cash	0.00%
Inflation	2.50%

NOTES TO FINANCIAL STATEMENTS
(Continued)

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of expense, was 10.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 7.0%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease - 6%	Current Discount Rate - 7%	1% Increase - 8%
County's net pension liability (asset)	\$ 63,702,587	\$ (20,126,708)	\$ (89,285,713)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of June 30, 2017	\$ 575,859,669	\$ 571,628,178	\$ 4,231,491
Changes for the year:			
Service cost	22,387,448	-	22,387,448
Interest	39,564,395	-	39,564,395
Differences between expected and actual experience	(7,803,368)	-	(7,803,368)
Changes of assumptions	6,434,272	-	6,434,272
Contributions - employer	-	21,677,669	(21,677,669)
Contributions - member	-	8,092,565	(8,092,565)
Net investment income	-	56,674,183	(56,674,183)
Benefit payments, including refunds of member contributions	(21,308,059)	(21,308,059)	-
Administrative expense	-	(1,503,471)	1,503,471
Net Changes	<u>39,274,688</u>	<u>63,632,887</u>	<u>(24,358,199)</u>
Balances as of June 30, 2018	<u>\$ 615,134,357</u>	<u>\$ 635,261,065</u>	<u>\$ (20,126,708)</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the County recognized pension expense of \$11,801,506. At June 30, 2018, the County reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,667,094	\$ 11,687,279
Changes of assumptions	5,361,893	780,401
Net difference between projected and actual earnings on pension plan investments	14,385,505	31,871,422
Total	\$ 21,414,492	\$ 44,339,102

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending		
	June 30	Total
2019	\$ (3,303,695)	
2020	(5,242,722)	
2021	(11,055,268)	
2022	(3,094,739)	
2023	(228,186)	
Thereafter	-	

2. Employer Sponsored Defined Contribution Retirement Plan

Plan Description

The Frederick County Maryland Defined Contribution Plan was established on July 1, 2012 under authority created by State legislation and Section 2-2-2 of the County Code. Benefit provisions of the plan were adopted by ordinance after a public hearing. The defined contribution retirement plan (the "Plan") was established for employees of Frederick County Government classified as "grant funded" and hired or rehired by the County on and after July 1, 2012. Employees contribute four percent of base pay and the County contributes four percent of base pay. Vesting begins after two years of service; employees are 100 percent vested at six years of service. Normal retirement age is age 65.

The Defined Contribution Plan Committee was established June 9, 1981. Their purpose is to supervise the administration and implementation of the Defined Contribution (401a) and the Deferred Compensation (457b) plans. The committee is comprised of seven members. A representative is required from the Human Resources and Finance Divisions with no term limit. The remaining five members serve staggered three year terms. New members are appointed by the County Executive with confirmation by the County Council.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy

The County funding of this plan is solely based on a 4% employer contribution determined by the payroll associated with employees classified as "grant funded" and hired on or after July 1, 2012. In fiscal year 2018 there were 162 total participants in the Defined Contribution Plan. This total includes 78 active participants and 84 terminated participants with a balance.

3. Length of Service Awards Program

Plan Description

In 1985, the County created the Length of Service Awards Program (LOSAP), a defined benefit plan for eligible volunteers of Frederick County fire, rescue and emergency medical services. In fiscal year 2018, the County Executive elected to create a Length of Service Award Program Trust which is funded entirely by the general fund. This trust provides benefits to volunteers who have completed certain eligibility and years of service requirements.

The Length of Service Award Trust Administrative Committee was established for the purpose of administering this trust. The committee is comprised of the individuals holding the positions of Director of Finance, Director of Human Resources and Director of Budget, or their delegates. There is a separate committee comprised of members of the Frederick County Volunteer Fire & Rescue Association that administers the benefits of this program.

An active member, upon reaching 65 years of age, who has completed 25 years of creditable service and otherwise meets the requirements of the program will be entitled to receive an award of \$200 per month, distributed quarterly, until death. An additional award of \$20 per month will be made to the member for each additional 5 years of completed creditable service up to a maximum total award of \$300 per month.

The LOSAP program also provides a death benefit to eligible volunteers. In the event a member who is receiving LOSAP benefits dies before receiving at least \$15,000 in total payments, their designated beneficiary will receive a partial benefit equal to the difference between payments received and \$15,000. A maximum benefit of \$15,000 will be paid to the designated beneficiaries of a member, age 65 or older, who has died after completing 5 years of active service but less than 25 years. The benefit will be pro-rated based on years served after 5 years. A member who has served a minimum of 5 years and is under 65 years of age will be covered under a \$15,000 LOSAP life insurance policy. The plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system of another entity.

The type and number of participants consisted of the following at July 1, 2016, the date of the Actuarial Valuation.

Active volunteers	922
Terminated vested	42
Service retirements continuing employment	110
Service retirements and beneficiaries	138
Total	<u><u>1,212</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Summary of Significant Accounting Policies

The plan's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value, which for the plan is determined by market price.

Funding Contribution Policy

The Length of Service Award Program (LOSAP) was established with resolution 84-45 and is funded with general revenue tax sources which are appropriated through the Annual Budget and Appropriation Ordinance of Frederick County. The actually determined contribution is an increase compared to the previous pay-as-you-go funding policy. Due to this change in funding policy, the actual contributions are planned to increase until the ADC is reached, which is projected to occur in fiscal year 2019.

Net LOSAP Liability of the County

The components of the net LOSAP liability of the County at June 30, 2018, were as follows:

Total LOSAP liability	\$ 12,384,808
Plan fiduciary net position	(787,214)
County's net LOSAP liability	<u>\$ 11,597,594</u>
Plan fiduciary net position as a percentage of the total LOSAP liability	6.36%

Annual LOSAP Costs

During fiscal year ending June 30, 2018 contributions were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation as of July 1, 2016. For the year ended June 30, 2018, the County recognized LOSAP expense of \$975,805.

Actuarial assumptions

The total LOSAP liability was determined by an actuarial valuation as of July 1, 2016, rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	None
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

NOTES TO FINANCIAL STATEMENTS
(Continued)

Mortality rates were based on RP-2014 Blue Collar tables set forward one year, with fully generational projection using scale MP-2015. The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2016 actuarial valuation report.

Long-term expected rate of return

The long-term expected rate of return on LOSAP plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized below:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	5.50%
International Equity	6.60%
Fixed Income	1.10%
Cash	0.00%
Inflation	2.50%

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on LOSAP plan investments, net of LOSAP plan expense, was 3.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Actual returns may vary due to timing of contributions and redemptions.

Sensitivity of the net LOSAP liability

	1%	Current	1%
	Decrease -	Discount Rate -	Increase -
	6%	7%	8%
County's net LOSAP liability	\$ 12,906,254	\$ 11,597,594	\$ 10,490,413

NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in the Net LOSAP Liability

	Increase (Decrease)		
	Total LOSAP Liability (a)	Plan Fiduciary Net Position (b)	Net LOSAP Liability (a) - (b)
Balances as of June 30, 2017	\$ 12,179,946	\$ 261,608	\$ 11,918,338
Changes for the year:			
Service cost	171,072	-	171,072
Interest	827,425	-	827,425
Changes of benefit terms	(74,474)	-	(74,474)
Contributions - employer	-	1,240,968	(1,240,968)
Net investment income	-	22,643	(22,643)
Benefit payments, including refunds of member contributions	(719,161)	(719,161)	-
Administrative expense	-	(18,844)	18,844
Net Changes	<u>204,862</u>	<u>525,606</u>	<u>(320,744)</u>
Balances as of June 30, 2018	<u><u>\$ 12,384,808</u></u>	<u><u>\$ 787,214</u></u>	<u><u>\$ 11,597,594</u></u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to LOSAP

At June 30, 2018, the County reported deferred outflows of resources and deferred inflow of resources related to LOSAP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 66,199
Net difference between projected and actual earnings on LOSAP plan investments	<u>10,618</u>	<u>-</u>
Total	<u><u>\$ 10,618</u></u>	<u><u>\$ 66,199</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to LOSAP will be recognized in LOSAP expense as follows:

Year ending	
June 30	Total
2019	\$ (5,620)
2020	(5,620)
2021	(5,620)
2022	(5,622)
2023	(8,275)
Thereafter	(24,824)

4. Component Units

The employees at the BOE are covered under one of four defined benefit retirement plans. These plans are part of the Maryland State Retirement and Pension Systems and are cost sharing multiple-employer public employee retirement plans. Total contributions were \$31,248,348 in 2018. This contribution was recognized as both revenue and expenditures for BOE.

As of June 30, 2018, the BOE reported a liability of approximately \$36.8 million for its proportionate share of the Employees Retirement System of the State of Maryland (ERS) net pension liability. The ERS net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the ERS net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2018, the Board's proportion for ERS was 0.17%, which was substantially the same from its proportion measured as of June 30, 2017. For the year ended June 30, 2018, the public schools recognized pension expense for ERS of approximately \$4,256. Detailed retirement plan information for the BOE is available in their current year audited financial statements.

The BOE administers the Frederick County Public Schools Defined Contribution Plan (the "Plan"). The Plan is designed to afford eligible employees an opportunity to increase their security at retirement through employee and employer contributions during participants' periods of active employment while this Plan remains in effect. The BOE has the right to amend the Plan at any time. In fiscal year 2018, the Superintendent of Schools was the only participant in the Defined Contribution Plan. There are no contribution requirements of the employee or the BOE. The Plan has received a favorable determination letter from the Internal Revenue Service indicating that it qualifies as a tax-qualified "profit-sharing" plan. It is intended to be a "governmental plan" within the meaning of Internal Revenue Code Section 414. During the year ended June 30, 2018 a \$35,000 contribution was made to the Plan by the BOE. The Plan is similar to other deferred compensation plans such as 401(k), 403(b), and 457 plans, and therefore is not reported in these financial statements.

All permanent employees of the College are covered under one of the two cost-sharing multiple-employer pension/retirement plans. One of these plans is provided directly by the State of Maryland, and the employer funding for eligible College employees is provided directly by the State. Only teachers employed by FCC are eligible. State contributions for the fiscal year for this plan totaled \$1,774,442. The other retirement plan, provided through TIAA/CREF or Fidelity, is an option for certain professional employees and is also provided for those College employees for which the State

NOTES TO FINANCIAL STATEMENTS
(Continued)

does not provide employer share funding of retirement benefits. The employer contributions toward these non-State plans totaled \$1,033,429. These non-State plans are defined contribution plans requiring an employer contribution of 7.25 percent of employees' base salary. Employee contributions to the non-State plans are not mandatory.

Substantially all employees of the FCPL are covered under the Maryland State Teachers' Retirement System or the Maryland State Teachers' Pension System. Plan members on December 31, 1979, are members of the Teachers' Retirement System unless they elected to join the Pension System. No new Retirement System members were accepted after December 31, 1979. A member of the Teachers' Retirement System may retire with full benefits at age 60 or with 30 years of service. A member of the Teachers' Pension System may retire with full benefits with 30 years of service or at age 62 or older with specified years of service. For both systems, vesting starts after five years of service. Benefits under both plans are established under Titles 22 and 23 of the State Personnel and Pensions Article of the Annotated Code of Maryland. Obligations to contribute to the plans were established under the above-referenced article of the Maryland Code. Members of the Retirement System and the Pension System contribute seven percent and five percent of their gross employee compensation, respectively. The FCPL's share of contributions for its employees is primarily the responsibility of the State. During the fiscal year ended June 30, 2018, the State paid \$826,577 in retirement costs on its behalf. This amount has been shown as grant revenue and current expenditures for the FCPL.

F. Post-Employment Benefits Plans

1. Retiree Health Benefit Plan

Plan Description

The Frederick County Retiree Health Benefit Plan is a single-employer defined benefit healthcare plan administered by the County in a separate trust fund. The Plan provides healthcare benefits to eligible retirees of both Frederick County and Frederick County Public Library and, in certain instances, their eligible survivors and dependents. The County at its discretion can establish, alter, amend, modify or terminate its practice of providing healthcare benefits to retirees and their dependents, as well as the right to require retirees to make greater contributions to the funding of their benefits. The County may amend or terminate the Plan at any time by a duly adopted resolution of the County Council. The Plan does not issue a stand-alone financial report and is not included in the report of a public employee retirement system of another entity.

The Other Post Employee Benefits (OPEB) Investment Committee was established on June 24, 2008 to administer the Frederick County Master Retiree Trust Agreement. This agreement represented a relationship for the management of the Retiree Benefit Trust of Frederick County and other participating governmental trusts. At its inception, Frederick County Public Schools was the only other participating governmental entity. This was reflected in the committee membership. The committee was comprised of the Frederick County's Deputy Director of the Human Resources Division, Frederick County's Director of Finance and Frederick County Public School's Chief Financial Officer. All three of these members serve an unlimited term. The remaining members consisted of two members from the Frederick County Retirement Plan Committee and two at-large representatives from Frederick County Public Schools. The Frederick County Retirement Plan Committee members' terms correspond with their terms on the Retirement Plan Committee, while the Frederick County Public School at-large members serve two, two-year terms.

As of June 30, 2018, Frederick County Public Schools separated from the Master Retiree Trust Agreement and as a result the Master Trust was dissolved. The County Council for Frederick County amended the Retiree Benefit Trust of Frederick County to exclude the members of Frederick

NOTES TO FINANCIAL STATEMENTS
(Continued)

County Public Schools from the Investment Committee. This amendment leaves the Frederick County committee members as the Deputy Director of Human Resources and Director of Finance serving unlimited terms. The remaining members include the two members from the Frederick County Retirement Plan Committee who serve two consecutive three year terms on the OPEB Investment Committee.

Membership of the Plan consisted of the following at July 1, 2017, the date of the February 27, 2018, actuarial valuation report:

Retirees and beneficiaries receiving benefits	717
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	<u>1,649</u>
Total	<u><u>2,366</u></u>

Summary of Significant Accounting Policies

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value, which for the Plan is determined by market price.

Funding Policy and Contributions

Benefits are based on the employee's hire date. For employees hired on or before July 1, 1992, the County pays approximately 84 percent of the cost of premiums for medical and hospitalization costs. Employees hired after July 1, 1992 and before August 1, 2008, also must have worked for the County for a minimum of ten years; these employees pay 50 percent of the cost of premiums. Employees hired after August 1, 2008, also must have worked for the County for a minimum of ten consecutive years; these employees will pay 75 percent of the cost of the premium with 10 to 14.9 years of service, 65 percent with 15 to 19.9 years, 55 percent with 20 to 24.9 years and 45 percent with over 25 years of service. If a retiree elects to discontinue coverage at the time of retirement or later, they have the option of re-enrolling in the County plan. Therefore, the number of retirees participating in the plan varies throughout the year. For fiscal year 2018, the County contributed \$10,456,710 to the Plan, including \$6,227,029 for current premiums (approximately 79 percent of total premiums) and an additional \$4,229,681 to prefund benefits. Plan members receiving benefits contributed \$1,671.007 approximately 21 percent of the total premium. Administrative costs are financed through investment earnings.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2018, were as follows:

Total OPEB liability	\$ 244,035,044
Plan fiduciary net position	151,972,563
County's net OPEB liability	<u><u>\$ 92,062,481</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	62.27%

Annual OPEB Costs

During fiscal year ending June 30, 2018, contributions were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation as of July 1, 2017. The County recognized OPEB expense of \$11,860,219 for year ended June 30, 2018.

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of July 1, 2017, and rolled forward to June 30, 2018, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.2%
Salary Increases	3.5% Annually
Investment Rate of Return	7.0%
Discount Rate	7.0%
Healthcare Cost Trend Rate	5.4% in 2018 to 3.9 Pre-Medicare and 3.8 Post-Medicare in 2082 based on the Society of Actuaries Long Term Medical Trend Model
Actuarial Cost Method	Entry age

Mortality rates for healthy pre-retirement participants were based on 70% of Generational RP-2000 Active Blue Collar Mortality Table set back one year for uniformed employees and 70% of Generational RP-2000 Combined No Collar Mortality Table set back one year for non-uniformed employees. Rates for healthy post-retirement participants were based on the Generational RP-2000 Combined No Collar Mortality Table set back one year for all employees. For disabled participants, the Generational RP-2000 Active Blue Collar Mortality Table set forward 10 years for all employees.

Long-term expected rate of return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table.

NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equities	35%	4.95%
U.S. Small/Mid Cap Equities	20%	5.71%
International equity	10%	5.24%
Fixed income	35%	2.00%
Cash	0%	0.00%
Inflation	0%	2.47%
Total	100%	

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of expense was 8.39%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Actual returns may vary due to timing of capital contributions and redemptions.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents Frederick County Government's net OPEB liability if calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

County's net OPEB liability	Current Discount		
	1% Decrease 6%	Rate 7%	1% Increase 8%
	\$ 132,372,147	\$ 92,062,481	\$ 59,846,279

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents Frederick County Government's net OPEB liability if calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher.

County's net OPEB liability	1% Decrease 2.8%	Trend Rate 3.8%	1% Increase 4.8%
	\$ 55,008,109	\$ 92,062,481	\$ 139,396,115

NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in the net OPEB liability

	Increase/(Decrease)		
	Plan	Fiduciary	
	Total OPEB Liability	Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance as of June 30, 2017	\$ 221,015,282	\$ 135,725,823	\$ 85,289,459
Changes for the year			
Service cost	5,622,599	-	5,622,599
Interest	15,251,322	-	15,251,322
Experience losses	2,460,312	-	2,460,312
Employer contribution	-	10,832,284	(10,832,284)
Net Investment Income	-	11,692,981	(11,692,981)
Changes in assumptions	5,964,054		5,964,054
Benefit payments	(6,278,525)	(6,278,525)	-
Net Changes	23,019,762	16,246,740	6,773,022
Balance as of June 30, 2018	<u>\$ 244,035,044</u>	<u>\$ 151,972,563</u>	<u>\$ 92,062,481</u>

Deferred outflow of resources and deferred inflows of resources related to OPEB

At June 30, 2018 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary government		
Difference between expected and actual experience	\$ 2,152,773	\$ -
Changes of assumptions	5,218,547	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,626,233
Total primary government	<u>\$ 7,371,320</u>	<u>\$ 1,626,233</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

<u>Year ending</u>	<u>Total</u>
2019	\$ 646,488
2020	646,488
2021	646,488
2022	646,488
2023	1,053,046
Thereafter	2,106,090

2. Component Units

The FCPS Retiree Health Benefit Plan (the “Plan”) is a single-employer defined benefit plan administered by the Board of Education. The Plan provides medical, dental, vision, and life insurance benefits to eligible participants (covered retirees, covered survivors, and with respect to certain benefits, their eligible dependents). As of June 30, 2018 there were 2,081 retirees (of which 521 had dependent coverage) and 5,009 active benefited employees in the Plan. The Board of Education has the authority to establish and amend post-employment benefits.

The Board of Education negotiates the contribution percentage between the FCPS and the employees through union contracts and personnel policy. The required contribution is based on projected “pay-as-you-go” financing requirements. For fiscal year 2018, the Board contributed \$12,771,791 to the plan. Of this amount \$10,695,478 was for FCPS’ share of retiree premiums, \$34,500 was contributed towards trust investment fees and \$2,041,813 was placed into a 115 Trust account (the Trust), which was established on May 29, 2008 for the purpose of pre-funding a portion of retiree health benefits in the future. Plan members receiving benefits contributed \$7,768,037 or approximately 38 percent of the total premiums. The rates for fiscal year 2018 were based on the length of service of the retiree (two tiers), the age of the retiree (non-Medicare eligible or Medicare eligible), and the type of insurance (medical Choice Plus, medical PPO, and/or Dental).

The FCC Healthcare Plan is approved by the Board of Trustees. This policy provides for those retirees who are collecting benefits through either the Maryland State System or one of the state-approved Optional Retirement Plans to continue their healthcare coverage at their expense indefinitely. The healthcare premiums charged have not been age adjusted and, as a result, the plan is deemed to provide an implied subsidy to retirees. The required contribution is based on projected “pay-as-you-go” financing requirements. Coverage for retirees will be governed by contracts in effect with the insurance carriers.

Eligible retirees of FCPL are included in the County Retiree Health Benefit Plan as described in F.1 above.

NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Deferred Compensation

Employees of Frederick County may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all regular employees or temporary employees, to whom compensation is paid. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. During the fiscal year 2018 approximately 39.6 percent of the County's eligible employees elected to participate in the plan.

The deferred compensation plan is administered by an unrelated compensation and benefit consulting organization. Under the terms of an IRS b*n* Section 457b deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the compensation and benefit consulting organization are held in trust for the exclusive benefit of the participants and their beneficiaries, and accordingly, are not included in the County's financial statements.

As part of its fiduciary role, the County has an obligation of due care in selecting the third party administrator. In the opinion of the County's legal counsel, the County has acted in a prudent manner and it is unlikely that the County will be liable for any losses that may arise from its selection of the third party administrator.

H. Joint Venture

The Primary Government participates in a joint venture which is not included as part of the reporting entity. The Primary Government does not have a separable financial interest in the joint venture. Therefore, no "Investment in Joint Venture" is included in the accompanying financial statements. Audited financial statements are available from this organization. A general description of this joint venture follows:

Northeast Maryland Waste Disposal Authority (NMWDA)

The NMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. The NMWDA was established to assist the political subdivisions in the Northeast Maryland Region and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the region's requirements for disposal of solid waste. The MWDA has the following eight member jurisdictions from the State of Maryland: Anne Arundel County, Baltimore City, Baltimore County, Carroll County, Frederick County, Harford County, Howard County and Montgomery County. The Maryland Environmental Service is an ex-officio member. As a participating government in NMWDA, the County paid fiscal year 2018 membership dues and fees for services amounting to \$166,040.

NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Change in Accounting Principle

Net position of governmental activities has been restated by a negative \$68,543,537 due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With the implementation of GASB Statement No. 75, the County is required to reflect an OPEB liability, deferred inflows of resources, deferred outflows of resources and the recognition of OPEB expense in accordance with the provisions of the Statement.

J. Subsequent Events

On November 16, 2018, Frederick County issued its Tax-Exempt Fiscal Year 2019 Capital Lease in the amount of \$7,220,003. Debt service payments on this lease will extend through October 1, 2025.

Since June 30, 2018, Frederick County has entered into three Installment Purchase Agreements to purchase easements of the development rights of agricultural land in Frederick County. These borrowings are authorized by Chapter 54 of the Laws of Maryland of 2012. All were issued as 20 year obligations with interest paid annually and final maturities on May 15, 2039. Funds are invested in U.S. Treasury strips to finance the final maturity payments.

IPA #	Closing Date	Amount of Easement	Cash Paid at Closing	Liability Amount	Interest Rate
18-126	10/19/2018	\$ 532,537	\$ 53,254	\$ 479,283	3.310%
18-130	10/19/2018	665,101	66,510	598,591	3.310%
18-131	10/19/2018	499,599	49,960	278,091	3.310%
Totals		<u>\$ 1,697,237</u>	<u>\$ 169,724</u>	<u>\$ 1,355,965</u>	

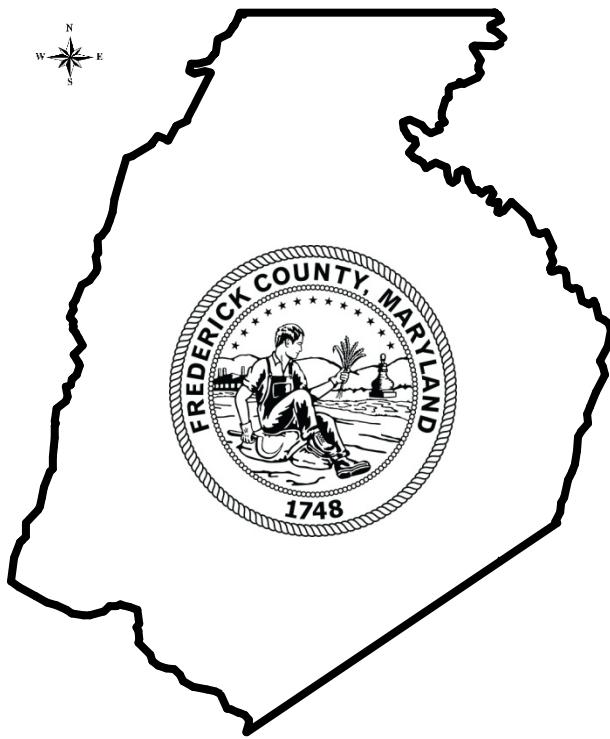
K. New Governmental Accounting Standards Board (GASB) Standard

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) issued Statement No. 75, entitled Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; Statement No. 81, entitled Irrevocable Split- Interest Agreements; Statement No. 85, entitled Omnibus; and Statement No. 86, entitled Certain Debt Extinguishment Issues.

GASB has also issued Statement No. 83, entitled, Certain Asset Retirement Obligations; and Statement No. 84 entitled, Fiduciary Activities. Statement No. 87 entitled Leases, Statement No. 88 entitled Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements and Statement No. 89 entitled Accounting for Interest Cost Incurred before the End of a Construction Period. The County will be evaluating the effects of these pronouncements on its financial statements and plans to adopt them as applicable by their effective date.

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REQUIRED SUPPLEMENTARY INFORMATION



The information provided in this section is required supplementary disclosures.

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

														Fiscal Year
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009				
Total pension liability														
Service cost	\$ 22,387	\$ 21,310	\$ 20,272	\$ 20,127	\$ 21,309									
Interest	39,564	36,760	34,936	32,636	30,170									
Differences between expected and actual experience	(7,803)	2,501	(10,287)	(124)	-									
Changes of assumptions	6,434	-	-	(2,341)	-									
Benefit payments, including refunds of member contributions	(21,308)	(19,696)	(18,052)	(16,812)	(15,671)									
Net change in total pension liability	<u>39,274</u>	<u>40,875</u>	<u>26,869</u>	<u>33,486</u>	<u>35,808</u>									
Total pension liability - beginning	<u>575,860</u>	<u>534,985</u>	<u>508,116</u>	<u>474,630</u>	<u>438,822</u>									
Total pension liability - ending	<u><u>\$ 615,134</u></u>	<u><u>\$ 575,860</u></u>	<u><u>\$ 534,985</u></u>	<u><u>\$ 508,116</u></u>	<u><u>\$ 474,630</u></u>									
Plan fiduciary net position														
Contributions - employer	21,678	20,419	18,910	20,323	21,260									
Contributions - member	8,093	7,681	7,199	7,022	6,880									
Net investment income	56,674	66,342	3,253	22,501	67,022									
Benefit payments, including refunds of member contributions	(21,308)	(19,696)	(18,052)	(16,812)	(15,671)									
Administrative expense	(1,504)	(1,038)	(705)	(793)	(930)									
Net change in plan fiduciary net position	<u>63,633</u>	<u>73,708</u>	<u>10,605</u>	<u>32,241</u>	<u>78,561</u>									
Plan fiduciary net position - beginning	<u>571,628</u>	<u>497,920</u>	<u>487,315</u>	<u>455,074</u>	<u>376,513</u>									
Plan fiduciary net position - ending	<u><u>\$ 635,261</u></u>	<u><u>\$ 571,628</u></u>	<u><u>\$ 497,920</u></u>	<u><u>\$ 487,315</u></u>	<u><u>\$ 455,074</u></u>									
Net pension position liability (asset) - ending	<u><u>\$ (20,127)</u></u>	<u><u>\$ 4,232</u></u>	<u><u>\$ 37,065</u></u>	<u><u>\$ 20,801</u></u>	<u><u>\$ 19,556</u></u>									
Plan fiduciary net position as a percentage of the total pension liability	103.27%	99.27%	93.07%	95.91%	95.88%									
Covered payroll	\$ 114,631	\$ 108,689	\$ 100,998	\$ 99,555	\$ 106,397									
Net pension liability as a percentage of covered payroll	-17.56%	3.89%	36.70%	20.89%	18.38%									
Expected average remaining service years of all participants	6	6	6	6	6									
Annual money weighted rate of return, net of investment expenses	10.17%	13.46%	1.07%	5.18%	18.04%									

Notes to Schedule:

Changes of assumptions: None
Benefit changes: None

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 17,365	\$ 17,455	\$ 18,808	\$ 18,721	\$ 18,687					Information for FY2013 and earlier is not available
Contributions in relation to the actuarially determined contribution	21,678	20,419	18,910	20,323	21,260					
Contribution deficiency (excess)	<u>\$ (4,313)</u>	<u>\$ (2,964)</u>	<u>\$ (102)</u>	<u>\$ (1,602)</u>	<u>\$ (2,573)</u>					
Covered payroll	<u>\$ 114,631</u>	<u>\$ 108,689</u>	<u>\$ 100,998</u>	<u>\$ 99,555</u>	<u>\$ 100,298</u>					
Contributions as a percentage of covered payroll	18.91%	18.79%	18.72%	20.41%	21.20%					

Notes to Schedule

Valuation date:

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll
Remaining amortization period	15 years for gains, losses and assumption changes (closed), 30 years for prior plan changes
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	Rates vary by participant service
Investment rate of return	7.0% net of pension plan investment expense, including inflation
Retirement age	Rates vary by participant age and service
Mortality	Updated the mortality assumption to the most recent available table for pension plan participants and for uniformed participants to reflect the recent revision to the surplus amortization period.

FREDERICK COUNTY LENGTH OF SERVICE AWARDS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	Fiscal Year									
Total LOSAP liability										
Service cost	\$ 171	\$ 167								
Interest	827	810								
Differences between expected and actual experience	(74)	-								
Benefit payments, including refunds of member contributions	(719)	(744)								
Net change in total LOSAP liability	205	233								
Total LOSAP liability - beginning	<u>12,180</u>	<u>11,947</u>								
Total LOSAP liability - ending	<u><u>\$ 12,385</u></u>	<u><u>\$ 12,180</u></u>								
Plan fiduciary net position										
Contributions - employer	1,241	1,006								
Net investment income	23	-								
Benefit payments, including refunds of member contributions	(719)	(744)								
Administrative expense	(20)	-								
Net change in plan fiduciary net position	525	262								
Plan fiduciary net position - beginning	<u>262</u>	<u>-</u>								
Plan fiduciary net position - ending	<u><u>\$ 787</u></u>	<u><u>\$ 262</u></u>								
Net position liability - ending	<u><u>\$ 11,598</u></u>	<u><u>\$ 11,918</u></u>								
Plan fiduciary net position as a percentage of the total LOSAP liability	6.36%	2.15%								
Covered payroll	n/a	n/a								
Net LOSAP liability as a percentage of covered payroll	n/a	n/a								
Expected average remaining service years of all participants	9	9								
Annual money weighted rate of return, net of investment expenses	3.21%	0.00%								

Notes to Schedule:

Changes of assumptions: None
Benefit changes: None

FREDERICK COUNTY LENGTH OF SERVICE AWARDS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,461	\$ 1,430								Information for FY2016 and earlier is not available
Contributions in relation to the actuarially determined contribution	1,241	1,005								
Contribution deficiency (excess)	<u>\$ 220</u>	<u>\$ 425</u>								
Covered payroll	n/a	n/a								

Notes to Schedule

Valuation date:

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level payments over a closed period of 20 years
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	None
Investment rate of return	7.0% net of LOSAP investment expense, including inflation
Retirement age	The latter of 25 years of service and age 65
Mortality	RP-2014 Blue Collar tables set forward one year, with fully generational projection using scale MP-2015

FREDERICK COUNTY RETIREE HEALTH BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Dollar Amounts in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Fiscal Year
Total pension liability											
Service cost	\$ 5,623	\$ 5,257									
Interest	15,251	14,311									
Differences between expected and actual experience	2,460	-									
Changes of assumptions	5,964	-									
Benefit payments, including refunds of member contributions	(6,278)	(5,998)									
Net change in total pension liability	23,020	13,570									
Total OPEB liability - beginning	<u>221,015</u>	<u>207,445</u>									
Total OPEB - ending	<u><u>\$ 244,035</u></u>	<u><u>\$ 221,015</u></u>									
Plan fiduciary net position											
Contributions - employer	10,833	10,343									
Contributions - member	-	-									
Net investment income	11,693	13,807									
Benefit payments, including refunds of member contributions	(6,279)	(5,998)									
Administrative expense	-	(52)									
Net change in plan fiduciary net position	16,247	18,100									
Plan fiduciary net position - beginning	<u>135,726</u>	<u>117,626</u>									
Plan fiduciary net position - ending	<u><u>\$ 151,973</u></u>	<u><u>\$ 135,726</u></u>									
Net position liability - ending	<u><u>\$ 92,062</u></u>	<u><u>\$ 85,289</u></u>									
Plan fiduciary net position as a percentage of the total pension liability	62.27%	61.41%									
Covered payroll	\$ 114,631	\$ 108,689									
Expected average remaining service years of all participants	8	8									
Annual money weighted rate of return, net of investment expenses	8.39%	11.60%									

Notes to Schedule:

Changes of assumptions: None
Benefit changes: None

FREDERICK COUNTY RETIREE HEALTH BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 10,386	\$ 9,783								Information for FY2016 and earlier is not available
Contributions in relation to the actuarially determined contribution	<u>10,832</u>	<u>10,343</u>								
Contribution deficiency (excess)	<u>\$ (446)</u>	<u>\$ (560)</u>								
Covered payroll	\$ 114,631	\$ 108,689								
Contributions as a percentage of covered payroll	n/a	n/a								

Notes to Schedule

Valuation date: July 1, 2017

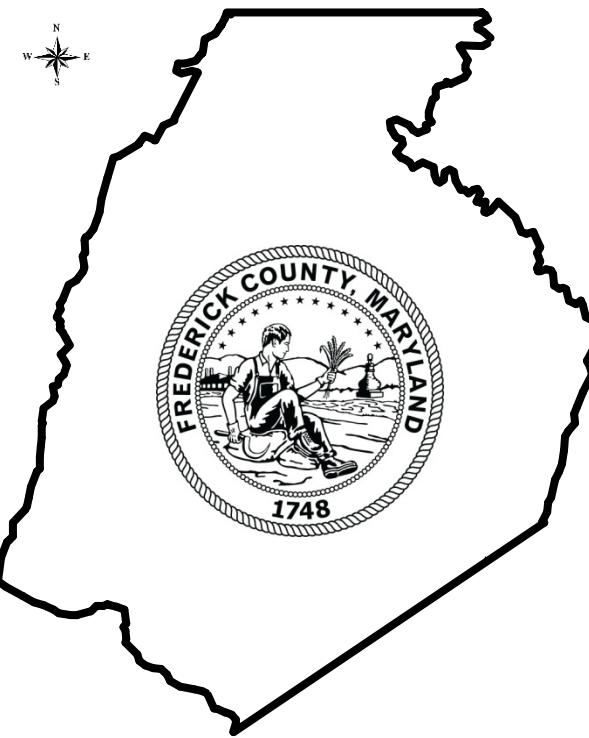
Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every two years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level payments over a closed period of 22 years as a percentage of payroll
Remaining amortization period	22 years
Asset valuation method	Market value
Inflation	2.2%
Salary increases	3.5% Annually
Investment rate of return	7.5% net of OPEB investment expense, including inflation
Retirement age	The latter of 25 years of service and age 65

Mortality rates for healthy pre-retirement participants were based on 70% of Generational RP-2000 Active Blue Collar Mortality Table set back one year for uniformed employees and 70% of Generational RP-2000 Combined No Collar Mortality Table set back one year for non-uniformed employees. Rates for healthy post-retirement participants were based on the Generational RP-2000 Combined No Collar Mortality Table set back one year for all employees. For disabled participants, the Generational RP-2000 Active Blue Collar Mortality Table set forward 10 years for all employees.

FUND STATEMENTS AND SCHEDULES



The combining statements provide detailed information concerning the financial position and results of operations for nonmajor governmental and proprietary funds. The schedules provide selected detailed information concerning the capital project fund, agency funds and the internal service funds, as well as information on capital assets used in the operation of governmental funds.

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds							Total Non Major Governmental Funds (See Exhibit II-A-3)
	Grants	Agricultural Preservation	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Assets								
Cash	\$ 3,766	\$ -	\$ -	\$ -	\$ -	\$ 311,313	\$ -	\$ 315,079
Equity in pooled invested cash	- -	7,324,888	2,536	8,623	233,515	1,013,459	4,734,075	13,317,096
Total cash and cash equivalents	3,766	7,324,888	2,536	8,623	233,515	1,324,772	4,734,075	13,632,175
Investments	- -	39,306,436	- -	- -	- -	- -	- -	39,306,436
Receivables, net of allowance for uncollectibles:								
Accounts	641,527	7,920	1	- -	311,349	60,363	150	1,021,310
Intergovernmental	6,347,333	- -	- -	- -	- -	- -	- -	6,347,333
Prepaid items	46,847	21,667	- -	- -	- -	- -	- -	68,514
Long term receivables, net of allowance for uncollectibles:								
Non-profit organization loans	- -	- -	- -	- -	2,104,411	- -	- -	2,104,411
Housing loans	2,126,221	- -	- -	- -	- -	- -	5,667,307	7,793,528
Other long term receivables	470,000	- -	- -	- -	- -	- -	- -	470,000
Cash and cash equivalents - restricted	- -	- -	- -	- -	- -	- -	- -	- -
Total assets	<u>\$ 9,635,694</u>	<u>\$ 46,660,911</u>	<u>\$ 2,537</u>	<u>\$ 8,623</u>	<u>\$ 2,649,275</u>	<u>\$ 1,385,135</u>	<u>\$ 10,401,532</u>	<u>\$ 70,743,707</u>
Liabilities and fund balance								
Liabilities								
Accounts payable	\$ 78,045	\$ - -	\$ - -	\$ - -	\$ 1,317	\$ 544,864	\$ 45,441	\$ 123,486
Accrued liabilities	1,415,424	- -	- -	- -	- -	- -	- -	1,961,605
Payroll and benefit deductions	869,238	11,074	- -	- -	- -	- -	- -	880,312
Due to third parties	- -	- -	- -	- -	- -	114,091	- -	114,091
Due to general fund	1,095,315	- -	- -	- -	- -	- -	- -	1,095,315
Due to other governmental units	59,917	14,719	- -	- -	- -	- -	- -	74,636
Other liabilities	812,232	- -	- -	- -	- -	- -	12,500	824,732
Unearned revenues	923,283	1,106,907	- -	- -	2,104,411	- -	- -	4,134,601
Total liabilities	<u>5,253,454</u>	<u>1,132,700</u>	<u>- -</u>	<u>1,317</u>	<u>2,649,275</u>	<u>159,532</u>	<u>12,500</u>	<u>9,208,778</u>
Fund balances								
Nonspendable	46,847	21,667	- -	- -	- -	- -	- -	68,514
Restricted	2,596,221	2,010,831	- -	- -	- -	181,239	- -	4,788,291
Committed	1,739,172	43,495,713	2,537	7,306	- -	1,044,364	10,389,032	56,678,124
Total fund balance	<u>4,382,240</u>	<u>45,528,211</u>	<u>2,537</u>	<u>7,306</u>	<u>- -</u>	<u>1,225,603</u>	<u>10,389,032</u>	<u>61,534,929</u>
Total liabilities and fund balance	<u>\$ 9,635,694</u>	<u>\$ 46,660,911</u>	<u>\$ 2,537</u>	<u>\$ 8,623</u>	<u>\$ 2,649,275</u>	<u>\$ 1,385,135</u>	<u>\$ 10,401,532</u>	<u>\$ 70,743,707</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
SHERIFF'S/ JUDICIAL ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Sheriff's Drug Enforcement	Narcotics Investigative Section	State's Attorney Law Enforcement Aid	Inmates' Canteen	Total Sheriff's/Judicial Activities (See Exhibit II-B-1)
Assets					
Cash	\$ 42,378	\$ 8,270	\$ 145,447	\$ 115,218	\$ 311,313
Equity in pooled invested cash	<u>182,956</u>	<u>177,356</u>	<u>-</u>	<u>653,147</u>	<u>1,013,459</u>
Total cash and cash equivalents	<u>225,334</u>	<u>185,626</u>	<u>145,447</u>	<u>768,365</u>	<u>1,324,772</u>
Receivables, net of allowance for uncollectibles:					
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,363</u>	<u>60,363</u>
Total assets	<u>\$ 225,334</u>	<u>\$ 185,626</u>	<u>\$ 145,447</u>	<u>\$ 828,728</u>	<u>\$ 1,385,135</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ -	\$ 668	\$ -	\$ 44,773	\$ 45,441
Due to third parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,091</u>	<u>114,091</u>
Total liabilities	<u>-</u>	<u>668</u>	<u>-</u>	<u>158,864</u>	<u>159,532</u>
Fund balances					
Restricted	181,239	-	-	-	181,239
Committed	<u>44,095</u>	<u>184,958</u>	<u>145,447</u>	<u>669,864</u>	<u>1,044,364</u>
Total fund balance	<u>225,334</u>	<u>184,958</u>	<u>145,447</u>	<u>669,864</u>	<u>1,225,603</u>
Total liabilities and fund balance	<u>\$ 225,334</u>	<u>\$ 185,626</u>	<u>\$ 145,447</u>	<u>\$ 828,728</u>	<u>\$ 1,385,135</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Housing Initiative	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities (See Exhibit II-B-1)
Assets					
Equity in pooled invested cash	\$ 3,995,026	\$ 20,000	\$ 197,257	\$ 521,792	\$ 4,734,075
Total cash and cash equivalents	3,995,026	20,000	197,257	521,792	4,734,075
Receivables, net of allowance for uncollectibles:					
Accounts	150	-	-	-	150
Long term receivables, net of allowance for uncollectibles:					
Housing loans	5,667,307	-	-	-	5,667,307
Total assets	<u>\$ 9,662,483</u>	<u>\$ 20,000</u>	<u>\$ 197,257</u>	<u>\$ 521,792</u>	<u>\$ 10,401,532</u>
Liabilities and fund balance					
Liabilities					
Other liabilities	\$ 12,500	\$ -	\$ -	\$ -	\$ 12,500
Total liabilities	<u>\$ 12,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,500</u>
Fund balances					
Committed	9,649,983	20,000	197,257	521,792	10,389,032
Total fund balance	<u>9,649,983</u>	<u>20,000</u>	<u>197,257</u>	<u>521,792</u>	<u>10,389,032</u>
Total liabilities and fund balance	<u>\$ 9,662,483</u>	<u>\$ 20,000</u>	<u>\$ 197,257</u>	<u>\$ 521,792</u>	<u>\$ 10,401,532</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds							Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Grants	Agricultural Preservation	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Revenues								
Storm Water Remediation Fee	\$ -	\$ -	\$ 511	\$ -	\$ -	\$ -	\$ -	\$ 511
Lighting tax levy	-	-	-	16,027	-	-	-	16,027
Other local taxes	-	5,299,150	-	-	2,584,301	-	-	7,883,451
Grants from federal government	19,502,615	-	-	-	-	359,646	-	19,862,261
Grants from state government	5,946,696	2,584,538	-	-	-	-	-	8,531,234
Charges for services	920,230	-	-	-	-	672,657	-	1,592,887
Fines and forfeitures	-	-	-	-	-	221,449	-	221,449
Interest from loans	-	-	-	-	-	-	34	34
Investment earnings	595	(344,324)	31	138	1,896	10,235	49,938	(281,491)
Miscellaneous revenue	1,020,900	1,316,783	-	-	152,458	13,418	1,930,983	4,434,542
Total revenues	<u>27,391,036</u>	<u>8,856,147</u>	<u>542</u>	<u>16,165</u>	<u>2,738,655</u>	<u>1,277,405</u>	<u>1,980,955</u>	<u>42,260,905</u>
Expenditures								
General government	2,215,414	-	-	-	35,614	-	-	2,251,028
Public safety	5,125,309	-	-	-	-	912,119	-	6,037,428
Public works	8,043,220	-	-	14,209	-	-	-	8,057,429
Health	1,301,658	-	-	-	-	-	-	1,301,658
Social services	2,187,475	-	-	-	-	-	-	2,187,475
Conservation of natural resources	1,385,190	7,455,345	-	-	-	-	-	8,840,535
Community development and public housing	7,649,562	-	-	-	-	-	253,359	7,902,921
Economic development and opportunity	4,764,577	-	-	-	2,550,583	-	-	7,315,160
Total expenditures	<u>32,672,405</u>	<u>7,455,345</u>	<u>-</u>	<u>14,209</u>	<u>2,586,197</u>	<u>912,119</u>	<u>253,359</u>	<u>43,893,634</u>
Excess (deficiency) of revenues over expenditures	<u>(5,281,369)</u>	<u>1,400,802</u>	<u>542</u>	<u>1,956</u>	<u>152,458</u>	<u>365,286</u>	<u>1,727,596</u>	<u>(1,632,729)</u>
Other financing sources (uses)								
Transfers in from General Fund	5,729,742	504,837	-	-	-	-	-	6,234,579
Transfers out to Debt Service Fund	-	(3,045,970)	-	-	(152,458)	-	-	(3,198,428)
Installment purchase agreement	-	2,376,049	-	-	-	-	-	2,376,049
Total other financing sources (uses)	<u>5,729,742</u>	<u>(165,084)</u>	<u>-</u>	<u>-</u>	<u>(152,458)</u>	<u>-</u>	<u>-</u>	<u>5,412,200</u>
Net change in fund balances	448,373	1,235,718	542	1,956	-	365,286	1,727,596	3,779,471
Fund balance - beginning of year	<u>3,933,867</u>	<u>44,292,493</u>	<u>1,995</u>	<u>5,350</u>	<u>-</u>	<u>860,317</u>	<u>8,661,436</u>	<u>57,755,458</u>
Fund balance - end of year	<u>\$ 4,382,240</u>	<u>\$ 45,528,211</u>	<u>\$ 2,537</u>	<u>\$ 7,306</u>	<u>\$ -</u>	<u>\$ 1,225,603</u>	<u>\$ 10,389,032</u>	<u>\$ 61,534,929</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SHERIFF'S/JUDICIAL ACTIVITIES - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Sheriff's Drug Enforcement</u>	<u>Narcotics Investigative Section</u>	<u>State's Attorney Law Enforcement Aid</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's/Judicial Activities (See Exhibit II-B-4)</u>
Revenues					
Grants from federal government	\$ 250,347	\$ -	\$ 109,299	\$ -	\$ 359,646
Charges for services	-	-	-	672,657	672,657
Fines and forfeitures	14,435	184,693	22,321	-	221,449
Investment earnings	861	2,159	-	7,215	10,235
Miscellaneous revenue	-	13,418	-	-	13,418
Total revenues	<u>265,643</u>	<u>200,270</u>	<u>131,620</u>	<u>679,872</u>	<u>1,277,405</u>
Expenditures					
Public safety	134,422	185,300	2,655	589,742	912,119
Total expenditures	<u>134,422</u>	<u>185,300</u>	<u>2,655</u>	<u>589,742</u>	<u>912,119</u>
Net change in fund balances	<u>131,221</u>	<u>14,970</u>	<u>128,965</u>	<u>90,130</u>	<u>365,286</u>
Fund balance - beginning of year	<u>94,113</u>	<u>169,988</u>	<u>16,482</u>	<u>579,734</u>	<u>860,317</u>
Fund balance - end of year	<u>\$ 225,334</u>	<u>\$ 184,958</u>	<u>\$ 145,447</u>	<u>\$ 669,864</u>	<u>\$ 1,225,603</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Housing Initiative</u>	<u>Non-Profit Organizations Loans</u>	<u>Fire/Rescue Loans</u>	<u>Economic Development Loans</u>	<u>Total Loan Activities (See Exhibit II-B-4)</u>
Revenues					
Interest from loans	\$ -	\$ -	\$ -	\$ 34	\$ 34
Investment earnings	41,215	-	2,395	6,328	49,938
Miscellaneous revenue	1,930,983	-	-	-	1,930,983
Total revenues	<u>1,972,198</u>	<u>-</u>	<u>2,395</u>	<u>6,362</u>	<u>1,980,955</u>
Expenditures					
Community development and public housing	236,583	-	-	16,776	253,359
Total expenditures	<u>236,583</u>	<u>-</u>	<u>-</u>	<u>16,776</u>	<u>253,359</u>
Excess (deficiency) of revenues over expenditures	1,735,615	-	2,395	(10,414)	1,727,596
Net change in fund balances	1,735,615	-	2,395	(10,414)	1,727,596
Fund balance - beginning of year	<u>7,914,368</u>	<u>20,000</u>	<u>194,862</u>	<u>532,206</u>	<u>8,661,436</u>
Fund balance - end of year	<u>\$ 9,649,983</u>	<u>\$ 20,000</u>	<u>\$ 197,257</u>	<u>\$ 521,792</u>	<u>\$ 10,389,032</u>

FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Grants			Housing Initiative			School Construction		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Lighting tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,541,278	\$ 6,129,311	\$ 588,033
Other local taxes									
Grants from federal government	25,362,266	19,502,615	(5,859,651)	-	-	-	-	-	-
Grants from state government	8,855,307	5,946,696	(2,908,611)	-	-	-	-	-	-
Charges for services	1,054,677	920,230	(134,447)	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	595	595	-	5,450	41,215	35,765	32,000	168,292	136,292
Build America Bonds Subsidy	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	1,706,042	1,020,900	(685,142)	1,574,000	2,085,647	511,647	-	-	-
Total revenues	<u>36,978,887</u>	<u>27,391,036</u>	<u>(9,587,851)</u>	<u>1,579,450</u>	<u>2,126,862</u>	<u>547,412</u>	<u>5,573,278</u>	<u>6,297,603</u>	<u>724,325</u>
Expenditures									
General government	3,147,231	2,236,565	910,666	-	-	-	-	-	-
Public safety	8,669,802	6,111,958	2,557,844	-	-	-	-	-	-
Public works	11,135,609	9,425,389	1,710,220	-	-	-	-	-	-
Health	1,419,230	1,301,658	117,572	-	-	-	-	-	-
Social services	2,903,899	2,210,393	693,506	-	-	-	-	-	-
Conservation of natural resources	2,255,800	1,430,986	824,814	-	-	-	-	-	-
Community development and public housing	8,452,991	7,675,062	777,929	2,648,497	930,786	1,717,711	-	-	-
Economic development and opportunity	6,470,205	4,765,618	1,704,587	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	800	-	800
Total expenditures	<u>44,454,767</u>	<u>35,157,629</u>	<u>9,297,138</u>	<u>2,648,497</u>	<u>930,786</u>	<u>1,717,711</u>	<u>800</u>	<u>6,297,603</u>	<u>725,125</u>
Excess (deficiency) of revenues over expenditures	<u>(7,475,880)</u>	<u>(7,766,593)</u>	<u>(290,713)</u>	<u>(1,069,047)</u>	<u>1,196,076</u>	<u>2,265,123</u>	<u>5,572,478</u>	<u>6,297,603</u>	<u>725,125</u>
Other financing sources (uses)									
Appropriated fund balance	1,076,036	830,094	(245,942)	1,069,047	861,330	(207,717)	(224,978)	-	224,978
Transfers in from general fund	6,399,844	5,729,742	(670,102)	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	(1,342,500)	(1,342,500)	-
Transfers out to debt service fund	-	-	-	-	-	-	(4,005,000)	(3,940,979)	64,021
Installment purchase agreement	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>7,475,880</u>	<u>6,559,836</u>	<u>(916,044)</u>	<u>1,069,047</u>	<u>861,330</u>	<u>(207,717)</u>	<u>(5,572,478)</u>	<u>(5,283,479)</u>	<u>288,999</u>
Net change in fund balances	<u>\$ -</u>	<u>(1,206,757)</u>	<u>\$ (1,206,757)</u>	<u>\$ -</u>	<u>2,057,406</u>	<u>\$ 2,057,406</u>	<u>\$ -</u>	<u>\$ 1,014,124</u>	<u>\$ 1,014,124</u>
Fund balance - beginning of year		3,933,867			7,914,368				
Net change in reserves and adjustments to GAAP basis		<u>1,655,130</u>			<u>(321,791)</u>			<u>(1,014,124)</u>	
Fund balance - end of year		<u>\$ 4,382,240</u>			<u>\$ 9,649,983</u>			<u>\$ -</u>	

(continued)

FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Impact Fees			Economic Development Loans			Electric Lighting Tax Districts		
	Final Amended Budget	Impact Fees Actual	Variance - Positive (Negative)	Final Amended Budget	Economic Development Loans Actual	Variance - Positive (Negative)	Final Amended Budget	Electric Lighting Tax Districts Actual	Variance - Positive (Negative)
Revenues									
Lighting tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,498	\$ 16,027	\$ 529
Other local taxes	-	-	-	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	16,893,656	28,065,148	11,171,492	-	-	-	-	-	-
Interest from loans	-	-	-	-	34	34	-	-	-
Investment earnings	153,483	538,187	384,704	-	6,328	6,328	-	138	138
Build America Bonds Subsidy	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	<u>17,047,139</u>	<u>28,603,335</u>	<u>11,556,196</u>	<u>-</u>	<u>6,362</u>	<u>6,362</u>	<u>15,498</u>	<u>16,165</u>	<u>667</u>
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	15,200	14,209	991
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	17,010	16,776	234	-	-	-
Debt service	500	-	500	-	-	-	-	-	-
Total expenditures	<u>500</u>	<u>-</u>	<u>500</u>	<u>17,010</u>	<u>16,776</u>	<u>234</u>	<u>15,200</u>	<u>14,209</u>	<u>991</u>
Excess (deficiency) of revenues over expenditures	<u>17,046,639</u>	<u>28,603,335</u>	<u>11,556,696</u>	<u>(17,010)</u>	<u>(10,414)</u>	<u>6,596</u>	<u>298</u>	<u>1,956</u>	<u>1,658</u>
Other financing sources (uses)									
Appropriated fund balance	16,700,776	-	(16,700,776)	17,010	-	(17,010)	(298)	-	298
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(26,300,069)	(26,300,069)	-	-	-	-	-	-	-
Transfers out to debt service fund	(7,447,346)	(7,440,457)	6,889	-	-	-	-	-	-
Installment purchase agreement	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(17,046,639)</u>	<u>(33,740,526)</u>	<u>(16,693,887)</u>	<u>17,010</u>	<u>-</u>	<u>(17,010)</u>	<u>(298)</u>	<u>-</u>	<u>298</u>
Net change in fund balances	\$ -	\$ (5,137,191)	\$ (5,137,191)	\$ -	\$ (10,414)	\$ (10,414)	\$ -	\$ 1,956	\$ 1,956
Fund balance - beginning of year					532,206			5,350	
Net change in reserves and adjustments to GAAP basis		5,137,191			-			-	
Fund balance - end of year					\$ 521,792			\$ 7,306	

(continued)

FREDERICK COUNTY, MARYLAND
SPECIAL REVENUE FUNDS
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Parks Acquisition & Development			Hotel Rental Tax			Agricultural Preservation		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Lighting tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	\$ 4,155,876	\$ 4,596,895	\$ 441,019	\$ 2,346,000	\$ 2,584,301	\$ 238,301	\$ 5,055,876	\$ 5,299,150	\$ 243,274
Grants from federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants from state government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,258,950	\$ 2,584,538	\$ (3,674,412)
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest from loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	\$ 45,000	\$ 149,030	\$ 104,030	\$ 200	\$ 1,896	\$ 1,696	\$ 395,898	\$ (344,324)	\$ (740,222)
Build America Bonds Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ 163,562	\$ 152,458	\$ (11,104)	\$ 1,929,491	\$ 1,316,783	\$ (612,708)
Total revenues	\$ 4,200,876	\$ 4,745,925	\$ 545,049	\$ 2,509,762	\$ 2,738,655	\$ 228,893	\$ 13,640,215	\$ 8,856,147	\$ (4,784,068)
Expenditures									
General government	\$ -	\$ -	\$ -	\$ 35,100	\$ 35,614	\$ (514)	\$ -	\$ -	\$ -
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Social services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Conservation of natural resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,450,356	\$ 7,459,545	\$ 5,990,811
Community development and public housing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Economic development and opportunity	\$ -	\$ -	\$ -	\$ 2,311,100	\$ 2,550,583	\$ (239,483)	\$ -	\$ -	\$ -
Debt service	\$ 50	\$ -	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ 50	\$ -	\$ 50	\$ 2,346,200	\$ 2,586,197	\$ (239,997)	\$ 13,450,356	\$ 7,459,545	\$ 5,990,811
Excess (deficiency) of revenues over expenditures	\$ 4,200,826	\$ 4,745,925	\$ 545,099	\$ 163,562	\$ 152,458	\$ (11,104)	\$ 189,859	\$ 1,396,602	\$ 1,206,743
Other financing sources (uses)									
Appropriated fund balance	\$ (4,118,826)	\$ -	\$ 4,118,826	\$ -	\$ -	\$ -	\$ 1,174,231	\$ -	\$ (1,174,231)
Transfers in from general fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 504,837	\$ 504,837	\$ -
Transfers out to capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out to debt service fund	\$ (82,000)	\$ (71,651)	\$ 10,349	\$ (163,562)	\$ (152,458)	\$ 11,104	\$ (3,239,845)	\$ (3,045,970)	\$ 193,875
Installment purchase agreement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,370,918	\$ 2,376,049	\$ 1,005,131
Total other financing sources (uses)	\$ (4,200,826)	\$ (71,651)	\$ 4,129,175	\$ (163,562)	\$ (152,458)	\$ 11,104	\$ (189,859)	\$ (165,084)	\$ 24,775
Net change in fund balances	\$ -	\$ 4,674,274	\$ 4,674,274	\$ -	\$ -	\$ -	\$ -	\$ 1,231,518	\$ 1,231,518
Fund balance - beginning of year									\$ 44,292,493
Net change in reserves and adjustments to GAAP basis		\$ (4,674,274)							\$ 4,200
Fund balance - end of year		\$ -			\$ -			\$ 45,528,211	

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Amended Budget</u>	<u>Actual</u>	Variance - Positive (Negative)
Revenues			
Investment earnings	\$ 2,500	\$ 289,109	\$ 286,609
Build America bond subsidy	1,270,599	1,254,053	(16,546)
Miscellaneous	-	2,345	2,345
Total revenues	<u>1,273,099</u>	<u>1,545,507</u>	<u>272,408</u>
Expenditures			
Debt Service:			
Principal and interest for general obligation bonds:			
General government	12,346,146	12,176,528	169,618
Parks and recreation	730,974	711,176	19,798
Watershed restoration	60,450	59,620	830
Transportation	5,269,030	5,196,641	72,389
Frederick Community College	3,157,213	3,113,837	43,376
Frederick County Public Schools	32,120,205	31,843,742	276,463
Municipalities	605,313	596,997	8,316
Tourism	163,562	152,402	11,160
Principal and interest for:			
Installment purchase agreements	3,239,845	3,018,936	220,909
Long term leases	-	541,814	(541,814)
Notes payable	13,936	13,936	-
Debt issuance costs	<u>1,051,580</u>	<u>1,012,830</u>	<u>38,750</u>
Total expenditures	<u>58,758,254</u>	<u>58,438,459</u>	<u>319,795</u>
Excess (deficiency) of revenues over expenditures	<u>(57,485,155)</u>	<u>(56,892,952)</u>	<u>592,203</u>
Other financing sources (uses)			
Transfers in from general fund	40,533,525	40,533,525	-
Transfers in from special revenue funds:			
Agricultural preservation fund	3,239,845	3,045,970	(193,875)
Hotel rental tax fund	163,562	152,458	(11,104)
Transfers in from capital project funds:			
Impact fee fund	7,444,266	7,440,457	(3,809)
Parks acquisition & development fund	85,080	71,651	(13,429)
School construction fund	4,005,000	3,940,979	(64,021)
Refunding bonds issued	-	35,860,543	35,860,543
Payment to refunded bond escrow agent	-	(43,852,615)	(43,852,615)
Premium on debt	948,700	8,944,463	7,995,763
Total other financing sources (uses)	<u>56,419,978</u>	<u>56,137,431</u>	<u>(282,547)</u>
Net change in fund balances	<u><u>\$ (1,065,177)</u></u>	<u><u>(755,521)</u></u>	<u><u>\$ 309,656</u></u>
Net change in reserves and adjustment to GAAP basis		-	
Fund balance - beginning of year		<u>72,779,912</u>	
Fund balance - end of year		<u><u>\$ 72,024,391</u></u>	

FREDERICK COUNTY, MARYLAND
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Project Budget</u>	<u>Current Year Actual</u>	<u>Total To Date</u>	Variance - Positive (Negative)
Revenues				
Grants from federal government				
Highways	\$ 8,515,089	\$ 2,229,427	\$ 3,208,402	\$ (5,306,687)
Miscellaneous grants	3,659,101	391,595	541,595	(3,117,506)
Grants from state government:				
Highways	2,414,119	-	2,413,000	(1,119)
Program open space	1,476,625	-	-	(1,476,625)
Education	37,072,795	26,144,825	24,246,475	(12,826,320)
Miscellaneous grants	-	5,645	5,645	5,645
Other	20,106,712	399,975	779,374	(19,327,338)
Total revenues	<u>73,244,441</u>	<u>29,171,467</u>	<u>31,194,491</u>	<u>(42,049,950)</u>
Expenditures				
General government	67,529,404	19,200,297	14,221,211	53,308,193
Roads and bridges	87,759,780	17,555,291	38,243,154	49,516,626
Board of Education	192,878,286	84,346,065	153,972,139	38,906,147
Frederick Community College	53,498,759	4,465,664	29,877,438	23,621,321
Parks and recreation	21,174,802	5,868,841	6,552,134	14,622,668
Watershed restoration	18,684,331	3,092,251	4,655,528	14,028,803
Municipal	9,999,021	5,075,431	7,135,717	2,863,304
Total expenditures	<u>451,524,383</u>	<u>139,603,840</u>	<u>254,657,321</u>	<u>196,867,062</u>
Excess (deficiency) of revenues over expenditures	<u>(378,279,942)</u>	<u>(110,432,373)</u>	<u>(223,462,830)</u>	<u>154,817,112</u>
Other financing sources (uses)				
Transfers in from general fund	64,819,335	14,954,639	49,056,852	(15,762,483)
Transfers in from impact fees fund	32,314,061	26,300,069	28,413,846	(3,900,215)
Transfers in from parks acquisition & development fund	10,978,970	-	9,626,367	(1,352,603)
Transfers in from development road improvement fund	5,111,785	-	5,111,785	-
Transfers in from school construction fund	6,855,352	1,342,500	6,756,993	(98,359)
Transfers in from economic development loan fund	300,000	-	-	(300,000)
Transfers in from water and sewer fund	144,401	119,000	119,901	(24,500)
Transfers out to fleet service fund	-	(111,380)	-	-
General obligation bonds issued	249,327,108	84,465,639	139,415,598	(109,911,510)
Premium on debt	2,021,698	6,254,361	7,222,281	5,200,583
Capital leases	6,407,232	-	-	(6,407,232)
Total other financing sources (uses)	<u>378,279,942</u>	<u>133,324,828</u>	<u>245,723,623</u>	<u>(132,556,319)</u>
Net change in fund balances	<u><u>\$ -</u></u>	<u><u>22,892,455</u></u>	<u><u>\$ 22,260,793</u></u>	<u><u>\$ 22,260,793</u></u>
Net change in reserves and adjustment to GAAP basis		(12,072,074)		
Fund balance - beginning of year		88,028,310		
Fund balance - end of year		<u><u>\$ 98,848,691</u></u>		

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-8)
Assets				
Current assets:				
Equity in pooled invested cash	\$ 6,368,795	\$ 1,155,722	\$ 6,166,445	\$ 13,690,962
Total cash and cash equivalents	6,368,795	1,155,722	6,166,445	13,690,962
Receivables, net of allowance for uncollectible accounts	53,055	71,488	75,041	199,584
Inventories	-	-	457,357	457,357
Prepaid items	-	38,768	-	38,768
Total current assets	<u>6,421,850</u>	<u>1,265,978</u>	<u>6,698,843</u>	<u>14,386,671</u>
Noncurrent assets:				
Capital assets:				
Buildings and improvements	-	-	1,833,133	1,833,133
Equipment	-	1,724,393	33,859,965	35,584,358
Accumulated depreciation	-	(1,724,393)	(19,177,522)	(20,901,915)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>16,515,576</u>	<u>16,515,576</u>
Total assets	<u>6,421,850</u>	<u>1,265,978</u>	<u>23,214,419</u>	<u>30,902,247</u>
Liabilities				
Current liabilities:				
Accounts payable	-	-	38,437	38,437
Payroll and benefit deductions	-	23,857	146,648	170,505
Accrued expenses	6,945	17,721	275,954	300,620
Current portion of compensated absences	-	1,146	273	1,419
Total current liabilities	<u>6,945</u>	<u>42,724</u>	<u>461,312</u>	<u>510,981</u>
Noncurrent liabilities:				
Liability for compensated absences	-	32,571	180,750	213,321
Total noncurrent liabilities	<u>-</u>	<u>32,571</u>	<u>180,750</u>	<u>213,321</u>
Total liabilities	<u>6,945</u>	<u>75,295</u>	<u>642,062</u>	<u>724,302</u>
Net position				
Net investment in capital assets	-	-	16,515,576	16,515,576
Unrestricted	<u>6,414,905</u>	<u>1,190,683</u>	<u>6,056,781</u>	<u>13,662,369</u>
Total net position	<u>\$ 6,414,905</u>	<u>\$ 1,190,683</u>	<u>\$ 22,572,357</u>	<u>\$ 30,177,945</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds</u> <u>(See Exhibit II-A-9)</u>
Operating revenues				
Service charges	\$ 3,576,300	\$ 1,204,882	\$ 12,819,705	\$ 17,600,887
Total operating revenues	<u>3,576,300</u>	<u>1,204,882</u>	<u>12,819,705</u>	<u>17,600,887</u>
Operating expenses				
Personnel services	194,101	430,334	2,708,624	3,333,059
Other operating expenses (including administrative overhead)	2,340,000	440,680	997,918	3,778,598
Prefunded loss & estimated claims	1,198,419	-	-	1,198,419
Supplies	-	3,738	5,016,702	5,020,440
Repairs and maintenance	-	203,275	612,448	815,723
Depreciation	-	16,984	2,151,262	2,168,246
Total operating expenses	<u>3,732,520</u>	<u>1,095,011</u>	<u>11,486,954</u>	<u>16,314,485</u>
Operating income (loss)	<u>(156,220)</u>	<u>109,871</u>	<u>1,332,751</u>	<u>1,286,402</u>
Nonoperating revenues (expenses)				
Investment earnings	74,317	12,692	89,666	176,675
Miscellaneous income	-	-	11	11
Insurance recovery	-	-	20,025	20,025
Gain (loss) on disposition of capital assets	-	-	384,230	384,230
Total nonoperating revenues (expenses)	<u>74,317</u>	<u>12,692</u>	<u>493,932</u>	<u>580,941</u>
Net income (loss) before contributions and transfers	<u>(81,903)</u>	<u>122,563</u>	<u>1,826,683</u>	<u>1,867,343</u>
Transfers in (out)	-	-	1,371,141	1,371,141
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>1,371,141</u>	<u>1,371,141</u>
Change in net position	<u>(81,903)</u>	<u>122,563</u>	<u>3,197,824</u>	<u>3,238,484</u>
Net position - beginning of year	<u>6,496,808</u>	<u>1,068,120</u>	<u>19,374,533</u>	<u>26,939,461</u>
Net position - end of year	<u>\$ 6,414,905</u>	<u>\$ 1,190,683</u>	<u>\$ 22,572,357</u>	<u>\$ 30,177,945</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	Total Internal Service Funds (See Exhibit II-A-10)
Cash flows from operating activities				
Cash received from residents and customers	\$ 3,599,075	\$ 1,178,922	\$ 12,857,408	\$ 17,635,405
Cash paid to suppliers	(3,725,575)	(641,666)	(6,592,853)	(10,960,094)
Cash paid to employees	-	(436,913)	(2,680,748)	(3,117,661)
Net cash provided by operating activities	<u>(126,500)</u>	<u>100,343</u>	<u>3,583,807</u>	<u>3,557,650</u>
Cash flows from noncapital financing activities				
Transfers in (out)	-	-	1,371,141	1,371,141
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,371,141</u>	<u>1,371,141</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(7,581,037)	(7,581,037)
Recoveries for damages	-	-	20,025	20,025
Proceeds from sale of capital assets	-	-	429,397	429,397
Net cash provided (used) by capital & related financing activities	<u>-</u>	<u>-</u>	<u>(7,131,615)</u>	<u>(7,131,615)</u>
Cash flows from investing activities				
Interest received on investments	74,317	12,692	89,666	176,675
Net cash provided by investing activities	<u>74,317</u>	<u>12,692</u>	<u>89,666</u>	<u>176,675</u>
Net increase (decrease) in cash and cash equivalents	(52,183)	113,035	(2,087,001)	(2,026,149)
Cash and cash equivalents - beginning of year	<u>6,420,978</u>	<u>1,042,687</u>	<u>8,253,446</u>	<u>15,717,111</u>
Cash and cash equivalents - end of year	<u>\$ 6,368,795</u>	<u>\$ 1,155,722</u>	<u>\$ 6,166,445</u>	<u>\$ 13,690,962</u>

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds</u> <u>(See Exhibit II-A-10)</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (156,220)	\$ 109,871	\$ 1,332,751	\$ 1,286,402
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	-	16,984	2,151,262	2,168,246
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	22,775	(25,959)	37,703	34,519
Inventory	-	-	8,545	8,545
Prepaid items	-	32,827	49,648	82,475
Increase (decrease) in:				
Accounts payable	-	(44,521)	(148,835)	(193,356)
Accrued expenses	6,945	12,674	128,955	148,574
Liability for compensated leave	-	(1,533)	23,778	22,245
Net cash provided by operating activities	\$ <u>(126,500)</u>	\$ <u>100,343</u>	\$ <u>3,583,807</u>	\$ <u>3,557,650</u>
Non-cash investing, capital, and financing activities:				
None				

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
JUNE 30, 2018

	Pension Trust	Other Post Employment Benefits Trust	Length of Service Award Program Trust	Total Pension Trust Funds (See Exhibit II-A-11)
ASSETS				
Cash and cash equivalents	\$ 793,589	\$ -	\$ -	\$ 793,589
Equity in pooled invested cash	-	7,611,801	42,422	7,654,223
Investments:				
Money markets	6,847,694	219,905	17	7,067,616
Fixed income securities	190,013,860	-	-	190,013,860
Equity securities	438,406,951	144,158,359	750,330	583,315,640
Accounts receivable	555,759	2,517	-	558,276
Interest receivable	809,294	14	-	809,308
Total assets	<u>637,427,147</u>	<u>151,992,596</u>	<u>792,769</u>	<u>790,212,512</u>
LIABILITIES				
Accounts payable	511,890	18,790	5,555	536,235
Accrued payroll	6,813	-	-	6,813
Due to third parties	-	1,243	-	1,243
Other liabilities	1,422,796	-	-	1,422,796
Retirement benefit deductions	224,583	-	-	224,583
Total liabilities	<u>2,166,082</u>	<u>20,033</u>	<u>5,555</u>	<u>2,191,670</u>
NET POSITION				
Net position held in trust for pension benefits and other purposes	<u>\$ 635,261,065</u>	<u>\$ 151,972,563</u>	<u>\$ 787,214</u>	<u>\$ 788,020,842</u>

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

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION AND OTHER POST EMPLOYMENT BENEFITS TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Pension Trust	Other Post Employment Benefits Trust	Length of Service Award Program Trust	Total Pension Trust Funds <i>(See Exhibit II-A-12)</i>
Additions				
Contributions				
Employer contributions	\$ 21,677,669	\$ 10,456,710	\$ -	\$ 32,134,379
Member contributions	8,092,565	1,671,007	-	9,763,572
County contributions	-	-	1,240,968	1,240,968
Other	-	375,574	-	375,574
Total contributions	<u>29,770,234</u>	<u>12,503,291</u>	<u>1,240,968</u>	<u>43,514,493</u>
Investment income				
Net appreciation in fair value of plan investments	44,319,240	9,871,453	8,397	54,199,090
Interest and dividends	14,121,234	1,856,871	14,299	15,992,404
Investment expense	<u>(1,766,291)</u>	<u>(35,343)</u>	<u>(53)</u>	<u>(1,801,687)</u>
Net investment income	<u>56,674,183</u>	<u>11,692,981</u>	<u>22,643</u>	<u>68,389,807</u>
Total additions	<u>86,444,417</u>	<u>24,196,272</u>	<u>1,263,611</u>	<u>111,904,300</u>
Deductions				
Benefits and refunds	21,308,059	7,898,035	719,161	29,925,255
Administrative expenses	<u>1,503,471</u>	<u>51,497</u>	<u>18,844</u>	<u>1,573,812</u>
Total deductions	<u>22,811,530</u>	<u>7,949,532</u>	<u>738,005</u>	<u>31,499,067</u>
Change in net position	63,632,887	16,246,740	525,606	80,405,233
Net position - beginning of year	<u>571,628,178</u>	<u>135,725,823</u>	<u>261,608</u>	<u>707,615,609</u>
Net position - end of year	<u>\$ 635,261,065</u>	<u>\$ 151,972,563</u>	<u>\$ 787,214</u>	<u>\$ 788,020,842</u>

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

FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 572,996	\$ 5,372,724	\$ 5,235,709	\$ 710,011
Equity in pooled invested cash	3,461,549	10,861,874	10,873,983	3,449,440
Total Assets	<u>\$ 4,034,545</u>	<u>\$ 16,234,598</u>	<u>\$ 16,109,692</u>	<u>\$ 4,159,451</u>
Liabilities				
Due to third parties	<u>\$ 4,034,545</u>	<u>\$ 5,387,029</u>	<u>\$ 5,262,123</u>	<u>\$ 4,159,451</u>
Subdivision and Driveway Deposits Fund				
Assets				
Equity in pooled invested cash	<u>\$ 4,098,690</u>	<u>\$ 1,217,866</u>	<u>\$ 1,219,120</u>	<u>\$ 4,097,436</u>
Liabilities				
Due to third parties	\$ -	\$ 450	\$ 450	\$ -
Performance deposits	4,098,690	1,074,208	1,075,462	4,097,436
Total Liabilities	<u>\$ 4,098,690</u>	<u>\$ 1,074,658</u>	<u>\$ 1,075,912</u>	<u>\$ 4,097,436</u>
Work Release Fund				
Assets				
Cash and cash equivalents	<u>\$ 22,827</u>	<u>\$ 467,298</u>	<u>\$ 472,956</u>	<u>\$ 17,169</u>
Liabilities				
Due to third parties	<u>\$ 22,827</u>	<u>\$ 511,552</u>	<u>\$ 517,210</u>	<u>\$ 17,169</u>
Tax Incremental Financing Bond Fund				
Assets				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Due to third parties	<u>\$ -</u>	<u>\$ 1,034,808</u>	<u>\$ 1,034,808</u>	<u>\$ -</u>

FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Law Library Fund				
Assets				
Cash and cash equivalents	<u>\$ 427,689</u>	<u>\$ 112,960</u>	<u>\$ 114,442</u>	<u>\$ 426,207</u>
Liabilities				
Due to third parties	\$ 235,011	\$ 210,263	\$ 154,562	\$ 290,712
Bond forfeitures	192,678	-	59,528	133,150
Other liabilities	-	2,345	-	2,345
Total Liabilities	<u>\$ 427,689</u>	<u>\$ 212,608</u>	<u>\$ 214,090</u>	<u>\$ 426,207</u>
Juror's Fund				
Assets				
Cash and cash equivalents	<u>\$ 19,785</u>	<u>\$ 45,974</u>	<u>\$ 51,889</u>	<u>\$ 13,870</u>
Liabilities				
Due to third parties	<u>\$ 19,785</u>	<u>\$ 30,514</u>	<u>\$ 36,429</u>	<u>\$ 13,870</u>
Total Liabilities	<u>\$ 19,785</u>	<u>\$ 30,514</u>	<u>\$ 36,429</u>	<u>\$ 13,870</u>
Revenue Sharing-457(b)/401(a) Fund				
Assets				
Cash and cash equivalents	<u>\$ 28,066</u>	<u>\$ 89,427</u>	<u>\$ 48,192</u>	<u>\$ 69,301</u>
Liabilities				
Due to third parties	<u>\$ 28,066</u>	<u>\$ 111,927</u>	<u>\$ 70,692</u>	<u>\$ 69,301</u>
Total Liabilities	<u>\$ 28,066</u>	<u>\$ 111,927</u>	<u>\$ 70,692</u>	<u>\$ 69,301</u>
Totals - All Agency funds				
Assets				
Cash and cash equivalents	\$ 1,071,363	\$ 6,088,383	\$ 5,923,188	\$ 1,236,558
Equity in pooled invested cash	7,560,239	12,079,740	12,093,103	7,546,876
Total assets	<u>\$ 8,631,602</u>	<u>\$ 18,168,123</u>	<u>\$ 18,016,291</u>	<u>\$ 8,783,434</u>
Liabilities				
Due to third parties	\$ 4,340,234	\$ 7,286,543	\$ 7,076,274	\$ 4,550,503
Bond forfeitures	192,678	-	59,528	133,150
Performance deposits	4,098,690	1,074,208	1,075,462	4,097,436
Other liabilities	-	2,345	-	2,345
Total liabilities	<u>\$ 8,631,602</u>	<u>\$ 8,363,096</u>	<u>\$ 8,211,264</u>	<u>\$ 8,783,434</u>

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
JUNE 30, 2018

	2018
Governmental funds capital assets	
Land and improvements	\$ 142,754,368
Buildings	199,768,388
Equipment	109,343,381
Infrastructure	389,492,137
Construction in progress	40,399,372
Total governmental funds capital assets	<u><u>\$ 881,757,646</u></u>

	2018
Investment in governmental funds capital assets by source	
Capital projects fund (2)	\$ 712,649,312
General fund	14,173,755
Special revenue funds	108,280,594
Donations	46,653,985
Total governmental funds capital assets	<u><u>\$ 881,757,646</u></u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$37,417,489 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

(2) Capital projects are principally funded by general obligation bonds.

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION (1)
JUNE 30, 2018

Function	Land and Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Total
General government	\$ 3,159,742	\$ 50,745,330	\$ 20,156,076	\$ -	\$ -	\$ 74,061,148
Public safety	7,665,606	67,707,822	69,038,652	-	-	144,412,080
Public works	4,781,648	10,322,182	13,628,960	-	-	28,732,790
Public health	111,605	7,584,601	111,933	-	-	7,808,139
Social services	526,264	9,040,254	1,307,872	-	-	10,874,390
Recreation and culture	40,931,313	53,310,199	4,999,600	-	-	99,241,112
Conservation of natural resources	85,360,221	-	100,288	-	-	85,460,509
Economic development and opportunity	217,969	1,058,000	-	-	-	1,275,969
Infrastructure	-	-	-	389,492,137	-	389,492,137
Construction in progress	-	-	-	-	40,399,372	40,399,372
 Total governmental funds capital assets	 <u>\$ 142,754,368</u>	 <u>\$ 199,768,388</u>	 <u>\$ 109,343,381</u>	 <u>\$ 389,492,137</u>	 <u>\$ 40,399,372</u>	 <u>\$ 881,757,646</u>

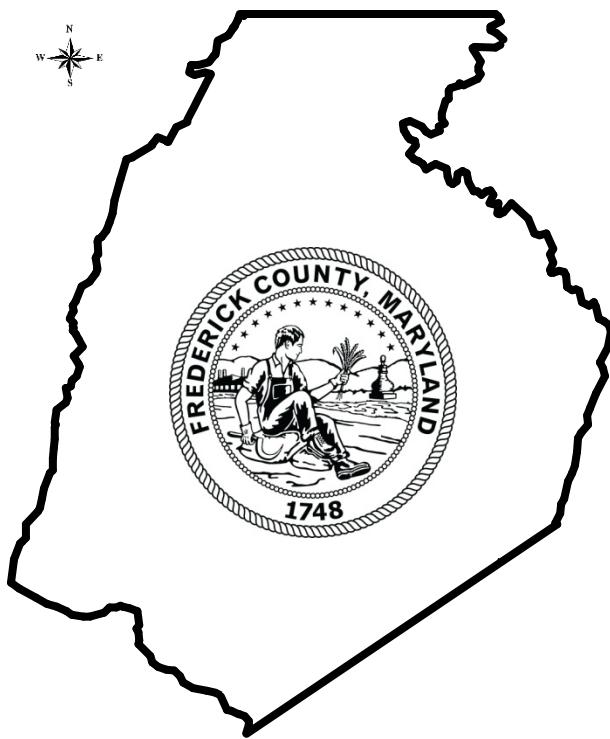
(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$37,417,489 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION (1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Function</u>	Governmental Funds Capital Assets July 1, 2017	Additions	Deductions	Governmental Funds Capital Assets June 30, 2018
General government	\$ 75,577,790	\$ 2,261,658	\$ 3,778,300	\$ 74,061,148
Public safety	139,662,156	7,292,205	2,542,281	144,412,080
Public works	26,650,331	2,187,204	104,745	28,732,790
Public health	7,770,790	37,349	-	7,808,139
Social services	12,181,070	965,118	2,271,798	10,874,390
Recreation and culture	94,162,601	5,178,701	100,190	99,241,112
Conservation of natural resources	82,116,968	4,601,887	1,258,346	85,460,509
Economic development and opportunity	1,298,650	-	22,681	1,275,969
Infrastructure	385,843,692	3,648,445	-	389,492,137
Construction in progress	29,138,008	48,108,578	36,847,214	40,399,372
Total governmental funds capital assets	<u>\$ 854,402,056</u>	<u>\$ 74,281,145</u>	<u>\$ 46,925,555</u>	<u>\$ 881,757,646</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$37,417,489 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Position.

STATISTICAL SECTION



FREDERICK COUNTY, MARYLAND
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	2018 (4)	2017	2016 (3)	2015	2014	2013 (2)	2012	2011	2010	2009
Governmental activities										
Net Investment in capital assets	\$ -	\$ 307,568,324	\$ 297,438,174	\$ 259,453,783	\$ 254,191,895	\$ 275,015,641	\$ 261,682,219	\$ 282,853,416	\$ 273,493,228	\$ 242,888,896
Restricted	419,639,949	163,711,175	182,283,535	145,342,639	138,179,573	180,302,326	146,940,466	143,503,406	184,828,765	147,016,541
Unrestricted (Deficit) (1)	(323,725,357)	(233,227,495)	(235,936,549)	(183,217,496)	(178,367,506)	(238,490,895)	(191,281,325)	(228,733,110)	(288,083,336)	(167,092,969)
Total governmental activities net position	<u>95,914,592</u>	<u>238,052,004</u>	<u>243,785,160</u>	<u>221,578,926</u>	<u>214,003,962</u>	<u>216,827,072</u>	<u>217,341,360</u>	<u>197,623,712</u>	<u>170,238,657</u>	<u>222,812,468</u>
Business-type activities										
Net Investment in capital assets	-	442,194,425	438,579,430	425,865,230	401,049,591	385,175,447	354,046,472	338,311,974	312,459,077	291,788,577
Restricted	-	27,602,398	8,854,679	2,036,901	1,326,742	2,401,597	456,221	4,371,265	9,714,241	679,335
Unrestricted (Deficit)	19,687,747	118,937,571	101,822,626	105,728,749	107,306,474	101,996,356	101,593,763	98,317,538	77,554,957	80,856,215
Total business-type activities net position	<u>19,687,747</u>	<u>588,734,394</u>	<u>549,256,735</u>	<u>533,630,880</u>	<u>509,682,807</u>	<u>489,573,400</u>	<u>456,096,456</u>	<u>441,000,777</u>	<u>399,728,275</u>	<u>373,324,127</u>
Primary government										
Net Investment in capital assets	-	749,762,749	736,017,604	685,319,013	655,241,486	660,191,088	615,728,691	621,165,390	585,952,305	534,677,473
Restricted	419,639,949	191,313,573	191,138,214	147,379,540	139,506,315	182,703,923	147,396,687	147,874,671	194,543,006	147,695,876
Unrestricted (Deficit) (1)	86,267,668	(114,289,924)	(134,113,923)	(77,488,747)	(71,061,032)	(136,494,539)	(89,687,562)	(130,415,572)	(210,528,379)	(86,236,754)
Total primary government net position	<u>\$ 505,907,617</u>	<u>\$ 826,786,398</u>	<u>\$ 793,041,895</u>	<u>\$ 755,209,806</u>	<u>\$ 723,686,769</u>	<u>\$ 706,400,472</u>	<u>\$ 673,437,816</u>	<u>\$ 638,624,489</u>	<u>\$ 569,966,932</u>	<u>\$ 596,136,595</u>

(1) Deficits occur in unrestricted net position for governmental activities because the County issues debt to fund construction costs for the Board of Education yet the Board of Education owns the capital assets. See the Management's Discussion and Analysis for further details.

(2) Restated due to the implementation of GASB Statement No. 65 in fiscal year 2014 required a restatement of unrestricted net position

(3) Restated due to the implementation of GASB Statement No. 73 in fiscal year 2017 required a restatement of unrestricted net position

(4) Restated due to the implementation of GASB Statement No. 75 in fiscal year 2018 required a restatement of unrestricted net position

FREDERICK COUNTY, MARYLAND
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 63,460,776	\$ 68,013,736	\$ 57,212,165	\$ 60,751,789	\$ 52,314,050	\$ 51,175,746	\$ 46,806,905	\$ 47,444,418	\$ 47,426,759	\$ 48,336,652
Public safety	118,905,575	113,039,674	109,986,688	102,524,827	102,479,766	97,785,269	94,646,502	94,014,597	96,002,101	98,638,171
Public works	53,272,452	44,509,357	46,776,331	37,487,379	36,262,384	35,874,382	38,137,648	38,082,578	42,608,184	45,639,681
Health	7,418,055	7,312,583	7,155,032	6,087,893	6,618,902	5,722,861	6,165,458	7,389,079	8,666,393	8,430,003
Social services	8,156,301	6,990,145	8,193,173	13,667,150	8,618,986	8,505,272	7,570,218	8,607,518	8,699,974	9,079,466
Education	351,197,463	331,171,787	286,993,704	271,936,166	269,815,733	249,689,186	253,445,819	255,092,160	296,413,864	317,246,467
Parks, recreation and culture	23,678,439	20,007,099	19,898,672	19,604,270	19,424,328	18,636,699	18,460,120	18,294,771	17,106,503	17,984,081
Conservation of natural resources	9,749,130	10,624,901	5,461,861	3,782,468	2,451,626	2,654,878	4,007,350	2,514,717	3,203,584	5,920,062
Community development and public housing	8,479,237	8,256,051	7,857,125	6,906,365	7,065,314	6,979,175	6,632,923	7,068,638	6,124,692	5,313,485
Economic development and opportunity	10,572,727	9,103,679	8,130,895	7,782,637	7,128,852	7,440,036	7,558,114	12,777,129	14,318,099	14,367,112
Interest on long term debt	18,792,919	17,918,468	19,414,360	17,826,278	18,608,011	19,465,343	19,546,097	15,104,694	17,983,300	17,384,242
Total governmental activities expenses	<u>673,683,074</u>	<u>636,947,480</u>	<u>577,080,006</u>	<u>548,357,222</u>	<u>530,787,952</u>	<u>503,928,847</u>	<u>502,977,154</u>	<u>506,390,299</u>	<u>558,553,453</u>	<u>588,339,422</u>
Business-type activities:										
Water and sewer	43,576,797	40,909,521	39,275,344	34,933,323	34,528,670	32,464,763	31,926,579	29,622,835	28,894,767	27,858,760
Solid waste management	27,238,710	19,648,104	20,021,489	19,829,130	19,474,982	18,365,946	17,878,124	19,949,545	20,467,049	22,543,435
Comprehensive care facility	25,858,932	20,679,299	-	-	21,928,222	22,407,711	20,203,892	19,217,797	19,389,965	18,720,204
Public housing	176,422	166,198	165,457	163,740	194,866	168,096	149,510	143,837	174,279	138,883
Permitting and development review	-	-	-	-	-	4,287,265	5,080,138	5,840,521	6,586,058	-
Total business-type activities expenses	<u>96,850,861</u>	<u>81,403,122</u>	<u>59,462,290</u>	<u>54,926,193</u>	<u>76,126,740</u>	<u>73,406,516</u>	<u>74,445,370</u>	<u>74,014,152</u>	<u>74,766,581</u>	<u>75,847,340</u>
Total primary government expenses	<u><u>\$ 770,533,935</u></u>	<u><u>\$ 718,350,602</u></u>	<u><u>\$ 636,542,296</u></u>	<u><u>\$ 603,283,415</u></u>	<u><u>\$ 606,914,692</u></u>	<u><u>\$ 577,335,363</u></u>	<u><u>\$ 577,422,524</u></u>	<u><u>\$ 580,404,451</u></u>	<u><u>\$ 633,320,034</u></u>	<u><u>\$ 664,186,762</u></u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 35,709,760	\$ 31,796,658	\$ 23,323,815	\$ 19,555,583	\$ 16,430,929	\$ 15,442,981	\$ 8,208,837	\$ 7,755,507	\$ 9,934,491	\$ 7,107,680
Public safety	10,255,623	8,555,612	7,483,879	6,895,014	5,543,192	6,143,618	7,356,176	6,456,180	6,808,959	6,332,060
Public works	1,005,135	1,014,323	1,014,588	937,256	1,048,985	758,458	747,519	785,085	657,612	681,480
Health	316,946	345,202	257,160	239,230	293,068	253,721	271,307	43,167	1,895,940	1,770,050
Social services	1,958,040	1,812,220	1,840,224	1,514,741	1,334,066	1,870,902	1,532,062	1,388,107	1,309,912	1,427,143
Parks, recreation and culture	1,626,022	1,654,271	1,401,608	1,222,224	1,249,899	1,235,612	1,161,925	1,045,575	859,500	796,378
Conservation of natural resources	292,960	320,147	271,956	237,143	229,566	190,724	181,256	183,549	-	183,704
Community development and public housing	-	-	-	-	-	104,050	174,436	-	-	-
Economic development and opportunity	-	-	-	-	287,303	18,644	30,247	65,258	94,066	131,241
Operating grants and contributions:	<u>27,818,407</u>	<u>24,429,063</u>	<u>21,321,993</u>	<u>23,553,216</u>	<u>20,861,610</u>	<u>20,368,814</u>	<u>18,668,608</u>	<u>22,050,865</u>	<u>23,530,387</u>	<u>35,124,152</u>
Capital grants and contributions:	<u>8,452,087</u>	<u>11,454,285</u>	<u>14,833,955</u>	<u>8,130,387</u>	<u>3,673,967</u>	<u>8,845,948</u>	<u>10,060,341</u>	<u>8,006,580</u>	<u>7,425,608</u>	<u>18,624,294</u>
Total governmental activities program revenues	<u><u>\$ 87,434,980</u></u>	<u><u>\$ 81,381,781</u></u>	<u><u>\$ 71,749,178</u></u>	<u><u>\$ 62,284,794</u></u>	<u><u>\$ 50,952,585</u></u>	<u><u>\$ 55,233,472</u></u>	<u><u>\$ 48,392,714</u></u>	<u><u>\$ 47,779,873</u></u>	<u><u>\$ 52,516,475</u></u>	<u><u>\$ 72,178,182</u></u>

FREDERICK COUNTY, MARYLAND
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Business-type activities:										
Charges for services:										
Water and sewer	\$ 39,897,755	\$ 34,597,137	\$ 31,400,630	\$ 28,935,733	\$ 26,515,370	\$ 24,453,219	\$ 24,539,136	\$ 24,274,317	\$ 20,874,838	\$ 20,716,900
Solid waste management	25,920,502	25,238,901	24,952,098	24,951,765	23,837,722	25,066,503	24,502,144	24,584,906	23,313,156	23,140,754
Comprehensive care facility	25,993,069	20,193,147	-	-	16,261,305	18,594,578	14,241,647	14,185,948	13,869,981	13,016,338
Public housing	128,367	127,729	126,095	125,304	120,875	114,488	108,478	94,815	94,164	94,347
Permitting and development review	-	-	-	-	-	-	3,838,228	4,350,081	5,216,087	5,184,792
Operating grants and contributions:	986	-	-	-	-	-	-	-	25,000	-
Capital grants and contributions:	25,227,165	39,754,531	21,740,182	24,576,946	25,481,073	36,011,030	15,481,330	40,907,293	27,684,963	32,266,084
Total business-type activities program revenues	117,167,844	119,911,445	78,219,005	78,589,748	92,216,345	104,239,818	82,710,963	108,397,360	91,078,189	94,419,215
Total primary government program revenues	\$ 204,602,824	\$ 201,293,226	\$ 149,968,183	\$ 140,874,542	\$ 143,168,930	\$ 159,473,290	\$ 131,103,677	\$ 156,177,233	\$ 143,594,664	\$ 166,597,397
Net (Expense)/Revenue										
Governmental activities	\$ (586,248,094)	\$ (555,565,699)	\$ (505,330,828)	\$ (486,072,428)	\$ (479,835,367)	\$ (448,695,375)	\$ (454,584,440)	\$ (458,610,426)	\$ (506,036,978)	\$ (516,161,240)
Business-type activities	20,316,983	38,508,323	18,756,715	23,663,555	16,089,605	30,833,302	8,265,593	34,383,208	16,311,608	18,571,875
Total primary government net expense	\$ (565,931,111)	\$ (517,057,376)	\$ (486,574,113)	\$ (462,408,873)	\$ (463,745,762)	\$ (417,862,073)	\$ (446,318,847)	\$ (424,227,218)	\$ (489,725,370)	\$ (497,589,365)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Local property taxes	\$ 308,184,413	\$ 293,611,922	\$ 282,362,326	\$ 271,031,681	\$ 267,892,085	\$ 259,687,605	\$ 280,654,804	\$ 289,330,130	\$ 289,144,746	\$ 271,247,190
Local income taxes	228,887,334	203,994,345	201,920,167	204,424,356	177,325,988	163,761,716	161,879,620	165,839,265	143,208,402	137,509,451
Other local taxes	40,061,715	38,329,124	32,936,414	27,257,030	25,883,856	26,244,396	19,886,169	21,938,991	23,080,409	23,393,903
Intergovernmental	-	-	-	-	-	-	3,200,000	3,676,983	-	-
Build America Bonds Subsidy	1,244,234	1,247,613	1,277,965	1,274,642	1,274,184	1,325,054	1,374,895	1,374,892	591,969	-
Grants & contributions not restricted to specific programs	-	-	-	-	-	-	-	-	-	-
Investment earnings	3,048,508	338,486	4,855,222	2,213,961	1,911,117	(945,754)	8,637,707	1,758,640	4,904,974	7,900,842
Miscellaneous	9,413,511	11,600,117	12,131,643	7,006,950	6,008,732	3,525,720	4,681,823	7,903,103	914,146	7,630,745
Gain / (Loss) on disposal of assets	384,230	284,109	-	(5,388)	-	230,352	-	-	-	-
Transfers	166,960	426,827	4,000,000	-	(3,283,705)	(2,782,241)	(6,012,930)	(5,826,523)	(8,381,479)	(5,407,001)
Total governmental activities	\$ 591,390,905	\$ 549,832,543	\$ 539,483,737	\$ 513,203,232	\$ 477,012,257	\$ 451,046,848	\$ 474,302,088	\$ 485,995,481	\$ 453,463,167	\$ 442,275,130
Business-type activities:										
Build America Bonds Subsidy	364,816	388,152	336,301	337,240	337,121	341,630	363,764	363,764	156,620	-
Investment earnings	2,107,163	1,033,861	-	366,410	382,050	469,201	447,281	642,203	892,586	4,244,887
Miscellaneous	79,277	934	532,839	-	16,926	19,585	6,111	56,804	661,855	27,662
Gain / (Loss) on disposal of assets	14,055	(26,784)	-	(419,132)	-	(215,886)	-	-	-	-
Transfers	(166,960)	(426,827)	(4,000,000)	-	3,283,705	2,782,241	6,012,930	5,826,523	8,381,479	5,407,001
Total business-type activities	\$ 2,398,351	\$ 969,336	\$ (3,130,860)	\$ 284,518	\$ 4,019,802	\$ 3,396,771	\$ 6,830,086	\$ 6,889,294	\$ 10,092,540	\$ 9,679,550
Total primary government	\$ 593,789,256	\$ 550,801,879	\$ 536,352,877	\$ 513,487,750	\$ 481,032,059	\$ 454,443,619	\$ 481,132,174	\$ 492,884,775	\$ 463,555,707	\$ 451,954,680
Change in Net Position										
Governmental activities	\$ 5,142,811	\$ (5,733,156)	\$ 34,152,909	\$ 27,130,804	\$ (2,823,110)	\$ 2,351,473	\$ 19,717,648	\$ 27,385,055	\$ (52,573,811)	\$ (73,886,110)
Business-type activities	22,715,334	39,477,659	15,625,855	23,948,073	20,109,407	34,230,073	15,095,679	41,272,502	26,404,148	28,251,425
Total primary government	\$ 27,858,145	\$ 33,744,503	\$ 49,778,764	\$ 51,078,877	\$ 17,286,297	\$ 36,581,546	\$ 34,813,327	\$ 68,657,557	\$ (26,169,663)	\$ (45,634,685)

FREDERICK COUNTY, MARYLAND
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010(1)	2009(1)
General Fund										
Nonspendable	\$ 2,229,603	\$ 2,289,616	\$ 2,460,677	\$ 2,106,066	\$ 875,623	\$ 1,448,707	\$ 1,245,845	\$ 1,648,689	\$ -	\$ -
Restricted	948,467	1,144,725	1,811,085	2,284,366	1,789,157	3,075,002	1,481,720	1,748,141	-	-
Committed	83,364,687	85,447,354	85,472,727	70,701,317	28,937,617	25,194,232	22,808,337	21,460,449	-	-
Assigned	15,879,549	6,101,299	6,157,055	5,105,750	45,598,798	64,137,601	74,564,269	59,868,123	-	-
Unassigned	300,000	300,000	300,000	300,000	300,000	500,000	500,000	500,000	-	-
Total General Fund	<u>102,722,306</u>	<u>95,282,994</u>	<u>96,201,544</u>	<u>80,497,499</u>	<u>77,501,195</u>	<u>94,355,542</u>	<u>100,600,171</u>	<u>85,225,402</u>	<u>-</u>	<u>-</u>
All other Governmental Funds										
Nonspendable										
Special revenue funds	68,514	-	6,994,203	7,444,229	6,752,481	5,721,414	5,890,746	5,527,435	-	-
Restricted										
Capital project funds	36,790,982	31,645,560	83,037,492	29,625,910	22,756,077	40,695,165	26,378,793	15,301,345	-	-
Debt Service fund	66,579,921	68,405,176	-	-	-	-	-	-	-	-
Special revenue funds	4,788,291	4,672,649	1,872,261	1,986,081	1,729,249	1,730,552	2,216,834	1,885,830	-	-
Committed										
Capital project funds	62,057,709	56,382,750	64,277,420	61,532,982	56,746,856	51,814,834	39,012,874	28,461,553	-	-
Special revenue funds	56,678,124	53,082,809	52,533,574	50,610,317	46,106,305	45,795,195	49,323,414	49,659,195	-	-
Assigned										
Debt Service fund	5,444,470	4,374,736	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	5,645,840	6,279,023	11,286,926	5,915,306	-	-
Total all other governmental funds	<u>232,408,011</u>	<u>218,563,680</u>	<u>208,714,950</u>	<u>151,199,519</u>	<u>139,736,808</u>	<u>152,036,183</u>	<u>134,109,587</u>	<u>106,750,664</u>	<u>-</u>	<u>-</u>
General Fund										
Reserved	-	-	-	-	-	-	-	-	2,712,109	2,808,056
Unreserved										
Designated	-	-	-	-	-	-	-	-	34,083,914	28,147,175
Undesignated	-	-	-	-	-	-	-	-	20,360,666	21,364,533
Total General Fund	<u>-</u>	<u>57,156,689</u>	<u>52,319,764</u>							
All other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	60,726,010	30,439,539
Unreserved										
Designated	-	-	-	-	-	-	-	-	77,153,427	64,476,579
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	-	11,442,860	17,869,398
Capital project funds	-	-	-	-	-	-	-	-	23,122,490	27,235,110
Special revenue funds	-	-	-	-	-	-	-	-	172,444,787	140,020,626
Total all other governmental funds	<u>-</u>	<u>172,444,787</u>	<u>140,020,626</u>							
Total Governmental Fund Balance	<u>\$ 335,130,317</u>	<u>\$ 313,846,674</u>	<u>\$ 304,916,494</u>	<u>\$ 231,697,018</u>	<u>\$ 217,238,003</u>	<u>\$ 246,391,725</u>	<u>\$ 234,709,758</u>	<u>\$ 191,976,066</u>	<u>\$ 229,601,476</u>	<u>\$ 192,340,390</u>

(1) Prior year restatement of fund balances for GASB #54 is not possible due to lack of available records for the earlier years. Effort required outweighs the benefit of any resulting comparisons.

(2) Restated

FREDERICK COUNTY, MARYLAND
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Local property taxes	\$ 308,037,634	\$ 293,528,978	\$ 282,362,800	\$ 271,415,720	\$ 267,862,169	\$ 259,514,346	\$ 280,559,892	\$ 289,635,356	\$ 288,983,632	\$ 271,101,871
Local income taxes	217,210,924	202,906,047	203,361,507	195,202,656	174,145,880	176,068,392	169,760,329	157,826,635	146,332,338	158,356,951
Other local taxes	41,716,007	39,937,950	34,539,017	28,836,221	27,401,993	27,730,818	21,465,211	23,529,980	25,219,644	24,774,769
Licenses and permits	5,870,061	5,531,434	4,781,330	4,094,070	3,360,551	2,974,589	532,074	517,020	508,039	529,307
Grants from federal government	23,301,956	19,562,749	23,577,357	17,301,232	14,384,629	15,412,690	16,645,496	20,508,653	20,900,126	16,018,557
Grants from state government	13,343,947	16,499,117	12,685,953	14,067,186	8,004,219	11,107,191	9,017,538	9,542,786	9,684,799	23,509,031
Intergovernmental	-	-	-	-	-	-	3,200,000	3,676,983	-	-
Charges for services	41,607,173	37,851,416	29,101,150	25,074,489	22,750,120	21,688,995	15,866,215	15,401,850	18,437,255	15,897,927
Fines and forfeitures	310,369	288,871	295,013	402,343	266,718	502,583	212,745	272,540	225,230	399,997
Interest from loans	34	298	4,721	2,201	23,312	23,219	25,632	26,130	36,243	39,347
Investment income	2,871,799	248,415	4,820,107	2,193,040	1,862,271	(996,954)	8,575,492	1,696,828	4,829,617	7,647,654
Build America bond subsidy	1,254,053	1,247,613	1,277,965	1,275,215	1,265,591	1,374,894	1,374,895	1,393,990	-	-
Miscellaneous	7,433,392	8,317,174	8,028,474	6,920,048	8,261,245	3,851,416	4,402,651	3,700,464	2,621,349	7,373,952
Total revenues	662,957,349	625,920,062	604,835,394	566,784,421	529,588,698	519,252,179	531,638,170	527,729,215	517,778,272	525,649,363
Expenditures										
Current										
General government	44,818,908	44,901,162	42,600,221	41,515,466	38,637,465	37,810,525	32,732,501	31,033,301	31,630,270	33,547,085
Public safety	117,507,126	112,413,340	105,100,235	102,933,508	96,852,558	96,758,110	91,044,159	86,282,410	91,382,456	91,228,627
Public works	28,128,388	24,760,896	27,662,046	25,594,930	24,590,164	22,335,990	23,097,616	22,071,591	26,459,278	26,114,555
Health	7,468,654	7,403,305	6,864,090	6,407,492	6,446,902	5,936,409	5,999,958	6,553,649	7,959,216	7,581,629
Social services	7,895,895	7,163,574	7,101,453	12,959,464	7,420,761	6,861,672	6,836,930	7,339,050	7,862,659	8,120,521
Education	287,567,740	273,253,016	264,499,491	256,036,118	255,444,856	251,123,285	243,014,146	241,906,846	243,159,708	252,074,877
Parks, recreation and culture	17,589,839	17,153,413	16,418,611	16,039,160	15,791,538	15,142,891	14,645,090	13,977,415	14,161,782	14,143,791
Conservation of natural resources	11,549,402	12,272,476	10,967,872	7,135,337	5,311,395	4,249,374	5,617,846	9,155,146	11,438,864	7,976,051
Community development and public housing	8,517,484	8,275,968	7,858,215	6,925,622	7,063,243	6,997,550	6,648,743	7,033,746	6,078,956	5,273,431
Economic development and opportunity	10,697,281	9,151,557	8,089,745	7,808,805	7,137,461	7,524,458	7,589,188	11,815,100	13,469,494	13,755,107
Miscellaneous	1,864,036	4,641,857	6,393,719	3,665,209	2,967,580	5,824,185	1,104,915	1,322,468	1,451,118	1,349,087
Intergovernmental	5,392,457	5,102,156	5,057,136	4,876,200	4,812,532	5,077,122	8,768,154	7,451,352	6,651,041	7,442,704
Debt service										
Principal	40,698,573	40,521,476	38,547,782	36,280,911	33,334,242	33,334,244	30,689,502	27,242,262	25,866,128	25,866,128
Interest	17,739,886	17,739,886	17,791,749	18,215,612	20,791,313	19,402,391	21,317,629	23,543,184	18,123,755	18,464,996
Capital projects	127,082,296	103,057,067	62,117,010	45,349,937	30,550,542	16,655,781	45,867,283	68,903,882	97,440,556	99,230,793
Total expenditures	734,517,965	687,811,149	627,069,375	591,743,771	557,152,552	535,033,987	544,973,660	565,631,402	603,135,281	612,169,382
Excess of revenues over expenditures	(71,560,616)	(61,891,087)	(22,233,981)	(24,959,350)	(27,563,854)	(15,781,808)	(13,335,490)	(37,902,187)	(85,357,009)	(86,520,019)

FREDERICK COUNTY, MARYLAND
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Other Financing Sources (Uses)										
Transfers in from:										
General Fund	\$ 61,722,743	\$ 60,410,203	\$ 17,980,116	\$ 15,748,182	\$ 14,146,422	\$ 23,076,713	\$ 16,548,559	\$ 9,055,525	\$ 7,373,865	\$ 22,704,374
Special Revenue Funds	3,198,428	7,956,116	-	-	-	7,222,796	400,000	696,364	3,025,753	3,486,070
Capital Projects Fund	11,453,087	11,340,453	-	-	-	-	-	4,500,000	2,691,419	-
Enterprise Funds	119,000	-	4,000,000	-	-	1,410,316	-	-	38,360	-
Internal Service Funds	-	-	-	3,235,721	300,000	51,300	-	1,674,000	1,000,000	997,039
Transfer out to:										
General Fund	-	-	-	-	-	(6,987,796)	-	(5,047,695)	(2,487,108)	-
Special Revenue Funds	(6,234,579)	(6,139,510)	(5,440,407)	(5,715,547)	(5,402,015)	(14,240,588)	(7,044,110)	(5,972,843)	(8,862,176)	(8,247,105)
Capital Projects Fund	(14,954,639)	(13,055,192)	(12,539,709)	(10,032,635)	(8,744,407)	(9,071,125)	(9,904,449)	(3,231,351)	(1,741,753)	(17,943,339)
Enterprise Funds	-	(2,999,332)	-	-	(2,583,705)	(4,192,557)	(6,012,930)	(5,735,201)	(8,481,582)	(5,592,335)
Internal Service Funds	(1,323,181)	(795,276)	(276,478)	(171,288)	-	-	-	(129,592)	(250,648)	(15,527)
Debt Service Fund	(55,185,040)	(60,512,070)	-	-	-	-	-	-	-	-
Gain on sale of property	-	-	-	350,000	-	-	-	-	-	-
Proceeds from public facilities and refunding bonds	120,326,182	56,901,147	112,006,339	87,103,930	-	78,746,393	120,557,832	-	173,041,815	-
Payment to refunded bond escrow agent	(43,852,615)	-	(34,523,171)	(54,546,633)	-	(51,773,701)	(81,114,121)	-	(59,789,074)	-
Payment to refunded lease escrow agent	-	-	-	(910,517)	-	-	-	-	-	-
Bond premium on public facilities and refunding bonds	15,198,824	12,039,897	11,508,322	2,375,660	-	3,222,024	18,317,929	-	10,503,504	-
Installment purchase agreement	2,376,049	1,970,599	2,738,445	1,981,492	693,837	-	1,587,605	4,467,570	6,509,802	2,437,428
Proceeds of capital lease	-	3,704,232	-	-	-	-	2,679,047	-	-	2,120,000
Sale of capital assets	-	-	-	-	-	-	53,820	-	45,918	7,023
Total other financing sources (uses)	<u>92,844,259</u>	<u>70,821,267</u>	<u>95,453,457</u>	<u>39,418,365</u>	<u>(1,589,868)</u>	<u>27,463,775</u>	<u>56,069,182</u>	<u>276,777</u>	<u>122,618,095</u>	<u>(46,372)</u>
Net change in fund balances	<u>\$ 21,283,643</u>	<u>\$ 8,930,180</u>	<u>\$ 73,219,476</u>	<u>\$ 14,459,015</u>	<u>\$ (29,153,722)</u>	<u>\$ 11,681,967</u>	<u>\$ 42,733,692</u>	<u>\$ (37,625,410)</u>	<u>\$ 37,261,086</u>	<u>\$ (86,566,391)</u>
Total expenditures	\$ 734,517,965	\$ 687,811,149	\$ 627,069,375	\$ 591,743,771	\$ 557,152,552	\$ 535,033,987	\$ 544,973,660	\$ 565,631,402	\$ 603,135,281	\$ 612,169,382
Less: Capital outlay	(10,926,354)	(6,765,350)	(885,721)	(3,307,691)	(4,692,445)	(167,076)	(4,331,574)	(6,402,058)	(16,999,763)	(3,395,622)
Noncapital expenditures	<u>\$ 723,591,611</u>	<u>\$ 681,045,799</u>	<u>\$ 626,183,654</u>	<u>\$ 588,436,080</u>	<u>\$ 552,460,107</u>	<u>\$ 534,866,911</u>	<u>\$ 540,642,086</u>	<u>\$ 559,229,344</u>	<u>\$ 586,135,518</u>	<u>\$ 608,773,760</u>
Debt service	<u>\$ 58,438,459</u>	<u>\$ 58,261,362</u>	<u>\$ 56,339,531</u>	<u>\$ 54,496,523</u>	<u>\$ 54,125,555</u>	<u>\$ 52,736,635</u>	<u>\$ 52,007,131</u>	<u>\$ 50,785,446</u>	<u>\$ 43,989,883</u>	<u>\$ 44,331,124</u>
Debt service as a percentage of noncapital expenditures	8.08%	8.55%	9.00%	9.26%	9.80%	9.86%	9.62%	9.08%	7.51%	7.28%

FREDERICK COUNTY, MARYLAND
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property Taxable Assessed Value					Limited Business Personal Property (4)		Total	
	Real Property Taxable Assessed Value			Total Real Property	Direct Tax Rate (1)	Public Utilities		Taxable Assessed Value	Direct Tax Rate (1)(3)
	Residential Property	Commercial Property	Industrial Property			Taxable Assessed Value	Direct Tax Rate (1)(2)		
2018	22,758,173,436	5,209,332,611	1,396,834,400	29,364,340,447	1.060	393,853,430	2.65	29,758,193,877	1.081
2017	21,635,023,165	5,027,530,566	1,310,743,601	27,973,297,332	1.060	374,887,120	2.65	28,348,184,452	1.081
2016	20,809,732,203	4,793,034,691	1,282,299,164	26,885,066,058	1.060	342,546,890	2.34	27,227,612,948	1.076
2015	20,062,491,947	4,672,981,701	1,279,373,375	26,014,847,023	1.060	302,584,420	2.34	26,317,431,443	1.075
2014	19,696,121,250	4,509,960,797	1,259,675,094	25,465,757,141	1.064	299,508,700	2.34	25,765,265,841	1.079
2013	19,711,683,572	4,482,673,576	1,279,054,781	25,473,411,929	0.936	298,056,050	2.34	25,771,467,979	0.952
2012	20,114,709,447	4,638,038,491	1,259,251,162	26,011,999,100	0.936	294,258,800	2.34	26,306,257,900	0.952
2011	20,722,341,796	4,626,661,711	1,260,344,245	26,609,347,752	0.936	295,566,800	2.34	26,904,914,552	0.951
2010	20,475,208,672	4,559,184,750	1,278,493,699	26,312,887,121	0.936	298,307,100	2.34	26,611,194,221	0.952
2009	19,217,525,707	4,241,998,936	1,189,531,827	24,649,056,470	0.936	297,661,810	2.34	24,946,718,280	0.953

Source: County Treasury Office and Maryland State Department of Assessments and Taxation

Note: The Maryland State Department of Assessments and Taxation assesses property every three years. The County is divided into three areas and each area is reassessed in a different year.

(1) Per \$100 of assessed value

(2) The direct rate for public utilities does not include the rate for railroads which are immaterial to the public utility revenues.

(3) The Total Direct Tax Rate is the weighted average of the real property and public utilities limited personal property direct rates.

(4) Percent of assessment for this subclass of personal property is 55% and applies only to machinery and equipment, other than operating personal property of a public utility, that is used to generate electricity or steam for sale, or hot or chilled water for sale that is used to heat or cool a building.

FREDERICK COUNTY, MARYLAND
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
Tax Rates (Per \$100 Assessed Value)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Direct Real Property Tax Rates										
Frederick County (1)	\$ 1.060	\$ 1.060	\$ 1.060	\$ 1.060	\$ 1.064	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936
Total Direct Real Property Tax Rates	<u>\$ 1.060</u>	<u>\$ 1.060</u>	<u>\$ 1.060</u>	<u>\$ 1.060</u>	<u>\$ 1.064</u>	<u>\$ 0.936</u>				
Overlapping real property tax rates										
<u>Fire and lighting tax districts</u>										
Suburban Fire/Rescue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080
Urban Fire/Rescue	-	-	-	-	-	0.128	0.128	0.128	0.128	0.128
Braddock lighting tax district	0.015	0.015	0.015	0.018	0.018	0.010	0.010	0.006	0.006	0.006
Libertytown lighting tax district	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013
New Addition lighting tax district	0.017	0.017	0.017	0.013	0.013	0.090	0.010	0.007	0.007	0.007
State	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.112
<u>Municipalities</u>										
Brunswick	0.430	0.440	0.462	0.462	0.462	0.462	0.462	0.462	0.422	0.422
Burkittsville	0.190	0.190	0.190	0.140	0.140	0.140	0.140	0.140	0.140	0.140
Emmitsburg	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360	0.360
Frederick	0.731	0.731	0.731	0.731	0.731	0.732	0.650	0.650	0.650	0.650
Middletown	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232
Mt. Airy	0.166	0.170	0.170	0.170	0.170	0.170	0.170	0.170	0.165	0.165
Myersville	0.391	0.391	0.391	0.391	0.391	0.391	0.274	0.274	0.274	0.274
New Market	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Rosemont	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Thurmont	0.285	0.293	0.302	0.310	0.309	0.308	0.260	0.260	0.260	0.270
Walkersville	0.160	0.160	0.150	0.150	0.150	0.170	0.170	0.156	0.156	0.156
Woodsboro	0.126	0.125	0.126	0.127	0.128	0.128	0.130	0.120	0.120	0.120

(1) In FY2018, the County offered a tax differential to any municipality that wanted to substitute the tax rate with the current tax equity program.

County's Frederick City tax differential rate: 0.9399

County's Myersville tax differential rate: 0.9391

Source: County Treasury Office

FREDERICK COUNTY, MARYLAND
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Name of Taxpayer</u>	<u>Fiscal Year 2018</u>				<u>Fiscal Year 2009</u>			
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>		<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	
Potomac Edison Company	\$ 187,030,200	1	0.63 %		\$ 130,151,790	1	0.52 %	
Astrazeneca Pharmaceuticals	112,418,100	2	0.38		-	-	-	
RIV 402, LLC	98,827,633	3	0.33		-	-	-	
PR Financing Limited Partnership	80,288,800	4	0.27		70,397,032	3	0.28	
Costco Wholesale Corporation	59,500,000	5	0.20		-	-	-	
River X, LLC	52,724,633	6	0.18		36,535,066	7	0.15	
Washington Gas Light Company	51,538,110	7	0.17		37,707,750	6	0.15	
Verizon	48,347,610	8	0.16		92,337,770	2	0.37	
Homewood at Frederick MD Inc	47,777,000	9	0.16		-	-	-	
I&G Direct Real Estate 23 LP	45,543,700	10	0.15		-	-	-	
State Farm Mutual Auto Insurance	-		-		45,746,800	4	0.18	
WRIT Frederick Crossing Land, LLC	-		-		39,573,666	5	0.16	
ALDI Inc	-		-		36,399,900	8	0.15	
Westview Corporate Center	-		-		35,856,500	9	0.14	
Fannie Mae	-		-		33,725,966	10	0.14	
 Totals	 <u>\$ 783,995,786</u>		 <u>2.63 %</u>		 <u>\$ 558,432,240</u>		 <u>2.24 %</u>	

Source: County Treasury Office

FREDERICK COUNTY, MARYLAND
GENERAL FUND PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2018	\$ 295,980,742	\$ (1,920,093)	\$ 294,060,650	\$ 293,695,909	99.88 %	\$ -	\$ 293,695,909	99.88 %
2017	282,599,043	(2,049,697)	280,549,346	280,316,897	99.92	136,107	280,453,004	99.97 %
2016	271,195,289	(1,674,469)	269,520,820	269,144,537	99.86	(170,518)	268,974,019	99.80
2015	261,968,145	(1,625,791)	260,342,354	260,153,968	99.93	12,322	260,166,290	99.93
2014	258,299,607	(1,435,910)	256,863,697	256,652,511	99.92	84,270	256,736,781	99.95
2013	226,706,549	(1,920,093)	225,237,681	224,912,437	99.86	237,449	225,149,886	99.96
2012	240,261,872	(1,868,202)	238,393,670	238,135,801	99.89	139,523	238,275,324	99.95
2011	245,857,629	(2,208,994)	243,648,635	243,347,532	99.88	211,981	243,559,513	99.96
2010	243,164,858	(1,913,319)	241,251,539	240,846,665	99.83	350,408	241,197,073	99.98
2009	227,624,313	(1,559,310)	226,065,003	225,751,007	99.86	294,042	226,045,049	99.99

Source: County Treasury Office

Note: The information in this schedule relates to the County's own property tax levies, and does not include those it collects on behalf of other governments.

(1) For fiscal years 2009 through 2018, only additions and abatements are included in this column.

FREDERICK COUNTY, MARYLAND
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Total Governmental Activities
	General Obligation Bonds (1)	Capital Leases	Notes Payable	Agricultural Preservation Installment Purchase Agreements	
2018	\$ 532,959,633	\$ 3,239,985	\$ 38,042	\$ 50,618,445	\$ 586,856,105
2017	481,584,308	3,704,232	49,302	49,113,314	534,451,156
2016	487,533,970	106,708	59,918	52,440,249	540,140,845
2015	437,668,588	289,042	69,927	52,332,153	490,359,710
2014	433,189,044	1,474,560	335,652	53,505,061	488,504,317
2013	448,464,372	2,260,619	375,438	53,783,983	504,884,412
2012	443,447,989	3,516,894	1,244,870	54,611,083	502,820,836
2011	415,119,045	4,071,505	2,092,380	53,023,478	474,306,408
2010	442,861,027	5,850,235	2,922,118	48,555,908	500,189,288
2009	344,027,778	7,775,416	3,699,879	42,046,106	397,549,179

Business-Type Activities						
Fiscal Year	General Obligation Bonds (1)	Capital Leases	Notes Payable	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (2)
2018	\$ 162,592,333	\$ 163,353	\$ 54,221,271	\$ 216,976,957	\$ 803,833,062	N/A
2017	158,928,935	231,830	57,353,912	216,514,677	750,965,833	N/A
2016	114,013,303	287,798	62,247,445	176,548,546	716,689,390	N/A
2015	116,277,314	-	67,187,542	183,464,856	673,824,566	5.2%
2014	123,494,437	-	71,834,384	195,328,821	683,833,138	5.3%
2013	126,747,752	-	65,748,564	192,496,316	697,380,728	5.9%
2012	136,436,986	-	51,144,933	187,581,919	690,402,755	5.8%
2011	147,577,338	-	44,100,674	191,678,012	655,984,420	6.0%
2010	158,045,900	-	31,250,960	189,296,860	679,224,221	6.4%
2009	135,081,028	-	29,576,033	164,657,061	556,777,435	5.5%

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

(1) Presented net of unamortized premium/discount.

(2) See Exhibit III-A-13 for personal income and population data. (All information updated as of June 30, 2018)

FREDERICK COUNTY, MARYLAND
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Debt (1)	Installment Purchase Agreements (2)	Less Amounts to be Paid with Other Resources (3)	Total Net General Obligation Debt Outstanding	Percentage of Total Estimated Actual Value of Taxable Property (4)	Per Capita (4)
2018	\$ 695,551,966	\$ 50,618,445	\$ (82,095,000)	\$ 664,075,411	2.23%	\$ 2,602
2017	640,513,242	49,113,314	(82,095,000)	607,531,556	2.14%	2,437
2016	601,547,272	52,440,249	-	653,987,521	2.40%	2,648
2015	553,945,902	52,332,153	-	606,278,055	2.30%	2,488
2014	556,683,481	53,505,061	-	610,188,542	2.37%	2,533
2013	575,212,124	53,783,983	-	628,996,107	2.44%	2,639
2012	579,884,975	54,611,083	-	634,496,058	2.41%	2,682
2011	562,696,383	53,023,478	-	615,719,861	2.29%	2,616
2010	600,906,927	48,555,908	-	649,462,835	2.44%	2,783
2009	479,108,806	42,046,106	-	521,154,912	2.09%	2,223

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

- (1) Presented net of unamortized premium/discount and deferred loss on bond refundings. With the implementation of GASB 65 in fiscal year 2014, the general obligation bonds are now presented net of unamortized premium/discount. Deferred loss on bond refundings is no longer considered part of outstanding debt.
- (2) Installment Purchase Agreements are included because they require the County's bond authority to be issued.
- (3) Externally restricted funds for payment of principal on general bonded debt. Prior years adjusted in fiscal year 2017 presentation.
- (4) See Exhibit III-A-5 for real property tax values and Exhibit III-A-13 for population values.

FREDERICK COUNTY, MARYLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct:			
Frederick County	\$ <u>549,476,863</u>	100%	\$ <u>549,476,863</u>
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	25,476,195	100%	25,476,195
Frederick Community College	5,941,126	100%	5,941,126
Towns, Cities and Villages:			
Brunswick	379,848	100%	379,848
Emmitsburg	227,952	100%	227,952
Frederick City	53,632,531	100%	53,632,531
Middletown	2,556,609	100%	2,556,609
Myersville	3,568,930	100%	3,568,930
Thurmont	669,000	100%	669,000
Subtotal Overlapping:	<u>92,452,191</u>		<u>92,452,191</u>
Totals	\$ <u>641,929,054</u>		\$ <u>641,929,054</u>

Source: Division of Finance

(1) Debt repaid by general government activities

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Frederick County. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

FREDERICK COUNTY, MARYLAND
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

	2017	2016	2015	2014 (3)	2013	2012	2011	2010	2009
Debt limitation	\$ 1,613,639,986	\$ 1,551,079,602	\$ 1,495,999,620	\$ 1,545,915,950	\$ 1,546,288,079	\$ 1,578,375,474	\$ 1,614,294,873	\$ 1,596,671,653	\$ 1,496,803,097
Total debt applicable to limit (2)	652,533,314	626,480,249	586,867,153	195,328,821	192,126,399	185,262,503	184,227,695	183,492,836	159,150,084
Legal debt margin	<u>\$ 961,106,672</u>	<u>\$ 924,599,353</u>	<u>\$ 909,132,467</u>	<u>\$ 1,350,587,129</u>	<u>\$ 1,354,161,680</u>	<u>\$ 1,393,112,971</u>	<u>\$ 1,430,067,178</u>	<u>\$ 1,413,178,817</u>	<u>\$ 1,337,653,013</u>
Total net debt applicable to the limit as a percentage of debt limit	40.44%	40.39%	39.23%	12.64%	12.43%	11.74%	11.41%	11.49%	10.63%

Legal debt margin calculation for Fiscal Year 2018 (4)

Assessable Basis - Real Property (1)	\$ 32,664,983,829
Debt limitation - 5% of assessable basis in real property (1)	\$ 1,633,249,191
Assessable Basis - Personal Property (public utilities)	393,853,430
Debt limitation - 15% of assessable basis in personal property	<u>59,078,015</u>
Total Debt Limit	1,692,327,206
Amount of Debt Applicable to Debt Limit:	
Total Bonds Payable	680,530,000
Total Installment Purchase Agreements	<u>50,618,445</u>
Total debt applicable to limit	<u>731,148,445</u>
Legal debt margin	<u><u>\$ 961,178,761</u></u>
Total net debt applicable to the limit as a percentage of debt limit	43.20%

(1) Source - Maryland State Department of Assessments and Taxation; all other data - Division of Finance

(2) The total debt applicable to the limit is for bonds and notes issued pursuant to Chapter 2-13-13. Water, sewers, drains and solid waste of Part II, Code of Public Laws of Frederick County, 1979. Fiscal year 2013 and prior are shown net of unamortized premium/discount and deferred loss on bond refunding.

(3) With the implementation of GASB 65 in fiscal year 2014, the general obligation bonds are presented net of unamortized premium/discount. Deferred loss on bond refundings is no longer considered part of outstanding debt.

(4) Pursuant to Section 508 of the Charter of Frederick County, Maryland, effective 12/1/2014, the debt limit calculation was changed to include all general obligation debt of the County based on the combined percentages of real and personal property assessable basis. Debt amounts reflect the liability owed to bond holders, exclusive of unamortized premium or deferred losses.

FREDERICK COUNTY, MARYLAND
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Year	Population(1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	Public School Enrollment (3)	Community College Academic State FTE (4)			Unemployment Rate (5)
					Credit	Non- Credit	Total	
2018	255,265	N/A	N/A	42,204	3,534	652	4,186	4.1%
2017	249,277	N/A	N/A	41,378	3,424	647	4,071	3.7
2016	246,972	\$ 13,882,887	\$ 56,072	40,720	3,594	613	4,207	4.0
2015	243,692	13,447,457	54,803	40,757	3,582	560	4,142	5.0
2014	240,911	12,918,918	53,040	40,715	3,672	529	4,201	5.4
2013	238,345	12,477,615	51,736	40,527	3,798	534	4,332	6.6
2012	236,551	12,405,485	51,774	40,487	3,842	571	4,413	5.9
2011	235,400	12,041,181	50,738	40,484	4,055	553	4,608	6.5
2010	233,385	11,498,846	49,098	40,210	4,068	319	4,387	6.6
2009	234,400	11,141,895	48,245	40,155	3,723	318	4,041	6.8
2008	232,700	11,081,561	48,331	40,566	3,322	358	3,680	3.8

Sources: (1) Frederick County Planning and Permitting Division Population Estimates
 (2) US Bureau of Economic Analysis (All data updated as of November 16, 2017)
 (3) Frederick County Board of Education
 (4) Frederick Community College
 (5) Maryland Department of Labor, Licensing & Regulation
 N/A - Not available

FREDERICK COUNTY, MARYLAND
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	2018			2009			Percentage of Total County Employment *
	Employees	Rank	Percentage of Total County Employment *	Employees	Rank	Percentage of Total County Employment *	
Fort Detrick	9,100 *	1	8.87 %	8,200 *	1	9.00 %	
Frederick County Board of Education	5,624	2	5.48	5,384	2	5.91	
Frederick Memorial Healthcare System	2,379	3	2.32	2,681	3	2.94	
Leidos Biomedical (formerly SAIC-Frederick)	2,200	4	2.14	1,670	6	1.83	
Frederick County Government	2,034	5	1.98	2,475	4	2.72	
Wells Fargo Home Mortgage	1,750	6	1.71	1,500	7	1.65	
Frederick Community College	1,086	7	1.06	899	9	0.99	
Frederick City Government	872	8	0.85	852	10	0.93	
United Health Care (formerly MAMSI)	750	9	0.73	-	-	-	
AstraZeneca	700	10	0.68	-	-	-	
Bechtel Corporation (formerly Bechtel Power)	-	-	-	2,203	5	2.42	
CitiMortgage	-	-	-	900	8	0.99	
	<u>26,495</u>		<u>25.82 %</u>	<u>26,764</u>		<u>29.38 %</u>	

* Includes military personnel

Source: Frederick County Office of Economic Development, Frederick County Board of Education, Frederick County Division of Finance, and City of Frederick

FREDERICK COUNTY, MARYLAND
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General government	341	338	318	291	287	294	303	332	356	378
Public safety	915	898	837	819	808	810	820	801	831	864
Public works	402	385	374	370	343	359	376	407	422	443
Health	149	154	157	158	157	316	298	318	326	333
Social services	106	104	98	97	97	101	105	109	138	149
Parks, recreation and culture	46	46	46	45	48	46	45	46	46	48
Library	119	115	115	107	111	111	114	119	117	123
Conservation of natural resources	8	8	7	7	8	7	7	5	7	7
Community dev. & public housing	11	11	10	9	9	9	9	9	11	11
Economic dev. & opportunity	37	34	30	33	28	31	31	33	114	119
Total	<u>2,134</u>	<u>2,093</u>	<u>1,992</u>	<u>1,936</u>	<u>1,896</u>	<u>2,084</u>	<u>2,108</u>	<u>2,179</u>	<u>2,368</u>	<u>2,475</u>

Source: Division of Finance

FREDERICK COUNTY, MARYLAND
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Human Resources										
Employment announcements issued	314	323	297	228	220	219	256	180	110	133
Employment applications received/reviewed	13,755	14,976	13,947	12,219	12,500	9,392	8,993	7,515	4,698	5,127
Finance/Accounting										
Accounts payable checks/ACH's generated	21,639	19,315	19,223	19,160	20,163	20,766	21,056	22,310	21,580	22,719
Procurement & Contracting										
Formal bids, sole source & emergencies	406	287	286	265	223	185	211	204	203	210
Treasurer										
Invoices prepared	2,447	1,874	1,791	1,953	2,183	2,063	2,148	2,573	2,413	2,318
Property tax bills/delinquent notices mailed	109,509	108,101	107,557	106,460	104,890	102,348	107,045	106,612	101,345	103,892
Building Maintenance										
Buildings	165	164	162	162	155	149	147	142	145	145
Work orders/service requests	3,703	3,800	4,004	3,700	4,064	4,331	5,888	5,815	4,231	5,043
Square feet of properties managed	1,524,239	1,526,544	1,527,176	1,527,176	1,462,965	1,316,994	1,313,488	1,300,120	1,250,119	1,250,119
Facility Services										
Number of leases managed	17	28	28	28	30	35	39	33	41	39
Square feet of leased property managed	74,286	100,238	100,238	100,238	110,238	136,860	148,257	141,742	161,996	159,227
Pieces of outgoing U.S. mail	233,430	243,253	234,145	231,078	406,924	291,304	298,733	326,858	334,375	400,976
Elections										
Registered voters	169,113	167,809	163,131	152,913	149,393	149,312	141,136	136,014	135,264	132,866
Liquor Board										
Regular liquor licenses	332	331	322	310	306	307	304	304	284	300
Liquor inspections	6,597	8,825	10,084	9,747	7,323	7,216	5,399	5,864	4,449	3,463
Internal Audit										
Internal Audits performed (1)	12	10	12	10	7	2	4	4	6	5
Circuit Court										
New cases filed	8,379	8,181	8,734	9,756	9,704	10,333	10,710	10,431	12,499	12,429
Public Safety										
Housing units permitted (2)	1,410	1,263	1,302	721	1,296	1,006	845	581	788	665
Sheriff's Office										
Administration Bureau										
Civil Process papers served	22,521	22,701	23,416	23,970	23,181	22,972	19,440	20,648	28,286	30,993
Courthouse Security										
Prisoners handled: adult/juvenile	3,793	4,750	5,129	4,608	4,149	3,846	4,332	4,241	4,535	4,684
Operations: Law Enforcement										
Arrests: adult/juvenile	3,902	3,924	4,162	3,770	3,372	3,189	3,520	3,826	3,892	4,226
Calls for service	108,045	93,621	121,158	90,251	95,223	89,428	98,876	99,047	101,728	96,469
Adult Detention Center										
Average daily population	321	398	374	407	360	382	395	442	416	425
Emergency Communications										
Fire/EMS dispatches	36,739	35,222	33,646	33,324	32,114	32,614	32,199	32,453	30,457	27,674
Police dispatches	301,502	277,546	262,803	240,922	208,541	134,084	145,206	144,489	150,634	144,158
Administrative phone calls	363,781	383,672	298,311	264,044	274,703	186,643	161,568	167,106	155,373	158,258
Animal Control/ECC/Park Dispatches	31,647	28,228	28,375	28,001	19,735	19,067	18,980	18,526	18,752	18,465
911 calls	90,032	93,249	136,708	100,162	107,321	126,042	140,973	132,231	117,346	109,111
Text to 911 (3)	188	178	272	-	-	-	-	-	-	-

(1) The drop in the number of audits after FY10 is due to the majority of the Internal Audit function being outsourced and a resulting decrease in staff. Two in-house FTEs remain. Two contractors began performing audit work in FY13. FY14 - FY18 include special projects, agreed upon procedure reports, reviews and audits.

(2) For FY09 - FY12, the data represents housing units constructed. For FY13 - FY16 the data represents housing units permitted. FY15 - FY18 numbers include the County and all municipalities, but excludes the City of Frederick.

(3) FY16 was the first year that this was implemented.

FREDERICK COUNTY, MARYLAND
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety, Cont'd										
Animal Control (1)										
Calls for service	10,543	10,446	11,834	11,700	11,154	10,858	11,322	10,657	9,373	9,022
Public Works										
Water facilities										
Customers	24,536	23,636	22,666	21,926	21,213	21,113	20,763	20,549	20,263	20,062
Annual production (1,000 gals.)	2,341,430	2,215,190	2,441,675	2,414,284	2,395,882	2,032,866	2,036,251	1,846,545	1,612,900	1,733,200
Sewer facilities										
Customers	33,267	32,178	30,978	30,201	29,454	29,398	28,550	28,221	27,874	27,559
Fleet Services										
Work orders	5,725	5,510	5,646	5,700	5,516	5,160	5,429	5,716	5,613	6,066
Vehicles maintained	1,054	966	962	981	874	926	961	967	1,045	1,016
Highway Operations										
County roads - mileage maintained	1,285	1,273	1,273	1,273	1,272	1,270	1,271	1,264	1,264	1,264
Tar and chip maintenance (miles)	61	87	64	44	8	12	11	21	12	32
Usage of salt & anti-skid (tons)	21,242	12,426	12,995	30,307	37,222	17,911	7,268	15,263	16,998	14,793
Transportation Engineering										
Bridges inspected	142	103	145	103	145	103	138	116	136	114
Road overlay (miles)	33	33	25	13	49	17	26	3	37	48
Construction Management										
CIP and developer funded subdivision projects completed	45	32	38	26	40	23	23	41	74	69
TransIT										
Passenger trips	614,551	636,862	677,808	761,088	839,297	864,013	909,804	835,880	786,711	791,961
Revenue vehicle miles	1,142,403	1,126,156	1,130,887	1,108,172	1,059,840	1,129,546	1,147,211	1,173,086	1,196,533	1,218,305
Revenue vehicle hours	83,902	81,855	81,037	78,603	77,365	79,904	81,995	83,154	86,305	85,770
Health										
Health Department										
Public health nursing/non-nursing contacts (2)	42,044	40,533	24,775	19,641	20,535	22,068	21,130	21,499	22,632	25,575
Mental health visits	7,518	12,781	16,514	11,902	13,498	12,220	12,165	10,724	10,133	10,182
Substance abuse visits	8,544	39,620	35,401	21,581	39,755	35,827	25,764	26,464	28,860	29,630
Dental visits for children	4,090	4,065	4,109	3,970	3,897	3,983	3,899	4,242	4,384	4,851
Environmental health reviews/inspections	16,591	16,610	16,150	12,478	12,437	13,458	14,304	14,799	14,668	16,684
School health program										
Children served	42,340	41,984	40,819	40,757	40,715	40,527	39,293	40,484	40,210	40,155
Health room visits	299,000	345,604	338,167	331,992	317,079	320,884	289,766	304,730	307,925	270,234
Developmental Center										
Infants & Toddlers Program children served	744	682	636	607	555	528	697	638	583	548
School-based services visits	20,521	20,327	19,133	14,000	14,810	14,113	13,959	14,378	14,734	12,442
School-based assessments	376	414	325	220	*	*	*	*	*	*
Audiology services visits	775	810	798	786	778	793	767	809	835	801
Social Services										
Social Services										
Child & Adult Care Food Program										
Home visits	850	900	850	850	850	800	855	843	825	900
Department of Aging										
Home delivered meals served to elderly	80,000	58,000	57,635	51,951	41,003	51,282	50,305	50,220	45,490	44,624
Congregate meals served	10,500	10,000	10,751	10,366	9,485	11,795	13,474	15,522	15,338	16,936

*Information not available

(1) FY11 and FY12 data has been adjusted to reflect fiscal year data not calendar year.

(2) During FY17, a more precise tracking system was implemented to better capture all client interactions and more fully illustrate the workload.

FREDERICK COUNTY, MARYLAND
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Parks, recreation and culture										
Parks & Recreation										
Parks acres maintained	2,099	2,099	2,099	2,096	2,074	2,066	2,066	2,066	2,066	1,792
Recreation center registrations (1)	6,725	6,918	6,676	7,287	6,292	55,997	49,994	62,183	51,873	48,106
Conservation of natural resources										
Agriculture										
Farms	1,308	1,308	1,308	1,308	1,308	1,442	1,442	1,442	1,442	1,442
Acreage	181,512	181,512	181,512	181,512	181,512	202,087	202,087	202,087	202,087	202,087
Preserved land										
Farms	467	455	439	426	413	405	397	390	376	355
Acreage	63,565	61,667	59,220	57,198	55,542	54,365	53,572	52,802	50,946	47,538
Community development and public housing										
Bell Court housing project (28 units)										
Occupancy rate	94%	100%	100%	100%	99%	99%	100%	100%	100%	100%
Economic development and opportunity										
Workforce Services										
One - stop services - customers served	5,896	6,132	5,911	5,324	5,511	5,009	4,538	6,547	5,122	2,744
One - stop services - youth customers served	284	377	335	255	237	220	212	242	214	200
Job openings received	4,879	4,755	3,708	3,968	3,073	3,178	3,743	4,446	2,761	1,765
Customized training provided (trainees)	n/a	n/a	n/a	n/a	n/a	Program Ended	1,044	1,413	998	2,319
Frederick Business works projects (trainees)	90	45	1	91	n/a	n/a	Grant Ended	351	187	190
Recruitment for business (2)	80	5	58	80	91	44	60	32	90	81
Customized & onsite recruitment events	300	439	318	415	454	359	454	364	18	28
Website unique visitors	36,410	35,313	41,054	50,380	68,344	82,257	93,875	82,422	79,697	55,605
Office of Economic Development										
Website sessions/social media engagements (3)	29,382	1,243	513,951	413,000	396,800	421,502	420,018	422,119	390,112	370,934
Inquiries (6)	n/a	2,100	2,100	2,100	2,100	2,100	2,001	2,590	3,847	3,943
Prospects	106	195	120	150	185	140	128	150	164	311
Projects (6)	n/a	500	400	500	410	503	499	513	541	513
Business visits (4)	284	400	350	350	348	325	308	311	348	429
Business assistance (5)	2,501	500	400	300	275	313	290	270	272	335

*Information not available

(1) Formerly recreation center attendance - numbers updated accordingly

(2) Job fair employers; Frederick New Post job fair now leads recruiting businesses for event

(3) Formerly average web hits per month for FY09 - FY16, average page views per month for FY17

(4) Formerly companies visited

(5) Formerly companies assisted

(6) Indicators are no longer being tracked

Sources: Frederick County, Maryland Adopted Budgets Performance Indicators and individual county departments. Estimates generated by the agencies were used when actual figures were unavailable.

FREDERICK COUNTY, MARYLAND
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government										
Building maintenance										
Buildings managed	165	164	162	162	155	149	147	142	145	145
Public Safety										
Fire/rescue stations	29	30	30	30	30	30	30	30	30	30
Adult Detention Center average daily population	321	398	374	407	360	382	395	442	416	425
Public Works										
County roads - mileage	1,285	1,273	1,273	1,273	1,272	1,270	1,271	1,264	1,264	1,264
Water facilities										
Plants/Distribution Systems	13	13	13	13	13	12	12	12	12	12
Daily capacity (1,000 gals.)	17,061	17,198	17,198	17,282	18,124	18,124	18,124	18,124	12,432	12,432
Miles of water mains	344	336	321	314	308	306	302	293	290	289
Hydrants	3,117	3,026	2,843	2,783	2,689	2,665	2,602	2,482	2,453	2,428
Sewer facilities										
Plants/Collection Systems	12	12	12	12	13	14	14	15	15	16
Daily capacity (1,000 gals.)	16,043	16,043 *	16,043 *	16,043	8,533	8,677	8,677	8,677	8,677	7,727
Miles of sewer mains	406	396	377	373	371	367	363	357	353	352
Bridges										
Bridges (over 20' spans)	222	219	218	218	219	219	219	219	219	219
Fleet services										
Vehicles	1,054	1,001	996	987	940	926	961	967	1,045	1,016
Parks, Recreation and Culture										
County park acreage	2,099	2,099	2,099	2,096	2,074	2,066	2,066	2,066	2,066	1,792
County facilities	39	39	39	37	37	36	36	36	36	31

*FY2016 and FY2017 reflect updated capacity

Sources: Fire/Rescue, Sheriff, Public Works, Fleet Services, Parks and Recreation, Division of Utilities and Solid Waste Management