

Frederick County

Maryland



Amber Rolling Field of Frederick County

Brigid Ayer

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Frederick County: Rich History, Bright Future

Front Cover: Photo was taken by Brigid Ayer. She is currently a student in the MBA program at Hood College where she also earned her undergraduate degree in Studio Arts. Brigid has loved photography since taking her first course at Frederick High School and hopes to one day have her own business. Her work can be seen on her website brigidayerphoto.smugmug.com.

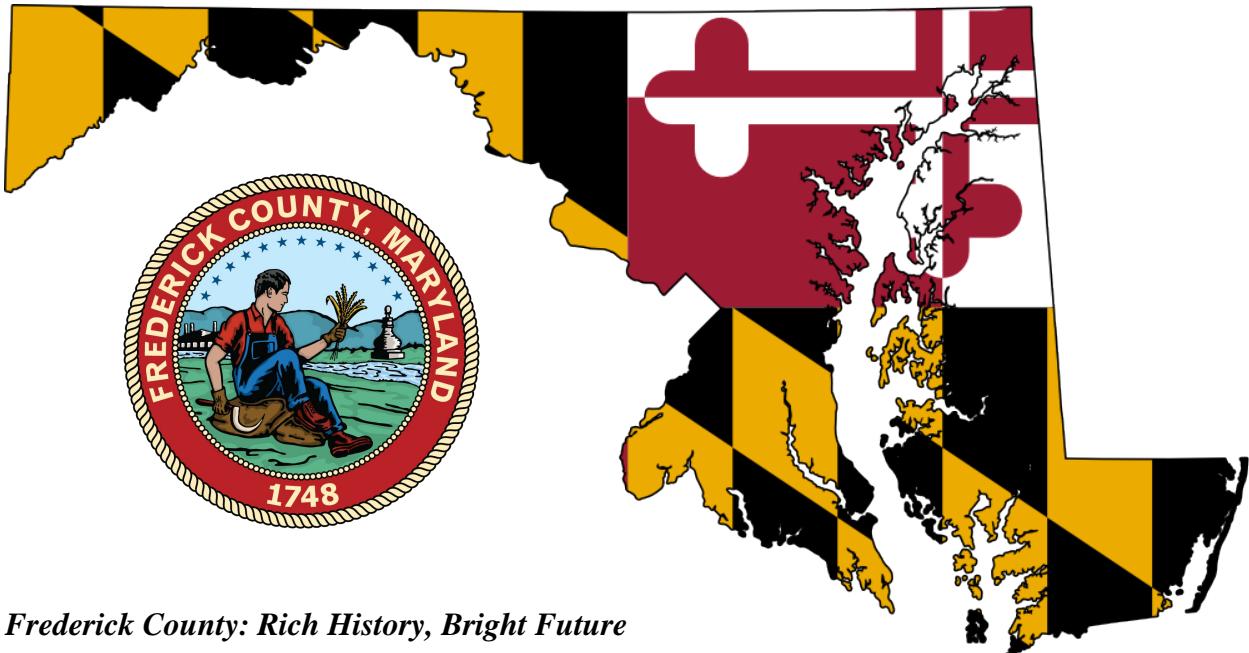
Permission was granted by the photographer to use this photo.

Frederick County, Maryland
Comprehensive Annual Financial Report
Fiscal Year 2016
July 1, 2015 – June 30, 2016



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, 2016

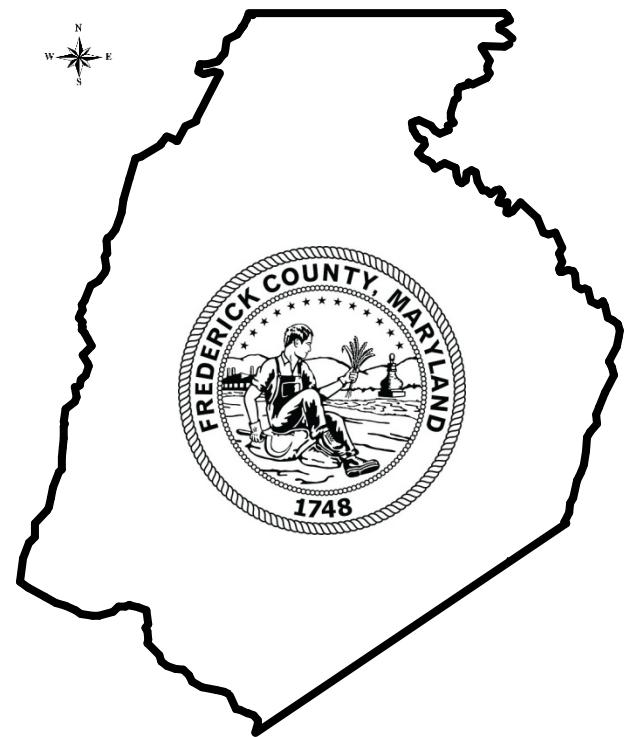
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INTRODUCTORY SECTION





FREDERICK COUNTY GOVERNMENT

DIVISION OF FINANCE

Accounting Department

Jan H. Gardner
County Executive

Lori L. Depies, CPA, Division Director
Erin White, CPA, Director

November 30, 2016

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, 2016.

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, 2016. 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, 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 246,972. Frederick County, Maryland, 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 68,802. 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.

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 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-14.

- Budgetary Overview

The annual budget serves as the foundation for the County's financial planning and control. The County budget is comprised of the operating budget for the General Fund, the Capital Budget (from project inception through the current year), and the Capital Program (a six year plan). Budgets are also adopted for most Special Revenue Funds and the Enterprise and Internal Service Funds.

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 25, which is known as the "Annual Budget and Appropriations Ordinance of Frederick County."

The General Fund budget is based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. When submitted to the County Council, the General Fund 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.

The Capital Budget is the County's plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program sets forth the County's plan of proposed capital projects to be undertaken in the ensuing fiscal year and the following five fiscal years and the proposed means of financing all projects. The Capital Budget and Capital Program are prepared by the County Executive from submissions by the County departments and agencies and must be approved by the County Council. The portion of the cost of the Capital Budget that is to be paid from current funds may be included in the General Fund Budget or that of certain special revenue and enterprise funds.

No division or agency of County government may, during any fiscal year, expend or contract to expend any money or incur any liability or enter into any contract which by its terms involves the expenditure of money in excess of the amounts appropriated or allocated in the budget for such fiscal year; and no payment may be made nor any obligation or liability incurred which has not been provided for in the Operating and Capital Budgets. The County Executive may approve transfers of 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. Transfers may not be made between the Operating Budget and Capital Budget appropriations. On the recommendation of the County Executive, the County Council may transfer appropriations between Capital Projects

within the same fund provided the County Council neither creates nor abandons any capital projects, unless the capital project is considered abandoned if three fiscal years have elapsed without an expenditure from or encumbrance of the appropriation.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis - Budget and Actual are presented for the General Fund and the Agricultural Preservation Fund, a special revenue fund, both which adopt annual budgets, and are presented in Exhibit II-A-7 and Exhibit II-A-8, respectively, 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.

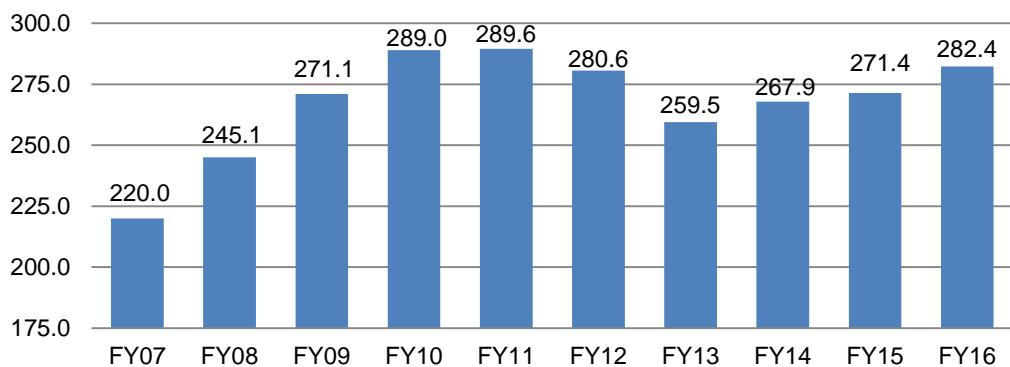
The federal government has been a positive influence on Maryland and Frederick County during the most recent recession. Frederick County is the home of the U.S. Army's Fort Detrick, a dynamic hub of military, government, private science and systems development dedicated to medical research.

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 4.0% in FY16. Average employment in Frederick County increased from 90,781 in 2011 to an estimated 97,944 in March of 2016.

The County's largest revenue source remains real property taxes. Real property assessed values increased by 3.35% in FY16 and this trend continues into FY17 as values grew to \$26.9 billion and \$27.7 billion, respectively. General Fund property taxes are projected to increase in FY17 by \$13.9 million over FY16, representing a 5.0% increase. The real estate market has experienced a modest recovery in property assessments, which have increased over the past three years after declining in previous years.

Property Tax Revenues

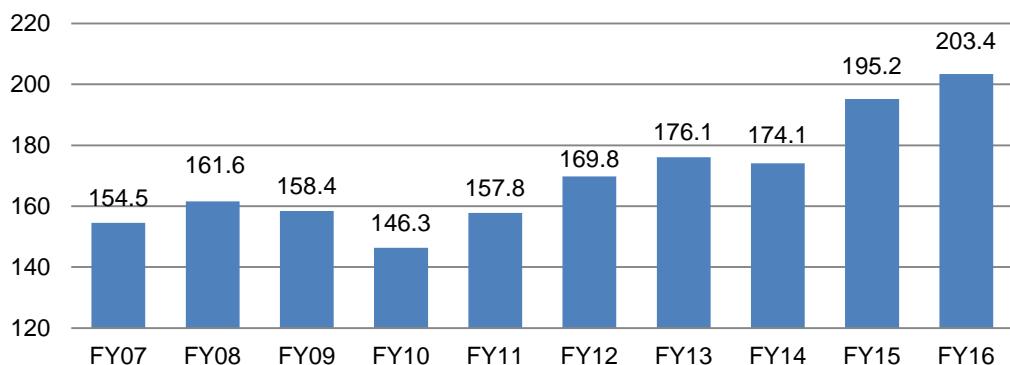
Values shown in Millions



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. Revenues were at their lowest during the past 10 years in fiscal years 2007 and 2010 at \$154.5 million and \$146.3 million respectively. In the current fiscal year we achieved the highest level of income tax revenue in the amount of \$203.4 million, exceeding budget estimates by \$10.4 million. Income tax is budgeted at \$205.2 million for FY17.

Income Tax Revenues

Values shown in Millions



As of December 1, 2014, 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.

Long-term Financial Planning - The major credit rating agencies have recognized that Frederick County is positioned well to manage current and future fiscal challenges because of years of conservative and sound financial management. During the latest general obligation bond issuance process (June 2016) Moody's Investors Services, Inc. upgraded the County's rating from Aa1 to AAA. The County's fiscal strength has also been attested to by Fitch Ratings and Moody's Investors Service, Inc. that reaffirmed their ratings of AAA. The ratings reflect ongoing and consistent growth, primarily in the commercial sector; increased employment; tax base growth; strong, well-embedded and likely sustainable management practices coupled with established fiscal policies; and a moderate/modest debt burden.

The FY17 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 \$535.2 million for FY17, representing a 5.3% increase over FY16.

Frederick County's General Fund concluded the fiscal year ended June 30, 2016 with a fund balance of \$96.2 million. Of this amount, \$2.5 million is classified as nonspendable.

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, the State of Maryland Local Government Investment Pool and a bank money rate savings account 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.

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, 2015. 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 Director of Accounting, Erin White and her Team Leaders, Ronni Putman, Melanie Thom, 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 Fouche, 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, 2015

A handwritten signature in black ink that reads "Jeffrey R. Eman". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Eman" on the bottom line.

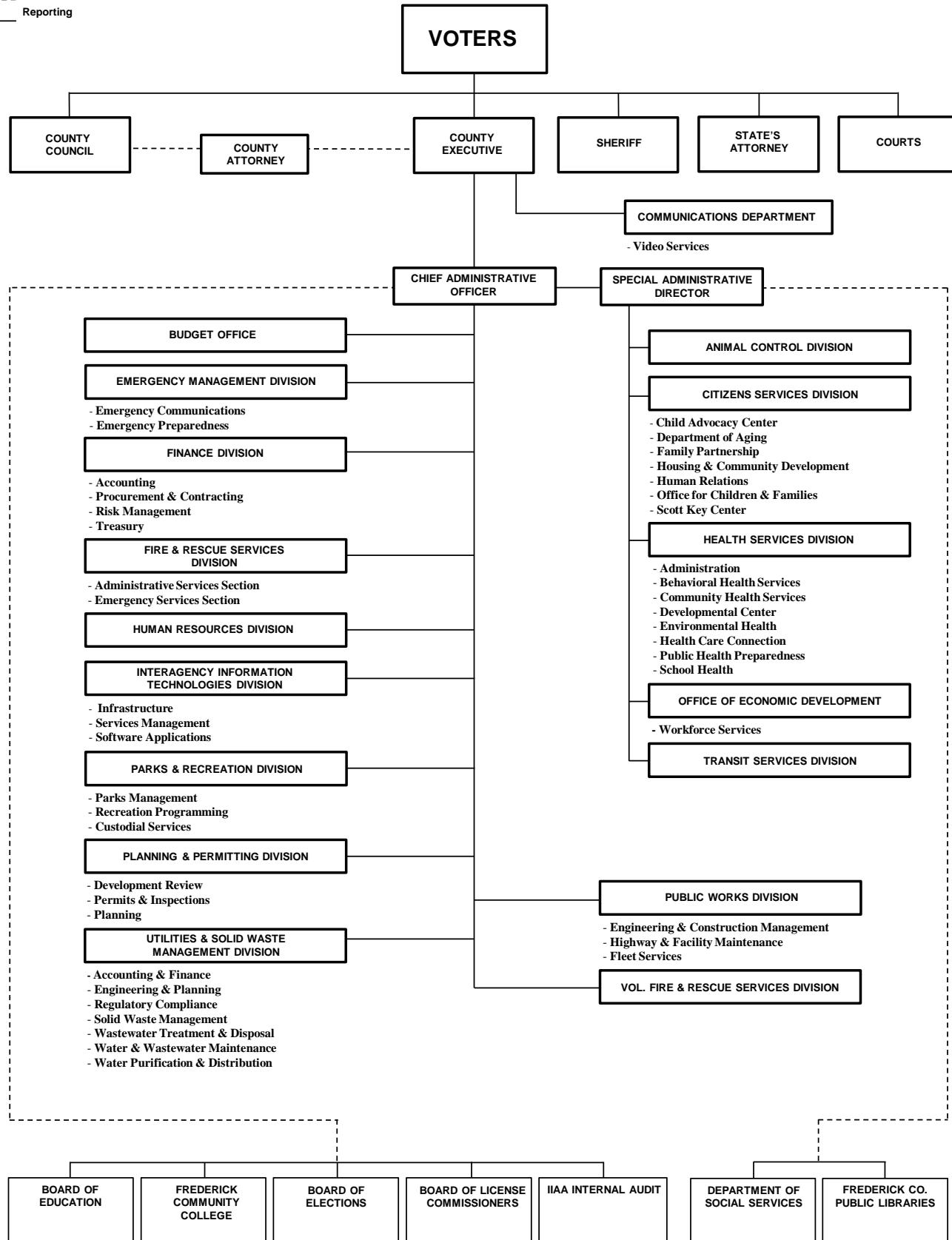
Executive Director/CEO

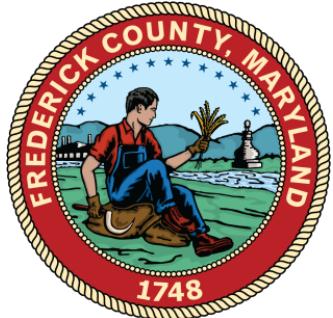
FREDERICK COUNTY GOVERNMENT

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
Tony Chmelik, District 2
Kirby Delauter, District 5
Jerry Donald, District 1
Jessica Fitzwater, District 4
Billy Shreve, At Large

Sheriff

Charles A. "Chuck" Jenkins

Administrative Judge of the Circuit Court

Honorable Julie R. Stevenson Solt

State's Attorney

J. Charles Smith III, Esquire

Clerk of the Circuit Court

Sandra K. Dalton, Clerk

Appointed Officials

County Executive's Cabinet

Communications Director
Education Liaison
Government Affairs and Policy Director
Special Administrative Director

Vivian D. Laxton
Janice Spiegel
Roger A. Wilson
Margaret L. Nusbaum

Chief Administrative Officer
County Attorney

W. Paul Dial, Acting
John S. Mathias

Animal Control Division Director
Budget Office Director
Citizens Services Division Director
Economic Development Director
Emergency Management Division Director
Finance Division Director
Fire and Rescue Services Division Director/Chief
Health Services Division Health Officer
Human Resources Division Director
Interagency Information Technologies Division Director
Internal Audit Division Director
Parks and Recreation Division Director
Planning and Permitting Division Director
Public Works Division Director
Transit Services Division Director
Utilities and Solid Waste Management Division Director
Volunteer Fire and Rescue Services Division Director

Linda A. Shea
Richard P. Harcum
Vacant
Helen L. Propheter
John E. "Jack" Markey
Lori L. Depies, CPA
Thomas W. Owens
Barbara A. Brookmyer, MD, MPH
Mitchell L. Hose
Thomas A. Dixon
Tricia A. Griffis
Jeremy T. Kortright, Acting
Steven C. Horn
Charles F. Nipe
Nancy J. Norris
Kevin L. Demosky
Clarence "Chip" Jewell, III

Component Units

Board of Education

President	Brad W. Young
Vice-President	Elizabeth Barrett
Member	Zakir Bengali, Ph.D.
Member	Colleen E. Cusimano
Member	Kathryn B. Groth
Member	April F. Miller, O.D
Member	Joy Schaefer
Student Member	Sarah Perez
Superintendent	Theresa R. Alban, Ph.D.

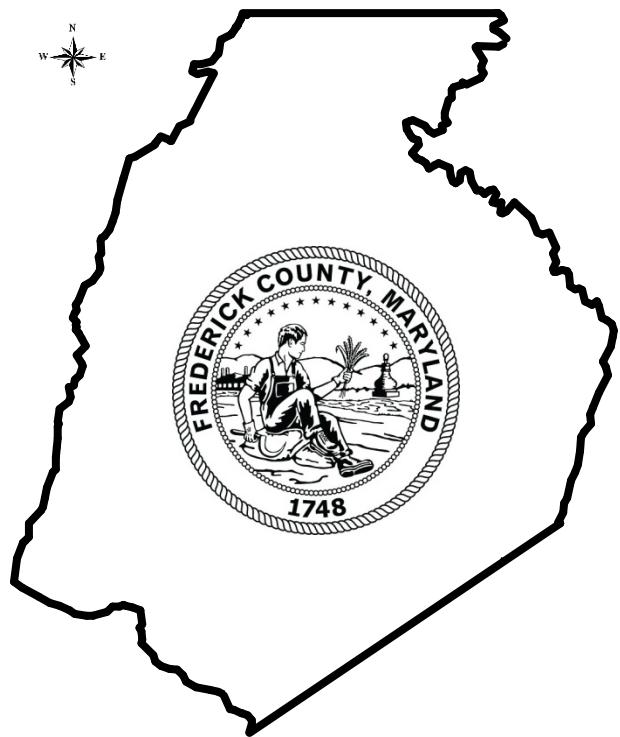
Frederick Community College Board of Trustees

Chairperson	Myrna R. Whitworth
Vice Chairperson	David F. Bufter
Trustee	Debra S. Borden
Trustee	Nick Diaz
Trustee	Gary V. Fearnow
Trustee	Timothy J. Wesolek
Trustee	Roger A. Wilson
President	Elizabeth Burmaster

Frederick County Public Library Board

President	Cheryl G. Smith
Vice-President	George J. Laugelli
Secretary/Treasurer	Deborah Kiser
Member	Candy Greenway
Member	Thomas C. Kutz
Member	Susan L. Manny
Member	Blanca Poteat
Public Libraries Director	Darrell L. Batson

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 control 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 control 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 Frederick County, Maryland, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and agricultural preservation funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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

Other Matters

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 pension fund net pension liability and related ratios and schedule of employer contributions for the Frederick County Employees Retirement Plan, the schedules of funding progress and schedules of contributions from the employer 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 were derived from and relate 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 section has 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 21, 2016

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, 2016. 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 \$805.0 million (net position), approximately 68.2% of which is attributable to the County's business-type activities. Of total net position, \$736.0 million is the net investment in capital assets, and \$191.1 million is restricted for specific purposes. The County's unrestricted net position is a negative \$122.2 million. This deficit balance in unrestricted net position results primarily from the County issuing 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 \$262.2 million of bonds payable, the proceeds of which have been used to fund school and college construction.
- The total government-wide net position increased by \$49.8 million or 6.6% in FY16. The governmental activities net position increased by \$34.2 million, reflecting an even larger increase than the \$27.1 million recorded in FY15. The business-type activities net position increase by \$15.6 million, compared to a \$23.9 million increase in FY15.

Fund Level:

- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$304.9 million, an increase of \$73.2 from the prior year. The County's proprietary funds reported a combined net position of \$549.3 million, representing a \$15.6 million increase over the prior year.
- At the end of FY16, the total committed, assigned and unassigned fund balances for the County's General Fund was \$91.9 million, or approximately 18.2% of total general fund expenditures.

Long Term Debt:

- The County's total general obligation bond indebtedness increased \$39.5 million during the current fiscal year. This was a result of the issuance of \$120.2 million in new bonds, \$34.5 million of refunded bonds and \$46.2 million in payments on current obligations.

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/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 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 29-31 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 Capital Projects Fund, the Agricultural Preservation Fund, the Grants Fund, the Housing Initiative Fund, the School Construction Fund, the Impact Fees Fund, the Development Road Improvement 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, the Development Road Improvement 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). Budgetary comparison statements are prepared for the General Fund and the Agricultural Preservation Fund. These can be found on Exhibit II-A-7 and Exhibit II-A-8, respectively, of this report. Budgetary schedules for the non-major special revenue funds can be found in Exhibit II-B-7 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-8.

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 three individual enterprise funds: the Water & Sewer Fund, the Solid Waste Management 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-9, II-A-10, and II-A-11. Detailed statements for each of the internal service funds can be found in the Exhibits II-B-9, II-B-10, and II-B-11, in the Supplementary Data section of this report.

While the total column on the Business-type Activities Fund Financial Statements (see Exhibits II-A-9 and II-A-10) 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 (see Exhibits II-A-12 and II-A-13). 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 Trust Fund, 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-14.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Frederick County's pension liability and schedule of employer contributions. These exhibits also present the County's progress in funding its obligation to provide health benefits to its retirees. The required supplementary information is presented in Exhibit II-A-15 through Exhibit II-A-18.

Infrastructure Assets

Infrastructure assets is the County's largest group of assets (roads, bridges, traffic signals, 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 \$805.0 million at the close of the fiscal year.

As noted earlier, the government's net position increased by \$49.8 million during the fiscal year. The net position of governmental activities increased \$34.2 million. The increase in net position of business-type activities was \$15.6 million in FY16.

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
	2016	2015	2016	2015	2016
Current and other assets	\$ 400,379	\$ 313,862	\$ 145,646	\$ 135,923	\$ 546,025
Capital assets	489,021	474,816	598,819	598,316	1,087,840
Total assets	889,400	788,678	744,465	734,239	1,633,865
Deferred outflows of resources	45,224	27,818	5,713	6,644	50,937
Current and other liabilities	108,629	96,985	25,304	25,449	133,933
Long-term debt outstanding	560,048	495,879	175,617	181,803	735,665
Total Liabilities	668,677	592,864	200,921	207,252	869,598
Deferred inflows of resources	10,215	2,053	-	-	10,215
Net Position:					
Net investment in capital assets	297,438	259,454	438,579	425,865	736,017
Restricted	182,284	145,343	8,855	2,037	191,139
Unrestricted (deficit)	(223,990)	(183,218)	101,823	105,729	(122,167)
Total net position	\$ 255,732	\$ 221,579	\$ 549,257	\$ 533,631	\$ 804,989
					\$ 755,210

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, \$736.0 million or 91.4%, 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 represents 23.7% of total net position. Restricted net position 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 \$224.0 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 \$101.8 million.

The result of these basic current year calculations is that the County's overall financial position has improved from FY16 to FY17, despite the continued decline in the unrestricted net position. The deficit increased in the Unrestricted Net Position of the Governmental Activities by \$40.8 million while the already positive Business Activities Unrestricted Net Position decreased \$3.9 million. The main reason for the 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.

On June 29, 2016, the County issued bonds that included \$48.0 million in funding of Frederick County Board of Education capital projects and \$4.0 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 \$237.3 million and \$24.9 million, respectively.

Overall, total net position increased by \$49.8 million. Reasons for the increase in net position include, but are not limited to, increases in property taxes due to rebounding assessments and higher than anticipated recordation tax revenues and investment earnings. This was complimented by continued positive changes in proprietary fund balances.

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 increases 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			
	2016	2015	2016	2015	2016	2015		
REVENUES								
Program revenues								
Charges for services	\$ 35,593	\$ 30,601	\$ 56,479	\$ 54,013	\$ 92,072	\$ 84,614		
Operating grants and contributions	21,322	23,553	-	-	21,322	23,553		
Capital grants and contributions	14,834	8,130	21,740	24,577	36,574	32,707		
General revenues								
Local property taxes	282,362	271,032	-	-	282,362	271,032		
Local income taxes	201,920	204,424	-	-	201,920	204,424		
Other local taxes	32,937	27,258	-	-	32,937	27,258		
Build America Bond subsidy	1,278	1,274	337	337	1,615	1,611		
Investment earnings	4,855	2,214	532	366	5,387	2,580		
Miscellaneous	12,132	7,002	-	(419)	12,132	6,583		
Total revenues	<u>607,233</u>	<u>575,488</u>	<u>79,088</u>	<u>78,874</u>	<u>686,321</u>	<u>654,362</u>		
EXPENSES								
Program Activities								
Governmental Activities:								
General government	57,212	60,752	-	-	57,212	60,752		
Public safety	109,987	102,525	-	-	109,987	102,525		
Public works	46,776	37,487	-	-	46,776	37,487		
Health	7,155	6,088	-	-	7,155	6,088		
Social services	8,193	13,667	-	-	8,193	13,667		
Education	286,994	271,936	-	-	286,994	271,936		
Parks, recreation, and culture	19,899	19,604	-	-	19,899	19,604		
Conservation of natural resources	5,462	3,783	-	-	5,462	3,783		
Community development and public housing	7,857	6,906	-	-	7,857	6,906		
Economic development and opportunity	8,131	7,783	-	-	8,131	7,783		
Interest on long term debt	19,414	17,826	-	-	19,414	17,826		
Business-type Activities:								
Water and sewer	-	-	39,275	34,933	39,275	34,933		
Solid waste management	-	-	20,022	19,829	20,022	19,829		
Non-major Business-type Activities	-	-	165	164	165	164		
Total expenses	<u>577,080</u>	<u>548,357</u>	<u>59,462</u>	<u>54,926</u>	<u>636,542</u>	<u>603,283</u>		
Change in net position before transfers	30,153	27,131	19,626	23,948	49,779	51,079		
Transfers	4,000	-	(4,000)	-	-	-		
Change in net position	34,153	27,131	15,626	23,948	49,779	51,079		
Net position - beginning of year	221,579	214,004	533,631	509,683	755,210	723,687		
Change in accounting principle	-	(19,556)	-	-	-	(19,556)		
Net position - beginning of year	221,579	194,448	533,631	509,683	755,210	704,131		
Net position - ending of year	<u>\$ 255,732</u>	<u>\$ 221,579</u>	<u>\$ 549,257</u>	<u>\$ 533,631</u>	<u>\$ 804,989</u>	<u>\$ 755,210</u>		

Governmental Activities: Governmental activities increased Frederick County's net position by \$34.2 million. The largest impacts to this increase are attributed to an \$11.3 million increase in property tax revenue, representing a 4.2% increase.

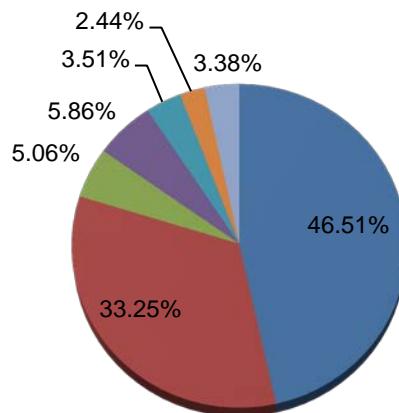
Key elements impacting the governmental activities revenues include:

- The County recorded \$30.8 million in recordation tax revenues in FY16, compared to \$25.9 million in the prior year, representing an 18.7% increase.
- Capital Grants and Contributions increased from \$8.1 million in FY15 to \$14.8 million in FY16. Of this amount, \$5.3 million is in the public works area related to federal highway grants for capital projects and \$3.6 million is from the Maryland Department of Natural Resources for preservation of agricultural farmlands.
- Charges for services also increased \$5.0 million in FY16 from \$30.6 million in FY15 to \$35.6 million in FY16. Impact fees for general government capital projects accounted for \$3.4 million of this increase in FY16.

The following chart illustrates the governmental activities revenues received by source for fiscal year 2016:

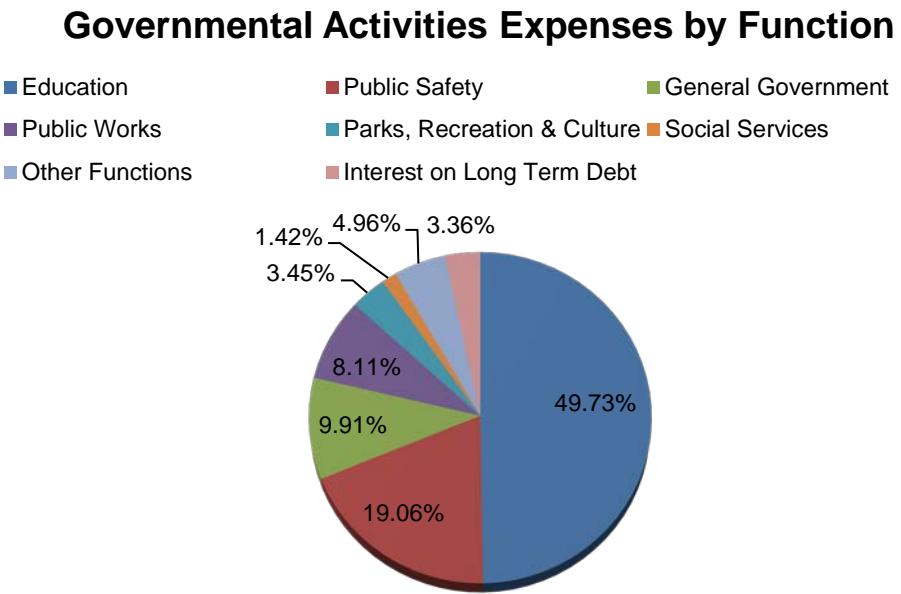
Governmental Activities Revenues by Source

■ Property Tax	■ Income Tax	■ Recordation Tax	■ Charges for Services
■ Operating Grants	■ Capital Grants	■ Other Revenues	



Governmental activities expenses increased by \$28.7 million in FY16. The largest contributors to this increase were in the areas of Education (\$15.0 million), Public Works (\$9.3 million) and Public Safety (\$7.5 million).

The following chart illustrates the governmental activities expenses by function for fiscal year 2016:



Business-type Activities: Business-type activities increased Frederick County's net position by \$15.6 million in FY16, compared to an increase of \$23.9 million in FY15. Capital grants and contributions continue to provide a major revenue source for the Water and Sewer Fund during the current fiscal year, producing \$21.7 million in revenue, although this is \$2.8 million less than in FY15. Other key factors include:

- Water and sewer service charges increased by \$2.1 million in FY16.
- Depreciation expense increased by \$1.9 million due to the addition of the McKinney Wastewater Treatment Plant valued at \$104.9 million.
- The Solid Waste Fund also recorded a one-time transfer of \$4.0 million to the General Fund.

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 \$304.9 million. Approximately 96.9% of this total amount (\$295.5 million) constitutes restricted, committed, assigned and/or unassigned fund balance, which is generally available for spending. The remainder of fund balance (\$9.5 million) is classified as nonspendable to indicate that it is not available for spending because it is in the form of inventories, prepaids, long-term receivables or other like condition. Included in the committed fund balance of \$202.3 million is \$25.3 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 five 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 \$93.8 million. Reducing the committed fund balance for the legislative mandate noted earlier still provides a fund balance of \$68.4 million spendable for current operations. The remainder of the fund balance (\$2.5 million) is non spendable and is not available for spending because it is in the form of inventory, prepaids, and long term receivables. Total fund balance for the General Fund is \$96.2 million. As a measure of the General Fund's liquidity, it may be useful to compare restricted, committed, assigned, and unassigned fund balance to total fund balance to total expenditures. Restricted, committed, assigned and unassigned fund balance represents 18.5% of total general fund expenditures, while total fund balance represents 19.0% of that same amount.

The Agricultural Preservation Fund has a total fund balance of \$49.7 million. Of that total, \$37.4 million is committed for debt service related to Installment Purchase Agreements (IPA) related to agricultural preservation easement purchases. The total fund balance increased by \$1.3 million during FY16.

The Capital Projects Fund has a total fund balance of \$147.3 million. The increase in fund balance was \$56.2 million. This represents a \$44.5 million increase over the change in fund balance in FY15 of \$11.7 million. This increase is primarily due to the receipt of \$87.4 million in general obligation bonds proceeds and the timing of related construction spending.

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 FY16, the enterprise funds reported a combined total net position in the amount of \$547.9 million. Of that total, unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$73.1 million and unrestricted net position in the Solid Waste Management Fund totaled \$27.3 million. The Bell Court Apartment Fund had unrestricted net position totaling \$5.9 thousand. The County's internal service funds ended FY16 with a total net position of \$21.1 million, and an increase in net position of \$2.7 million from the prior year.

General Fund Budgetary Highlights

The final expenditure and transfer budgets for the General Fund increased \$282.0 thousand over the original budget. During the year, revenues were greater than budgetary estimates by \$23.8 million and expenditures were less than budgetary estimates by \$9.8 million. Other financing sources and uses had a favorable variance of \$2.4 million. The favorable variances totaled \$36.0 million, thereby reducing the need to draw upon all of the appropriated fund balance of \$21.7 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 \$5.7 million. This is primarily due to taxes levied in excess of original estimates.
- Local income tax distributions were greater than the budgeted amount by \$10.4 million. This is the result of economic influences and the difficulty in estimating this revenue stream.
- Recordation taxes exceeded budgeted amounts by \$4.3 million. These taxes are based on property transfers and are challenging to estimate.
- Charges for services, primarily public safety, Scott Key Center and public improvement inspection fees, were greater than the budgeted amount by \$1.5 million. The public safety

and public improvement fees were greater than the budgeted amount primarily due to better than expected activity in construction review fees, whereas the Scott Key Center is attributable to an increase in attendance days for clients.

- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$9.8 million generally throughout all functions of government. The largest contributors to this savings were \$2.7 million in general government, \$1.7 in public safety, and \$1.1 million in public works. The primary reason for these positive variances was due to salary and fringe benefit savings from vacant positions. 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, 2015 and 2016, amount to \$1,073.1 million and \$1,087.8 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 1.4%.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 101,079	\$ 93,927	\$ 8,528	\$ 8,528	\$ 109,607	\$ 102,455
Buildings & improv.	257,245	258,761	304,403	196,363	561,648	455,124
Equipment	132,542	123,894	54,889	50,489	187,431	174,383
Infrastructure	364,516	357,589	380,413	357,868	744,929	715,457
Construction in progress	42,264	28,228	28,478	151,196	70,742	179,424
Accum. depreciation	(408,625)	(387,583)	(177,892)	(166,128)	(586,517)	(553,711)
Total	<u>\$ 489,021</u>	<u>\$ 474,816</u>	<u>\$ 598,819</u>	<u>\$ 598,316</u>	<u>\$ 1,087,840</u>	<u>\$ 1,073,132</u>

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

	Governmental Activities	Business-type Activities	Total
Beginning Balance - July 1, 2015	\$ 474,816	\$ 598,316	\$ 1,073,132
Additions	58,197	149,431	207,628
Depreciation	(23,298)	(12,863)	(36,161)
Retirement*	(20,694)	(136,065)	(156,759)
Ending Balance - June 30, 2016	<u>\$ 489,021</u>	<u>\$ 598,819</u>	<u>\$ 1,087,840</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	\$9.2 million
○ Boyer's Mill Road Bridge	4.2 million
○ Agricultural Preservation Easements	7.1 million
○ Ijamsville Road Bridge	3.5 million
○ Enterprise Resource Planning System - Software	3.1 million
- The following transfers were made to the Frederick County Board of Education for school construction:

○ Frederick High School Replacement	\$9.1 million
○ Systemic Projects	3.1 million
- The following transfers were made to Frederick Community College for school construction:

○ Systemic Projects	\$0.9 million
---------------------	---------------

Business-type Activities:

- Construction costs were incurred for the following major projects:

○ Copperfield Water Treatment Plant Expansion / Upgrade	\$0.9 million
○ Urbana Town Center MXD	0.7 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	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 464,894	\$ 423,108	\$ 109,146	\$ 111,427	\$ 574,040	\$ 534,535
Ag Easement Notes (IPA)	52,440	52,332	-	-	52,440	52,332
Other Notes	60	70	62,247	67,188	62,307	67,258
Capital Leases	107	289	288	-	395	289
Total	<u>\$ 517,501</u>	<u>\$ 475,799</u>	<u>\$ 171,681</u>	<u>\$ 178,615</u>	<u>\$ 689,182</u>	<u>\$ 654,414</u>

As of year-end, the County had \$574.0 million in general obligation bonds outstanding compared to a total of \$534.5 million last year, a 7.4% net increase. This increase (\$39.5 million) is attributed to new bonds of \$120.2 million being issued during FY16 combined with principal payments of \$46.2 million and refunded bonds of \$34.5 million.

The County issued two series of general obligation bonds in FY16, the detail of these borrowings are located in Note 3.F.8 of this report. The 2016A Bonds provided capital project funding. The 2016B Refunding Bonds were issued to refinance facilities that had been converted to a private activity use.

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 \$924.6 million. As of June 30, 2016, the County Council has not granted any additional amounts for long-term borrowings.

Principal payments and reductions of all the County's long-term liabilities in the amounts of \$128.7 million and \$18.1 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 FY17 is based on existing tax rates for both County property taxes (\$1.06) and income taxes (2.96%) and reflects a 5.6% increase in revenues compared to FY16. Property tax and income tax revenues increased by 5.0% and 6.4% 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 FY17 will be 0.9374, which is an increase from the FY16 rate of 0.9340. The Town of Myersville increased their rate for FY17 to 0.9351 from the FY16 rate of 0.9302.
- Funding for Frederick County Public Schools exceeds the Maintenance of Effort (MOE) level, the minimum level required by state law. The FY17 budget provides for \$10.5 million over MOE, with an overall increase in funding of \$8.2 million. The total appropriation for FY17 is \$258.3 million.
- Funding for Frederick Community College will also experience an increase of \$690 thousand in FY17. The total appropriation for FY17 is \$15.9 million. The capital budget includes funding for improvements to the Advanced Technology Center at the Monroe Center Campus co-located with the County's Workforce Services agency.
- The appropriation for Frederick County Libraries increased slightly at \$10.5 million in FY17.
- As a result of operations in FY16, there remains \$31.3 million of fund balance in the General Fund that is committed for use in the FY18 budget. This exceeds the \$25.0 million programmed as a budgeted use of fund balance in the FY17 budget.
- Interest rates are expected to remain at low levels through FY17, but Finance staff continues to monitor the Federal Reserve statements for rate hike indicators.
- As of June 2016, the average unemployment rate for the County was 4.0 percent, while the average unemployment rate for the State of Maryland was 4.3 percent.

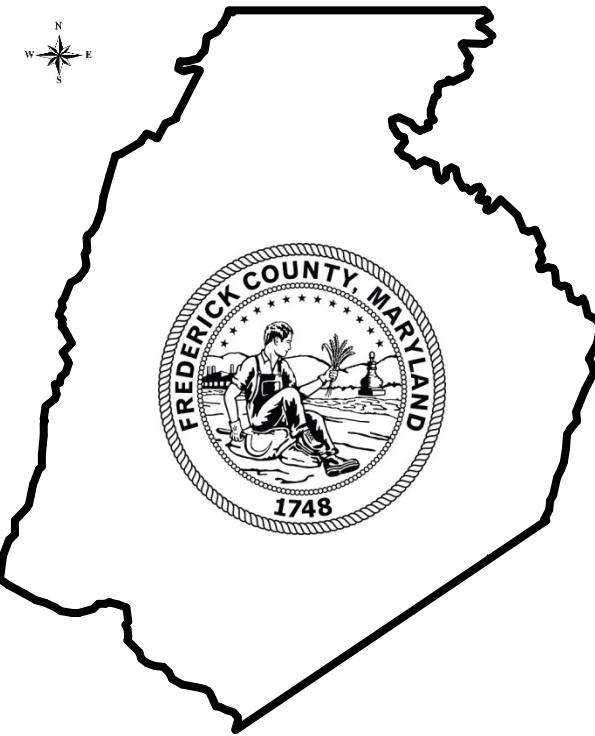
Below are the property tax rates for Frederick County and the State of Maryland. Only the City of Frederick and Town of Myersville differential tax rates have increased in FY17.

Jurisdiction	FY 2017	FY 2016
State of Maryland	0.1120	0.1120
Frederick County	1.0600	1.0600
City of Frederick Differential	0.9374	0.9340
Town of Myersville Differential	0.9351	0.9302
Total Real Property Assessed Values	\$27.7B	\$26.9B

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.

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, 2016

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Assets						
Cash	\$ 581,905	\$ 3,000	\$ 584,905	\$ 11,979,782	\$ 15,692,104	\$ 4,656
Equity in pooled invested cash	<u>149,830,668</u>	<u>98,078,019</u>	<u>247,908,687</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	150,412,573	98,081,019	248,493,592	11,979,782	15,692,104	4,656
Investments	115,206,065	23,002,250	138,208,315	21,974,596	11,728,585	465,133
Receivables, net of allowance for uncollectibles:						
Property taxes	538,923	-	538,923	-	-	-
Accounts	5,660,407	10,174,666	15,835,073	3,660,552	1,058,636	-
Intergovernmental	49,500,692	-	49,500,692	5,344,862	1,378,665	-
Internal balances	(1,341,874)	1,341,874	-	-	-	-
Due from primary government	-	-	-	5,720,905	-	3,151,140
Due from component units	1,261	26,644	27,905	-	-	-
Inventories	2,357,774	185,178	2,542,952	830,031	481,754	-
Prepaid items	631,867	-	631,867	65,628	502,876	78,410
Long-term receivables, net of allowance for uncollectibles	9,344,092	3,474,033	12,818,125	-	-	-
Cash and cash equivalents - restricted	68,067,355	9,360,170	77,427,525	9,280	-	20,000
Beneficial interest in charitable remainder trust	-	-	-	-	407,194	-
Capital assets:						
Land	101,079,086	8,527,737	109,606,823	48,794,385	271,620	-
Buildings and improvements	257,244,605	304,404,139	561,648,744	876,290,926	114,730,013	-
Equipment	132,542,196	54,888,805	187,431,001	52,237,579	5,834,212	258,843
Library collection	-	-	-	-	2,051,358	7,763,037
Infrastructure	364,515,731	380,412,838	744,928,569	-	-	-
Construction in progress	42,264,370	28,478,198	70,742,568	42,248,750	119,400	-
Accumulated depreciation	(408,624,919)	(177,892,383)	(586,517,302)	(357,347,672)	(44,865,853)	(6,586,103)
Total assets	<u>889,400,204</u>	<u>744,465,168</u>	<u>1,633,865,372</u>	<u>711,809,604</u>	<u>109,390,564</u>	<u>5,155,116</u>
Deferred Outflows of Resources						
Deferred outflow related to pensions	30,710,041	-	30,710,041	9,246,053	-	-
Deferred charge on refunding	<u>14,513,555</u>	<u>5,712,882</u>	<u>20,226,437</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>45,223,596</u>	<u>5,712,882</u>	<u>50,936,478</u>	<u>9,246,053</u>	<u>-</u>	<u>-</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Liabilities						
Accounts payable	\$ 3,495,935	\$ 160,401	\$ 3,656,336	\$ 17,012,356	\$ 1,607,986	\$ 67,203
Accrued liabilities	13,695,890	4,647,570	18,343,460	143,886	713,063	
Payroll and benefit deductions	10,843,338	724,823	11,568,161	8,191,293	265,964	406,509
Property taxes payable	113,663	-	113,663	-	-	
Due to third parties	15,750,120	-	15,750,120	-	158,250	-
Due to primary government	-	-	-	86,169	-	-
Due to other governmental units	216,992	-	216,992	865,037	-	-
Due to component units	8,887,034	-	8,887,034	-	-	-
Unearned revenues	8,756,208	1,307,690	10,063,898	7,756	1,380,228	192,892
Performance and security deposits	-	520,851	520,851	-	-	-
Other liabilities	1,884,767	1,636,371	3,521,138	-	-	-
Noncurrent liabilities:						
Due within one year	44,984,745	16,306,837	61,291,582	8,715,730	297,420	38,122
Due in more than one year	560,048,018	175,616,772	735,664,790	328,022,559	7,835,885	1,875,527
Total liabilities	<u>668,676,710</u>	<u>200,921,315</u>	<u>869,598,025</u>	<u>363,044,786</u>	<u>12,258,796</u>	<u>2,580,253</u>
Deferred Inflows of Resources						
Deferred inflow related to pensions	10,215,255	-	10,215,255	3,278,700	-	-
Total deferred inflows of resources	<u>10,215,255</u>	<u>-</u>	<u>10,215,255</u>	<u>3,278,700</u>	<u>-</u>	<u>-</u>
Net Position						
Net investment in capital assets	297,438,174	438,579,430	736,017,604	650,686,334	71,650,952	1,435,777
Restricted for:						
School and library construction	74,407,668	-	74,407,668	-	-	-
Additional or expanded road facilities	30,923,380	-	30,923,380	-	-	-
Parks acquisition	10,373,113	-	10,373,113	-	-	-
Capital Projects	-	8,854,679	8,854,679	-	-	-
Agricultural preservation	39,405,120	-	39,405,120	-	-	-
County code required set-aside	25,297,566	-	25,297,566	-	-	-
Other purposes	1,876,688	-	1,876,688	9,280	12,119,744	772,465
Unrestricted (Deficit)	<u>(223,989,874)</u>	<u>101,822,626</u>	<u>(122,167,248)</u>	<u>(295,963,443)</u>	<u>13,361,072</u>	<u>366,621</u>
Total net position	<u>\$ 255,731,835</u>	<u>\$ 549,256,735</u>	<u>\$ 804,988,570</u>	<u>\$ 354,732,171</u>	<u>\$ 97,131,768</u>	<u>\$ 2,574,863</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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Units		
					Primary Government						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries	
Primary government:											
Governmental activities:											
General government	\$ 57,212,165	\$ 23,323,815	\$ 1,488,255	\$ -	\$ (32,400,095)	\$ -	\$ (32,400,095)	\$ -	\$ -	\$ -	\$ -
Public safety	109,986,688	7,483,879	2,313,298	2,370,659	(97,818,852)	-	(97,818,852)	-	-	-	-
Public works	46,776,331	1,014,588	5,609,724	8,432,802	(31,719,217)	-	(31,719,217)	-	-	-	-
Health	7,155,032	257,160	714,394	-	(6,183,478)	-	(6,183,478)	-	-	-	-
Social services	8,193,173	1,840,224	1,087,928	-	(5,265,021)	-	(5,265,021)	-	-	-	-
Education	286,993,704	-	-	-	(286,993,704)	-	(286,993,704)	-	-	-	-
Parks, recreation and culture	19,898,672	1,401,608	91,366	299,642	(18,106,056)	-	(18,106,056)	-	-	-	-
Conservation of natural resources	5,461,861	271,956	976,508	3,730,852	(482,545)	-	(482,545)	-	-	-	-
Community development and public housing	7,857,125	-	6,269,671	-	(1,587,454)	-	(1,587,454)	-	-	-	-
Economic development and opportunity	8,130,895	-	2,770,849	-	(5,360,046)	-	(5,360,046)	-	-	-	-
Interest on long term debt	19,414,360	-	-	-	(19,414,360)	-	(19,414,360)	-	-	-	-
Total governmental activities	<u>577,080,006</u>	<u>35,593,230</u>	<u>21,321,993</u>	<u>14,833,955</u>	<u>(505,330,828)</u>	<u>-</u>	<u>(505,330,828)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:											
Water and sewer	39,275,344	31,400,630	-	21,740,182	-	13,865,468	13,865,468	-	-	-	-
Solid waste management	20,021,489	24,952,098	-	-	-	4,930,609	4,930,609	-	-	-	-
Public housing	165,457	126,095	-	-	-	(39,362)	(39,362)	-	-	-	-
Total business-type activities	<u>59,462,290</u>	<u>56,478,823</u>	<u>-</u>	<u>21,740,182</u>	<u>-</u>	<u>18,756,715</u>	<u>18,756,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 636,542,296</u>	<u>\$ 92,072,053</u>	<u>\$ 21,321,993</u>	<u>\$ 36,574,137</u>	<u>(505,330,828)</u>	<u>18,756,715</u>	<u>(486,574,113)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units:											
Board of Education	\$ 635,772,655	\$ 6,447,808	\$ 150,919,490	\$ 64,425,239	-	-	-	(413,980,118)	-	-	-
Community College	63,753,414	20,585,768	38,886,562	3,986,671	-	-	-	-	(294,413)	-	-
Public Libraries	13,151,983	415,559	12,361,446	-	-	-	-	-	-	(374,978)	-
Total Component Units	<u>\$ 712,678,052</u>	<u>\$ 27,449,135</u>	<u>\$ 202,167,498</u>	<u>\$ 68,411,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(413,980,118)</u>	<u>(294,413)</u>	<u>(374,978)</u>	<u>-</u>
General Revenues:											
Local property taxes					282,362,326	-	282,362,326	-	-	-	-
Local income taxes					201,920,167	-	201,920,167	-	-	-	-
Recordation taxes					30,746,161	-	30,746,161	-	-	-	-
Hotel rental tax					1,407,856	-	1,407,856	-	-	-	-
Agriculture transfer tax					782,397	-	782,397	-	-	-	-
Build America Bond Subsidy					1,277,965	336,301	1,614,266	-	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	386,744,468	-	-	-
Investment earnings					4,855,222	532,473	5,387,695	32,799	(277,051)	900	-
Miscellaneous					12,131,643	366	12,132,009	432,865	629,732	-	-
Transfers					4,000,000	(4,000,000)	-	-	-	-	-
Total general revenues and transfers					<u>539,483,737</u>	<u>(3,130,860)</u>	<u>536,352,877</u>	<u>387,210,132</u>	<u>352,681</u>	<u>900</u>	<u>-</u>
Change in net position					<u>34,152,909</u>	<u>15,625,855</u>	<u>49,778,764</u>	<u>(26,769,986)</u>	<u>58,268</u>	<u>(374,078)</u>	<u>-</u>
Net position - beginning of year					<u>221,578,926</u>	<u>533,630,880</u>	<u>755,209,806</u>	<u>381,502,157</u>	<u>97,073,500</u>	<u>2,948,941</u>	<u>-</u>
Total net position - end of year					<u>\$ 255,731,835</u>	<u>\$ 549,256,735</u>	<u>\$ 804,988,570</u>	<u>\$ 354,732,171</u>	<u>\$ 97,131,768</u>	<u>\$ 2,574,863</u>	<u>-</u>

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

FREDERICK COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 437,535	\$ -	\$ -	\$ 144,370	\$ 581,905
Equity in pooled invested cash	<u>35,568,179</u>	<u>5,917,870</u>	<u>90,588,311</u>	<u>3,829,405</u>	<u>135,903,765</u>
Total cash and cash equivalents	36,005,714	5,917,870	90,588,311	3,973,775	136,485,670
Investments	70,013,778	45,192,287	-	-	115,206,065
Receivables, net of allowance for uncollectibles:					
Property taxes	538,901	-	-	22	538,923
Accounts	4,107,599	7,962	712,351	617,575	5,445,487
Intergovernmental	40,436,352	-	2,322,952	6,188,473	48,947,777
Prepaid items	389,289	-	-	63,136	452,425
Due from other funds	2,834,972	-	-	-	2,834,972
Due from component units	1,242	-	-	-	1,242
Inventories	1,958,832	-	-	-	1,958,832
Long-term receivables, net of allowance for uncollectibles:					
Employee salary advances	34,175	-	-	-	34,175
Non-profit organization loans	78,381	-	-	2,436,400	2,514,781
Small business loans	-	-	-	27,841	27,841
Housing loans	-	-	-	6,467,295	6,467,295
Other long term receivables	-	-	-	300,000	300,000
Cash and cash equivalents - restricted	<u>4,738,073</u>	<u>-</u>	<u>63,329,282</u>	<u>-</u>	<u>68,067,355</u>
Total assets	<u><u>\$ 161,137,308</u></u>	<u><u>\$ 51,118,119</u></u>	<u><u>\$ 156,952,896</u></u>	<u><u>\$ 20,074,517</u></u>	<u><u>\$ 389,282,840</u></u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,524,047	\$ 5,100	\$ 1,402,061	\$ 234,789	\$ 3,165,997
Accrued liabilities	1,616,972	-	4,597,215	486,172	6,700,359
Payroll and benefit deductions	10,134,368	8,426	71,490	629,054	10,843,338
Property taxes payable	113,663	-	-	-	113,663
Due to other funds	-	-	-	2,834,972	2,834,972
Due to third parties	15,653,021	-	-	97,099	15,750,120
Due to other governmental units	141,275	42,963	-	32,754	216,992
Due to component units	8,765,315	-	-	-	8,765,315
Other liabilities	-	-	1,218,514	666,253	1,884,767
Unearned revenues	1,652,488	1,345,899	2,348,704	3,409,117	8,756,208
Total liabilities	<u><u>39,601,149</u></u>	<u><u>1,402,388</u></u>	<u><u>9,637,984</u></u>	<u><u>8,390,210</u></u>	<u><u>59,031,731</u></u>
Deferred Inflows of Resources					
Unavailable revenue	25,334,615	-	-	-	25,334,615
Total deferred inflows of resources	<u><u>25,334,615</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>25,334,615</u></u>
Fund balances:					
Nonspendable	2,460,677	199,067	-	6,795,136	9,454,880
Restricted	1,811,085	1,820,330	83,037,492	51,931	86,720,838
Committed	85,472,727	47,696,334	64,277,420	4,837,240	202,283,721
Assigned	6,157,055	-	-	-	6,157,055
Unassigned	300,000	-	-	-	300,000
Total fund balances	<u><u>96,201,544</u></u>	<u><u>49,715,731</u></u>	<u><u>147,314,912</u></u>	<u><u>11,684,307</u></u>	<u><u>304,916,494</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 161,137,308</u></u>	<u><u>\$ 51,118,119</u></u>	<u><u>\$ 156,952,896</u></u>	<u><u>\$ 20,074,517</u></u>	<u><u>\$ 389,282,840</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, 2016

Total fund balance - governmental funds (See Exhibit II-A-3)	\$ 304,916,494
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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	\$ 101,079,086
Buildings and Improvements	257,244,605
Equipment	132,542,196
Infrastructure	364,515,731
Construction in Progress	42,264,370
Less Accumulated Depreciation	<u>(408,624,919)</u>
	489,021,069

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

Deferred Outflows Related to Pensions	30,710,041
Deferred Charge on Refundings	<u>14,513,555</u>
	45,223,596

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	(464,894,392)
Unamortized Premium on Bonds Payable	(22,639,578)
Installment Purchase Agreements	(52,440,249)
Notes Payable	(59,918)
Capital Lease Obligations	(106,708)
Compensated Absences	(10,728,557)
Net Other Post Employment Benefit Obligations	(16,884,322)
Net Pension Liability	(37,064,886)
Termination Benefits	(214,153)
Accrued Bond Interest	(6,380,637)
Build America Bond Subsidy Receivable	531,053
Recognition of Deferred Inflows	<u>25,334,615</u>
	(585,547,732)

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

Deferred Inflows Related to Pensions	(10,215,255)
	(10,215,255)

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.

12,333,663

Net position of governmental activities (See Exhibit II-A-1)	\$ 255,731,835
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FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 282,347,355	\$ -	\$ -	\$ 15,445	\$ 282,362,800
Local income taxes	203,361,507	-	-	-	203,361,507
Other local taxes	22,612,426	3,857,021	6,661,714	1,407,856	34,539,017
Licenses and permits	4,781,330	-	-	-	4,781,330
Grants from federal government	1,052,588	-	5,263,623	17,261,146	23,577,357
Grants from state government	3,287,218	3,557,403	299,642	5,541,690	12,685,953
Charges for services	10,292,152	-	17,217,334	1,591,664	29,101,150
Fines and forfeitures	80,584	-	-	214,429	295,013
Interest from loans	-	-	-	4,721	4,721
Investment income	474,786	4,185,955	149,629	9,737	4,820,107
Build America bond subsidy	791,728	-	486,237	-	1,277,965
Miscellaneous	5,129,935	914,130	141,040	1,843,369	8,028,474
Total revenues	<u>534,211,609</u>	<u>12,514,509</u>	<u>30,219,219</u>	<u>27,890,057</u>	<u>604,835,394</u>
Expenditures					
Current:					
General government	40,389,589	-	-	2,210,632	42,600,221
Public safety	101,267,137	-	-	3,833,098	105,100,235
Public works	18,780,634	-	-	8,881,412	27,662,046
Health	5,575,628	-	-	1,288,462	6,864,090
Social services	5,027,346	-	-	2,074,107	7,101,453
Education	264,499,491	-	-	-	264,499,491
Parks, recreation and culture	16,418,611	-	-	-	16,418,611
Conservation of natural resources	766,295	9,021,609	-	1,179,968	10,967,872
Community development and public housing	358,396	-	-	7,499,819	7,858,215
Economic development and opportunity	2,245,296	-	-	5,844,449	8,089,745
Miscellaneous	6,393,719	-	-	-	6,393,719
Intergovernmental	5,057,136	-	-	-	5,057,136
Debt service	39,172,046	5,137,186	11,851,250	179,049	56,339,531
Capital projects	-	-	62,117,010	-	62,117,010
Total expenditures	<u>505,951,324</u>	<u>14,158,795</u>	<u>73,968,260</u>	<u>32,990,996</u>	<u>627,069,375</u>
Excess (deficiency) of revenues over expenditures	<u>28,260,285</u>	<u>(1,644,286)</u>	<u>(43,749,041)</u>	<u>(5,100,939)</u>	<u>(22,233,981)</u>
Other financing sources (uses)					
Transfers in from:					
General fund	-	237,166	12,539,709	5,203,241	17,980,116
Special revenue funds	74,216	-	-	-	74,216
Enterprise funds	4,000,000	-	-	-	4,000,000
Transfers out to:					
General fund	-	-	-	(74,216)	(74,216)
Capital projects fund	(12,539,709)	-	-	-	(12,539,709)
Special revenue funds	(5,440,407)	-	-	-	(5,440,407)
Internal service funds	(276,478)	-	-	-	(276,478)
Refunding bonds issued	34,820,000	-	-	-	34,820,000
Payment to refunded bond escrow agent	(34,523,171)	-	-	-	(34,523,171)
General obligation bonds issued	-	-	77,186,339	-	77,186,339
Premium on debt	1,329,309	-	10,179,013	-	11,508,322
Installment purchase agreement	-	2,738,445	-	-	2,738,445
Total other financing sources and (uses)	<u>(12,556,240)</u>	<u>2,975,611</u>	<u>99,905,061</u>	<u>5,129,025</u>	<u>95,453,457</u>
Net change in fund balances	<u>15,704,045</u>	<u>1,331,325</u>	<u>56,156,020</u>	<u>28,086</u>	<u>73,219,476</u>
Fund balances - beginning of year	<u>80,497,499</u>	<u>48,384,406</u>	<u>91,158,892</u>	<u>11,656,221</u>	<u>231,697,018</u>
Fund balances - end of year	<u><u>\$ 96,201,544</u></u>	<u><u>\$ 49,715,731</u></u>	<u><u>\$ 147,314,912</u></u>	<u><u>\$ 11,684,307</u></u>	<u><u>\$ 304,916,494</u></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, 2016

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 73,219,476

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	\$ 885,721	
Depreciation Expense	(23,297,613)	
Adjusted for Internal Service Fund Depreciation	<u>1,387,894</u>	(21,023,998)

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

Additions to Construction in Progress	34,527,988	
Asset Replacements, Retirements and Deletions	<u>(1,015,920)</u>	33,512,068

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	24,355,846	
Income Taxes - Recognized as Income in the Prior Year	(25,797,186)	
Other Revenues - Deferred in the Fund Statements	978,769	
Other Revenues - Recognized as Income in the Prior Year	<u>(1,273,266)</u>	(1,735,837)

(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, 2016

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	\$ (2,738,445)
Issuance of General Obligation Bonds	(77,186,339)
Issuance of Refunding Bonds	(34,820,000)
Bond Premium	(11,508,322)
Payment to Refunded Bond Escrow Agent	34,523,171
Write Off Deferred Loss on Refunding Bonds	(1,460,953)
Principal Payments on General Obligation Debt	35,725,090
Principal Payments on Notes Payable	10,009
Principal Payments on Capital Leases	182,334
Principal Payments on IPA's	2,630,349
Amortization of Bond Premiums	3,429,191
Amortization of Deferred Loss on Bonds	<u>(4,115,122)</u> \$ (55,329,037)

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	(1,471,518)
Net Other Post Employment Benefit Obligations	110,261
Due to Third Party	4,600,000
Accrued Interest - Prior Year	6,904,910
Accrued Interest - Current Year	(6,380,637)
Compensated Absences Accrual	(666,609)
Termination Benefits Accrual	<u>(33,475)</u> 3,062,932

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

2,447,305

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

\$ 34,152,909

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, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Non-GAAP)</u>	<u>Variance- Positive (Negative)</u>
Local property taxes				
Real property (inc. additions & abatements)	\$ 271,079,557	\$ 271,079,557	\$ 274,497,210	\$ 3,417,653
Public utilities	7,044,800	7,044,800	8,652,702	1,607,902
Payments in lieu of taxes	83,600	83,600	261,668	178,068
Total levy	<u>278,207,957</u>	<u>278,207,957</u>	<u>283,411,580</u>	<u>5,203,623</u>
Tax credit - state reimbursement	3,435,200	3,435,200	3,373,839	(61,361)
Homestead credit	(5,394,800)	(5,394,800)	(4,862,033)	532,767
Other tax credits and refunds	(530,400)	(530,400)	(485,414)	44,986
Interest - delinquent taxes	2,713,800	2,713,800	2,700,970	(12,830)
Discounts allowed on taxes	(1,737,200)	(1,737,200)	(1,791,587)	(54,387)
Total adjustments	<u>(1,513,400)</u>	<u>(1,513,400)</u>	<u>(1,064,225)</u>	<u>449,175</u>
Total local property taxes	<u>276,694,557</u>	<u>276,694,557</u>	<u>282,347,355</u>	<u>5,652,798</u>
Local income taxes				
	<u>192,924,600</u>	<u>192,924,600</u>	<u>203,361,507</u>	<u>10,436,907</u>
Other local taxes				
Recordation	16,671,300	16,671,300	21,009,823	4,338,523
911 fees - local	1,494,300	1,494,300	1,602,398	108,098
Security interest filing fees	300	300	205	(95)
Total other local taxes	<u>18,165,900</u>	<u>18,165,900</u>	<u>22,612,426</u>	<u>4,446,526</u>
Licenses and permits				
Alcoholic beverage licenses	285,800	285,800	405,523	119,723
Traders' licenses	195,600	195,600	211,945	16,345
Building permits	1,070,000	1,070,000	1,069,762	(238)
Electrical permits	505,200	505,200	859,445	354,245
Miscellaneous licenses and permits	1,380,000	1,405,000	2,234,655	829,655
Total licenses and permits	<u>3,436,600</u>	<u>3,461,600</u>	<u>4,781,330</u>	<u>1,319,730</u>
Grants from federal government				
	<u>293,000</u>	<u>336,429</u>	<u>1,052,588</u>	<u>716,159</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, 2016

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Grants from state government				
Police protection	\$ 1,048,600	\$ 1,048,600	\$ 1,010,067	\$ (38,533)
Aid for fire, rescue and ambulance services	360,000	494,797	494,797	-
Highway user revenues	1,479,769	1,479,769	1,656,309	176,540
County inmate housing	190,000	190,000	126,045	(63,955)
Total grants from state government	<u>3,078,369</u>	<u>3,213,166</u>	<u>3,287,218</u>	<u>74,052</u>
Charges for services				
Planning and zoning fees	847,300	859,970	742,786	(117,184)
Court costs, fees and charges	2,700	2,700	2,296	(404)
Scott Key Center	1,459,425	1,459,425	1,832,804	373,379
Other general government	245,660	256,403	398,426	142,023
Public safety	4,748,447	4,748,447	5,194,935	446,488
Public improvement inspections	10,000	10,000	345,619	335,619
Frederick County Developmental Center	10,000	10,000	7,160	(2,840)
Weed control	200,761	200,761	271,956	71,195
Municipal recoveries	87,000	87,000	87,142	142
Citizens services	-	7,420	7,420	-
Recreation	<u>1,177,400</u>	<u>1,177,400</u>	<u>1,401,608</u>	<u>224,208</u>
Total charges for services	<u>8,788,693</u>	<u>8,819,526</u>	<u>10,292,152</u>	<u>1,472,626</u>
Fines and forfeitures				
Court	36,400	36,400	46,679	10,279
Alcoholic beverages	15,000	15,000	30,000	15,000
Other fines and forfeitures	1,000	1,000	3,905	2,905
Total fines and forfeitures	<u>52,400</u>	<u>52,400</u>	<u>80,584</u>	<u>28,184</u>
Investment income	<u>300,000</u>	<u>300,011</u>	<u>474,786</u>	<u>174,775</u>
Build America Bond Subsidy	<u>789,599</u>	<u>789,599</u>	<u>791,728</u>	<u>2,129</u>
Miscellaneous revenues				
Rents and concessions	2,866,922	2,866,922	2,954,287	87,365
Contributions and donations	39,500	60,243	348,704	288,461
Sale of property	2,200,000	1,850,000	1,090,665	(759,335)
Other miscellaneous revenues	889,300	889,300	736,279	(153,021)
Total miscellaneous revenues	<u>5,995,722</u>	<u>5,666,465</u>	<u>5,129,935</u>	<u>(536,530)</u>
Total revenues	<u>510,519,440</u>	<u>510,424,253</u>	<u>534,211,609</u>	<u>23,787,356</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, 2016

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
General government				
Legislative and executive				
County Executive	\$ 1,528,352	\$ 1,528,352	\$ 1,472,505	\$ 55,847
County Council	707,007	707,007	560,813	146,194
Boards and commissions	15,189	15,189	4,563	10,626
Total legislative and executive	<u>2,250,548</u>	<u>2,250,548</u>	<u>2,037,881</u>	<u>212,667</u>
Judicial				
Circuit court	1,403,616	1,403,616	1,309,836	93,780
Orphans court	39,714	39,714	35,290	4,424
State's attorney	5,969,221	5,969,221	5,872,584	96,637
Grand jury	97,395	97,395	76,799	20,596
Total judicial	<u>7,509,946</u>	<u>7,509,946</u>	<u>7,294,509</u>	<u>215,437</u>
Elections				
Board of supervisors of elections	<u>1,705,376</u>	<u>1,705,376</u>	<u>1,412,948</u>	<u>292,428</u>
Financial administration				
Accounting	2,425,708	2,425,708	2,307,357	118,351
Independent auditing	58,910	58,910	49,325	9,585
Budgeting	486,664	486,664	440,004	46,660
Procurement & contracting	1,068,326	1,068,326	1,037,800	30,526
Risk management	343,440	343,440	324,240	19,200
Treasury	1,180,891	1,180,891	1,145,580	35,311
Total financial administration	<u>5,563,939</u>	<u>5,563,939</u>	<u>5,304,306</u>	<u>259,633</u>
Legal				
County attorney	<u>1,368,476</u>	<u>1,368,476</u>	<u>1,377,096</u>	<u>(8,620)</u>
Personnel administration				
Personnel	<u>1,193,415</u>	<u>1,193,415</u>	<u>1,162,730</u>	<u>30,685</u>
Planning & Zoning				
Permits & inspection	3,170,850	3,181,593	2,780,814	400,779
Planning & development review	2,563,311	2,563,413	2,443,819	119,594
Environmental sustainability	159,987	159,987	156,911	3,076
Total planning and zoning	<u>5,894,148</u>	<u>5,904,993</u>	<u>5,381,544</u>	<u>523,449</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, 2016

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Management services				
General services	\$ 2,053,101	\$ 2,053,101	\$ 1,793,270	\$ 259,831
Maintenance	8,708,372	8,612,781	8,021,558	591,223
Total management services	<u>10,761,473</u>	<u>10,665,882</u>	<u>9,814,828</u>	<u>851,054</u>
Other general government				
Interagency information technologies	8,474,345	8,474,345	8,148,721	325,624
Internal audit	303,098	303,098	321,953	(18,855)
Board of liquor license commissioners	398,289	451,091	446,050	5,041
Total other general government	<u>9,175,732</u>	<u>9,228,534</u>	<u>8,916,724</u>	<u>311,810</u>
Total general government	<u>45,423,053</u>	<u>45,391,109</u>	<u>42,702,566</u>	<u>2,688,543</u>
Public safety				
Sheriff	26,017,195	26,051,411	25,044,537	1,006,874
Detention center	13,745,368	13,545,368	13,131,567	413,801
Work release center	3,873,792	3,873,792	3,797,101	76,691
Ambulance billing	694,709	694,709	637,222	57,487
Emergency services sections	39,335,056	39,289,495	39,875,541	(586,046)
Emergency communications	6,306,270	6,306,270	6,453,066	(146,796)
Fire and rescue companies	6,460,639	6,469,995	6,113,378	356,617
Administrative services section	1,238,666	1,238,666	842,093	396,573
Fire and rescue services	1,475,571	1,517,571	1,462,637	54,934
Emergency preparedness	397,917	397,917	413,227	(15,310)
Fire inspection	538,008	538,008	513,525	24,483
Fire/rescue state grant allocation	360,000	494,797	445,317	49,480
Director of Division of Fire Rescue Services	743,812	684,492	664,640	19,852
Emergency management	283,889	283,889	309,778	(25,889)
Animal control	1,896,310	1,896,310	1,857,776	38,534
Total public safety	<u>103,367,202</u>	<u>103,282,690</u>	<u>101,561,405</u>	<u>1,721,285</u>
Public works				
Highways	13,902,791	15,528,443	15,300,344	228,099
Public works administration	291,530	291,530	287,789	3,741
Construction management	1,639,520	1,735,111	1,336,567	398,544
Watershed management section	1,354,109	1,331,249	1,097,907	233,342
Transportation engineering	2,418,708	1,891,056	1,636,132	254,924
Total public works	<u>19,606,658</u>	<u>20,777,389</u>	<u>19,658,739</u>	<u>1,118,650</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, 2016

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Health				
County administrator	\$ 128,029	\$ 128,029	\$ 129,089	\$ (1,060)
Core services	2,027,497	2,027,497	1,990,140	37,357
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	421,533	421,533	421,332	201
Frederick County Developmental Center	3,126,608	3,126,608	2,902,495	224,113
Total health	<u>5,836,239</u>	<u>5,836,239</u>	<u>5,575,628</u>	<u>260,611</u>
Social services				
Contribution to department of social services	474,309	474,309	514,810	(40,501)
Scott Key Center	3,235,250	3,235,250	3,068,131	167,119
Department of aging	608,768	807,292	722,892	84,400
Office of children and families	97,180	97,180	96,728	452
Medical transportation services	70,533	70,533	76,142	(5,609)
Family partnership	290,912	290,912	287,479	3,433
Child advocacy center	272,740	280,562	274,689	5,873
Deinstitutionalization day care	11,514	11,514	11,514	-
Total social services	<u>5,061,206</u>	<u>5,267,552</u>	<u>5,052,385</u>	<u>215,167</u>
Education				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	250,120,403	250,120,403	249,371,573	748,830
Frederick Community College	<u>15,160,897</u>	<u>15,160,897</u>	<u>15,127,919</u>	<u>32,978</u>
Total education	<u>265,283,300</u>	<u>265,283,300</u>	<u>264,499,492</u>	<u>783,808</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, 2016

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Parks, recreation and culture				
Frederick County Public Libraries	\$ 10,197,281	\$ 10,197,281	\$ 10,063,827	\$ 133,454
Parks	6,476,099	6,563,899	6,354,784	209,115
Total parks, recreation and culture	<u>16,673,380</u>	<u>16,761,180</u>	<u>16,418,611</u>	<u>342,569</u>
Conservation of natural resources				
Extension service	368,900	368,900	364,801	4,099
Weed control	200,761	200,761	267,718	(66,957)
Soil conservation	109,335	109,335	118,446	(9,111)
Gypsy moth control	40,000	40,000	15,330	24,670
Total conservation of natural resources	<u>718,996</u>	<u>718,996</u>	<u>766,295</u>	<u>(47,299)</u>
Community development and public housing				
Housing administration	384,094	384,094	358,396	25,698
Total community development and public housing	<u>384,094</u>	<u>384,094</u>	<u>358,396</u>	<u>25,698</u>

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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, 2016

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Economic development and opportunity				
Office of economic development	\$ 893,435	\$ 893,435	\$ 914,308	\$ (20,873)
Citizens services administration	390,688	390,688	377,099	13,589
Workforce services	593,043	593,043	526,558	66,485
Frederick Innovative Technology Center, Inc.	25,000	25,000	25,000	-
Human relations	139,106	139,106	139,106	-
Commission for women	-	9,196	8,867	329
Community partnership grants	250,000	250,000	250,000	-
Total economic development and opportunity	<u>2,291,272</u>	<u>2,300,468</u>	<u>2,240,938</u>	<u>59,530</u>
Non-departmental				
Property and liability insurance	1,569,289	1,569,289	1,215,275	354,014
Employee benefits	947,016	947,016	280,166	666,850
Other various contingencies	5,618,940	2,154,724	1,348,383	806,341
Indirect cost recovery	(2,190,484)	(2,197,577)	(2,270,899)	73,322
Other miscellaneous	1,865,962	3,315,962	3,726,132	(410,170)
Total non-departmental	<u>7,810,723</u>	<u>5,789,414</u>	<u>4,299,057</u>	<u>1,490,357</u>
Intergovernmental				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
State Department of Assessments and Taxation	794,121	794,121	835,161	(41,040)
Tax rebate to municipalities	<u>4,172,701</u>	<u>4,172,701</u>	<u>4,172,702</u>	<u>(1)</u>
Total intergovernmental	<u>5,016,822</u>	<u>5,016,822</u>	<u>5,057,136</u>	<u>(40,314)</u>
Debt service				
Principal - general obligation debt	28,900,727	28,900,727	27,243,143	1,657,584
Principal - state loans	10,009	10,009	10,009	-
Principal - leases	182,334	182,334	182,332	2
Interest - general obligation debt	11,296,846	11,296,846	11,729,255	(432,409)
Interest - state loans	3,927	3,927	3,927	-
Interest - leases	3,380	3,380	3,380	-
Total debt service	<u>40,397,223</u>	<u>40,397,223</u>	<u>39,172,046</u>	<u>1,225,177</u>
Total expenditures	<u>517,870,168</u>	<u>517,206,476</u>	<u>507,362,694</u>	<u>9,843,782</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, 2016

	Original Budget	Amended Budget	Actual (Non-GAAP)	Variance- Positive (Negative)
Other financing sources (uses)				
Transfers in from:				
DTF Expendible Trust	\$ -	\$ 74,216	\$ 74,216	\$ -
Solid Waste	4,000,000	4,000,000	4,000,000	-
Transfers out to:				
Grants special revenue fund	(6,023,014)	(5,903,215)	(5,203,241)	699,974
Agriculture preservation special revenue fund	(201,738)	(237,166)	(237,166)	-
Capital projects fund	(11,739,708)	(12,539,708)	(12,539,709)	(1)
Fleet services	-	(276,478)	(276,478)	-
Family farm impact	-	(28,416)	-	28,416
Proceeds from refunding bonds	-	-	34,820,000	34,820,000
Premium on bonds	-	-	1,329,309	1,329,309
Payment to refunded bond escrow agent	-	-	(34,523,171)	(34,523,171)
Total other financing sources (uses)	<u>(13,964,460)</u>	<u>(14,910,767)</u>	<u>(12,556,240)</u>	<u>2,354,527</u>
Budgeted use of fund balance	\$ <u>(21,315,188)</u>	\$ <u>(21,692,990)</u>	14,292,675	\$ <u>35,985,665</u>
Net change in reserves and adjustments to GAAP basis			1,411,370	
Fund balance - beginning of year			80,497,499	
Fund balance - end of year			<u>\$ 96,201,544</u>	

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
AGRICULTURAL PRESERVATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actuals</u>	Variance - Positive (Negative)
Revenues				
Other local taxes	\$ 2,939,700	\$ 3,273,034	\$ 3,857,021	\$ 583,987
Grants from state government	1,000,000	5,081,000	3,557,403	(1,523,597)
Investment income	1,270,927	1,270,927	4,185,955	2,915,028
Miscellaneous	1,929,479	1,929,479	914,130	(1,015,349)
Total revenues	<u>7,140,106</u>	<u>11,554,440</u>	<u>12,514,509</u>	<u>960,069</u>
Expenditures				
Conservation of natural resources	5,198,264	12,013,302	9,021,609	2,991,693
Debt service	5,307,276	5,307,276	5,137,186	170,090
Total expenditures	<u>10,505,540</u>	<u>17,320,578</u>	<u>14,158,795</u>	<u>3,161,783</u>
Excess (deficiency) of revenues over expenditures	<u>(3,365,434)</u>	<u>(5,766,138)</u>	<u>(1,644,286)</u>	<u>4,121,852</u>
Other financing sources (uses)				
Appropriated fund balance	(466,653)	(111,377)	-	111,377
Transfer from General Fund	201,738	237,166	237,166	-
Installment purchase agreement	3,630,349	5,640,349	2,738,445	(2,901,904)
Total other financing sources (uses)	<u>3,365,434</u>	<u>5,766,138</u>	<u>2,975,611</u>	<u>(2,790,527)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,331,325</u>	<u>\$ 1,331,325</u>
Net change in reserves and adjustment to GAAP basis				-
Fund balance - beginning			48,384,406	
Fund balance - ending			<u>\$ 49,715,731</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, 2016

	Business-type Activities-Enterprise Funds				
	Major Enterprise Funds		Nonmajor Enterprise Funds		Governmental Activities-Internal Service Funds
	Water and Sewer	Solid Waste Management	Bell Court Apartments	Total Enterprise Funds	
Assets					
Current assets:					
Cash	\$ 400	\$ 2,600	\$ -	\$ 3,000	\$ -
Equity in pooled invested cash	63,075,088	34,973,829	29,102	98,078,019	13,926,903
Restricted cash and cash equivalents	8,819,087	-	541,083	9,360,170	-
Total cash and cash equivalents	71,894,575	34,976,429	570,185	107,441,189	13,926,903
Short-term investments	9,001,950	300	-	9,002,250	-
Receivables, net of allowance for uncollectibles accounts	8,292,751	1,881,192	723	10,174,666	214,920
Due from component units	26,644	-	-	26,644	19
Inventories	185,178	-	-	185,178	398,942
Prepaid items	-	-	-	-	179,442
Total current assets	<u>89,401,098</u>	<u>36,857,921</u>	<u>570,908</u>	<u>126,829,927</u>	<u>14,720,226</u>
Noncurrent assets:					
Notes receivable	3,474,033	-	-	3,474,033	-
Long-term investments	5,000,000	9,000,000	-	14,000,000	-
Capital assets:					
Land	5,558,373	2,837,164	132,200	8,527,737	-
Buildings and improvements	251,584,277	50,941,571	1,877,880	304,403,728	1,833,133
Equipment	45,408,834	9,305,382	175,000	54,889,216	29,137,536
Other improvements	377,277,478	3,135,360	-	380,412,838	-
Accumulated depreciation	(138,058,659)	(38,618,822)	(1,214,902)	(177,892,383)	(23,440,748)
Construction in progress	28,416,052	62,146	-	28,478,198	-
Total noncurrent assets	<u>578,660,388</u>	<u>36,662,801</u>	<u>970,178</u>	<u>616,293,367</u>	<u>7,529,921</u>
Total assets	<u>668,061,486</u>	<u>73,520,722</u>	<u>1,541,086</u>	<u>743,123,294</u>	<u>22,250,147</u>
Deferred Outflows of Resources					
Deferred charge on refunding	4,807,385	905,497	-	5,712,882	-
Total deferred outflows of resources	<u>4,807,385</u>	<u>905,497</u>	<u>-</u>	<u>5,712,882</u>	<u>-</u>
Liabilities					
Current liabilities:					
Accounts payable	138,089	18,885	3,427	160,401	329,938
Payroll and benefit deductions	566,363	157,964	496	724,823	148,902
Accrued expenses	3,438,646	1,201,698	7,226	4,647,570	465,992
Unearned revenues	1,129,210	178,480	-	1,307,690	-
Security deposits	505,492	2,620	12,739	520,851	-
Other liabilities	1,616,113	20,258	-	1,636,371	-
Current portion landfill closure and postclosure liability	-	212,886	-	212,886	-
Current portion general obligation bonds and notes	13,682,769	2,356,732	-	16,039,501	-
Current portion of compensated absences	46,536	7,914	-	54,450	5,100
Total current liabilities	<u>21,123,218</u>	<u>4,157,437</u>	<u>23,888</u>	<u>25,304,543</u>	<u>949,932</u>
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	14,251,500	-	14,251,500	-
Long term portion general obligation bonds and notes	144,806,827	15,702,221	-	160,509,048	-
Liability for compensated absences	655,125	176,372	-	831,497	167,112
Accrued termination benefits	19,516	5,211	-	24,727	-
Total noncurrent liabilities	<u>145,481,468</u>	<u>30,135,304</u>	<u>-</u>	<u>175,616,772</u>	<u>167,112</u>
Total liabilities	<u>166,604,686</u>	<u>34,292,741</u>	<u>23,888</u>	<u>200,921,315</u>	<u>1,117,044</u>
Net Position					
Net investment in capital assets	424,817,440	12,791,812	970,178	438,579,430	7,529,921
Restricted for:					
Capital projects	8,313,596	-	541,083	8,854,679	-
Unrestricted	73,133,149	27,341,666	5,937	100,480,752	13,603,182
Total net position	<u>\$ 506,264,185</u>	<u>\$ 40,133,478</u>	<u>\$ 1,517,198</u>	<u>\$ 547,914,861</u>	<u>\$ 21,133,103</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds. 1,341,874

Net position of business-type activities \$ 549,256,735

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, 2016

	Business-type Activities Enterprise Funds				
				Nonmajor Enterprise Funds	Governmental Activities- Internal Service Funds
	Major Enterprise Funds		Water and Sewer	Solid Waste Management	
Operating revenues					
Service charges	\$ 29,939,536	\$ 24,893,012	\$ -	\$ 54,832,548	\$ 16,624,523
Rental charges	-	-	126,095	126,095	-
Total net charges for services	29,939,536	24,893,012	126,095	54,958,643	16,624,523
Delinquent fees collected	79,464	58,986	-	138,450	-
Other revenues	1,381,630	100	-	1,381,730	-
Total operating revenues	31,400,630	24,952,098	126,095	56,478,823	16,624,523
Operating expenses					
Personnel services	9,211,580	2,217,844	33,437	11,462,861	2,882,557
Operating expenses (including administrative overhead)	8,350,154	15,881,340	57,324	24,288,818	1,340,040
Prefunded loss & estimated claims	-	-	-	-	2,022,353
Insurance	334,541	44,413	2,766	381,720	1,107,538
Supplies	2,060,483	31,597	189	2,092,269	4,454,943
Repairs and maintenance	3,023,257	270,309	395	3,293,961	1,334,110
Depreciation expense	11,780,067	1,010,877	71,346	12,862,290	1,387,894
Total operating expenses	34,760,082	19,456,380	165,457	54,381,919	14,529,435
Operating income (loss)	(3,359,452)	5,495,718	(39,362)	2,096,904	2,095,088
Nonoperating revenues (expenses)					
Investment earnings	390,185	140,746	1,542	532,473	38,330
Miscellaneous income (expense)	-	366	-	366	95
Build America Bonds Subsidy	327,717	8,584	-	336,301	-
Insurance recovery	-	-	-	-	114,442
Interest expense	(4,394,013)	(610,451)	-	(5,004,464)	-
Gain (loss) on disposition of capital assets	(228,800)	-	-	(228,800)	133,662
Total nonoperating revenues (expenses)	(3,904,911)	(460,755)	1,542	(4,364,124)	286,529
Net income (loss) before contributions and transfers	(7,264,363)	5,034,963	(37,820)	(2,267,220)	2,381,617
Capital contributions	21,740,182	-	-	21,740,182	-
Transfers (out)	-	(4,000,000)	-	(4,000,000)	276,478
Total contributions and transfers	21,740,182	(4,000,000)	-	17,740,182	276,478
Change in net position	14,475,819	1,034,963	(37,820)	15,472,962	2,658,095
Net position - beginning of year	491,788,366	39,098,515	1,555,018		18,475,008
Net position - end of year	\$ 506,264,185	\$ 40,133,478	\$ 1,517,198		\$ 21,133,103
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				152,893	
Change in net position of business-type activities (Exhibit II-A-2)				\$ 15,625,855	

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, 2016

	Business-type Activities - Enterprise Funds				
	Nonmajor Enterprise Funds			Governmental Activities- Internal Service Funds	
	Major Enterprise Funds				
	Water and Sewer	Solid Waste Management	Bell Court Apartments	Total Enterprise Funds	
Cash flows from operating activities					
Cash received from residents and customers	\$ 30,364,869	\$ 24,906,286	\$ 126,487	\$ 55,397,642	\$ 16,597,353
Cash paid to suppliers	(14,515,592)	(16,205,074)	(58,927)	(30,779,593)	(10,020,513)
Cash paid to employees	(9,053,307)	(2,170,851)	(33,157)	(11,257,315)	(2,832,852)
Net cash provided (used) by operating activities	6,795,970	6,530,361	34,403	13,360,734	3,743,988
Cash flows from noncapital financing activities					
Transfers out	-	(4,000,000)	-	(4,000,000)	276,478
Net cash provided (used) by noncapital financing activities	-	(4,000,000)	-	(4,000,000)	276,478
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(9,962,310)	(701,378)	-	(10,663,688)	(3,145,241)
Recoveries for damages	-	-	-	-	114,442
Proceeds from sale of capital assets	-	-	-	-	173,812
Proceeds from debt issues	8,506,457	-	-	8,506,457	-
Payment of bond and note principal	(12,603,933)	(2,836,074)	-	(15,440,007)	-
Interest paid on bonds	(4,290,137)	(610,137)	-	(4,900,274)	-
Contributed capital	21,740,182	-	-	21,740,182	-
Net cash provided (used) by capital & related financing activities	3,390,259	(4,147,589)	-	(757,330)	(2,856,987)
Cash flows from investing activities					
Purchase of investments	(9,500,000)	(4,500,000)	-	(14,000,000)	-
Proceeds from the sale of investments	2,500,000	5,500,000	-	8,000,000	-
Interest received on investments	372,075	132,142	1,382	505,599	38,331
Net cash provided (used) by investing activities	(6,627,925)	1,132,142	1,382	(5,494,401)	38,331
Net increase (decrease) in cash and cash equivalents	3,558,304	(485,086)	35,785	3,109,003	1,201,810
Cash and cash equivalents - beginning of year	68,336,271	35,461,515	534,400	104,332,186	12,725,093
Cash and cash equivalents - end of year	<u>\$ 71,894,575</u>	<u>\$ 34,976,429</u>	<u>\$ 570,185</u>	<u>\$ 107,441,189</u>	<u>\$ 13,926,903</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities-Internal Service Funds	
	Major Enterprise Funds		Nonmajor Enterprise Funds				
	Water and Sewer	Solid Waste Management	Bell Court Apartments	Total Enterprise Funds			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (3,359,452)	\$ 5,495,718	\$ (39,362)	\$ 2,096,904	\$ 2,095,088		
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	11,780,067	1,010,877	71,346	12,862,290	1,387,894		
Landfill closing costs	-	(242,132)	-	(242,132)	-		
Accrued termination benefits	2,473	1,648	-	4,121	-		
Miscellaneous non-operating income (expense)	-	12,491	-	12,491	95		
Change in assets and liabilities:							
(Increase) decrease:							
Accounts receivable	(916,832)	58,790	-	(858,042)	(27,264)		
Inventory	(46,123)	-	-	(46,123)	29,264		
Prepaid items	-	-	-	-	62,193		
Increase (decrease):							
Accounts payable	(10,066)	11,303	2,372	3,609	(28,977)		
Accrued expenses	(584,973)	(100,918)	47	(685,844)	202,828		
Deferred revenues	(130,829)	(112,085)	-	(242,914)	-		
Liability for compensated leave	48,095	17,530	-	65,625	22,867		
Closure liability	-	374,353	-	374,353	-		
Other liabilities	13,610	2,786	-	16,396	-		
Net cash provided (used) by operating activities	\$ 6,795,970	\$ 6,530,361	\$ 34,403	\$ 13,360,734	\$ 3,743,988		

Non-cash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$3,599. Included in interest income in the Solid Waste Fund is an unrealized loss of \$3,329. Included in interest expense in the Water and Sewer Fund is amortization of premium of \$873,757. Included in interest expense in the Solid Waste Fund is amortization of premium of \$161,178.

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

Exhibit II-A-12

FREDERICK COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Pension Trust	Other Post Employment Benefits Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 692,610	\$ -	\$ 1,042,011
Equity in pooled invested cash	166,525	4,125,592	6,273,490
Investments:			
Money markets	6,487,502	308,142	-
Fixed income securities	55,776,431	-	-
Equity securities	434,688,590	113,128,920	-
Accounts receivable	-	84	-
Interest receivable	727,502	1	-
Prepaid items	-	69,639	-
Total assets	<u>498,539,160</u>	<u>117,632,378</u>	<u>7,315,501</u>
LIABILITIES			
Accounts payable	407,757	6,038	-
Accrued payroll	5,139	-	-
Due to third parties	-	-	2,566,210
Bond forfeitures	-	-	213,428
Performance deposits	-	-	4,535,863
Retirement benefit deductions	206,158	-	-
Total liabilities	<u>619,054</u>	<u>6,038</u>	<u>7,315,501</u>
NET POSITION			
Net position held in trust for pension benefits and other purposes	<u>\$ 497,920,106</u>	<u>\$ 117,626,340</u>	<u>\$ -</u>

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

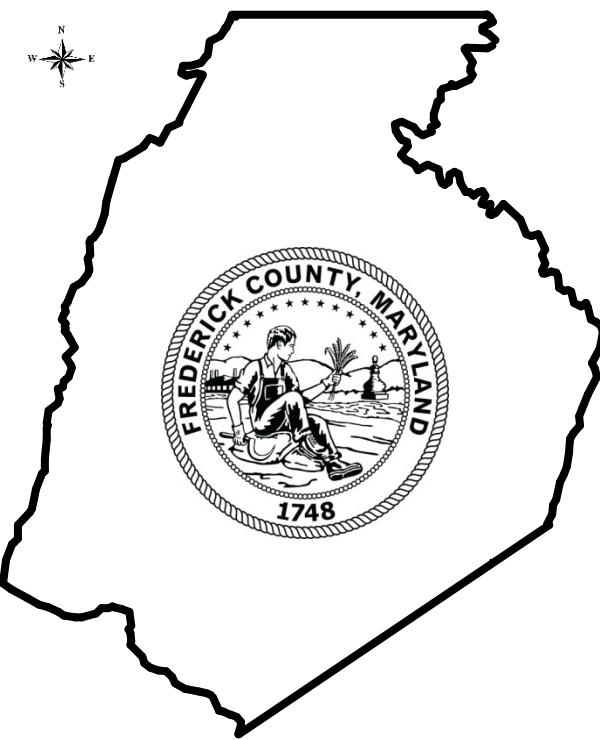
FREDERICK COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Pension Trust	Other Post Employment Benefits Trust
Additions		
Contributions		
Employer contributions	\$ 18,910,324	\$ 10,955,264
Member contributions	7,198,525	1,519,734
Member contributions for current benefits	-	-
Other	-	288,476
Total contributions	<u>26,108,849</u>	<u>12,763,474</u>
Investment income		
Net (depreciation) appreciation in fair value of plan investments	(8,916,572)	983,567
Interest and dividends	13,559,220	1,627,388
Investment expense	(1,389,479)	-
Net investment income	<u>3,253,169</u>	<u>2,610,955</u>
Total additions	<u>29,362,018</u>	<u>15,374,429</u>
Deductions		
Benefits and refunds	18,051,930	7,447,473
Administrative expenses	704,602	72,439
Total deductions	<u>18,756,532</u>	<u>7,519,912</u>
Change in net position	10,605,486	7,854,517
Net position - beginning of year	<u>487,314,620</u>	<u>109,771,823</u>
Net position - end of year	<u>\$ 497,920,106</u>	<u>\$ 117,626,340</u>

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

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NOTES TO FINANCIAL SECTION



NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
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FREDERICK COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 a single amount to fund its operations. The County can reject FCC's request and appropriate a lesser amount, but it does not have

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 4G. 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 and Agricultural Preservation 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 and Agricultural Preservation 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 pension trust fund 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 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 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.
- The Agricultural Preservation 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.
- The Capital Projects 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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.
- 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.
- 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.

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.

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, 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 and Other Post-Employment Benefits Trust Funds 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 and Other Post-Employment Benefits Trust Funds are recorded at fair value.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2016, was \$27,227,612,948. 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 \$0.9340 and \$0.9302, respectively. In addition, taxes were levied in three lighting tax districts. The County collected 99.86 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 \$376,282 and is included in total property taxes receivable of \$538,923 on the Statement of Net Position. This compares to the current portion of the prior year levy of \$195,752 included in the total property taxes of \$370,350 as of June 30, 2015.

3. Inventories and Prepays

Inventories - 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.

Prepays - Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepays 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 fair market 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 \$5,000 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
Improvements	10 - 30 years
Furniture, Machinery and Equipment	5 - 30 years
Vehicles	5 - 15 years
Water and Sewer Lines	25 - 75 years
Roads	30 years
Misc. Infrastructure	10 - 20 years
Computer Software	50 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 policies for BOE and FCPL are the same as the County. 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
Library Collection	n/a	10	5
Furniture and equipment	4 - 15	5 - 10	5 - 20

5. Deferred Outflows/Inflows

In addition to assets, the statement of net position includes two separate sections for deferred outflows/inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. Frederick County has two 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

NOTES TO FINANCIAL STATEMENTS
(Continued)

deferred and amortized over the shorter of the life of the refunded or refunding debt; and 2) changes in total pension liability arising 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 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 balance sheet of the general fund includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow 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 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

NOTES TO FINANCIAL STATEMENTS

(Continued)

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.6.

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.

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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The budget document is a comprehensive financial plan showing all anticipated revenues, expenditures for the operating budget, the capital budget and the Capital Improvements Program, and any surplus or deficit in the general or special funds of the government. The Capital Improvements 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 operating 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 draft 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, notice and publication as required for a newly enacted Bill.
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 25. If the Council fails to adopt the Budget by May 25, then the proposed Budget submitted by the County Executive will become law.
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. However, the legal level of appropriations is the department level. Budgetary schedules in this document may display greater detail than the legal level of budget adoption.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, Special Revenue (except the Sheriff's Drug Enforcement, Sheriff's Office Fund, Narcotics Investigative Section, Inmates' Canteen, Fire/Rescue Loan, and Non-Profit Organizations Loan) Capital Projects, Enterprise, and Internal Service Funds. No budgets are in place for the Special Revenue Funds individually noted. Other Post Employment Benefit Trust and Pension Trust Funds' budgets are for management control only and are not adopted by the County Council.
13. During the operating 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)

B. Reconciliation of Budgetary Basis to GAAP Basis

The General Fund and the Agricultural Preservation fund have legally adopted annual budgets. Exhibit II-A-7 and Exhibit II-A-8, the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual," are prepared on a basis consistent with these budgets. The budgets are 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	\$ 534,211,609	\$ 507,362,694	\$ (12,556,240)	\$ 14,292,675
Basis Adjustments:				
Encumbrance adjustment	-	(996,480)	-	996,480
Inventory adjustment	-	(414,890)	-	414,890
Net affect of basis adjustments	<u>-</u>	<u>(1,411,370)</u>	<u>-</u>	<u>1,411,370</u>
GAAP Basis	<u><u>\$ 534,211,609</u></u>	<u><u>\$ 505,951,324</u></u>	<u><u>\$ (12,556,240)</u></u>	<u><u>\$ 15,704,045</u></u>

The following departments over expended their FY2016 budget:

	Amended Budget	Actual	Variance
County Attorney	\$ 1,368,476	\$ 1,377,096	\$ (8,620)
Internal Audit	303,098	321,953	(18,855)
Emergency Management	6,988,076	7,176,070	(187,994)
Medical Transportation Services	70,533	76,142	(5,609)
Soil Conservation	109,335	118,446	(9,111)
Department of Social Services	474,309	514,810	(40,501)
Office of Economic Development	893,435	914,308	(20,873)

The negative budget variance for County Attorney is from the replacement of legal administrative staff hired after the FY16 budget was adopted. Internal Audit's negative variance was due to the component unit in-kind recovery not materializing. Emergency Management's negative variance was due to ensuring 24/7 staffing during holidays, scheduled leave and weather related events. Medical Transportation Service's negative variance was due to vehicle related issues that resulted in a reduction in services which impacted the amount of reimbursement to the County from the State of Maryland. Soil Conservation's negative variance was a result of the department not being fully staffed and therefore recoveries did not fully materialize. Department of Social Service's negative variance was a result of the estimated State reimbursement not materializing as budgeted. Office of Economic Development's negative variance was due to the hiring of staff after the FY16 budget had been 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 \$9,372,104 and the bank balance was \$10,791,190. 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)	\$ 338,719
Held by the government's agent, in the government's name	<u>10,452,471</u>
Total Bank Balance	<u><u>\$ 10,791,190</u></u>

The County's cash and investments as of June 30, 2016, totaled \$464,129,432 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	\$ 584,905
Equity in Pooled Invested Cash	247,908,687
Investments	138,208,315
Restricted Cash and Cash Equivalents	<u>77,427,525</u>
Total	<u><u>\$ 464,129,432</u></u>
Deposit & Investment Summary:	
Investments	\$ 467,047,953
Cash on Hand	34,259
Deposits	9,372,104
Less: Component Units and Agency Fund Cash Equivalents	
Pension Trust	(859,135)
OPEB Trust	(4,125,592)
Frederick County Public Libraries	(24,656)
Agency Funds	<u>(7,315,501)</u>
Total	<u><u>\$ 464,129,432</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Trust Fund

As of June 30, 2016, the carrying amount of the Pension Trust Fund's deposits was \$692,610 and the bank balance was \$1,932,734. The deposits of the Pension Trust Fund were not exposed to custodial risk as of June 30, 2016.

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, 2016, BOE's cash on hand for petty cash was \$2,825. The carrying amount of the Board's deposits was \$14,850,226 and investments, including \$84,655,360 of fiduciary funds, were \$103,765,967. Cash and cash equivalents restricted for debt service was \$9,280. The bank balance was \$17,830,466. The deposits of the Board were not exposed to custodial risk as of June 30, 2016.

As of June 30, 2016, FCC's cash on hand for petty cash was \$8,000. The carrying amount of the college's deposits was \$6,556,438 and cash equivalents were \$8,452,306. Cash and cash equivalents, as shown on the Statement of Net Position, include Frederick Community College Foundation, Inc. in the amount of \$675,360. The bank balance was \$6,643,883. The deposits of the college were not exposed to custodial risk as of June 30, 2016.

As of June 30, 2016, FCPL's cash on hand for petty cash was \$2,670. The carrying amount of FCPL's deposits was \$21,986, including \$20,000 of restricted cash. The bank balance was \$25,615. The deposits of the library were not exposed to custodial risk as of June 30, 2016.

2. Investments

Primary Government

As of June 30, 2016, 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	18-24 Month	> 24 Month
		Maturities	Maturities	Maturities
U. S. Treasuries	\$ 45,192,287	\$ 5,288,685	\$ 864,866	\$ 39,038,736
MD Local Government Investment Pool	328,839,638	328,839,638	-	-
Money Market Funds	10,128	10,128	-	-
Federal Agency Securities	93,005,900	88,004,250	5,001,650	-
Total Fair Value	\$ 467,047,953	\$ 422,142,701	\$ 5,866,516	\$ 39,038,736

NOTES TO FINANCIAL STATEMENTS
(Continued)

Frederick County has the following recurring fair value measurements as of June 30, 2016:

	June 30, 2016	Fair Value Measurement Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)	
Investments by fair value level					
U. S. Treasuries	\$ 45,192,287	\$ -	\$ 45,192,287	\$ -	
Federal Agency Securities	93,005,900	-	93,005,900	-	
Total investments by fair value levels	<u>138,198,187</u>	<u>\$ -</u>	<u>\$ 138,198,187</u>	<u>\$ -</u>	
Investments measured at the net asset value (NAV)					
MD Local Government Investment Pool	328,839,638				
Money Market Funds	10,128				
Total investments measured at the NAV	<u>328,849,766</u>				
Total investments at fair value	<u><u>\$ 467,047,953</u></u>				

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 General Fund investments to maturities within eighteen months from the date of purchase. Up to one-half of Water and Sewer Fund investments may have maturities from two to ten years, with the remaining investments maturing within two 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
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)

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Bankers' acceptances
5. Shares in an investment company or investment trust (limited to direct obligations of the U.S. government and to repurchase agreements fully collateralized by U. S. government obligations and the investment company or trust takes delivery of that collateral, either directly or through an authorized custodian)
6. Money market mutual funds that contain only securities of the organizations listed in items 1), 2), and 3) above
7. Certificates of deposit (collateralized within the guidelines of the Annotated Code of Maryland, State Finance and Procurement Article 6-202)
8. Maryland Local Government Investment Pool (MLGIP)

The County's investments have received the followings ratings:

Investment	Fair Value	Moody's	Standard & Poors	Fitch Ratings
MD Local Government Investment Pool	\$ 328,839,638	not rated	AAAm	not rated
Federal Home Loan Bank	39,003,650	AAA	AA+	not rated
Federal Agriculture Mortgage Corporation	23,998,900	not rated	not rated	not rated
Federal Farm Credit Bank	20,001,950	AAA	AA+	not rated
Federal Home Loan Mortgage Corporation	5,001,650	AAA	AA+	not rated
Federal Home Loan Mortgage Corporation	4,999,750	not rated	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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Fair Value	% of Portfolio
U. S. Treasuries	\$ 45,192,287	9.676 %
MD Local Government Investment Pool (MLGIP)	328,839,638	70.408
Money Market Funds	10,128	0.002
Federal Home Loan Bank (FHLB)	39,003,650	8.351
Federal Agricultural Mortgage Corp.	23,998,900	5.138
Federal Farm Credit Bank	20,001,950	4.283
Federal Home Loan Mortgage Corp (FHLMC)	10,001,400	2.141
Total Fair Value	<u>\$ 467,047,953</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 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 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2016, 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	\$ 6,487,502	\$ 6,487,502	\$ -	\$ -
Mutual Funds	227,781,585	227,781,585	-	-
U.S. Government Securities (Fixed Income)	28,987,712	456	1,065,445	27,921,811
Corporate Bonds and Notes (Fixed Income)	25,595,365	-	559,048	25,036,317
Other Government Agencies (Fixed Income)	1,193,354	-	-	1,193,354
Common Stocks	206,907,006	206,907,006	-	-
Total Fair Value	\$ 496,952,524	\$ 441,176,549	\$ 1,624,493	\$ 54,151,482

Frederick County has the following recurring fair value measurements as of June 30, 2016:

	June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Input
Investments by fair value level				
Mutual Funds	\$ 227,781,585	\$ 227,781,585	\$ -	\$ -
U.S. Government Securities	28,987,712	-	28,987,712	-
Corporate Bonds and Notes	25,595,365	-	25,595,365	-
Other Government Agencies	1,193,354	-	1,193,354	-
Common Stock	206,907,006	206,907,006	-	-
Total investments by fair value levels	\$ 490,465,022	\$ 434,688,591	\$ 55,776,431	\$ -
Investments measured at the net asset value (NAV)				
Money Market Funds	6,487,502			
Total investments measured at the NAV	6,487,502			
Total investments at fair value	\$ 496,952,524			

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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);
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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2016, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 25,814,954
BAA3 to BA1	12,192,488
CAA2 to C	-
Not rated	17,768,989
Total Fair Value	<u><u>\$ 55,776,431</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 broadly classified as institutional quality issues and those that are publicly traded 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, 2016.

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. Both of the OPEB trusts in the OPEB Master Trust have the same sole trustee and the same Investment Committee Members.

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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2016, 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	\$ 308,143	\$ 308,143	\$ -	\$ -
Mutual Funds	73,380,411	73,380,411	-	-
Collective Investment Trust (Fixed Income)	39,748,509	39,748,509	-	-
Total Fair Value	\$ 113,437,063	\$ 113,437,063	\$ -	\$ -

Frederick County has the following recurring fair value measurements as of June 30, 2016:

	Fair Value Measurement Using				(Level 1)	(Level 2)	(Level 3)
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Input	(Level 1)	(Level 2)	(Level 3)	
Investments by fair value level							
Mutual Funds	\$ 73,380,411	\$ 73,380,411	\$ -	\$ -	\$ -	\$ -	
Collective Investment Trust (Fixed Income)	39,748,509	-	-	-	39,748,509	39,748,509	
Total investments by fair value levels	113,128,920	\$ 73,380,411	\$ -	\$ -	\$ 39,748,509	\$ 39,748,509	
Investments measured at the net asset value (NAV)							
Money Market Funds	308,143						
Total investments measured at the NAV	308,143						
Total investments at fair value	\$ 113,437,063						

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 and may allocate funds across managers to develop the most efficient and feasible investment structure for each asset class. Initially the assets have been invested in passively managed investment strategies. As the County OPEB Trust assets grow in size, actively managed investment strategies may be considered.

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 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)	\$ 3,179,999
Japanese Yen	2,511,378
UK Pound	2,050,149
Swiss Franc	966,746
Australian Dollar	805,801
Hong Kong Dollar	342,412
Swedish Krone	292,724
Danish Krone	210,632
US Dollar	155,543
Singapore Krone	137,181
Norwegian Krone	65,890
Israeli Shekel	61,569
New Zealand Dollar	21,603
	<u><u>\$ 10,801,627</u></u>

Component Units

The Board of Education's investments as of June 30, 2016 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	\$ 12,488,369	\$ 12,488,369	\$ -	\$ -	0.36%
Money Market	9,481,690	9,481,690	-	-	0.05%
Certificates of Deposit	4,537	4,537	-	-	Various
Fixed Income Securities	28,363,250	28,363,250	-	-	0.00%
Equity Securities	53,428,121	53,428,121	-	-	2.11%
Totals	<u>\$ 103,765,967</u>	<u>\$ 103,765,967</u>	<u>\$ -</u>	<u>\$ -</u>	

The above investment balances include fiduciary funds in the amount of \$84,655,360. Total net investment income per statement of activities as of June 30, 2016 was \$32,799.

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCC's investments as of June 30, 2016 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>\$ 8,452,306</u>	<u>\$ 8,452,306</u>	\$ -	\$ -	0.36%

Total net investment income for FCC (excluding the FCC Foundation) as of June 30, 2016 was \$25,221. The Frederick Community College Foundation investments as of June 30, 2016 were:

Investment Type	June 30, 2016			June 30, 2015		
	Unrealized			Unrealized		
	Cost	Market	Gains (Losses)	Cost	Market	Gains (Losses)
USMF Fund	\$ 12,428,183	\$ 11,728,585	\$ (699,598)	\$ 12,309,040	\$ 12,089,274	\$ (219,766)
Charitable Remainder Trust	479,043	407,194	\$ (71,849)	479,043	434,335	\$ (44,708)
Total Investments	<u>\$ 12,907,226</u>	<u>\$ 12,135,779</u>	<u>\$ (771,447)</u>	<u>\$ 12,788,083</u>	<u>\$ 12,523,609</u>	<u>\$ (264,474)</u>

As of June 30, 2016, the Foundation had 363,697.2468 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$32.24821 per unit with a value of \$11,728,585.

FCPL's investments as of June 30, 2016 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 283,632	\$ 283,632	\$ -	\$ -	0.06%
Certificates of Deposit	201,501	201,501	-	-	Various
Total Investments	<u>\$ 485,133</u>	<u>\$ 485,133</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2016:

Total net investment income per statement of activities - \$900.

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, 2016, 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 derives 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)	\$ 2,243,672
Japanese Yen	1,771,921
UK Pound	1,446,497
Swiss Franc	682,094
Australian Dollar	568,539
Hong Kong Dollar	241,591
Swedish Krone	206,534
Danish Krone	148,613
Singapore Krone	96,789
US Dollar	109,745
Norwegian Krone	46,489
Israeli Shekel	43,441
New Zealand Dollar	15,242
	<u>\$ 7,621,167</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, \$31,784; Water and Sewer, \$1,002; and Solid Waste, \$17,358.

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, 2016, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	\$ 26,644	\$ 1,261	\$ -	\$ 27,905
Less: Not recorded as payable by component unit in FY16	- -	(1,261)	- -	(1,261)
Add: Payable recorded by component unit in FY16	59,525	- -	- -	59,525
Due to primary government per Component Units	<u>\$ 86,169</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ 86,169</u>
Due to component units per Primary Government	\$ 5,733,859	\$ 244	\$ 3,152,931	\$ 8,887,034
Less: Receivable recorded by component unit in FY 16	(12,954)	(244)	(1,791)	(14,989)
Due from primary government per Component Units	<u>\$ 5,720,905</u>	<u>\$ - -</u>	<u>\$ 3,151,140</u>	<u>\$ 8,872,045</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

Capital Asset activity for the year ended June 30, 2016 is as follows:

	Primary Government				
	Beginning Balance	Increases	Adjustments/ Transfers*	Decreases	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 93,927,281	\$ 8,064,859	\$ -	\$ (913,054)	\$ 101,079,086
Construction in progress	28,227,630	33,675,324	-	(19,638,584)	42,264,370
Total capital assets at historical cost not being depreciated	<u>122,154,911</u>	<u>41,740,183</u>	<u>-</u>	<u>(20,551,638)</u>	<u>143,343,456</u>
Capital assets being depreciated:					
Buildings and improvements	258,760,911	570,710	(2,087,016)	-	257,244,605
Equipment	123,894,312	11,046,587	-	(2,398,703)	132,542,196
Infrastructure	357,588,662	4,840,053	2,087,016	-	364,515,731
Total capital assets at historical cost being depreciated	<u>740,243,885</u>	<u>16,457,350</u>	<u>-</u>	<u>(2,398,703)</u>	<u>754,302,532</u>
Less accumulated depreciation for:					
Buildings and improvements	89,916,002	7,347,668	(103,216)	-	97,160,454
Equipment	81,976,490	7,097,975	-	(2,255,687)	86,818,778
Infrastructure	215,690,501	8,851,970	103,216	-	224,645,687
Total accumulated depreciation	<u>387,582,993</u>	<u>23,297,613</u>	<u>-</u>	<u>(2,255,687)</u>	<u>408,624,919</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>352,660,892</u>	<u>(6,840,263)</u>	<u>-</u>	<u>(143,016)</u>	<u>345,677,613</u>
Governmental activities capital assets, net	<u><u>\$ 474,815,803</u></u>	<u><u>\$ 34,899,920</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (20,694,654)</u></u>	<u><u>\$ 489,021,069</u></u>
Depreciation expense was charged to governmental functions as follows:					
General government				\$ 2,503,464	
Public safety				5,913,588	
Public works				1,601,790	
Health				173,495	
Social services				1,232,845	
Recreation and culture				3,204,796	
Economic development and opportunity				24,485	
Infrastructure				8,643,150	
Total depreciation expense				<u><u>\$ 23,297,613</u></u>	

* Asset reclassification from land improvements to infrastructure land (fields)

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 8,527,737	\$ -	\$ -	\$ 8,527,737
Construction in progress	151,196,210	13,119,101	(135,837,113)	28,478,198
Total capital assets at historical cost not being depreciated	<u>159,723,947</u>	<u>13,119,101</u>	<u>(135,837,113)</u>	<u>37,005,935</u>
Capital assets being depreciated:				
Buildings and improvements	196,362,712	108,041,016	-	304,403,728
Equipment	50,489,640	5,726,715	(1,327,139)	54,889,216
Infrastructure	357,868,564	22,544,274	-	380,412,838
Total capital assets at historical cost being depreciated	<u>604,720,916</u>	<u>136,312,005</u>	<u>(1,327,139)</u>	<u>739,705,782</u>
Less accumulated depreciation for:				
Buildings and improvements	67,378,942	5,276,005	-	72,654,947
Equipment	34,398,771	2,547,377	(1,098,338)	35,847,810
Infrastructure	64,350,718	5,038,908	-	69,389,626
Total accumulated depreciation	<u>166,128,431</u>	<u>12,862,290</u>	<u>(1,098,338)</u>	<u>177,892,383</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>438,592,485</u>	<u>123,449,715</u>	<u>(228,801)</u>	<u>561,813,399</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 598,316,432</u>	<u>\$ 136,568,816</u>	<u>\$ (136,065,914)</u>	<u>\$ 598,819,334</u>
Depreciation expense was charged to business-type functions as follows:				
Bell Court				\$ 71,347
Solid Waste				1,010,877
Water & Sewer				11,780,066
Total depreciation expense				<u>\$ 12,862,290</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component units' capital asset activity for the year ended June 30, 2016 was as follows:

BOE	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 48,869,070	\$ 5,315	\$ (80,000)	\$ 48,794,385
Construction in progress	13,172,036	44,292,211	(15,215,497)	42,248,750
Total capital assets at historical cost not being depreciated	<u>62,041,106</u>	<u>44,297,526</u>	<u>(15,295,497)</u>	<u>91,043,135</u>
Capital assets being depreciated:				
Building and improvements	863,070,181	13,220,745	-	876,290,926
Furniture and equipment	51,596,500	2,626,572	(1,985,493)	52,237,579
Total capital assets at historical cost being depreciated	<u>914,666,681</u>	<u>15,847,317</u>	<u>(1,985,493)</u>	<u>928,528,505</u>
Less accumulated depreciation for:				
Building and improvements	300,575,009	24,234,706	-	324,809,715
Furniture and equipment	31,175,769	3,114,763	(1,752,575)	32,537,957
Total accumulated depreciation	<u>331,750,778</u>	<u>27,349,469</u>	<u>(1,752,575)</u>	<u>357,347,672</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>582,915,903</u>	<u>(11,502,152)</u>	<u>(232,918)</u>	<u>571,180,833</u>
BOE's capital assets, net of accumulated depreciation	<u>\$ 644,957,009</u>	<u>\$ 32,795,374</u>	<u>\$ (15,528,415)</u>	<u>\$ 662,223,968</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	4,977,058	119,400	(4,977,058)	119,400
Total capital assets at historical cost not being depreciated	<u>5,248,678</u>	<u>119,400</u>	<u>(4,977,058)</u>	<u>391,020</u>
Capital assets being depreciated:				
Library collection	2,031,547	19,811	-	2,051,358
Building and improvements	100,710,904	6,770,849	-	107,481,753
Furniture and equipment	5,170,560	803,642	(139,990)	5,834,212
Site improvement	6,413,789	834,471	-	7,248,260
Total capital assets at historical cost being depreciated	<u>114,326,800</u>	<u>8,428,773</u>	<u>(139,990)</u>	<u>122,615,583</u>
Less accumulated depreciation for:				
Library collection	1,895,912	31,777	-	1,927,689
Building and improvements	30,553,987	2,736,505	-	33,290,492
Furniture and equipment	3,549,662	474,731	(96,144)	3,928,249
Site improvement	5,599,176	120,247	-	5,719,423
Total accumulated depreciation	<u>41,598,737</u>	<u>3,363,260</u>	<u>(96,144)</u>	<u>44,865,853</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>72,728,063</u>	<u>5,065,513</u>	<u>(43,846)</u>	<u>77,749,730</u>
FCC's capital assets, net of accumulated depreciation	<u>\$ 77,976,741</u>	<u>\$ 5,184,913</u>	<u>\$ (5,020,904)</u>	<u>\$ 78,140,750</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Library collection	\$ 8,189,473	\$ 1,031,344	\$ (1,457,780)	\$ 7,763,037
Furniture and equipment	258,843	-	-	258,843
Total capital assets at historical cost being depreciated	<u>8,448,316</u>	<u>1,031,344</u>	<u>(1,457,780)</u>	<u>8,021,880</u>
Less accumulated depreciation for:				
Library collection	6,396,320	1,187,654	(1,142,444)	6,441,530
Furniture and equipment	123,988	20,585	-	144,573
Total accumulated depreciation	<u>6,520,308</u>	<u>1,208,239</u>	<u>(1,142,444)</u>	<u>6,586,103</u>
FCPL's capital assets, net of accumulated depreciation	<u>\$ 1,928,008</u>	<u>\$ (176,895)</u>	<u>\$ (315,336)</u>	<u>\$ 1,435,777</u>

D. Interfund Receivables, Payables and Transfers

1. *Primary Government Interfund Receivables and Payable Balances*

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Total</u>
	<u>Nonmajor Governmental</u>	<u>Due from Other Funds</u>	
General Fund	\$ 2,834,972	\$ 2,834,972	\$ 2,834,972
Total Due to Other Funds	<u>\$ 2,834,972</u>	<u>\$ 2,834,972</u>	

Interfund balances due from the nonmajor governmental funds include \$2,834,972 from the Grants Fund. The amount due from the Grant Fund is primarily the additional cash needed during the year ended June 30, 2016, to fund grant expenditures until the County is reimbursed by grantor agencies. The amount due will be repaid to the General Fund as the Grant Fund is reimbursed for expenditures by grantor agencies in subsequent years.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund Transfers – Primary Government

Interfund transfers for the year ended June 30, 2016 consists of the following:

	Transfers In					Total Transfers To Other Funds
	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental	Internal Service	
Transfers Out						
General Fund	\$ -	\$ 237,166	\$ 12,539,709	\$ 5,203,241	\$ 276,348	\$ 18,256,464
Nonmajor Governmental	74,216	-	-	-	-	74,216
Solid Waste	4,000,000	-	-	-	-	4,000,000
Total Transfers in from Other Funds	<u>\$ 4,074,216</u>	<u>\$ 237,166</u>	<u>\$ 12,539,709</u>	<u>\$ 5,203,241</u>	<u>\$ 276,348</u>	<u>\$ 22,330,680</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.

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 2016 were \$1,253,464.

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

Years Ending		Total	Payment
June 30,			
2017		\$ 367,133	
2018		290,493	
2019		180,047	
2020		159,812	
2021		159,812	
2022-2026		799,061	
2027-2031		411,061	
2032-2036		267,249	
2037-2041		5,598	
Total		<u>\$ 2,640,266</u>	

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 2016 totaled \$134,796.

The future minimum lease revenues for the subleases are \$22,074 for fiscal year 2017.

The County is committed under various rental lease agreements as lessor. All leases are considered for accounting purposes to be collectable leases. Lease revenues for fiscal year 2016 totaled \$2,714,103.

Future minimum lease revenues for these rentals are as follows:

Years Ending		Total Payment
June 30,		
2017		\$ 1,007,857
2018		952,142
2019		767,050
2020		767,050
2021		767,050
2022-thereafter		3,755,176
		<u>\$ 8,016,325</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Non-Current Liabilities

1. *Changes in Non-Current Liabilities*

Primary Government:

	Balance July 1, 2015	Additions	Principal		Balance June 30, 2016	Due Within One Year
			Repayments	& Reductions		
Governmental Activities:						
Bonds Payable	\$ 423,108,141	\$ 112,006,341	\$ (70,220,090)		\$ 464,894,392	\$ 34,511,793
Unamortized Premium on Bonds	14,560,447	11,508,322	(3,429,191)		22,639,578	4,523,529
Installment Purchase Agreements	52,332,153	2,738,445	(2,630,349)		52,440,249	5,297,534
Notes Payable	69,927	-	(10,009)		59,918	10,616
Capital Lease Obligations	289,042	-	(182,334)		106,708	106,708
Compensated Absences	10,039,080	13,160,448	(12,470,971)		10,728,557	534,565
Net OPEB Obligation	16,994,586	-	(110,264)		16,884,322	-
Net Pension Liability	20,801,238	55,912,643	(39,648,995)		37,064,886	-
Termination Benefits	180,678	33,475	-		214,153	-
Total Governmental Activity- Long Term Liabilities	<u>\$ 538,375,292</u>	<u>\$ 195,359,674</u>	<u>\$ (128,702,203)</u>		<u>\$ 605,032,763</u>	<u>\$ 44,984,745</u>

Payments on the non-current liabilities above (excluding compensated absences), that pertain to the County's governmental activities are made by the General, Parks Acquisition and Development, Agricultural Preservation, Impact Fee, School Construction and Hotel Rental Tax Funds. A portion of the notes payable are repaid to the County by private users, as discussed in this section under Note 3.F.5 (Notes Payable). 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 in the respective funds.

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, 2016, Internal Service Funds compensated absences totaling \$172,212 are included in the above amounts.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance July 1, 2015	Additions	Principal Repayments & Reductions	Balance June 30, 2016	Due Within One Year
Business-type Activities:					
Bonds Payable	\$ 111,426,859	\$ 8,218,659	\$ (10,499,910)	\$ 109,145,608	\$ 9,973,207
Unamortized Premium on Bonds	4,850,455	1,128,371	(1,111,131)	4,867,695	1,116,793
Notes Payable	67,187,542	-	(4,940,097)	62,247,445	4,893,533
Capital Lease Obligations	-	287,798	-	287,798	55,968
Landfill Closure Costs	14,332,165	395,325	(248,127)	14,479,363	212,886
Compensated Absences	820,321	1,403,327	(1,337,702)	885,946	54,451
Termination Benefits	<u>20,606</u>	<u>-</u>	<u>4,121</u>	<u>24,727</u>	<u>-</u>
Total Business-type Activities - Long Term Liabilities	<u>\$ 198,637,948</u>	<u>\$ 11,433,480</u>	<u>\$ (18,132,846)</u>	<u>\$ 191,938,582</u>	<u>\$ 16,306,838</u>

Component Units:

	Balance July 1, 2015	Net Changes	Balance June 30, 2016	Due Within One Year
Board of Education				
Capital lease obligations	\$ 13,183,846	\$ (1,646,212)	\$ 11,537,634	\$ 523,809
Compensated absences	7,264,826	(191,380)	7,073,446	5,494,652
Net OPEB liability	210,515,378	46,857,944	257,373,322	-
Termination benefits payable	21,101,839	389,991	21,491,830	2,697,269
Net pension liability	<u>30,144,657</u>	<u>9,117,400</u>	<u>39,262,057</u>	<u>-</u>
Board of Education - Long-term Liabilities	<u>\$ 282,210,546</u>	<u>\$ 54,527,743</u>	<u>\$ 336,738,289</u>	<u>\$ 8,715,730</u>
Frederick Community College				
Certificates of Participation	\$ 6,754,133	\$ (264,335)	\$ 6,489,798	\$ 275,000
Compensated absences	1,506,959	(63,266)	1,443,693	22,420
Net OPEB liability	174,009	25,805	199,814	-
Frederick Community College - Long-term Liabilities	<u>\$ 8,435,101</u>	<u>\$ (301,796)</u>	<u>\$ 8,133,305</u>	<u>\$ 297,420</u>
Frederick County Public Libraries				
Compensated absences	\$ 471,847	\$ (552)	\$ 471,295	\$ 38,122
Net OPEB liability	1,442,354	-	1,442,354	-
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 1,914,201</u>	<u>\$ (552)</u>	<u>\$ 1,913,649</u>	<u>\$ 38,122</u>

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, 2016, there remains \$55,325,422 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, 2016, the County Council has not granted any additional amounts for long-term borrowings.

The debt limit for the primary government's general obligation borrowings as of June 30, 2016 was \$1,551,079,602 and the legal debt margin was \$924,599,353.

On July 8, 2014, the County issued variable rate bonds under the legal name of Frederick County General Obligation Public Facilities Refunding Bonds, Series 2014B, in the amount of \$34,495,000 to advance refund certain outstanding maturities totaling \$29,370,000. These bonds were scheduled to mature on July 7, 2017 with an option for prepayment in whole or in part beginning on July 8, 2015. These bonds were paid off on June 29, 2016. The Series 2014B Bond bears interest at a rate per annum equal to one (1)-month LIBOR plus an applicable spread of 90 basis points. The interest rate resets monthly and is payable on the 8th day of each month. The applicable spread shall be subject to adjustment (increase / decrease) upon rating action(s) taken with respect to the long-term underlying General Obligation Debt ratings of the county below "Aa1" by Moody's, "AA+" by Standard & Poor's or "AA+" by Fitch. Upon such rating(s) downgrade(s), the applicable spread shall then be equal to the number of basis points associated with the applicable rating category for the applicable level set forth below:

Level	Moody's	S&P	Fitch	Spread (bps)
1	Aa1 or above	AA+ or above	AA+ or above	90
2	Aa2	AA	AA	100
3	Aa3	AA-	AA-	110
4	A1	A+	A+	125
5	A2	A	A	150
6	A3	A-	A-	175
7	Baa1	BBB+	BBB+	200

NOTES TO FINANCIAL STATEMENTS
(Continued)

The County's most recent credit ratings as of July, 2016 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 6/30/16
Public Facilities Refunding Bonds of 2002, Series A	4/1/2002	7/1/2016	5.00%-5.25%	\$ 13,999,267	\$ 539,148
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 2007	5/15/2007	6/1/2017	4.00%-5.00%	52,890,000	2,521,313
Public Facilities Bonds of 2008	6/15/2008	6/1/2018	3.50%-5.00%	61,055,000	4,924,395
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	47,213,456	19,219,435
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	29,090,559
Pub Fac Bonds of 2011B Refunding	8/4/2011	8/1/2017	2.00%-4.00%	9,909,091	4,302,917
Public Facilities Bonds of 2011	8/4/2011	8/1/2031	2.50%-5.00%	55,810,000	39,250,000
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	2.00%-4.00%	59,842,669	52,837,669
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	51,946,393	49,021,922
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	26,800,000	23,779,142
Public Facilities Bonds of 2014, Series A	7/24/2014	8/1/2034	2.00%-5.00%	32,117,727	31,060,828
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	8,061,868
Pub Fac Bonds of 2016, Series A	6/29/2016	8/1/2036	2.00%-5.00%	77,186,341	77,186,341
Pub Fac Refunding Bonds of 2016, Series B	6/29/2016	8/1/2036	2.06%-3.00%	34,820,000	34,820,000
Total Bonds Outstanding				\$ 685,736,950	\$ 464,894,392

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize governmental activities bond debt outstanding as of June 30, 2016 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2017	\$ 34,511,793	\$ 15,842,519	\$ 50,354,312
2018	38,279,777	16,238,150	54,517,927
2019	40,166,350	14,849,811	55,016,161
2020	39,315,246	13,435,603	52,750,849
2021	34,046,477	12,036,044	46,082,521
2022-2026	119,828,567	43,464,548	163,293,115
2027-2031	100,976,656	19,207,165	120,183,821
2032-2037	57,769,526	4,805,004	62,574,530
	<u>\$ 464,894,392</u>	<u>\$ 139,878,844</u>	<u>\$ 604,773,236</u>

For the year ended June 30, 2016, total principal and interest incurred related to general obligation bonds was \$70,220,090 and \$15,244,565.

Business Type Activities	Date of Debt Issue	Date of Debt Maturity Due Serially to	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/16
Public Facilities Refunding Bonds of 2002, Series A	4/1/2002	7/1/2016	5.00%-5.25%	\$ 8,590,733	\$ 330,852
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 2007	5/15/2007	6/1/2017	4.00%-5.00%	38,990,000	1,858,687
Public Facilities Bonds of 2008	6/15/2008	6/1/2018	3.50%-5.00%	18,325,000	1,695,605
Public Facilities Bonds of 2010A	1/26/2010	2/1/2020	2.00%-5.00%	12,491,544	5,730,565
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	10,984,441
Pub Fac Bonds of 2011B Refunding	8/4/2011	8/1/2017	2.00%-4.00%	6,095,909	2,647,083
Pub Fac Bonds of 2012 Refunding	2/9/2012	8/1/2024	4.00%	25,232,331	25,232,331
Pub Fac Bonds of 2012B - Refunding - Taxable	8/23/2012	8/1/2020	1.00%-1.66%	9,423,607	8,893,078
Public Facilities Bonds of 2013	5/2/2013	5/1/2033	2.00%-5.00%	4,650,000	4,125,858
Public Facilities Bonds of 2014, Series A	7/14/2014	8/1/2034	2.00%-5.00%	2,677,273	2,589,172
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	5,943,132
Pub Fac Bonds of 2016. Series A	6/29/2016	8/1/2036	2.00%-5.00%	8,218,659	8,218,659
Total Bonds Outstanding				<u>\$ 193,113,050</u>	<u>\$ 109,145,608</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize business-type activities bonded debt outstanding as of June 30, 2016 are as follows:

Years Ending June 30,	Principal	Interest	Total Requirement
2017	\$ 9,973,207	\$ 4,187,762	\$ 14,160,969
2018	9,810,223	3,916,966	13,727,189
2019	10,623,650	3,512,832	14,136,482
2020	11,184,754	3,095,749	14,280,503
2021	10,398,523	2,664,072	13,062,595
2022-2026	34,551,433	8,333,183	42,884,616
2027-2031	18,093,344	2,518,957	20,612,301
2032-2037	4,510,474	379,681	4,890,155
	<u>\$ 109,145,608</u>	<u>\$ 28,609,202</u>	<u>\$ 137,754,810</u>

For the year ended June 30, 2016, total principal and interest incurred related to business-type activities was \$4,419,258 and \$10,499,910.

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
2017	\$ 5,297,534	\$ 2,461,375	\$ 7,758,909
2018	870,918	2,111,002	2,981,920
2019	1,491,857	2,088,935	3,580,792
2020	3,194,665	2,069,752	5,264,417
2021	770,675	1,881,526	2,652,201
2022-2026	17,080,454	7,758,192	24,838,646
2027-2031	18,320,372	3,503,210	21,823,582
2032-2036	5,413,774	686,087	6,099,861
	<u>\$ 52,440,249</u>	<u>\$ 22,560,079</u>	<u>\$ 75,000,328</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2016, total principal and interest incurred related to agricultural land preservation installment agreements was \$2,630,349 and \$2,462,632, 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	\$ 15,486,533
Less: Accumulated depreciation	<u>(12,161,178)</u>
Total:	<u><u>\$ 3,325,355</u></u>

On March 4, 2016, the County entered into a capital lease purchase agreement for equipment that was not received until July 2016. The debt related to that asset is reflected below under Business Type Activities.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Years Ending June 30,	Governmental Activities	Business Type Activities	Total Primary Government
2017	\$ 107,403	\$ 60,223	\$ 167,626
2018	-	60,223	60,223
2019	-	60,223	60,223
2020	-	60,223	60,223
2021	-	60,223	60,223
	<u>107,403</u>	<u>301,115</u>	<u>408,518</u>
Less: amount representing interest	(695)	(13,317)	(14,012)
Present value-net minimum lease payments	<u><u>\$ 106,708</u></u>	<u><u>\$ 287,798</u></u>	<u><u>\$ 394,506</u></u>

Component Unit

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 2016 were \$2,047,290.

NOTES TO FINANCIAL STATEMENTS
(Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Building	\$ 16,361,159
Machinery and equipment	8,332,982
Less: Accumulated depreciation	<u>(8,279,992)</u>
Total	<u><u>\$ 16,414,149</u></u>

As of June 30, 2016, the minimum obligation under capital leases was as follows:

	Years Ending June 30	Governmental Activities
	2017	\$ 873,356
	2018	872,741
	2019	873,286
	2020	872,715
	2021	872,773
	2022-2026	4,365,872
	2027-2031	4,365,827
	2032-2033	<u>1,746,248</u>
Total obligations		14,842,818
Less: Portion representing interest at 3.1%		<u>(3,305,184)</u>
Present value of lease obligation		<u><u>\$ 11,537,634</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. Manufacturers 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, 2016 are as follows:

Years Ending June 30,	Certificates of Participation			
	Principal	Less Discount	Net	Interest
2017	\$ 275,000	\$ 5,664	\$ 269,336	\$ 436,353
2018	285,000	5,664	279,336	424,528
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
2022-2026	1,555,000	26,003	1,528,997	1,640,978
2027-2031	1,855,000	26,003	1,828,997	1,080,488
2032-2035	1,765,000	20,802	1,744,198	337,875
	<u>\$ 6,590,000</u>	<u>\$ 100,202</u>	<u>\$ 6,489,798</u>	<u>\$ 5,106,431</u>

6. Notes Payable

Primary Government

Governmental Activity:

Maryland Industrial Land Act Loans

The County has an outstanding loan from the Department of Business and Economic Development of the State (DBED) 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, 2016 was \$59,918. 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 Original Issue	Date of Debt Issue	Date of Debt Maturity	Annual Rate/ Payment Frequency	Amount Outstanding 06/30/16
						06/30/16
MD Industrial Land Act Loan - State Farm	General	181,059	05/12/94	05/12/21	5.93%/Quarterly	59,918
Total Notes Payable		<u>\$ 181,059</u>				<u>\$ 59,918</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
2017	\$ 10,616	\$ 3,320
2018	11,260	2,676
2019	11,942	1,994
2020	12,666	1,270
2021	13,434	502
	\$ 59,918	\$ 9,762

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, 2016, the County has authorized and approved borrowings in an aggregate principal amount of \$95,456,559 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, 2016, \$92,922,684 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, 2016 is \$62,247,445. These loans have interest rates of 0.08 – 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 100 percent to capacity. Total capacity of Site A is 3,228,000 tons. In fiscal year 2016, \$242,132 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was decreased \$20,972 to reflect the variance between estimated and actual costs. The total remaining estimated costs for closure and post closure care of Site A are \$2,352,886 as of June 30, 2016. This entire amount is reported as a liability for Site A.

As of June 30, 2016, the Site B landfill had capacity used of 2,251,999 tons, which is 54.65 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

NOTES TO FINANCIAL STATEMENTS
(Continued)

\$22,163,807. The resulting liability is \$12,111,500 with \$10,052,307 remaining to be recognized. The current operating strategy includes the utilization of a transfer station that became operational in January 2009.

The Solid Waste Enterprise Fund has a total liability for closure and post closure care of \$14,464,386 as of June 30, 2016. 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 2016B

On June 28, 2016, the County issued its Taxable General Obligation Public Facilities Refunding Bond, Series 2016B in the amount of \$35,731,111 (including premium) to refinance the Taxable General Obligation Public Facilities Refunding Bond, Series 2014B. The Series 2014B Bond bore an interest rate per annum equal to one (1)-month LIBOR plus an applicable spread of 90 basis points and with a maturity date of July 7, 2017 and an option for prepayment beginning on July 8, 2015. The County issued these bonds as part of a remediation plan with the Internal Revenue Service. The refunded bonds financed facilities that were pending final settlement and conversion to a private activity use.

The Series 2016B Bond bears interest at a rate of 2.47% per annum. The principal amount of the Series 2016B Bond is payable August 1, 2017 through 2036. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$28,171. This immaterial difference was recorded in the Government-wide Financial Statements as an expense. This refunding brought about a difference in cash flows for total debt service payments in the amount of \$10.7 million, due to the term extension to 20 years. The present value of these cash flows was \$2.2 million dollars, an economic loss. During FY2016 a decision was made to retain the facilities and lease to a private operator. This resulted in the necessity to refinance these bonds to a more permanent form.

NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Balances/Net Position

1. *Governmental Funds - Nonspendable*

	General Fund	Agricultural Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Inventory	\$ 1,958,832	\$ -	\$ -	\$ 1,958,832
Prepaid	389,290	-	-	389,290
Long-term receivables	112,555	-	6,795,136	6,907,691
Agricultural compliance monitoring	-	199,067	-	199,067
Total nonspendable fund balances	<u>\$ 2,460,677</u>	<u>\$ 199,067</u>	<u>\$ 6,795,136</u>	<u>\$ 9,454,880</u>

2. *Governmental Funds – Restricted*

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Debt service	\$ 1,139,026	\$ -	\$ -	\$ -	\$ 1,139,026
Animal control	323,070	-	-	-	323,070
Forfeitures - Circuit Court	47,970	-	-	-	47,970
Indemnity escrow deposit	301,019	-	-	-	301,019
School and library construction	-	-	58,456,083	-	58,456,083
Parks construction	-	-	84,651	-	84,651
Roads and bridges construction	-	-	16,655,478	-	16,655,478
Watershed restoration			488,405		488,405
General government/other construction	-	-	6,260,384	-	6,260,384
Municipal construction	-	-	1,092,491	-	1,092,491
Sheriffs/judicial activities	-	-	-	51,931	51,931
Agricultural Preservation	-	151,608	-	-	151,608
Rural Legacy	-	1,668,722	-	-	1,668,722
Total restricted fund balances	<u>\$ 1,811,085</u>	<u>\$ 1,820,330</u>	<u>\$ 83,037,492</u>	<u>\$ 51,931</u>	<u>\$ 86,720,838</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. *Governmental Funds – Committed*

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Bond rating enhancement	\$ 2,700,000	\$ -	\$ -	\$ -	\$ 2,700,000
Enabling legislation	25,297,566	-	-	-	25,297,566
Length of Service Award Program	484,819	-	-	-	484,819
FY17 budget	25,007,730	-	-	-	25,007,730
Permanent public improvement	176,000	-	-	-	176,000
FY18 budget	31,257,192	-	-	-	31,257,192
Fuel reserve	549,420	-	-	-	549,420
School and library construction	-	-	18,277,517	-	18,277,517
Parks construction	-	-	10,288,462	-	10,288,462
Roads and bridges construction	-	-	14,267,902	-	14,267,902
General government/other construction	-	-	17,779,242	-	17,779,242
Watershed restoration	-	-	3,422,988	1,479	3,424,467
Municipal construction	-	-	241,309	-	241,309
Grant activities	-	-	-	1,161,104	1,161,104
Electric lighting	-	-	-	4,339	4,339
Sheriff's/judicial activities	-	-	-	729,650	729,650
Loan activities	-	-	-	2,940,668	2,940,668
Agricultural Preservation	-	1,770,583	-	-	1,770,583
Installment purchase agreements	-	45,925,751	-	-	45,925,751
Total committed fund balances	<u>\$ 85,472,727</u>	<u>\$ 47,696,334</u>	<u>\$ 64,277,420</u>	<u>\$ 4,837,240</u>	<u>\$ 202,283,721</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 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, 2016 the required balance is \$25,297,566. 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 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
Encumbrances	\$ 2,868,603
Income Taxes	2,883,627
Road/Street Inspection	335,619
Automation Enhancement Fee	69,206
Total assigned fund balances	<u><u>\$ 6,157,055</u></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, 2016, 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	\$ 178,393,267	\$ -
Other Amounts Restricted by Third Parties	<u>3,890,268</u>	<u>8,854,679</u>
Total Restricted Net Position	<u><u>\$ 182,283,535</u></u>	<u><u>\$ 8,854,679</u></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, 2016, the calculation of these reserves is \$73,133,149 (detailed below). These reserves are a part of the \$506,264,185 net position balance.

Reserved for:	
Operating Reserves	\$ 5,745,003
3 R Reserves	2,018,322
Tap Credits	1,057,554
Cash Funding of Capital Projects	4,311,906
System Development	<u>62,690,294</u>
Total Water and Sewer Reserves	75,823,079
Unfunded reserves	<u>(2,689,930)</u>
Unrestricted net position	<u><u>\$ 73,133,149</u></u>

8. Net Investment in Capital Assets

As of June 30, 2016, 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)	\$ 489,021,069	\$ 598,819,334
Debt related to Capital Assets	(256,004,741)	(168,553,499)
Unspent bond proceeds included in debt related to capital assets	<u>64,421,846</u>	<u>8,313,595</u>
Net Investment in Capital Assets (Exhibit II-A-1)	<u><u>\$ 297,438,174</u></u>	<u><u>\$ 438,579,430</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4. OTHER INFORMATION

A. Commitments and Contingencies

1. Construction Commitments

As of June 30, 2016, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General Government	\$ 49,899,621	\$ 17,419,339	\$ 32,958,765	\$ 16,940,856
Roads and Bridges	77,993,119	48,561,803	61,456,847	16,536,272
Board of Education	90,923,902	27,217,322	57,818,336	33,105,566
Frederick Community College	41,396,628	31,500,849	33,826,780	7,569,848
Parks and Recreation	16,865,229	4,965,813	11,986,595	4,878,634
Watershed Restoration	6,509,494	1,769,720	4,747,689	1,761,805
Municipal	3,539,021	883,032	2,231,936	1,307,085
	<u>\$ 287,127,014</u>	<u>\$ 132,317,878</u>	<u>\$ 205,026,948</u>	<u>\$ 82,100,066</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 Programs, Section 8 Housing, Capital Projects, and State Homeland Security Programs. Audits of these programs are conducted according to the Federal Office of Management and Budget Circular A-133. The Single Audit Report for the year ended June 30, 2016 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, 2016.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Economic Dependency

One enterprise fund is financially dependent upon certain major revenue sources that contribute more than ten percent of the fund's total operating revenues.

The Solid Waste Enterprise Fund has three customers which account for 20.64 percent of total operating revenues. Two commercial haulers accounted for \$3,688,342 or 14.78 percent of the fiscal year 2016 operating revenues. A single municipality accounted for \$1,461,382 or 5.86 percent of the fiscal year 2016 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.

5. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters 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.

There were no instances of claims exceeding insurance coverage in the past four years.

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 \$1,500,000. 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. As of June 30, 2016, \$202,455 of the first loan and \$1,417,182 of the second loan have been drawn.

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, 2016.

C. 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.

The County authorized a Community Development Authority district for the Aspen North area of the County. Taxes have been levied on the Aspen North properties, but the debt was not issued. The Aspen North Community Development Authority was terminated on November 20, 2014.

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, Center 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.

On March 6, 2015, 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 service on such bonds. These bonds were issued on November 14, 2014, as draw down bonds. As of June 30, 2016, the developer has drawn \$159,921 of the Series A bonds and \$96,426 of the Series B bonds.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 6/30/2016
Toys'R-Us	TIF-Serial	\$ 1,890,094	09/26/96	09/15/18	8.160%	\$ 479,144
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%	2,134,938
Lake Linganore - Series 2007B	CDA-Loan	3,232,142	09/20/07	03/01/28	0.000%	2,113,142
Urbana CDA - Series 2010A	CDA-Serial	30,440,000	09/23/10	07/01/25	2.00-5.00%	23,440,000
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%	6,640,000
Jefferson Technology Park - Series 2013B	TIF/CDA-Serial	33,360,000	08/06/13	07/01/43	7.125%	33,360,000
Oakdale-Lake Linganore - Series 2014A	CDA-Serial	15,750,000	11/14/14	07/01/44	2.000%	159,921
Oakdale-Lake Linganore - Series 2014B	TIF/CDA-Serial	7,750,000	11/14/14	07/01/44	2.000%	96,426
						<u>\$ 141,920,571</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)

D. 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.

County employees hired prior to July 1, 1993, 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.

County employees hired on or after July 1, 1993, 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, 2016, 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	175	696	-	-
Terminated employees entitled to benefits	-	-	216	246
Active employees	617	1,158	-	-

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. Early retirement benefit option is not provided.

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 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 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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 policy of maintaining the County's minimum contribution rate at 18.6 percent of pay as long as that amortizes cumulative gains/losses and assumption changes over a period that satisfies Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans. 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, 2000, uniformed employees contribute eight percent of their base pay under the plan and non-uniformed employees contribute four percent. 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 FY2016 was 18.6 percent.

Net Pension Liability

The components of the net pension liability of the County at June 30, 2016, were as follows:

Total pension liability	\$ 534,984,992
Plan fiduciary net position	(497,920,106)
County's net pension liability	<u>\$ 37,064,886</u>
Plan fiduciary net position as a percentage of the total pension liability	93.07%

NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual Pension Cost

During the fiscal year ending June 30, 2016 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2015.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015 rolled forward to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Rates vary by participant service
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Mortality rates for healthy participants and beneficiaries were based on the RP-2000 Combined Healthy tables set back one year with generational projection by Scale AA. For disabled participants, the RP-2000 Combined Healthy tables set forward 10 years with generational projection by Scale AA.

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2015 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 (2.5%). 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	5.70%
International Equity	6.80%
Fixed Income	1.10%
Cash	0.18%
Inflation	2.50%

NOTES TO FINANCIAL STATEMENTS
(Continued)

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of expense, was 1.07%. 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:

County's net pension liability	1%	Current	1%
	Decrease	Discount	Increase
	6%	Rate 7%	8%
	\$ 110,109,379	\$ 37,064,886	\$ (23,438,000)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of June 30, 2015	\$ 508,115,858	\$ 487,314,620	\$ 20,801,238
Changes for the year:			
Service cost	20,271,749	-	20,271,749
Interest	34,936,292	-	34,936,292
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(10,286,977)	-	(10,286,977)
Changes of assumptions	-	-	-
Contributions - employer	-	18,910,324	(18,910,324)
Contributions - member	-	7,198,525	(7,198,525)
Net investment income	-	3,253,169	(3,253,169)
Benefit payments, including refunds of member contributions	(18,051,930)	(18,051,930)	-
Administrative expense	-	(704,602)	704,602
Net Changes	26,869,134	10,605,486	16,263,648
Balances as of June 30, 2016	\$ 534,984,992	\$ 497,920,106	\$ 37,064,886

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

At June 30, 2016, 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	\$ -	\$ 8,654,450
Changes of assumptions	- -	1,560,805
Net difference between projected and actual earnings on pension plan investments	30,710,041	-
Total	\$ 30,710,041	\$ 10,215,255

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
2017	\$ 6,037,077
2018	6,037,077
2019	6,037,077
2020	4,098,052
2021	(1,714,497)
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" 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.

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 2016 there were 134 total participants in the Defined Contribution Plan. This total includes 54 active participants and 80 terminated participants with a balance.

3. 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 \$32,575,239 in 2016. This contribution was recognized as both revenue and expenditures for BOE.

As of June 30, 2016, the BOE reported a liability of approximately \$39.3 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, 2015, 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, 2016, the Board's proportion for ERS was .19%, which was substantially the same from its proportion measured as of June 30, 2015. For the year ended June 30, 2016, the Public Schools recognized pension expense for ERS of approximately \$3.8 million. 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 2016, 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, 2016 a \$25,000 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.

Substantially all permanent employees of FCC are covered by four plans, two of which are cost-sharing multiple-employer pension/retirement plans provided directly by the State and two are non-State plans as options for employees who either do not qualify for the State plans or opt not to participate in the State plans. The employer funding for eligible FCC employees is provided directly by the State for the two State plans. State contributions for the fiscal year totaled \$1,532,979 for these plans. This amount has been recorded as a revenue and expenditure in the financial statements. The other retirement plans are provided through TIAA/CREF and Fidelity. The TIAA/CREF plan is an option for permanent employees of the College who are not eligible for the State plans. The Fidelity plan is an option for professional employees of the College as a choice in lieu of participating in the State's retirement plans. The employer contributions toward these plans totaled \$934,949. 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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, 2016, the State paid \$782,244 in retirement costs on its behalf. This amount has been shown as grant revenue and current expenditures for the FCPL.

E. Post-Employment Benefits Plans

1. Length of Service Awards Program

In 1985, the County created the Length of Service Awards Program (LOSAP). In fiscal year 2016, LOSAP provided 229 annuities to former volunteer members of the County's fire companies or rescue squads who met certain age and service criteria. Benefits and life insurance premiums totaling \$717,209 in fiscal year 2016 also include survivor annuities and lump-sum death benefits and are reported in the Primary Government's General Fund on a "pay-as-you-go" basis.

2. 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Membership of the Plan consisted of the following at July 1, 2015 the date of the December 16, 2015 actuarial valuation report:

Retirees and beneficiaries receiving benefits	694
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	<u>1,560</u>
Total	<u><u>2,254</u></u>

Summary of Significant Accounting Policies

Basis of Accounting: 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.

Method Used to Value Investments: 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 2016, the County contributed \$10,955,264 to the Plan, including \$5,927,739 for current premiums (approximately 79 percent of total premiums including the implicit subsidy) and an additional \$5,027,525 to prefund benefits. Plan members receiving benefits contributed \$1,519,734 approximately 20 percent of the total premium. Administrative costs are financed through investment earnings.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year. The amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan:

Annual required contribution	\$ 10,723,000
Interest on net OPEB obligation	1,458,000
Amortization of net OPEB obligation	<u>(1,336,000)</u>
Annual OPEB cost	10,845,000
Contribution made	<u>(10,995,264)</u>
Decrease in net OPEB obligation	(110,264)
Net OPEB obligation - beginning of year	18,436,940
Net OPEB obligation - end of year	<u><u>\$ 18,326,676</u></u>
Recorded in the Primary Government	\$ 16,884,322
Recorded in the FCPL Component Unit	1,442,354
Total Net OPEB obligation - end of year	<u><u>\$ 18,326,676</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) for 2016, 2015, and 2014 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation (Asset)
2016	\$ 10,845,000	101.00%	\$ 18,326,676
2015	14,655,000	100.00%	19,439,899
2014	14,192,000	129.57%	19,440,149

NOTES TO FINANCIAL STATEMENTS
(Continued)

Status and Funding Progress

The funded status of the plan for the past three years is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability (a/b)		Unfunded Actuarial Liability (b-a)	Annual Covered Payroll (c)	Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll ((b-a)/c)
07/01/15	\$ 109,771,823	\$ 176,930,000	62.0%		\$ 67,158,177	\$ 100,998,017	66.5%
07/01/14	99,093,741	165,940,000	59.0%		65,846,259	99,555,466	66.1%
07/01/13	76,811,388	188,928,000	40.6%		112,116,612	100,298,314	111.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 9, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included: a) 7.5 percent investment rate (net of administrative expense), b) an annual healthcare cost trend rate of 7.0 percent Pre-Medicare and 5.5 percent Post-Medicare initially, reduced by decrements to an ultimate rate of 5.43 percent Pre-Medicare and 5.04 percent Post-Medicare by the year 2049, c) an inflation rate of 2.5 percent, and d) a level percentage of payroll amortization factor. The actuarial valuation method to determine the actuarial value of assets was fair market value. The unfunded actuarial accrued liability is being amortized over a closed 30-year period.

3. 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, 2016 there were 1,884 retirees (of which 459 had dependent coverage) and 4,994 active benefited employees in the Plan. The Board of Education has the authority to establish and amend post-employment benefits.

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 2016, the Board contributed \$10,331,056 to the plan. Of this amount \$9,289,243 was for FCPS' share of retiree premiums and \$1,041,813 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 \$6,456,298 or approximately 41 percent of the total premiums. The rates for fiscal year 2016 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. For fiscal year 2016, retirees paid approximately \$35,000 in premiums. 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 E.2 above.

F. 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 2016 approximately 28.1 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 IRC 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

G. 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 2016 membership dues and fees for services amounting to \$257,013.

H. Subsequent Events

The County has been involved in several lawsuits concerning the operation and sale of the Citizens Care & Rehabilitation Center and Montevue Assisted Living facilities. The County had entered into an Asset Purchase Agreement and other contracts with Aurora Holdings, VII, LLC (Aurora) effective May 1, 2014 to sell the facilities to Aurora. Since that time, the County had been involved in extensive negotiations with all parties in an effort to resolve all litigation. The parties reached a tentative settlement of all matters on October 9, 2015.

The final settlement agreements were signed by the County and Aurora on May 12, 2016, and the asset purchase closed on September 1, 2016. This settlement ended all of the outstanding lawsuits and other pending legal issues between Aurora, citizen plaintiffs and the County. It included three agreements, one concerning the management of the facilities, one concerning the sale of Aurora's business interests and the settlement itself. Included in the management agreement, Aurora has committed to annual profits of at least \$2.5 million to the County while it continues to manage the facilities for 18 months. If this commitment is not met, the County has the right to terminate the management agreement. The County will also pay Aurora a management fee of 4.5 percent of gross revenues under this agreement. As part of the purchase and sale agreement, the County agreed to pay \$7.85 million to Aurora for their rights and property interests, with \$5.5 million of this paid at the September 1, 2016 closing. The remaining \$2.35 million was placed in escrow. On November 1, 2016, \$1.85 million was paid to Aurora after certain conditions were satisfied. The remaining \$500,000 will be paid to Aurora either at termination of the Management Agreement or no later than January 1, 2018. The entire \$7.85 million has been recorded and accrued in the General Fund financial statements as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS
(Continued)

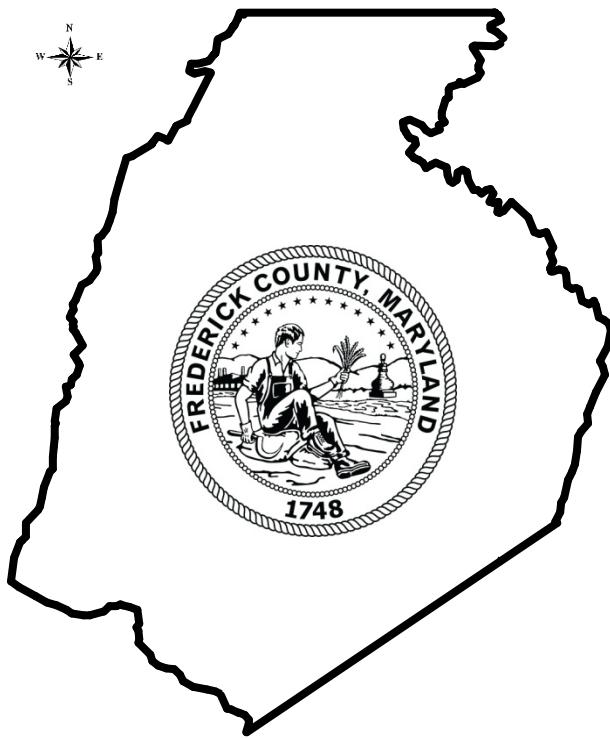
I. New Governmental Accounting Standards Board (GASB) Standard

The County has adopted the provision of Governmental Accounting Standard Board (GASB) issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76, entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and Statement No. 79 entitled *Certain External Investment Pools and Pool Participants*. The adoption of these standards did not have a material effect on these accompanying financial statements.

The GASB has issued Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 77; entitled, *Tax Abatement Disclosures*, GASB Statement No. 78, entitled *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 80, entitled *Blending Requirements for Certain Component Units*; Statement No. 81, entitled *Irrevocable Split-Interest Agreements*; and Statement No. 82, entitled *Pension Issues*. The County has not yet completed the process of evaluating the impact of these pronouncements on its financial statements.

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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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability										
Service cost	\$ 20,272	\$ 20,127	\$ 21,309							
Interest	34,936	32,636	30,170							
Differences between expected and actual experience	(10,287)	(124)	-							Information for FY2013 and earlier is not available
Changes of assumptions		(2,341)	-							
Benefit payments, including refunds of member contributions	(18,052)	(16,812)	(15,671)							
Net change in total pension liability	<u>26,869</u>	<u>33,486</u>	<u>35,808</u>							
Total pension liability - beginning	<u>508,116</u>	<u>474,630</u>	<u>438,822</u>							
Total pension liability - ending	<u>\$ 534,985</u>	<u>\$ 508,116</u>	<u>\$ 474,630</u>							
Plan fiduciary net position										
Contributions - employer	18,910	20,323	21,260							
Contributions - member	7,199	7,022	6,880							
Net investment income	3,253	22,501	67,022							
Benefit payments, including refunds of member contributions	(18,052)	(16,812)	(15,671)							
Administrative expense	(705)	(793)	(930)							
Net change in plan fiduciary net position	<u>10,605</u>	<u>32,241</u>	<u>78,561</u>							
Plan fiduciary net position - beginning	<u>487,315</u>	<u>455,074</u>	<u>376,513</u>							
Plan fiduciary net position - ending	<u>\$ 497,920</u>	<u>\$ 487,315</u>	<u>\$ 455,074</u>							
Net position liability - ending	<u>\$ 37,065</u>	<u>\$ 20,801</u>	<u>\$ 19,556</u>							
Plan fiduciary net position as a percentage of the total pension liability	93.07%	95.91%	95.88%							
Covered payroll (1)	\$ 100,998	\$ 99,555	\$ 106,397							
Net pension liability as a percentage of covered payroll	36.70%	20.89%	18.38%							
Expected average remaining service years of all participants	6	6	6							
Average money weighted rate of return, net of investment expenses	1.07%	5.18%	18.04%							

(1) Per GASB 82, the amount shown reflects pensionable earnings only

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								
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 18,808	\$ 18,721	\$ 18,687						
Contributions in relation to the actuarially determined contribution	<u>18,910</u>	<u>20,323</u>	<u>21,260</u>						
Contribution deficiency (excess)	<u>\$ (102)</u>	<u>\$ (1,602)</u>	<u>\$ (2,573)</u>						
Covered payroll (1)	<u>\$ 100,998</u>	<u>\$ 99,555</u>	<u>\$ 100,298</u>						
Contributions as a percentage of covered payroll	18.72%	20.41%	21.20%						

(1) Per GASB82, the amount shown reflects pensionable earnings only

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	For healthy participants and beneficiaries, the RP-2000 Combined Healthy tables set back one year with generational projection by Scale AA. For disabled participants, the RP-2000 Combined Healthy tables set forward 10 years with generational projection by Scale AA.

FREDERICK COUNTY RETIREE HEALTH BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

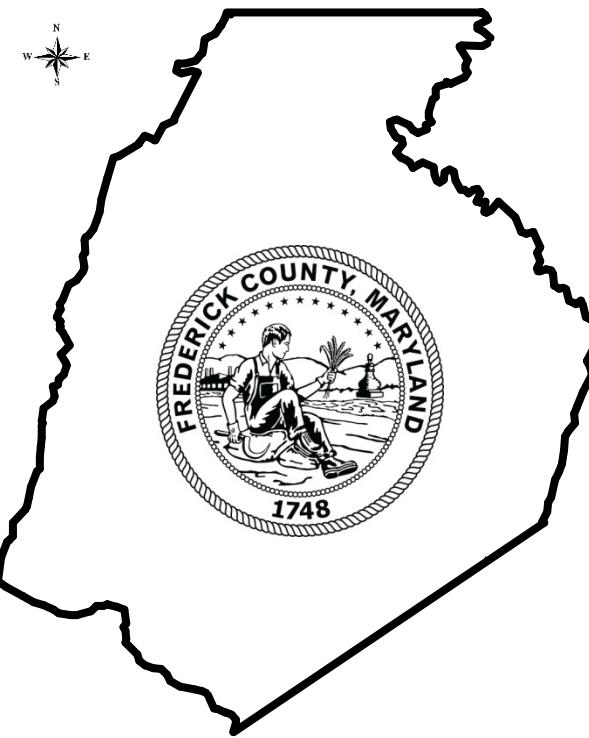
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Actuarial Value of Plan Assets as a Percentage of the Actuarial Accrued Liability	Unfunded Actuarial Liability	Annual Covered Payroll	Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll
07/01/10	\$ 25,171,478	\$ 211,958,000	11.9 %	\$ 186,786,522	\$ 108,101,751	172.8 %
07/01/11	37,696,695	195,525,000	19.3	157,828,305	100,902,862	156.4
07/01/12	55,592,953	175,466,000	31.6	119,873,047	101,379,283	118.2
07/01/13	76,811,388	188,928,000	40.6	112,116,612	100,298,314	111.8
07/01/14	99,093,741	165,940,000	59.0	65,846,259	99,555,466	66.1
07/01/15	109,771,823	176,930,000	62.0	67,158,177	100,998,017	66.5

Analysis of the dollar amounts of the actuarial value of plan assets, actuarial accrued liability, and unfunded actuarial liability in isolation can be misleading. Expressing the actuarial value of plan assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the plan. Trends in unfunded actuarial liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of Frederick County's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage is, the stronger the plan.

FREDERICK COUNTY RETIREE HEALTH BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Years</u>	<u>Annual Required Contribution (ARC)</u>	<u>Contribution Recognized in Plan Financial Statements</u>	<u>Percentage Contributed</u>
2012	\$ 19,252,000	\$ 19,252,000	100%
2013	13,924,000	18,389,186	132%
2014	14,423,000	14,655,250	102%
2015	10,309,000	11,468,959	111%
2016	10,723,000	10,955,264	102%

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, 2016

	Special Revenue Funds						Total Non Major Governmental Funds (See Exhibit II-A-3)
	Grants	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Assets							
Cash	\$ 2,986	\$ -	\$ -	\$ -	\$ 141,384	\$ -	\$ 144,370
Equity in pooled invested cash	-	1,478	5,156	107,974	716,467	2,998,330	3,829,405
Total cash and cash equivalents	2,986	1,478	5,156	107,974	857,851	2,998,330	3,973,775
Receivables, net of allowance for uncollectibles:							
Property taxes	-	-	22	-	-	-	22
Accounts	373,189	1	-	177,498	66,887	-	617,575
Intergovernmental	6,188,473	-	-	-	-	-	6,188,473
Prepaid items	53,136	-	-	-	-	10,000	63,136
Long term receivables, net of allowance for uncollectibles:							
Non-profit organization loans	-	-	-	2,436,400	-	-	2,436,400
Small business loans	-	-	-	-	-	27,841	27,841
Housing loans	2,310,521	-	-	-	-	4,156,774	6,467,295
Other long term receivables	300,000	-	-	-	-	-	300,000
Total assets	<u>\$ 9,228,305</u>	<u>\$ 1,479</u>	<u>\$ 5,178</u>	<u>\$ 2,721,872</u>	<u>\$ 924,738</u>	<u>\$ 7,192,945</u>	<u>\$ 20,074,517</u>
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 188,731	\$ -	\$ -	\$ -	\$ 46,058	\$ -	\$ 234,789
Accrued liabilities	199,861	-	839	285,472	-	-	486,172
Payroll and benefit deductions	629,054	-	-	-	-	-	629,054
Due to third parties	-	-	-	-	97,099	-	97,099
Due to general fund	2,834,972	-	-	-	-	-	2,834,972
Due to other governmental units	32,754	-	-	-	-	-	32,754
Other liabilities	598,591	-	-	-	-	67,662	666,253
Unearned revenues	972,717	-	-	2,436,400	-	-	3,409,117
Total liabilities	<u>5,456,680</u>	<u>-</u>	<u>839</u>	<u>2,721,872</u>	<u>143,157</u>	<u>67,662</u>	<u>8,390,210</u>
Fund balances							
Nonspendable	2,610,521	-	-	-	-	4,184,615	6,795,136
Restricted	-	-	-	-	51,931	-	51,931
Committed	1,161,104	1,479	4,339	-	729,650	2,940,668	4,837,240
Total fund balance	<u>3,771,625</u>	<u>1,479</u>	<u>4,339</u>	<u>-</u>	<u>781,581</u>	<u>7,125,283</u>	<u>11,684,307</u>
Total liabilities and fund balance	<u>\$ 9,228,305</u>	<u>\$ 1,479</u>	<u>\$ 5,178</u>	<u>\$ 2,721,872</u>	<u>\$ 924,738</u>	<u>\$ 7,192,945</u>	<u>\$ 20,074,517</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
SHERIFF'S/ JUDICIAL ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Sheriff's Drug Enforcement	Narcotics Investigative Section	State Attorney Law Enforcement Aid	Inmates' Canteen	Total Sheriff's/Judicial Activities (See Exhibit II-B-1)
Assets					
Cash	\$ 19,047	\$ 9,646	\$ 15,049	\$ 97,642	\$ 141,384
Equity in pooled invested cash	<u>52,100</u>	<u>179,377</u>	<u>-</u>	<u>484,990</u>	<u>716,467</u>
Total cash and cash equivalents	<u>71,147</u>	<u>189,023</u>	<u>15,049</u>	<u>582,632</u>	<u>857,851</u>
Receivables, net of allowance for uncollectibles:					
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,887</u>	<u>66,887</u>
Total assets	<u>\$ 71,147</u>	<u>\$ 189,023</u>	<u>\$ 15,049</u>	<u>\$ 649,519</u>	<u>\$ 924,738</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ -	\$ 10,583	\$ -	\$ 35,475	\$ 46,058
Due to third parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,099</u>	<u>97,099</u>
Total liabilities	<u>-</u>	<u>10,583</u>	<u>-</u>	<u>132,574</u>	<u>143,157</u>
Fund balances					
Restricted	51,931	-	-	-	51,931
Committed	<u>19,216</u>	<u>178,440</u>	<u>15,049</u>	<u>516,945</u>	<u>729,650</u>
Total fund balance	<u>71,147</u>	<u>178,440</u>	<u>15,049</u>	<u>516,945</u>	<u>781,581</u>
Total liabilities and fund balance	<u>\$ 71,147</u>	<u>\$ 189,023</u>	<u>\$ 15,049</u>	<u>\$ 649,519</u>	<u>\$ 924,738</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2016

	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	\$ 2,511,962	\$ 20,000	\$ 193,697	\$ 272,671	\$ 2,998,330
Total cash and cash equivalents	2,511,962	20,000	193,697	272,671	2,998,330
Prepaid items	10,000	-	-	-	10,000
Long term receivables, net of allowance for uncollectibles:					
Small business loans	-	-	-	27,841	27,841
Housing loans	4,156,774	-	-	-	4,156,774
Total assets	<u>\$ 6,678,736</u>	<u>\$ 20,000</u>	<u>\$ 193,697</u>	<u>\$ 300,512</u>	<u>\$ 7,192,945</u>
Liabilities and fund balance					
Liabilities					
Other liabilities	\$ 67,662	\$ -	\$ -	\$ -	\$ 67,662
Total liabilities	<u>\$ 67,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,662</u>
Fund balances					
Nonspendable	4,156,774	-	-	27,841	4,184,615
Committed	2,454,300	20,000	193,697	272,671	2,940,668
Total fund balance	<u>6,611,074</u>	<u>20,000</u>	<u>193,697</u>	<u>300,512</u>	<u>7,125,283</u>
Total liabilities and fund balance	<u>\$ 6,678,736</u>	<u>\$ 20,000</u>	<u>\$ 193,697</u>	<u>\$ 300,512</u>	<u>\$ 7,192,945</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Special Revenue Funds						Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Grants	Watershed Protection & Restoration	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's/ Judicial Activities	Loan Activities	
Revenues							
Storm Water Mediation Fee	\$ -	\$ 489	\$ -	\$ -	\$ -	\$ -	\$ 489
Lighting tax levy	-	-	14,956	-	-	-	14,956
Other local taxes	-	-	-	1,407,856	-	-	1,407,856
Grants from federal government	17,261,146	-	-	-	-	-	17,261,146
Grants from state government	5,541,690	-	-	-	-	-	5,541,690
Charges for services	932,886	-	-	-	658,778	-	1,591,664
Fines and forfeitures	-	-	-	-	214,429	-	214,429
Interest from loans	-	4	-	-	-	4,717	4,721
Investment earnings	-	-	25	272	2,128	7,312	9,737
Miscellaneous revenue	672,939	-	-	178,982	13,780	977,668	1,843,369
Total revenues	<u>24,408,661</u>	<u>493</u>	<u>14,981</u>	<u>1,587,110</u>	<u>889,115</u>	<u>989,697</u>	<u>27,890,057</u>
Expenditures							
General government	2,173,880	-	-	36,752	-	-	2,210,632
Public safety	3,087,798	-	-	-	745,300	-	3,833,098
Public works	8,866,962	-	14,450	-	-	-	8,881,412
Health	1,288,462	-	-	-	-	-	1,288,462
Social services	2,074,107	-	-	-	-	-	2,074,107
Conservation of natural resources	1,179,968	-	-	-	-	-	1,179,968
Community development and public housing	7,007,014	-	-	-	-	492,805	7,499,819
Economic development and opportunity	4,473,140	-	-	1,371,309	-	-	5,844,449
Debt service	-	-	-	179,049	-	-	179,049
Total expenditures	<u>30,151,331</u>	<u>-</u>	<u>14,450</u>	<u>1,587,110</u>	<u>745,300</u>	<u>492,805</u>	<u>32,990,996</u>
Excess (deficiency) of revenues over expenditures	<u>(5,742,670)</u>	<u>493</u>	<u>531</u>	<u>-</u>	<u>143,815</u>	<u>496,892</u>	<u>(5,100,939)</u>
Other financing sources (uses)							
Transfers in from General Fund	5,203,241	-	-	-	-	-	5,203,241
Transfers out to General Fund	-	-	-	-	(74,216)	-	(74,216)
Total other financing sources (uses)	<u>5,203,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,216)</u>	<u>-</u>	<u>5,129,025</u>
Net change in fund balances	(539,429)	493	531	-	69,599	496,892	28,086
Fund balance - beginning of year	<u>4,311,054</u>	<u>986</u>	<u>3,808</u>	<u>-</u>	<u>711,982</u>	<u>6,628,391</u>	<u>11,656,221</u>
Fund balance - end of year	<u>\$ 3,771,625</u>	<u>\$ 1,479</u>	<u>\$ 4,339</u>	<u>\$ -</u>	<u>\$ 781,581</u>	<u>\$ 7,125,283</u>	<u>\$ 11,684,307</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, 2016

	<u>Sheriff's Drug Enforcement</u>	<u>Narcotics Investigative Section</u>	<u>State Attorney Law Enforcement Aid</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's/Judicial Activities (See Exhibit II-B-4)</u>
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ 658,778	\$ 658,778
Fines and forfeitures	3,340	203,493	7,596	-	214,429
Investment earnings	23	671	-	1,434	2,128
Miscellaneous revenue	-	13,780	-	-	13,780
Total revenues	<u>3,363</u>	<u>217,944</u>	<u>7,596</u>	<u>660,212</u>	<u>889,115</u>
Expenditures					
Public safety	700	175,379	6,300	562,921	745,300
Total expenditures	<u>700</u>	<u>175,379</u>	<u>6,300</u>	<u>562,921</u>	<u>745,300</u>
Excess (deficiency) of revenues over expenditures	<u>2,663</u>	<u>42,565</u>	<u>1,296</u>	<u>97,291</u>	<u>143,815</u>
Other financing sources (uses)					
Transfers out to general fund	-	(74,216)	-	-	(74,216)
Transfers in/out to other funds	46,744	(46,744)	-	-	-
Total other financing sources (uses)	<u>46,744</u>	<u>(120,960)</u>	<u>-</u>	<u>-</u>	<u>(74,216)</u>
Net change in fund balances	49,407	(78,395)	1,296	97,291	69,599
Fund balance - beginning of year	<u>21,740</u>	<u>256,835</u>	<u>13,753</u>	<u>419,654</u>	<u>711,982</u>
Fund balance - end of year	<u>\$ 71,147</u>	<u>\$ 178,440</u>	<u>\$ 15,049</u>	<u>\$ 516,945</u>	<u>\$ 781,581</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, 2016

	Housing Initiative	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities (See Exhibit II-B-4)
Revenues					
Interest from loans	\$ 3,373	\$ -	\$ -	\$ 1,344	\$ 4,717
Investment earnings	5,962	-	566	784	7,312
Miscellaneous revenue	<u>977,343</u>	<u>-</u>	<u>-</u>	<u>325</u>	<u>977,668</u>
Total revenues	<u>986,678</u>	<u>-</u>	<u>566</u>	<u>2,453</u>	<u>989,697</u>
Expenditures					
Community development and public housing	<u>492,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,805</u>
Total expenditures	<u>492,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,805</u>
Excess (deficiency) of revenues over expenditures	<u>493,873</u>	<u>-</u>	<u>566</u>	<u>2,453</u>	<u>496,892</u>
Net change in fund balances	493,873	-	566	2,453	496,892
Fund balance - beginning of year	<u>6,117,201</u>	<u>20,000</u>	<u>193,131</u>	<u>298,059</u>	<u>6,628,391</u>
Fund balance - end of year	<u>\$ 6,611,074</u>	<u>\$ 20,000</u>	<u>\$ 193,697</u>	<u>\$ 300,512</u>	<u>\$ 7,125,283</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, 2016

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,066,247	\$ 5,124,402	\$ 1,058,155
Other local taxes									
Grants from federal government	21,670,792	17,261,146	(4,409,646)	-	-	-	-	-	-
Grants from state government	8,043,627	5,541,689	(2,501,938)	-	-	-	-	-	-
Charges for services	1,016,927	932,886	(84,041)	-	-	-	-	-	-
Interest from loans	-	-	-	-	3,373	3,373	-	-	-
Investment earnings	-	-	-	850	5,962	5,112	20,000	38,014	18,014
Build America Bonds Subsidy	-	-	-	-	-	-	477,549	482,219	4,670
Miscellaneous revenue	851,663	672,939	(178,724)	481,000	1,344,282	863,282	-	-	-
Total revenues	<u>31,583,009</u>	<u>24,408,660</u>	<u>(7,174,349)</u>	<u>481,850</u>	<u>1,353,617</u>	<u>871,767</u>	<u>4,563,796</u>	<u>5,644,635</u>	<u>1,080,839</u>
Expenditures									
General government	2,693,744	2,173,880	519,864	-	-	-	-	-	-
Public safety	4,774,612	3,087,798	1,686,814	-	-	-	-	-	-
Public works	10,345,424	8,866,962	1,478,462	-	-	-	-	-	-
Health	1,480,283	1,288,462	191,821	-	-	-	-	-	-
Social services	2,732,319	2,074,107	658,212	-	-	-	-	-	-
Conservation of natural resources	2,557,465	1,179,968	1,377,497	-	-	-	-	-	-
Community development and public housing	8,596,505	6,690,451	1,906,054	1,638,107	811,044	827,063	-	-	-
Economic development and opportunity	5,547,153	4,473,140	1,074,013	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	4,217,785	4,124,530	93,255
Total expenditures	<u>38,727,505</u>	<u>29,834,768</u>	<u>8,892,737</u>	<u>1,638,107</u>	<u>811,044</u>	<u>827,063</u>	<u>4,217,785</u>	<u>4,124,530</u>	<u>93,255</u>
Excess (deficiency) of revenues over expenditures	<u>(7,144,496)</u>	<u>(5,426,108)</u>	<u>1,718,388</u>	<u>(1,156,257)</u>	<u>542,573</u>	<u>1,698,830</u>	<u>346,011</u>	<u>1,520,105</u>	<u>1,174,094</u>
Other financing sources (uses)									
Appropriated fund balance	1,257,281	1,067,524	(189,757)	1,156,257	582,379	(573,878)	653,989	-	(653,989)
Transfers in from general fund	5,887,215	5,203,241	(683,974)	-	-	-	-	-	-
Transfers in from housing initiative fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to fleet services	-	-	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Premium on public facilities bonds	-	-	-	-	-	-	-	29,694	29,694
Total other financing sources (uses)	<u>7,144,496</u>	<u>6,270,765</u>	<u>(873,731)</u>	<u>1,156,257</u>	<u>582,379</u>	<u>(573,878)</u>	<u>(346,011)</u>	<u>(970,306)</u>	<u>(624,295)</u>
Net change in fund balances	<u>\$ -</u>	<u>844,657</u>	<u>\$ 844,657</u>	<u>\$ -</u>	<u>1,124,952</u>	<u>\$ 1,124,952</u>	<u>\$ -</u>	<u>549,799</u>	<u>\$ 549,799</u>
Fund balance - beginning of year	4,311,054				6,117,201				
Net change in reserves and adjustments to GAAP basis		<u>(1,384,086)</u>			<u>(631,079)</u>			<u>(549,799)</u>	
Fund balance - end of year	<u>\$ 3,771,625</u>				<u>\$ 6,611,074</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, 2016

	Impact Fees			Development Road Improvement			Electric Lighting Tax Districts		
	Final Amended Budget	Impact Fees Actual	Variance - Positive (Negative)	Final Amended Budget	Development Road Improvement Actual	Variance - Positive (Negative)	Final Amended Budget	Electric Lighting Tax Districts Actual	Variance - Positive (Negative)
Revenues									
Lighting tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,981	\$ 14,956	\$ (25)
Other local taxes	-	-	-	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	11,220,416	17,217,334	5,996,918	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	59,226	78,425	19,199	-	-	-	-	25	25
Build America Bonds Subsidy	3,978	4,018	40	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	<u>11,283,620</u>	<u>17,299,777</u>	<u>6,016,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,981</u>	<u>14,981</u>	<u>-</u>
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	15,250	14,450	800
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-	-
Debt service	7,718,644	7,646,178	72,466	-	-	-	-	-	-
Total expenditures	<u>7,718,644</u>	<u>7,646,178</u>	<u>72,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,250</u>	<u>14,450</u>	<u>800</u>
Excess (deficiency) of revenues over expenditures	<u>3,564,976</u>	<u>9,653,599</u>	<u>6,088,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(269)</u>	<u>531</u>	<u>800</u>
Other financing sources (uses)									
Appropriated fund balance	(3,512,976)	-	3,512,976	240,000	-	(240,000)	269	-	(269)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	(52,000)	(52,000)	(240,000)	(240,000)	-	-	-	-
Transfers out to general fund	(52,000)	-	52,000	-	-	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(3,564,976)</u>	<u>(52,000)</u>	<u>3,512,976</u>	<u>-</u>	<u>(240,000)</u>	<u>(240,000)</u>	<u>269</u>	<u>-</u>	<u>(269)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 9,601,599</u>	<u>\$ 9,601,599</u>	<u>\$ -</u>	<u>\$ (240,000)</u>	<u>\$ (240,000)</u>	<u>\$ -</u>	<u>531</u>	<u>\$ 531</u>
Fund balance - beginning of year	-	-	-	-	-	-	-	3,808	-
Net change in reserves and adjustments to GAAP basis	\$ <u>(9,601,599)</u>			\$ <u>240,000</u>			\$ <u>-</u>		\$ <u>4,339</u>
Fund balance - end of year	<u>\$ -</u>			<u>\$ -</u>			<u>\$ 531</u>		<u>\$ 531</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, 2016

	Parks Acquisition & Development			Hotel Rental Tax			Economic Development Loans		
	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	\$ 1,219,850	\$ 1,537,312	\$ 317,462	\$ 1,331,506	\$ 1,407,856	\$ 76,350	\$ -	\$ -	\$ -
Grants from federal government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants from state government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest from loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	\$ 20,000	\$ 33,190	\$ 13,190	\$ 500	\$ 272	\$ (228)	\$ -	\$ 1,344	\$ 1,344
Build America Bonds Subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 784	\$ 784
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ 182,263	\$ 178,982	\$ (3,281)	\$ -	\$ 325	\$ 325
Total revenues	\$ 1,239,850	\$ 1,570,502	\$ 330,652	\$ 1,514,269	\$ 1,587,110	\$ 72,841	\$ -	\$ 2,453	\$ 2,453
Expenditures									
General government	\$ -	\$ -	\$ -	\$ 34,753	\$ 36,752	\$ (1,999)	\$ -	\$ -	\$ -
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Social services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Conservation of natural resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community development and public housing	\$ -	\$ -	\$ -	\$ 1,297,253	\$ 1,371,309	\$ (74,056)	\$ -	\$ -	\$ -
Economic development and opportunity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ 200
Debt service	\$ 125,525	\$ 80,542	\$ 44,983	\$ 182,263	\$ 179,049	\$ 3,214	\$ -	\$ -	\$ -
Total expenditures	\$ 125,525	\$ 80,542	\$ 44,983	\$ 1,514,269	\$ 1,587,110	\$ (72,841)	\$ 200	\$ -	\$ 200
Excess (deficiency) of revenues over expenditures	\$ 1,114,325	\$ 1,489,960	\$ 375,635	\$ -	\$ -	\$ -	\$ (200)	\$ 2,453	\$ 2,653
Other financing sources (uses)									
Appropriated fund balance	\$ (563,325)	\$ -	\$ 563,325	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ 200
Transfers in from general fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out to capital projects fund	\$ (551,000)	\$ (551,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out to general fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out to grants fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from bond refunding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payment to refunded bond escrow agent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Premium on public facilities bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ (1,114,325)	\$ (551,000)	\$ 563,325	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ 200
Net change in fund balances	\$ -	\$ 938,960	\$ 938,960	\$ -	\$ -	\$ -	\$ -	\$ 2,453	\$ 2,453
Fund balance - beginning of year (restated)									
Net change in reserves and adjustments to GAAP basis									
Fund balance - end of year	\$ -	\$ (938,960)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,512	\$ 300,512

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, 2016

	<u>Project Budget</u>	<u>Current Year Actual</u>	<u>Total To Date</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Grants from federal government				
Highways	\$ 14,296,550	\$ 5,263,623	\$ 9,505,460	\$ (4,791,090)
Miscellaneous grants	496,810	-	-	(496,810)
Grants from state government:				
Highways	2,414,119	-	1,824,000	(590,119)
Program open space	350,212	299,642	-	(350,212)
Education	7,126,790	-	40,633	(7,086,157)
Other	3,354,009	141,040	3,203,659	(150,350)
Total revenues	<u>28,038,490</u>	<u>5,704,305</u>	<u>14,573,752</u>	<u>(13,464,738)</u>
Expenditures				
General government	49,899,621	18,536,915	17,419,339	32,480,282
Roads and bridges	77,993,119	22,008,028	48,561,803	29,431,316
Board of Education	90,923,902	20,246,878	27,217,322	63,706,580
Frederick Community College	41,396,628	2,247,339	31,500,849	9,895,779
Parks and recreation	16,865,229	3,891,175	4,965,813	11,899,416
Watershed restoration	6,509,494	1,235,832	1,769,720	4,739,774
Municipal	3,539,021	86,332	883,032	2,655,989
Total expenditures	<u>287,127,014</u>	<u>68,252,499</u>	<u>132,317,878</u>	<u>154,809,136</u>
Excess (deficiency) of revenues over expenditures	<u>(259,088,524)</u>	<u>(62,548,194)</u>	<u>(117,744,126)</u>	<u>141,344,398</u>
Other financing sources (uses)				
Transfers in from general fund	48,217,349	12,539,709	48,217,349	-
Transfers in from impact fees fund	1,813,894	52,000	1,813,894	-
Transfers in from parks acquisition & development fund	12,917,956	551,000	12,917,956	-
Transfers in from development road improvement fund	7,824,730	240,000	7,824,730	-
Transfers in from school construction fund	2,512,852	1,000,000	2,512,852	-
Transfers in from economic development loan fund	300,000	-	300,000	-
Transfers in from water and sewer fund	25,401	-	901	(24,500)
General obligation bonds issued	168,878,402	77,186,339	109,167,574	(59,710,828)
Premium on debt	7,697,940	10,149,319	7,697,940	-
Capital leases	8,900,000	-	-	(8,900,000)
Total other financing sources (uses)	<u>259,088,524</u>	<u>101,718,367</u>	<u>190,453,196</u>	<u>(68,635,328)</u>
Net change in fund balances	<u>\$ -</u>	<u>39,170,173</u>	<u>\$ 72,709,070</u>	<u>\$ 72,709,070</u>
Net change in reserves and adjustment to GAAP basis		16,985,847		
Fund balance - beginning of year		91,158,892		
Fund balance - end of year		<u>\$ 147,314,912</u>		

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	<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>
Assets				
Current assets:				
Equity in pooled invested cash	\$ 3,494,741	\$ 1,055,491	\$ 9,376,671	\$ 13,926,903
Total cash and cash equivalents	3,494,741	1,055,491	9,376,671	13,926,903
Receivables, net of allowance for uncollectible accounts	79,180	59,035	76,705	214,920
Due from component units	-	19	-	19
Inventories	-	-	398,942	398,942
Prepaid items	-	70,217	109,225	179,442
Total current assets	<u>3,573,921</u>	<u>1,184,762</u>	<u>9,961,543</u>	<u>14,720,226</u>
Noncurrent assets:				
Capital assets:				
Buildings and improvements	-	-	1,833,133	1,833,133
Equipment	-	1,753,448	27,384,088	29,137,536
Accumulated depreciation	-	(1,693,945)	(21,746,803)	(23,440,748)
Total noncurrent assets	-	<u>59,503</u>	<u>7,470,418</u>	<u>7,529,921</u>
Total assets	<u>3,573,921</u>	<u>1,244,265</u>	<u>17,431,961</u>	<u>22,250,147</u>
Liabilities				
Current liabilities:				
Accounts payable	-	41,633	288,305	329,938
Payroll and benefit deductions	-	29,846	119,056	148,902
Accrued expenses	10,735	-	455,257	465,992
Current portion of compensated absences	-	-	5,100	5,100
Total current liabilities	<u>10,735</u>	<u>71,479</u>	<u>867,718</u>	<u>949,932</u>
Noncurrent liabilities:				
Liability for compensated absences	-	34,719	132,393	167,112
Total noncurrent liabilities	-	<u>34,719</u>	<u>132,393</u>	<u>167,112</u>
Total liabilities	<u>10,735</u>	<u>106,198</u>	<u>1,000,111</u>	<u>1,117,044</u>
Net position				
Net investment in capital assets	-	59,503	7,470,418	7,529,921
Unrestricted	3,563,186	1,078,564	8,961,432	13,603,182
Total net position	<u>\$ 3,563,186</u>	<u>\$ 1,138,067</u>	<u>\$ 16,431,850</u>	<u>\$ 21,133,103</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, 2016

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	Total Internal Service Funds <u>(See Exhibit II-A-10)</u>
Operating revenues				
Service charges	\$ 4,568,049	\$ 1,187,980	\$ 10,868,494	\$ 16,624,523
Total operating revenues	<u>4,568,049</u>	<u>1,187,980</u>	<u>10,868,494</u>	<u>16,624,523</u>
Operating expenses				
Personnel services	-	584,706	2,297,851	2,882,557
Other operating expenses (including administrative overhead)	132,952	400,347	806,741	1,340,040
Prefunded loss & estimated claims	2,022,353	-	-	2,022,353
Insurance	1,107,538	-	-	1,107,538
Supplies	-	2,752	4,452,191	4,454,943
Repairs and maintenance	-	205,534	1,128,576	1,334,110
Depreciation	-	54,434	1,333,460	1,387,894
Total operating expenses	<u>3,262,843</u>	<u>1,247,773</u>	<u>10,018,819</u>	<u>14,529,435</u>
Operating income (loss)	<u>1,305,206</u>	<u>(59,793)</u>	<u>849,675</u>	<u>2,095,088</u>
Nonoperating revenues (expenses)				
Investment earnings	7,936	2,884	27,510	38,330
Miscellaneous income	-	-	95	95
Insurance recovery	-	-	114,442	114,442
Gain (loss) on disposition of capital assets	-	-	133,662	133,662
Total nonoperating revenues (expenses)	<u>7,936</u>	<u>2,884</u>	<u>275,709</u>	<u>286,529</u>
Net income (loss) before contributions and transfers	<u>1,313,142</u>	<u>(56,909)</u>	<u>1,125,384</u>	<u>2,381,617</u>
Transfers in (out)	-	-	276,478	276,478
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>276,478</u>	<u>276,478</u>
Change in net position	<u>1,313,142</u>	<u>(56,909)</u>	<u>1,401,862</u>	<u>2,658,095</u>
Net position - beginning of year	<u>2,250,044</u>	<u>1,194,976</u>	<u>15,029,988</u>	<u>18,475,008</u>
Net position - end of year	<u>\$ 3,563,186</u>	<u>\$ 1,138,067</u>	<u>\$ 16,431,850</u>	<u>\$ 21,133,103</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-11)
Cash flows from operating activities				
Cash received from residents and customers	\$ 4,526,099	\$ 1,225,895	\$ 10,845,359	\$ 16,597,353
Cash paid to suppliers	(3,358,930)	(633,510)	(6,028,073)	(10,020,513)
Cash paid to employees	-	(571,780)	(2,261,072)	(2,832,852)
Net cash provided by operating activities	<u>1,167,169</u>	<u>20,605</u>	<u>2,556,214</u>	<u>3,743,988</u>
Cash flows from noncapital financing activities				
Transfers in (out)	-	-	276,478	276,478
Net cash provided (used) by noncapital financing activities	-	-	<u>276,478</u>	<u>276,478</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(3,145,241)	(3,145,241)
Recoveries for damages	-	-	114,442	114,442
Proceeds from sale of capital assets	-	-	173,812	173,812
Net cash provided (used) by capital & related financing activities	-	-	<u>(2,856,987)</u>	<u>(2,856,987)</u>
Cash flows from investing activities				
Interest received on investments	<u>7,936</u>	<u>2,884</u>	<u>27,511</u>	<u>38,331</u>
Net cash provided by investing activities	<u>7,936</u>	<u>2,884</u>	<u>27,511</u>	<u>38,331</u>
Net increase (decrease) in cash and cash equivalents	1,175,105	23,489	3,216	1,201,810
Cash and cash equivalents - beginning of year	<u>2,319,636</u>	<u>1,032,002</u>	<u>9,373,455</u>	<u>12,725,093</u>
Cash and cash equivalents - end of year	<u>\$ 3,494,741</u>	<u>\$ 1,055,491</u>	<u>\$ 9,376,671</u>	<u>\$ 13,926,903</u>

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds</u> <u>(See Exhibit II-A-11)</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,305,206	\$ (59,793)	\$ 849,675	\$ 2,095,088
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	-	54,434	1,333,460	1,387,894
Miscellaneous non-operating income	-	-	95	95
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(41,950)	37,916	(23,230)	(27,264)
Inventory	-	-	29,264	29,264
Prepaid items	-	2,616	59,577	62,193
Increase (decrease) in:				
Accounts payable	-	(27,494)	(1,483)	(28,977)
Accrued expenses	(96,087)	4,159	294,756	202,828
Liability for compensated leave	-	8,767	14,100	22,867
Net cash provided by operating activities	\$ <u>1,167,169</u>	\$ <u>20,605</u>	\$ <u>2,556,214</u>	\$ <u>3,743,988</u>
Noncash investing, capital, and financing activities:				
None				

FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance			Balance
	June 30, 2015	Additions	Deductions	June 30, 2016
Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 516,437	\$ 3,018,575	\$ 3,134,189	\$ 400,823
Equity in pooled invested cash	<u>2,170,110</u>	<u>6,217,198</u>	<u>6,720,499</u>	<u>1,666,809</u>
Total Assets	<u><u>\$ 2,686,547</u></u>	<u><u>\$ 9,235,773</u></u>	<u><u>\$ 9,854,688</u></u>	<u><u>\$ 2,067,632</u></u>
Liabilities				
Due to third parties	<u>\$ 2,686,547</u>	<u>\$ 7,182,236</u>	<u>\$ 7,801,151</u>	<u>\$ 2,067,632</u>
Subdivision and Driveway Deposits Fund				
Assets				
Equity in pooled invested cash	<u>\$ 5,055,338</u>	<u>\$ 1,610,181</u>	<u>\$ 2,058,838</u>	<u>\$ 4,606,681</u>
Liabilities				
Due to third parties	<u>\$ 364,264</u>	<u>\$ -</u>	<u>\$ 293,446</u>	<u>\$ 70,818</u>
Performance deposits	<u>4,691,074</u>	<u>1,610,181</u>	<u>1,765,392</u>	<u>4,535,863</u>
Total Liabilities	<u><u>\$ 5,055,338</u></u>	<u><u>\$ 1,610,181</u></u>	<u><u>\$ 2,058,838</u></u>	<u><u>\$ 4,606,681</u></u>
Work Release Fund				
Assets				
Cash and cash equivalents	<u>\$ 19,418</u>	<u>\$ 795,903</u>	<u>\$ 794,205</u>	<u>\$ 21,116</u>
Liabilities				
Due to third parties	<u>\$ 19,418</u>	<u>\$ 795,903</u>	<u>\$ 794,205</u>	<u>\$ 21,116</u>
Tax Incremental Financing Bond Fund				
Assets				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 384,360</u>	<u>\$ 288,230</u>	<u>\$ 96,130</u>
Liabilities				
Due to third parties	<u>\$ -</u>	<u>\$ 96,130</u>	<u>\$ -</u>	<u>\$ 96,130</u>

FREDERICK COUNTY, MARYLAND
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Law Library Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 484,053	\$ -	\$ 484,053
Liabilities				
Due to third parties	\$ -	\$ 405,562	\$ 134,937	\$ 270,625
Bond Forfeitures	\$ -	\$ 260,411	\$ 46,983	\$ 213,428
Total Liabilities	\$ -	\$ 665,973	\$ 181,920	\$ 484,053
Juror's Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 23,590	\$ -	\$ 23,590
Liabilities				
Due to third parties	\$ -	\$ 23,590	\$ -	\$ 23,590
Total Liabilities	\$ -	\$ 23,590	\$ -	\$ 23,590
Revenue Sharing-457(b)/401(a) Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 27,549	\$ 11,250	\$ 16,299
Liabilities				
Due to third parties	\$ -	\$ 61,299	\$ 45,000	\$ 16,299
Total Liabilities	\$ -	\$ 61,299	\$ 45,000	\$ 16,299
Totals - All Agency funds				
Assets				
Cash and cash equivalents	\$ 535,855	\$ 4,734,030	\$ 4,227,874	\$ 1,042,011
Equity in pooled invested cash	\$ 7,225,448	\$ 7,827,379	\$ 8,779,337	\$ 6,273,490
Total assets	\$ 7,761,303	\$ 12,561,409	\$ 13,007,211	\$ 7,315,501
Liabilities				
Due to third parties	\$ 3,070,229	\$ 8,564,720	\$ 9,068,739	\$ 2,566,210
Bond Forfeitures	\$ -	\$ 260,411	\$ 46,983	\$ 213,428
Performance deposits	\$ 4,691,074	\$ 1,610,181	\$ 1,765,392	\$ 4,535,863
Total liabilities	\$ 7,761,303	\$ 10,435,312	\$ 10,881,114	\$ 7,315,501

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
JUNE 30, 2016

	2016
Governmental funds capital assets	
Land and improvements	\$ 137,791,654
Buildings	218,698,905
Equipment	103,404,660
Infrastructure	364,515,731
Construction in progress	42,264,370
Total governmental funds capital assets	<u>\$ 866,675,320</u>
Investment in governmental funds capital assets by source	
Capital projects fund (2)	\$ 700,160,680
General fund	23,310,186
Special revenue funds	100,275,482
Donations	42,928,972
Total governmental funds capital assets	<u>\$ 866,675,320</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$30,970,668 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, 2016

<u>Function</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 6,646,298	\$ 48,124,587	\$ 18,201,393	\$ -	\$ -	\$ 72,972,278
Public safety	7,456,219	62,443,216	65,351,015	-	-	135,250,450
Public works	4,587,775	10,322,182	12,983,219	-	-	27,893,176
Public health	-	7,584,601	52,772	-	-	7,637,373
Social services	1,331,518	40,579,722	2,565,628	-	-	44,476,868
Recreation and culture	38,871,158	48,586,597	4,127,664	-	-	91,585,419
Conservation of natural resources	78,680,717	-	100,288	-	-	78,781,005
Economic Development and Opportunity	217,969	1,058,000	22,681	-	-	1,298,650
Infrastructure	-	-	-	364,515,731	-	364,515,731
Construction in progress	-	-	-	-	42,264,370	42,264,370
 Total governmental funds capital assets	 <u>\$ 137,791,654</u>	 <u>\$ 218,698,905</u>	 <u>\$ 103,404,660</u>	 <u>\$ 364,515,731</u>	 <u>\$ 42,264,370</u>	 <u>\$ 866,675,320</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$30,970,668 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.

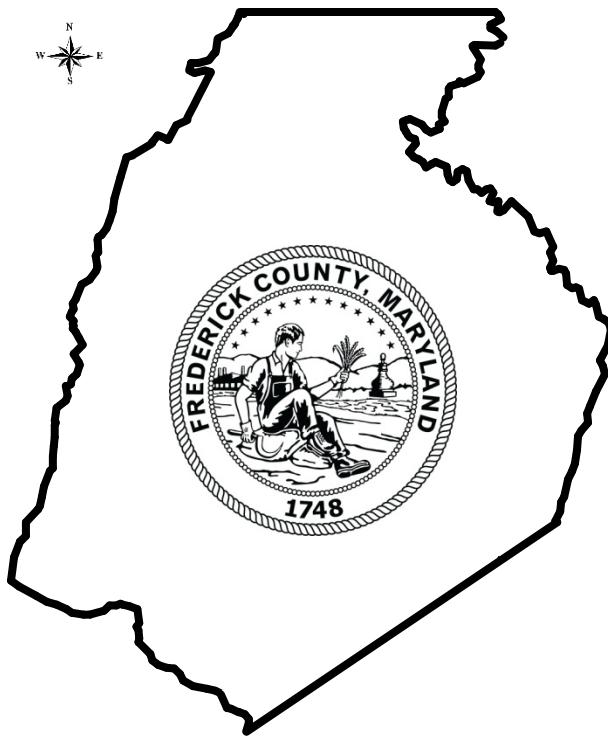
FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION (1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Function</u>	Governmental Funds Capital Assets July 1, 2015	Additions	Deductions	Governmental Funds Capital Assets June 30, 2016
General government	\$ 71,095,062	\$ 1,877,216	\$ -	\$ 72,972,278
Public safety	132,254,223	3,164,002	167,775	135,250,450
Public works	25,117,858	3,392,492	617,174	27,893,176
Public health	7,637,373	-	-	7,637,373
Social services	43,676,868	800,000	-	44,476,868
Recreation and culture	93,422,087	250,348	2,087,016	91,585,419
Conservation of natural resources	72,641,200	7,052,859	913,054	78,781,005
Economic Development and Opportunity	1,298,650	-	-	1,298,650
Infrastructure	357,588,662	4,840,053	(2,087,016)	364,515,731
Construction in progress	28,227,630	33,675,324	19,638,584	42,264,370
Total governmental funds capital assets	<u>\$ 832,959,613</u>	<u>\$ 55,052,294</u>	<u>\$ 21,336,587</u>	<u>\$ 866,675,320</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$30,970,668 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.

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STATISTICAL SECTION



STATISTICAL TABLE OF CONTENTS

This part of the Frederick County, Maryland comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	146 - 151
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	152 - 155
Debt Capacity These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	156 - 159
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	160 - 161
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	162 - 166

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	2016	2015	2014	2013 (3)	2012	2011	2010	2009	2008	2007 (2)
Governmental activities										
Net Investment in capital assets	\$ 297,438,174	\$ 259,453,783	\$ 254,191,895	\$ 275,015,641	\$ 261,682,219	\$ 282,853,416	\$ 273,493,228	\$ 242,888,896	\$ 223,296,140	\$ 220,485,887
Restricted	182,283,535	145,342,639	138,179,573	180,302,326	146,940,466	143,503,406	184,828,765	147,016,541	133,032,506	157,734,585
Unrestricted (Deficit) (1)	(223,989,874)	(183,217,496)	(178,367,506)	(238,490,895)	(191,281,325)	(228,733,110)	(288,083,336)	(167,092,969)	(59,630,068)	(62,896,588)
Total governmental activities net position	<u>255,731,835</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>	<u>296,698,578</u>	<u>315,323,884</u>
Business-type activities										
Net Investment in capital assets	438,579,430	425,865,230	401,049,591	385,175,447	354,046,472	338,311,974	312,459,077	291,788,577	232,785,591	214,474,800
Restricted	8,854,679	2,036,901	1,326,742	2,401,597	456,221	4,371,265	9,714,241	679,335	15,750,610	24,851,353
Unrestricted (Deficit)	101,822,626	105,728,749	107,306,474	101,996,356	101,593,763	98,317,538	77,554,957	80,856,215	96,536,501	87,412,069
Total business-type activities net position	<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>	<u>345,072,702</u>	<u>326,738,222</u>
Primary government										
Net Investment in capital assets	736,017,604	685,319,013	655,241,486	660,191,088	615,728,691	621,165,390	585,952,305	534,677,473	456,081,731	434,960,687
Restricted	191,138,214	147,379,540	139,506,315	182,703,923	147,396,687	147,874,671	194,543,006	147,695,876	148,783,116	182,585,938
Unrestricted (Deficit) (1)	(122,167,248)	(77,488,747)	(71,061,032)	(136,494,539)	(89,687,562)	(130,415,572)	(210,528,379)	(86,236,754)	36,906,433	24,515,481
Total primary government net position	<u>\$ 804,988,570</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>	<u>\$ 641,771,280</u>	<u>\$ 642,062,106</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

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

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 (1)
Expenses										
Governmental activities:										
General government	\$ 57,212,165	\$ 60,751,789	\$ 52,314,050	\$ 51,175,746	\$ 46,806,905	\$ 47,444,418	\$ 47,426,759	\$ 48,336,652	\$ 47,365,230	\$ 44,608,747
Public safety	109,986,688	102,524,827	102,479,766	97,785,269	94,646,502	94,014,597	96,002,101	98,638,171	92,368,561	82,346,886
Public works	46,776,331	37,487,379	36,262,384	35,874,382	38,137,648	38,082,578	42,608,184	45,639,681	36,272,941	33,363,952
Health	7,155,032	6,087,893	6,618,902	5,722,861	6,165,458	7,389,079	8,666,393	8,430,003	8,350,521	12,022,712
Social services	8,193,173	13,667,150	8,618,986	8,505,272	7,570,218	8,607,518	8,699,974	9,079,466	9,034,819	7,433,791
Education	286,993,704	271,936,166	269,815,733	249,689,186	253,445,819	255,092,160	296,413,864	317,246,467	280,571,794	234,952,181
Parks, recreation and culture	19,898,672	19,604,270	19,424,328	18,636,699	18,460,120	18,294,771	17,106,503	17,984,081	16,540,827	13,027,882
Conservation of natural resources	5,461,861	3,782,468	2,451,626	2,654,878	4,007,350	2,514,717	3,203,584	5,920,062	5,284,255	2,018,025
Community development and public housing	7,857,125	6,906,365	7,065,314	6,979,175	6,632,923	7,068,638	6,124,692	5,313,485	5,532,210	4,692,471
Economic development and opportunity	8,130,895	7,782,637	7,128,852	7,440,036	7,558,114	12,777,129	14,318,099	14,367,112	13,586,428	12,368,074
Interest on long term debt	19,414,360	17,826,278	18,608,011	19,465,343	19,546,097	15,104,694	17,983,300	17,384,242	15,180,615	13,236,202
Total governmental activities expenses	577,080,006	548,357,222	530,787,952	503,928,847	502,977,154	506,390,299	558,553,453	588,339,422	530,088,201	460,070,923
Business-type activities:										
Water and sewer	39,275,344	34,933,323	34,528,670	32,464,763	31,926,579	29,622,835	28,894,767	27,858,760	25,789,356	23,082,586
Solid waste management	20,021,489	19,829,130	19,474,982	18,365,946	17,878,124	19,949,545	20,467,049	22,543,435	20,989,211	20,649,798
Nursing homes	-	-	21,928,222	22,407,711	20,203,892	19,217,797	19,389,965	18,720,204	17,961,626	15,862,296
Public housing	165,457	163,740	194,866	168,096	149,510	143,837	174,279	138,883	121,973	127,423
Permitting and development review	-	-	-	-	4,287,265	5,080,138	5,840,521	6,586,058	6,866,402	6,244,552
Total business-type activities expenses	59,462,290	54,926,193	76,126,740	73,406,516	74,445,370	74,014,152	74,766,581	75,847,340	71,728,568	65,966,655
Total primary government expenses	\$ 636,542,296	\$ 603,283,415	\$ 606,914,692	\$ 577,335,363	\$ 577,422,524	\$ 580,404,451	\$ 633,320,034	\$ 664,186,762	\$ 601,816,769	\$ 526,037,578
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 23,323,815	\$ 19,555,583	\$ 16,430,929	\$ 15,442,981	\$ 8,208,837	\$ 7,755,507	\$ 9,934,491	\$ 7,107,680	\$ 6,123,458	\$ 10,002,667
Public safety	7,483,879	6,895,014	5,543,192	6,143,618	7,356,176	6,456,180	6,808,959	6,332,060	6,000,432	5,501,706
Public works	1,014,588	937,256	1,048,985	758,458	747,519	785,085	657,612	681,480	798,599	699,799
Health	257,160	239,230	293,068	253,721	271,307	43,167	1,895,940	1,770,050	1,955,859	2,571,249
Social services	1,840,224	1,514,741	1,334,066	1,870,902	1,532,062	1,388,107	1,309,912	1,427,143	1,359,191	1,199,006
Parks, recreation and culture	1,401,608	1,222,224	1,249,899	1,235,612	1,161,925	1,045,575	859,500	796,378	727,658	640,439
Conservation of natural resources	271,956	237,143	229,566	190,724	181,256	183,549	-	183,704	193,410	198,663
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	75,736	250,412
Operating grants and contributions:	21,321,993	23,553,216	20,861,610	20,368,814	18,668,608	22,050,865	23,530,387	35,124,152	37,093,647	35,352,838
Capital grants and contributions:	14,833,955	8,130,387	3,673,967	8,845,948	10,060,341	8,006,580	7,425,608	18,624,294	4,480,176	4,884,031
Total governmental activities program revenues	\$ 71,749,178	\$ 62,284,794	\$ 50,952,585	\$ 55,233,472	\$ 48,392,714	\$ 47,779,873	\$ 52,516,475	\$ 72,178,182	\$ 58,808,166	\$ 61,300,810

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007 (1)
Business-type activities:										
Charges for services:										
Water and sewer	\$ 31,400,630	\$ 28,935,733	\$ 26,515,370	\$ 24,453,219	\$ 24,539,136	\$ 24,274,317	\$ 20,874,838	\$ 20,716,900	\$ 19,879,735	\$ 19,651,077
Solid waste management	24,952,098	24,951,765	23,837,722	25,066,503	24,502,144	24,584,906	23,313,156	23,140,754	19,286,726	17,255,845
Nursing homes	-	-	16,261,305	18,594,578	14,241,647	14,185,948	13,869,981	13,016,338	12,276,779	12,277,443
Public housing	126,095	125,304	120,875	114,488	108,478	94,815	94,164	94,347	95,121	88,299
Permitting and development review	-	-	-	-	3,838,228	4,350,081	5,216,087	5,184,792	5,647,636	6,106,718
Operating grants and contributions:	-	-	-	-	-	-	25,000	-	5,159,639	10,418,677
Capital grants and contributions:	21,740,182	24,576,946	25,481,073	36,011,030	15,481,330	40,907,293	27,684,963	32,266,084	12,881,554	13,869,468
Total business-type activities program revenues	78,219,005	78,589,748	92,216,345	104,239,818	82,710,963	108,397,360	91,078,189	94,419,215	75,227,190	79,667,527
Total primary government program revenues	<u>\$ 149,968,183</u>	<u>\$ 140,874,542</u>	<u>\$ 143,168,930</u>	<u>\$ 159,473,290</u>	<u>\$ 131,103,677</u>	<u>\$ 156,177,233</u>	<u>\$ 143,594,664</u>	<u>\$ 166,597,397</u>	<u>\$ 134,035,356</u>	<u>\$ 140,968,337</u>
Net (Expense)/Revenue										
Governmental activities	\$ (505,330,828)	\$ (486,072,428)	\$ (479,835,367)	\$ (448,695,375)	\$ (454,584,440)	\$ (458,610,426)	\$ (506,036,978)	\$ (516,161,240)	\$ (471,280,035)	\$ (398,770,113)
Business-type activities	18,756,715	23,663,555	16,089,605	30,833,302	8,265,593	34,383,208	16,311,608	18,571,875	3,498,622	13,700,872
Total primary government net expense	<u>\$ (486,574,113)</u>	<u>\$ (462,408,873)</u>	<u>\$ (463,745,762)</u>	<u>\$ (417,862,073)</u>	<u>\$ (446,318,847)</u>	<u>\$ (424,227,218)</u>	<u>\$ (489,725,370)</u>	<u>\$ (497,589,365)</u>	<u>\$ (467,781,413)</u>	<u>\$ (385,069,241)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Local property taxes	\$ 282,362,326	\$ 271,031,681	\$ 267,892,085	\$ 259,687,605	\$ 280,654,804	\$ 289,330,130	\$ 289,144,746	\$ 271,247,190	\$ 244,968,090	\$ 220,103,311
Local income taxes	201,920,167	204,424,356	177,325,988	163,761,716	161,879,620	165,839,265	143,208,402	137,509,451	164,716,995	153,232,580
Other local taxes	32,936,414	27,257,030	25,883,856	26,244,396	19,886,169	21,938,991	23,080,409	23,393,903	31,601,856	41,284,492
Intergovernmental	-	-	-	-	3,200,000	3,676,983	-	-	-	-
Build America Bonds Subsidy	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	4,855,222	2,213,961	1,911,117	(945,754)	8,637,707	1,758,640	4,904,974	7,900,842	15,484,565	15,415,259
Miscellaneous	12,131,643	7,006,950	6,008,732	3,525,720	4,681,823	7,903,103	914,146	7,630,745	3,270,163	3,904,920
Gain / (Loss) on disposal of assets	-	(5,388)	-	230,352	-	-	-	-	-	-
Transfers	4,000,000	-	(3,283,705)	(2,782,241)	(6,012,930)	(5,826,523)	(8,381,479)	(5,407,001)	(7,386,940)	(3,665,110)
Total governmental activities	<u>\$ 539,483,737</u>	<u>\$ 513,203,232</u>	<u>\$ 477,012,257</u>	<u>\$ 451,046,848</u>	<u>\$ 474,302,088</u>	<u>\$ 485,995,481</u>	<u>\$ 453,463,167</u>	<u>\$ 442,275,130</u>	<u>\$ 452,654,729</u>	<u>\$ 430,275,452</u>
Business-type activities:										
Build America Bonds Subsidy	336,301	337,240	337,121	341,630	363,764	363,764	156,620	-	-	-
Investment earnings	-	366,410	382,050	469,201	447,281	642,203	892,586	4,244,887	6,719,219	7,525,143
Miscellaneous	532,839	-	16,926	19,585	6,111	56,804	661,855	27,662	729,699	635,984
Gain / (Loss) on disposal of assets	-	(419,132)	-	(215,886)	-	-	-	-	-	-
Transfers	(4,000,000)	-	3,283,705	2,782,241	6,012,930	5,826,523	8,381,479	5,407,001	7,386,940	3,665,110
Total business-type activities	<u>\$ (3,130,860)</u>	<u>\$ 284,518</u>	<u>\$ 4,019,802</u>	<u>\$ 3,396,771</u>	<u>\$ 6,830,086</u>	<u>\$ 6,889,294</u>	<u>\$ 10,092,540</u>	<u>\$ 9,679,550</u>	<u>\$ 14,835,858</u>	<u>\$ 11,826,237</u>
Total primary government	<u>\$ 536,352,877</u>	<u>\$ 513,487,750</u>	<u>\$ 481,032,059</u>	<u>\$ 454,443,619</u>	<u>\$ 481,132,174</u>	<u>\$ 492,884,775</u>	<u>\$ 463,555,707</u>	<u>\$ 451,954,680</u>	<u>\$ 467,490,587</u>	<u>\$ 442,101,689</u>
Change in Net Position										
Governmental activities	\$ 34,152,909	\$ 27,130,804	\$ (2,823,110)	\$ 2,351,473	\$ 19,717,648	\$ 27,385,055	\$ (52,573,811)	\$ (73,886,110)	\$ (18,625,306)	\$ 31,505,339
Business-type activities	15,625,855	23,948,073	20,109,407	34,230,073	15,095,679	41,272,502	26,404,148	28,251,425	18,334,480	25,527,109
Total primary government	<u>\$ 49,778,764</u>	<u>\$ 51,078,877</u>	<u>\$ 17,286,297</u>	<u>\$ 36,581,546</u>	<u>\$ 34,813,327</u>	<u>\$ 68,657,557</u>	<u>\$ (26,169,663)</u>	<u>\$ (45,634,685)</u>	<u>\$ (290,826)</u>	<u>\$ 57,032,448</u>

(1) Restated

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

	2016	2015	2014	2013	2012	2011	2010(1)	2009(1)	2008(1)	2007(1)
General Fund										
Nonspendable	\$ 2,460,677	\$ 2,106,066	\$ 875,623	\$ 1,448,707	\$ 1,245,845	\$ 1,648,689	\$ -	\$ -	\$ -	\$ -
Restricted	1,811,085	2,284,366	1,789,157	3,075,002	1,481,720	1,748,141	-	-	-	-
Committed	85,472,727	70,701,317	28,937,617	25,194,232	22,808,337	21,460,449	-	-	-	-
Assigned	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	500,000	500,000	500,000	-	-	-	-
Total General Fund	<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>	<u>-</u>	<u>-</u>
All other Governmental Funds										
Nonspendable										
Special revenue funds	6,994,203	7,444,229	6,752,481	5,721,414	5,890,746	5,527,435	-	-	-	-
Restricted										
Capital project funds	83,037,492	29,625,910	22,756,077	40,695,165	26,378,793	15,301,345	-	-	-	-
Special revenue funds	1,872,261	1,986,081	1,729,249	1,730,552	2,216,834	1,885,830	-	-	-	-
Committed										
Capital project funds	64,277,420	61,532,982	56,746,856	51,814,834	39,012,874	28,461,553	-	-	-	-
Special revenue funds	52,533,574	50,610,317	46,106,305	45,795,195	49,323,414	49,659,195	-	-	-	-
Assigned										
Special revenue funds	-	-	5,645,840	6,279,023	11,286,926	5,915,306	-	-	-	-
Total all other governmental funds	<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>	<u>-</u>	<u>-</u>
General Fund										
Reserved	-	-	-	-	-	-	2,712,109	2,808,056	3,105,738	3,394,405
Unreserved	-	-	-	-	-	-				
Designated	-	-	-	-	-	-	34,083,914	28,147,175	46,788,577	79,230,104
Undesignated	-	-	-	-	-	-	20,360,666	21,364,533	20,973,351	18,339,726
Total General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,156,689</u>	<u>52,319,764</u>	<u>70,867,666</u>	<u>100,964,235</u>
All other Governmental Funds										
Reserved	-	-	-	-	-	-	60,726,010	30,439,539	25,902,551	34,693,529
Unreserved										
Designated	-	-	-	-	-	-	77,153,427	64,476,579	59,773,405	52,212,007
Special revenue funds	-	-	-	-	-	-				
Undesignated										
Capital project funds	-	-	-	-	-	-	11,442,860	17,869,398	97,993,054	70,046,722
Special revenue funds	-	-	-	-	-	-	23,122,490	27,235,110	24,370,105	25,313,519
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,444,787</u>	<u>140,020,626</u>	<u>208,039,115</u>	<u>182,265,777</u>
Total Governmental Fund Balance	<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>	<u>\$ 278,906,781</u>	<u>\$ 283,230,012</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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Local property taxes	\$ 282,362,800	\$ 271,415,720	\$ 267,862,169	\$ 259,514,346	\$ 280,559,892	\$ 289,635,356	\$ 288,983,632	\$ 271,101,871	\$ 245,072,399	\$ 220,049,674
Local income taxes	203,361,507	195,202,656	174,145,880	176,068,392	169,760,329	157,826,635	146,332,338	158,356,951	161,633,784	154,536,579
Other local taxes	34,539,017	28,836,221	27,401,993	27,730,818	21,465,211	23,529,980	25,219,644	24,774,769	38,844,848	43,622,707
Licenses and permits	4,781,330	4,094,070	3,360,551	2,974,589	532,074	517,020	508,039	529,307	525,736	555,708
Grants from federal government	23,577,357	17,301,232	14,384,629	15,412,690	16,645,496	20,508,653	20,900,126	16,018,557	14,972,920	14,435,041
Grants from state government	12,685,953	14,067,186	8,004,219	11,107,191	9,017,538	9,542,786	9,684,799	23,509,031	26,645,876	25,809,335
Intergovernmental	-	-	-	3,200,000	3,676,983	-	-	-	-	-
Charges for services	29,101,150	25,074,489	22,750,120	21,688,995	15,866,215	15,401,850	18,437,255	15,897,927	9,084,044	18,069,358
Fines and forfeitures	295,013	402,343	266,718	502,583	212,745	272,540	225,230	399,997	428,472	304,985
Interest from loans	4,721	2,201	23,312	23,219	25,632	26,130	36,243	39,347	59,566	89,802
Investment income	4,820,107	2,193,040	1,862,271	(996,954)	8,575,492	1,696,828	4,829,617	7,647,654	15,251,373	15,188,001
Build America bond subsidy	1,277,965	1,275,215	1,265,591	1,374,894	1,374,895	1,393,990	-	-	-	-
Miscellaneous	8,028,474	6,920,048	8,261,245	3,851,416	4,402,651	3,700,464	2,621,349	7,373,952	2,643,364	3,695,581
Total revenues	<u>604,835,394</u>	<u>566,784,421</u>	<u>529,588,698</u>	<u>519,252,179</u>	<u>531,638,170</u>	<u>527,729,215</u>	<u>517,778,272</u>	<u>525,649,363</u>	<u>515,162,382</u>	<u>496,356,771</u>
Expenditures										
Current										
General government	42,600,221	41,515,466	38,637,465	37,810,525	32,732,501	31,033,301	31,630,270	33,547,085	33,788,704	27,818,998
Public safety	105,100,235	102,933,508	96,852,558	96,758,110	91,044,159	86,282,410	91,382,456	91,228,627	91,745,100	74,193,200
Public works	27,662,046	25,594,930	24,590,164	22,335,990	23,097,616	22,071,591	26,459,278	26,114,555	23,592,543	19,905,496
Health	6,864,090	6,407,492	6,446,902	5,936,409	5,999,958	6,553,649	7,959,216	7,581,629	8,290,898	11,767,833
Social services	7,101,453	12,959,464	7,420,761	6,861,672	6,836,930	7,339,050	7,862,659	8,120,521	8,371,921	6,665,331
Education	264,499,491	256,036,118	255,444,856	251,123,285	243,014,146	241,906,846	243,159,708	252,074,877	241,164,441	213,329,178
Parks, recreation and culture	16,418,611	16,039,160	15,791,538	15,142,891	14,645,090	13,977,415	14,161,782	14,143,791	14,549,408	11,885,934
Conservation of natural resources	10,967,872	7,135,337	5,311,395	4,249,374	5,617,846	9,155,146	11,438,864	7,976,051	14,124,430	5,194,359
Community development and public housing	7,858,215	6,925,622	7,063,243	6,997,550	6,648,743	7,033,746	6,078,956	5,273,431	5,541,941	4,687,912
Economic development and opportunity	8,089,745	7,808,805	7,137,461	7,524,458	7,589,188	11,815,100	13,469,494	13,755,107	14,655,342	12,488,625
Miscellaneous	6,393,719	3,665,209	2,967,580	5,824,185	1,104,915	1,322,468	1,451,118	1,349,087	1,471,497	6,376,131
Intergovernmental	5,057,136	4,876,200	4,812,532	5,077,122	8,768,154	7,451,352	6,651,041	7,442,704	6,630,971	6,062,188
Debt service										
Principal	38,547,782	36,280,911	33,334,242	33,334,244	30,689,502	27,242,262	25,866,128	25,866,128	22,966,196	20,179,909
Interest	17,791,749	18,215,612	20,791,313	19,402,391	21,317,629	23,543,184	18,123,755	18,464,996	16,335,094	14,295,744
Capital projects	62,117,010	45,349,937	30,550,542	16,655,781	45,867,283	68,903,882	97,440,556	99,230,793	81,621,365	63,431,403
Total expenditures	<u>627,069,375</u>	<u>591,743,771</u>	<u>557,152,552</u>	<u>535,033,987</u>	<u>544,973,660</u>	<u>565,631,402</u>	<u>603,135,281</u>	<u>612,169,382</u>	<u>584,849,851</u>	<u>498,282,241</u>
Excess of revenues over expenditures	<u>(22,233,981)</u>	<u>(24,959,350)</u>	<u>(27,563,854)</u>	<u>(15,781,808)</u>	<u>(13,335,490)</u>	<u>(37,902,187)</u>	<u>(85,357,009)</u>	<u>(86,520,019)</u>	<u>(69,687,469)</u>	<u>(1,925,470)</u>

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Other Financing Sources (Uses)										
Transfers in from:										
General Fund	\$ 17,980,116	\$ 15,748,182	\$ 14,146,422	\$ 23,076,713	\$ 16,548,559	\$ 9,055,525	\$ 7,373,865	\$ 22,704,374	\$ 36,198,005	\$ 46,308,521
Special Revenue Funds	-	-	-	7,222,796	400,000	696,364	3,025,753	3,486,070	11,894,630	30,331,520
Capital Projects Fund	-	-	-	-	-	4,500,000	2,691,419	-	-	-
Enterprise Funds	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	(5,440,407)	(5,715,547)	(5,402,015)	(14,240,588)	(7,044,110)	(5,972,843)	(8,862,176)	(8,247,105)	(11,748,149)	(8,009,101)
Capital Projects Fund	(12,539,709)	(10,032,635)	(8,744,407)	(9,071,125)	(9,904,449)	(3,231,351)	(1,741,753)	(17,943,339)	(36,344,486)	(68,630,940)
Enterprise Funds	-	-	(2,583,705)	(4,192,557)	(6,012,930)	(5,735,201)	(8,481,582)	(5,592,335)	(7,459,195)	(3,941,258)
Internal Service Funds	(276,478)	(171,288)	-	-	-	(129,592)	(250,648)	(15,527)	(976,979)	(796,768)
Gain on sale of property	-	350,000	-	-	-	-	-	-	-	-
Proceeds from public facilities and refunding bonds	112,006,339	87,103,930	-	78,746,393	120,557,832	-	173,041,815	-	61,055,000	49,856,000
Payment to refunded bond escrow agent	(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	11,508,322	2,375,660	-	3,222,024	18,317,929	-	10,503,504	-	2,385,238	919,527
Installment purchase agreement	2,738,445	1,981,492	693,837	-	1,587,605	4,467,570	6,509,802	2,437,428	7,948,699	-
Proceeds of capital lease	-	-	-	-	2,679,047	-	-	2,120,000	2,394,000	5,325,000
Sale of capital assets	-	-	-	-	53,820	-	45,918	7,023	17,475	1,250
Total other financing sources (uses)	<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>	<u>65,364,238</u>	<u>51,363,751</u>
Net change in fund balances	<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>	<u>\$ (4,323,231)</u>	<u>\$ 49,438,281</u>
Total expenditures	<u>\$ 627,069,375</u>	<u>\$ 591,743,771</u>	<u>\$ 557,152,552</u>	<u>\$ 535,033,987</u>	<u>\$ 544,973,660</u>	<u>\$ 565,631,402</u>	<u>\$ 603,135,281</u>	<u>\$ 612,169,382</u>	<u>\$ 584,849,851</u>	<u>\$ 498,282,241</u>
Less: Capital outlay	<u>(885,721)</u>	<u>(3,307,691)</u>	<u>(4,692,445)</u>	<u>(167,076)</u>	<u>(4,331,574)</u>	<u>(6,402,058)</u>	<u>(16,999,763)</u>	<u>(3,395,622)</u>	<u>(9,772,187)</u>	<u>(12,420,057)</u>
Noncapital expenditures	<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>	<u>\$ 575,077,664</u>	<u>\$ 485,862,184</u>
Debt service	<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>	<u>\$ 39,301,290</u>	<u>\$ 34,475,653</u>
Debt service as a percentage of noncapital expenditures	9.00%	9.26%	9.80%	9.86%	9.62%	9.08%	7.51%	7.28%	6.83%	7.10%

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)(2)	Taxable Assessed Value	Direct Tax Rate (1)(3)
	Residential Property	Commercial Property	Industrial Property			Taxable Assessed Value	Direct Tax Rate (1)(2)				
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		
2008	17,735,691,123	3,760,048,362	1,067,271,382	22,563,010,867	0.936	327,415,720	2.34	22,890,426,587	0.956		
2007	15,874,860,776	3,366,315,419	937,566,786	20,178,742,981	0.936	342,190,640	2.34	20,520,933,621	0.959		

Source: County Treasurer's 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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Direct Real Property Tax Rates										
Frederick County (1)	\$ 1.060	\$ 1.060	\$ 1.064	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936
Total Direct Real Property Tax Rates	\$ 1.060	\$ 1.060	\$ 1.064	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936
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	\$ 0.080	\$ 0.080
Urban Fire/Rescue	-	-	-	0.128	0.128	0.128	0.128	0.128	0.128	0.128
Braddock lighting tax district	0.015	0.018	0.018	0.010	0.010	0.006	0.006	0.006	0.006	0.012
Libertytown lighting tax district	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.013	0.018
New Addition lighting tax district	0.017	0.013	0.013	0.090	0.010	0.007	0.007	0.007	0.007	0.012
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	0.462	0.462	0.462	0.462	0.462	0.462	0.422	0.422	0.432	0.452
Burkittsville	0.190	0.140	0.140	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 (2)	0.731	0.731	0.731	0.732	0.650	0.650	0.650	0.650	0.670	0.690
Middletown	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232	0.232
Mt. Airy	0.170	0.170	0.170	0.170	0.170	0.170	0.165	0.165	0.174	0.183
Myersville (3)	0.391	0.391	0.391	0.391	0.274	0.274	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	0.302	0.310	0.309	0.308	0.260	0.260	0.260	0.270	0.280	0.265
Walkersville	0.150	0.150	0.150	0.170	0.170	0.156	0.156	0.156	0.156	0.156
Woodsboro	0.126	0.127	0.128	0.128	0.130	0.120	0.120	0.120	0.120	0.129

(1) In FY2016, 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: 0.9340

County's Myersville tax differential rate: 0.9302

(2) Frederick City's tax rate remained the same from FY2015 to FY2016 due to a higher county tax differential rate charged to customers.

(3) Town of Myersville's tax rate remained the same from FY2015 to FY2016 due to a higher county tax differential rate charged to customers.

Source: County Treasurer's Office

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

Name of Taxpayer	Fiscal Year 2016				Fiscal Year 2007			
	Assessed Value	Rank	Percentage of Total County Taxable Assessed Value		Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	
			Assessed	Value	%			
Potomac Edison Company	\$ 162,391,190	1	0.60	%	\$ 148,818,230	1	0.73	%
RIV 402, LLC	97,504,933	2	0.36		-	-	-	
PR Financing Limited Partnership	80,019,800	3	0.29		65,978,100	3	0.32	
Medimmune, Inc.	52,452,033	4	0.19		-	-	-	
River X, LLC	50,035,067	5	0.18		-	-	-	
Verizon	49,317,360	6	0.18		102,469,110	2	0.50	
Costco Wholesale Corporation	44,711,400	7	0.16		-	-	-	
Dominion Transmission Corporation	44,525,980	8	0.16		-	-	-	
WIG07 Prospect Hall LLC	42,299,467	9	0.16		-	-	-	
Washington Gas Light Company	40,995,030	10	0.15		39,591,170	5	0.19	
State Farm Mutual Auto Insurance	-		-		42,484,933	4	0.21	
Fannie Mae	-		-		28,481,900	6	0.14	
Toys R Us, Inc.	-		-		27,496,900	7	0.13	
WRIT Frederick Crossing Land, LLC	-		-		26,994,000	8	0.13	
First Real Estate Investment Trust	-		-		25,666,200	9	0.13	
ABP MD (Baltimore), LLC	-		-		24,932,400	10	0.12	
 Totals	 <u>\$ 664,252,260</u>		 <u>2.44</u>	 <u>%</u>	 <u>\$ 532,912,943</u>		 <u>2.60</u>	 <u>%</u>

Source: County Treasurer's 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
2016	\$ 271,195,289	\$ (1,674,469)	\$ 269,520,819	\$ 269,144,537	99.86 %	\$ -	269,144,537	99.86 %
2015	261,968,145	(1,625,791)	260,342,354	260,153,968	99.93	88,159	260,242,127	99.96
2014	258,299,607	(1,435,910)	256,863,697	256,652,511	99.92	103,821	256,756,332	99.96
2013	226,706,549	(1,468,868)	225,237,681	224,912,437	99.86	232,234	225,144,671	99.96
2012	240,261,872	(1,868,202)	238,393,670	238,135,801	99.89	135,602	238,271,403	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
2008	207,783,675	(2,264,381)	205,519,294	205,408,797	99.95	108,111	205,516,908	100.00
2007	184,843,834	(718,504)	184,125,330	183,777,116	99.81	345,400	184,122,516	100.00

Source: County Treasurer's 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 2007 through 2016, 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	
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
2008	368,253,623	7,842,795	4,429,258	39,608,678	420,134,354
2007	325,845,687	7,628,193	5,923,287	31,659,979	371,057,146

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds (1)	Capital Leases	Notes Payable	Total Business-Type Activities			
2016	\$ 114,013,303	\$ 287,798	\$ 62,247,445	\$ 176,548,546	\$ 716,689,390	N/A	\$ 2,902
2015	116,277,314	-	67,187,542	183,464,856	673,824,566	N/A	2,765
2014	123,494,437	-	71,834,384	195,328,821	683,833,138	N/A	2,839
2013	126,747,752	-	65,748,564	192,496,316	697,380,728	5.9%	2,926
2012	136,436,986	-	51,144,933	187,581,919	690,402,755	5.8%	2,919
2011	147,577,338	-	44,100,674	191,678,012	655,984,420	6.0%	2,829
2010	158,045,900	-	31,250,960	189,296,860	679,224,221	6.4%	2,910
2009	135,081,028	-	29,576,033	164,657,061	556,777,435	5.5%	2,375
2008	145,047,601	-	28,293,975	173,341,576	593,475,930	5.8%	2,550
2007	134,931,759	-	29,688,011	164,619,770	535,676,916	5.4%	2,318

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, 2016)

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	Total Net General Obligation Debt Outstanding	Percentage of Total Estimated Actual Value of Taxable Property (3)	Per Capita (4)
2016	\$ 601,547,272	\$ 52,440,249	\$ (275,723,023)	\$ 378,264,498	1.39%	\$ 1,532
2015	553,945,902	52,332,153	(273,164,518)	333,113,537	1.27%	1,367
2014	556,683,481	53,505,061	(309,578,617)	300,609,925	1.17%	1,248
2013	575,212,124	53,783,983	(305,011,397)	323,984,710	1.26%	1,359
2012	579,884,975	54,611,083	(332,208,152)	302,287,906	1.15%	1,278
2011	562,696,383	53,023,478	(334,248,799)	281,471,062	1.05%	1,196
2010	600,906,927	48,555,908	(346,222,700)	303,240,135	1.14%	1,299
2009	479,108,806	42,046,106	(267,621,157)	253,533,755	1.02%	1,082
2008	513,301,224	39,608,678	(279,834,495)	273,075,407	1.19%	1,174
2007	460,777,446	31,659,979	(241,586,012)	250,851,413	1.22%	1,085

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 ourstanding debt.
- (2) Installment Purchase Agreements are included because they require the County's bond authority to be issued.
- (3) See Exhibit III-A-5 for real property tax values.
- (4) See Exhibit III-A-13 for population data.

FREDERICK COUNTY, MARYLAND
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016

<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>540,140,844</u>	100%	\$ <u>540,140,844</u>
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	11,537,634	100%	11,537,634
Frederick Community College	6,489,798	100%	6,489,798
Towns, Cities and Villages:			
Brunswick	401,407	100%	401,407
Emmitsburg	301,399	100%	301,399
Frederick City	63,672,706	100%	63,672,706
Middletown	2,178,202	100%	2,178,202
Myersville	3,681,710	100%	3,681,710
Subtotal Overlapping:	<u>88,262,856</u>		<u>88,262,856</u>
Totals	\$ <u>628,403,700</u>		\$ <u>628,403,700</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

	2015	2014 (3)	2013	2012	2011	2010	2009	2008	2007
Debt limitation - 6% of total assessed value	\$ 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	\$ 1,373,425,595	\$ 1,231,256,017
Total debt applicable to limit (2)	<u>586,867,153</u>	<u>195,328,821</u>	<u>192,126,399</u>	<u>185,262,503</u>	<u>184,227,695</u>	<u>183,492,836</u>	<u>159,150,084</u>	<u>171,077,180</u>	<u>155,779,337</u>
Legal debt margin	<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>	<u>\$ 1,202,348,415</u>	<u>\$ 1,075,476,680</u>
Total net debt applicable to the limit as a percentage of debt limit	39.23%	12.64%	12.43%	11.74%	11.41%	11.49%	10.63%	12.46%	12.65%

Legal debt margin calculation for Fiscal Year 2016 (4)

Assessable Basis - Real Property (1)	\$ 29,993,951,370	
Debt limitation - 5% of assessable basis in real property (1)	\$ 1,499,697,569	
Assesable Basis - Personal Property (public utilities)	342,546,890	
Debt limitation - 15% of assessable basis in personal property	<u>51,382,034</u>	
Total Debt Limit	1,551,079,602	
Amount of Debt Applicable to Debt Limit:		
Total Bonds Payable	574,040,000	
Total Installment Purchase Agreements	<u>52,440,249</u>	
Total debt applicable to limit	<u>626,480,249</u>	
Legal debt margin	<u>\$ 924,599,353</u>	

Total net debt applicable to the limit as a percentage of debt limit	40.39%
--	--------

(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	
2016	246,972	N/A	N/A	40,720	3,594	613	4,207	4.0%
2015	243,692	N/A	N/A	40,757	3,582	560	4,142	5.0
2014	240,911	\$ 12,805,996	\$ 52,554	40,715	3,672	529	4,201	5.4
2013	238,345	11,736,462	48,617	40,527	3,798	534	4,332	6.6
2012	236,551	11,869,821	48,774	40,487	3,842	571	4,413	5.9
2011	235,400	11,034,674	47,645	40,484	4,055	553	4,608	6.5
2010	233,385	10,582,394	46,610	40,210	4,068	319	4,387	6.6
2009	234,400	10,200,248	44,742	40,155	3,723	318	4,041	6.8
2008	232,700	10,182,523	44,951	40,566	3,322	358	3,680	3.8
2007	231,100	9,875,134	43,894	40,315	3,197	382	3,579	3.2

Sources: (1) Frederick County Planning and Permitting Division Population Estimates
 (2) US Bureau of Economic Analysis (All data updated as of June 30, 2014)
 (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>	2016			2007			<u>Percentage of Total County Employment</u> *
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u> *	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u> *	
Fort Detrick	9,100 *	1	9.07 %	7,900 *	1	6.52 %	
Frederick County Board of Education	5,650	2	5.63	5,384	2	4.45	
Leiods Biomedical (formerly SAIC-Frederick)	2,700	3	2.69	1,670	6	1.38	
Frederick Memorial Healthcare System	2,328	4	2.32	2,350	4	1.94	
Frederick County Government	2,072	5	2.06	2,526	3	2.09	
Wells Fargo Home Mortgage	1,881	6	1.87	1,650	7	1.36	
Frederick Community College	1,055	7	1.05	1,320	8	1.09	
Frederick City Government	841	8	0.84	-	-	-	
United Health Care (formerly MAMSI)	675	9	0.67	1,073	10	0.89	
AstraZeneca	650	10	0.65	-	-	-	
Bechtel Corporation (formerly Bechtel Power)	-	-	-	2,203	5	1.82	
CitiMortgage	-	-	-	1,300	9	1.07	
	<u><u>26,952</u></u>		<u><u>26.85 %</u></u>	<u><u>27,376</u></u>		<u><u>22.61 %</u></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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General government	318	291	287	294	303	332	356	378	384	350
Public safety	837	819	808	810	820	801	831	864	846	762
Public works	374	370	343	359	376	407	422	443	421	395
Health	157	158	157	316	298	318	326	333	337	316
Social services	98	97	97	101	105	109	138	149	141	136
Parks, recreation and culture	46	45	48	46	45	46	46	48	50	49
Library	115	107	111	111	114	119	117	123	121	116
Conservation of natural resources	7	7	8	7	7	5	7	7	7	7
Community dev. & public housing	10	9	9	9	9	9	11	11	11	8
Economic dev. & opportunity	30	33	28	31	31	33	114	119	114	104
Total	<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>	<u>2,432</u>	<u>2,243</u>

Source: Division of Finance

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

<u>Function/Program</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>	<u>2008</u>	<u>2007</u>
General Government										
Human Resources										
Employment announcements issued	297	228	220	219	256	180	110	133	272	265
Employment applications received/reviewed	13,947	12,219	12,500	9,392	8,993	7,515	4,698	5,127	7,968	6,989
Finance/Accounting										
Accounts payable checks/ACH's generated	19,223	19,160	20,163	20,766	21,056	22,310	21,580	22,719	29,216	23,557
Procurement & Contracting										
Formal bids, RFP's, sole source & emergencies	286	265	223	185	211	204	203	210	204	207
Treasurer										
Invoices prepared	1,791	1,953	2,183	2,063	2,148	2,573	2,413	2,318	2,291	2,235
Property tax bills/delinquent notices mailed	107,557	106,460	104,890	102,348	107,045	106,612	101,345	103,892	101,648	106,403
Building Maintenance										
Buildings	162	162	155	149	147	142	145	145	136	121
Work orders/service requests	4,004	3,700	4,064	4,331	5,888	5,815	4,231	5,043	4,040	3,767
Square feet of properties managed	1,527,176	1,527,176	1,462,965	1,316,994	1,313,488	1,300,120	1,250,119	1,250,119	1,232,121	1,212,276
Facility Services										
Number of leases managed	28	28	30	35	39	33	41	39	37	35
Square feet of leased property managed	100,238	100,238	110,238	136,860	148,257	141,742	161,996	159,227	169,258	166,769
Pieces of outgoing U.S. mail	234,145	231,078	406,924	291,304	298,733	326,858	334,375	400,976	415,488	425,899
Elections										
Registered voters	163,131	152,913	149,393	149,312	141,136	136,014	135,264	132,866	127,227	124,000
Liquor Board										
Regular liquor licenses	322	310	306	307	304	304	284	300	299	294
Liquor inspections	10,084	9,747	7,323	7,216	5,399	5,864	4,449	3,463	3,652	3,260
Internal Audit										
Internal Audits performed (1)	12	10	7	2	4	4	6	5	9	8
Circuit Court										
New cases filed	8,734	9,756	9,704	10,333	10,710	10,431	12,499	12,429	11,168	10,053
Public Safety										
Housing units permitted (2)	1,302	721	1,296	1,006	845	581	788	665	738	1,143
Sheriff's Office										
Administration Bureau										
Civil Process papers served	23,416	23,970	23,181	22,972	19,440	20,648	28,286	30,993	24,771	21,596
Courthouse Security										
Prisoners handled: adult/juvenile	5,129	4,608	4,149	3,846	4,332	4,241	4,535	4,684	4,844	5,336
Operations: Law Enforcement										
Arrests: adult/juvenile	4,162	3,770	3,372	3,189	3,520	3,826	3,892	4,226	4,197	4,376
Calls for service	121,158	90,251	95,223	89,428	98,876	99,047	101,728	96,469	88,434	68,159
Adult Detention Center										
Average daily population	374	407	360	382	395	442	416	425	484	498
Emergency Communications (3)										
Fire/EMS dispatches	33,646	33,324	32,114	32,614	32,199	32,453	30,457	27,674	26,642	26,378
Police dispatches	262,803	240,922	208,541	134,084	145,206	144,489	150,634	144,158	131,355	109,285
911 calls	136,708	100,162	107,321	126,042	140,973	132,231	117,346	109,111	107,353	109,601
Animal Control (3)										
Calls for service	11,834	11,700	11,154	10,858	11,322	10,657	9,373	9,022	8,110	7,771

(1) The drop in the number of audits from FY08 to FY09 was due to a change in the type of audits conducted. The Internal Audit Division increased its performance audits, which require more time to complete.

The decrease 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 and in-house audits are still performed. Two contractors began performing audit work in FY13. FY14 - FY16 include special projects, agreed upon procedure reports, reviews and audits.

(2) For FY07 - FY12, the data represents housing units constructed. For FY13 - FY16 the data represents housing units permitted. FY15 - FY16 numbers include the County and all municipalities, but excludes the City of Frederick.

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

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

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Works										
Water facilities										
Customers	22,666	21,926	21,213	21,113	20,763	20,549	20,263	20,062	20,131	20,081
Annual production (1,000 gals.)	2,441,675	2,414,284	2,395,882	2,032,866	2,036,251	1,846,545	1,612,900	1,733,200	1,712,670	1,952,000
Sewer facilities										
Customers	30,978	30,201	29,454	29,398	28,550	28,221	27,874	27,559	25,923	25,890
Fleet Services										
Work orders	5,646	5,700	5,516	5,160	5,429	5,716	5,613	6,066	5,507	5,372
Vehicles maintained	962	981	874	926	961	967	1,045	1,016	994	959
Highway Operations										
County roads - mileage maintained	1,273	1,273	1,272	1,270	1,271	1,264	1,264	1,258	1,257	1,257
Tar and chip maintenance (miles)	64	44	8	12	11	21	12	32	41	59
Usage of salt & anti-skid (tons)	12,995	30,307	37,222	17,911	7,268	15,263	16,998	14,793	22,911	24,144
Transportation Engineering										
Bridges inspected	145	103	145	103	138	116	136	114	170	170
Road overlay (miles)	25	13	49	17	26	3	37	48	32	25
Construction Management										
CIP and developer funded subdivision projects completed	38	26	40	23	23	41	74	69	106	77
TransIT										
Passenger trips	677,808	761,088	839,297	864,013	909,804	835,880	786,711	791,961	737,974	709,701
Revenue vehicle miles	1,130,887	1,108,172	1,059,840	1,129,546	1,147,211	1,173,086	1,196,533	1,218,305	1,112,748	1,096,130
Revenue vehicle hours	81,037	78,603	77,365	79,904	81,995	83,154	86,305	85,770	85,829	83,467
Health										
Health Department										
Public health nursing/non-nursing contacts	24,775	19,641	20,535	22,068	21,130	21,499	22,632	25,575	25,839	35,046
Mental health visits	16,514	11,902	13,498	12,220	12,165	10,724	10,133	10,182	10,691	10,803
Substance abuse visits	35,401	21,581	39,755	35,827	25,764	26,464	28,860	29,630	30,474	32,063
Dental visits for children	4,109	3,970	3,897	3,983	3,899	4,242	4,384	4,851	5,056	4,410
Environmental health reviews/inspections	16,150	12,478	12,437	13,458	14,304	14,799	14,668	16,684	14,664	15,132
School health program										
Children served	40,819	40,757	40,715	40,527	39,293	40,484	40,210	40,155	40,566	40,315
Health room visits	338,167	331,992	317,079	320,884	289,766	304,730	307,925	270,234	271,815	248,626
Developmental Center										
Infants & Toddlers Program children served	636	607	555	528	697	638	583	548	529	533
School-based services visits	19,133	14,000	14,810	14,113	13,959	14,378	14,734	12,442	11,512	10,551
School-based assessments	325	220	*	*	*	*	*	*	*	*
Audiology services visits	798	786	778	793	767	809	835	801	877	860
Social Services										
Social Services										
Child & Adult Care Food Program										
Home visits	850	850	850	800	855	843	825	900	900	900
Department of Aging										
Home delivered meals served to elderly	57,635	51,951	41,003	51,282	50,305	50,220	45,490	44,624	50,042	52,141
Congregate meals served	10,751	10,366	9,485	11,795	13,474	15,522	15,338	16,936	16,638	16,656

*Information not available

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

<u>Function/Program</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>	<u>2008</u>	<u>2007</u>
Parks, recreation and culture										
Parks & Recreation										
Parks acres maintained	2,099	2,096	2,074	2,066	2,066	2,066	2,066	1,792	1,572	1,534
Recreation center registrations (1)	58,199	53,608	51,285	55,997	49,994	62,183	51,873	48,106	48,463	40,198
Conservation of natural resources										
Agriculture										
Farms	1,308	1,308	1,308	1,442	1,442	1,442	1,442	1,442	1,273	1,273
Acreage	181,512	181,512	181,512	202,087	202,087	202,087	202,087	202,087	195,827	195,827
Preserved land										
Farms	439	426	413	405	397	390	376	355	298	274
Acreage	59,220	57,198	55,542	54,365	53,572	52,802	50,946	47,538	40,163	37,807
Community development and public housing										
Bell Court housing project (28 units)										
Occupancy rate	100%	100%	99%	99%	100%	100%	100%	100%	100%	99%
Economic development and opportunity										
Workforce Services										
One - stop services - customers served	5,911	5,324	5,511	5,009	4,538	6,547	5,122	2,744	2,365	2,507
One - stop services - youth customers served	335	255	237	220	212	242	214	200	330	*
Job openings received	3,708	3,968	3,073	3,178	3,743	4,446	2,761	1,765	2,116	*
Customized training provided (trainees)	n/a	n/a	n/a	Program Ended	1,044	1,413	998	2,319	1,663	*
Frederick Business works projects (trainees)	1	91	n/a	n/a	351	187	190	310	*	*
Recruitment for business	58	80	91	44	60	32	90	81	*	*
Customized & onsite recruitment events	318	415	454	359	454	364	18	28	31	*
Website unique visitors	41,054	50,380	68,344	82,257	93,875	82,422	79,697	55,605	21,774	*
Office of Economic Development										
Average web hits per month	513,951	413,000	396,800	421,502	420,018	422,119	390,112	370,934	365,115	326,761
Inquiries	2,100	2,100	2,100	2,100	2,001	2,590	3,847	3,943	3,343	3,273
Prospects	120	150	185	140	128	150	164	311	440	405
Projects	400	500	410	503	499	513	541	513	422	396
Companies visited	350	350	348	325	308	311	348	429	424	455
Companies assisted	400	300	275	313	290	270	272	335	418	360

*Information not available

(1) Formerly recreation center attendance - numbers updated accordingly

Sources: Frederick County, Maryland Adopted Budgets Performance Indicators and individual county departments. Estimates generated by the agencies were used when actual figures were unavailable. U. S. Department of Agriculture Census (2007)

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

<u>Function/Program</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>	<u>2008</u>	<u>2007</u>
General Government										
Building maintenance										
Buildings managed	162	162	155	149	147	142	145	145	136	121
Public Safety										
Fire/rescue stations	30	30	30	30	30	30	30	30	30	30
Adult Detention Center average daily population	374	407	360	382	395	442	416	425	484	498
Public Works										
County roads - mileage	1,273	1,273	1,272	1,270	1,271	1,264	1,264	1,264	1,258	1,257
Water facilities										
Plants/Distribution Systems	13	13	13	12	12	12	12	12	14	14
Daily capacity (1,000 gals.)	17,198	17,282	18,124	18,124	18,124	18,124	12,432	12,432	12,432	10,193
Miles of water mains	321	314	308	306	302	293	290	289	284	271
Hydrants	2,843	2,783	2,689	2,665	2,602	2,482	2,453	2,428	2,357	2,259
Sewer facilities										
Plants/Collection Systems	12	12	13	14	14	15	15	16	16	16
Daily capacity (1,000 gals.)	16,143	16,043	8,533	8,677	8,677	8,677	8,677	7,727	7,677	7,677
Miles of sewer mains	377	373	371	367	363	357	353	352	344	339
Bridges										
Bridges (over 20' spans)	218	218	219	219	219	219	219	219	215	215
Fleet services										
Vehicles	996	987	940	926	961	967	1,045	1,016	994	959
Parks, Recreation and Culture										
County park acreage	2,099	2,096	2,074	2,066	2,066	2,066	2,066	1,792	1,572	1,534
County facilities	39	37	37	36	36	36	36	31	30	30

Sources: Fire/Rescue, Sheriff, Public Works, Fleet Services, Parks and Recreation