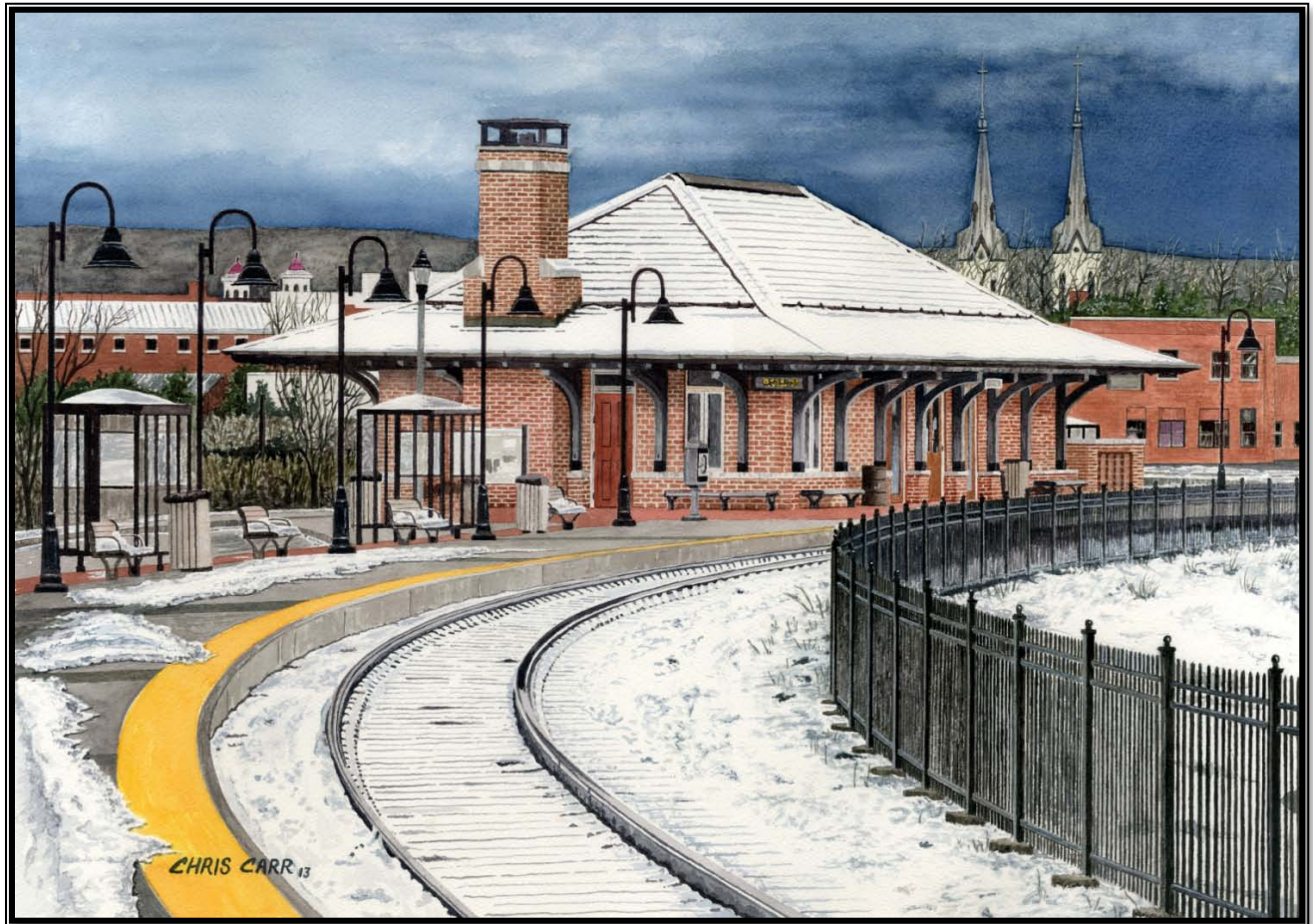


FREDERICK COUNTY MARYLAND



SNOWY FREDERICK ARRIVAL

CHRIS CARR

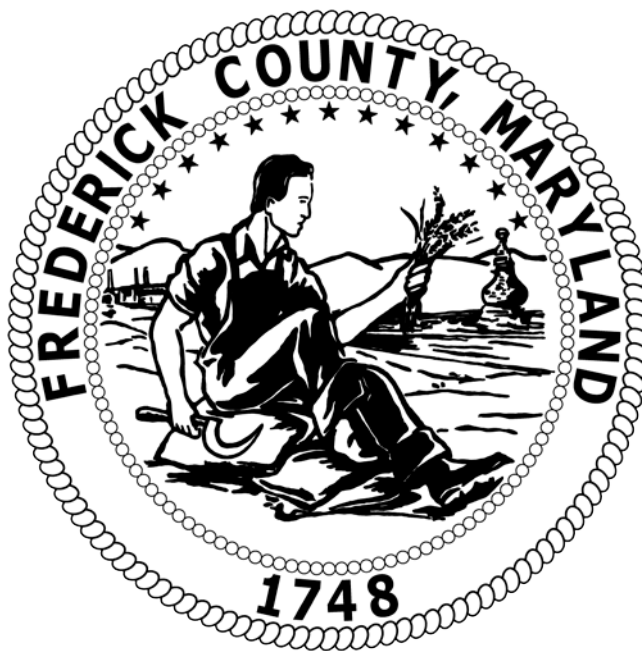
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Front Cover: Snowy Frederick Arrival is an original painting that depicts a passenger rail station on the MARC Brunswick Line between this station and Washington, D.C. This is one of two stations on the Frederick branch. Frederick Station is located at 100 South East Street at the south end of the bridge over Carroll Creek in Frederick, Maryland. It was built on December 17, 2001 on the old Frederick branch of the Baltimore and Ohio Railroad and was designed to represent some of the original B&O depots of the 19th century.

To see more of this artist's work, visit his website at chriscarrwatercolors.com

Permission was granted by the artist to use this photo.

Frederick County, Maryland
Comprehensive Annual Financial Report
Fiscal Year 2013
July 1, 2012 – June 30, 2013



Prepared by the Finance Division

Our Mission



**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, 2013**

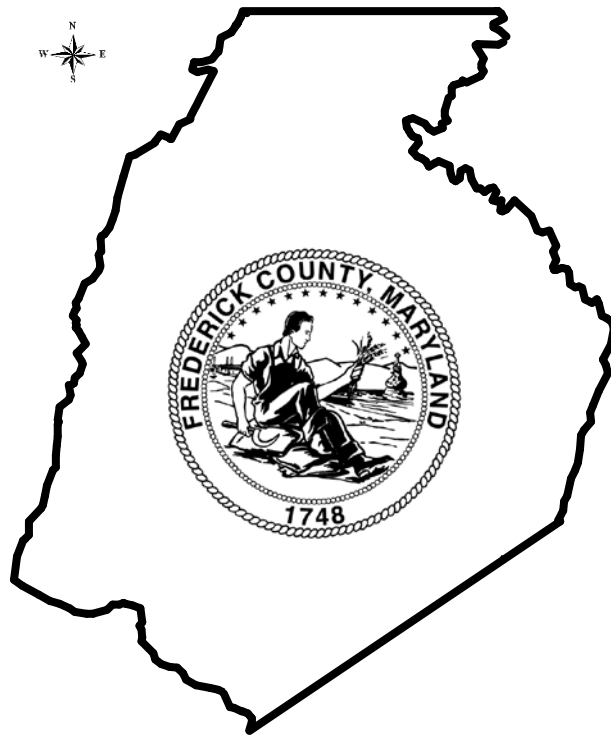
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INTRODUCTORY SECTION





FREDERICK COUNTY GOVERNMENT

DIVISION OF FINANCE

Erin M. White, CPA, Acting Director

Winchester Hall, 12 East Church Street
Frederick, Maryland 21701

www.FrederickCountyMD.gov

O: 301-600-1117 F: 301-600-2302

Commissioners

Blaine R. Young
President

C. Paul Smith
Vice President

Billy Shreve
David P. Gray
Kirby Delauter

Lori L. Depies, CPA
County Manager

December 16, 2013

The Board of County Commissioners and the
Citizens of Frederick County, Maryland

I am pleased to present this Comprehensive Annual Financial Report (CAFR) of Frederick County, Maryland (the "County") for the fiscal year ended June 30, 2013.

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 independent public accountants for the Board of County Commissioners (the "Board") pursuant to Section 2-7-68 of the Frederick County Code.

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, 2013. 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 independent public accountants is located at the beginning of the financial section.

The County is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984 (as amended in 1996 and 2003) and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. 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 Frederick County

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 238,345. 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 66,127. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

Frederick County is governed by an elected five-member Board of County Commissioners that serves for four years. Section 3 of Article 25 of the Annotated Code of Maryland of 1957, as amended (the "Maryland Code") sets out the enumerated powers of the county commissioners of each county in the State of Maryland (the "State") that is governed by the county commissioner form of government. Section 1 of Article 25 declares the county commissioners of a county to be a corporation. Under Maryland law, the county commissioners combine executive and legislative functions. The executive 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 Board may exercise only such powers as are expressly conferred on it: (1) by the Maryland General Assembly as codified in the Maryland Code, and (2) by public local laws enacted by the Maryland General Assembly, which apply only to Frederick County and are codified as Part II of the Frederick County Code, 2004, as amended (the "County Code"). Part II of the Frederick County Code is known as the Code of Public Local Laws of Frederick County, 1979.

Section 1 of Article 25 of the Maryland Code empowers the Board to appoint a clerk to the Board, and all other officers, agents and employees required for County purposes not otherwise provided by law. The County Code empowers the Board to appoint an attorney to provide it with legal services and a county manager to administer and supervise the daily operations of County staff.

- 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. The Citizens Care and Rehabilitation Center Fund is primarily supported through user fees with supplemental support from the General Fund. Montevue Home, while supported by user fees, is more heavily subsidized by General Fund contributions. 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 is the responsibility of the Budget Officer. Public local law requires the budget (1) to be adopted by the Board prior to the beginning of the fiscal year, and (2) maintain a surplus at the end of the fiscal year.

The General Fund budget is prepared and submitted to the Board by the Budget Officer based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. When submitted to the Board, 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 Budget Office from submissions by the County departments and agencies and must be approved by the Board. 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, or in any line item transfer approved by the Board; and no payment may be made nor any obligation or liability incurred which has not been provided for in the Capital Budget. Transfer of appropriations among the items set forth therein may be authorized with the approval of the Board.

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, 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 GASB No. 54. The reconciliation of budgetary basis 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, high skilled and educated workforce and room to grow are all key factors for businesses looking to locate or expand in Frederick.

The federal government has been a positive influence on Maryland and Frederick 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. Federal biodefense expansion and Base Realignment and Closure (BRAC) have resulted in \$2 billion in total projects including the National Institute of Allergies & Infectious Diseases, US Army Research Institute of Infectious Diseases, Biodefense Analysis & Countermeasures Center, and the expansion of the National Cancer Institute.

The revenue outlook for fiscal year 2013 remained challenging. A lagging national economy, unfunded mandates from the State of Maryland and lower tax revenues resulted in lean budgets, both operating and capital. After four consecutive years with no pay raises, the Board of County Commissioners approved a 3.5% merit and a 1% cost of living adjustment in the 2013 budget.

The County's largest revenue source remains real property taxes even though there have been recent declines in the real estate market. The fiscal year 2013 taxable assessable base resulted in a decrease over the fiscal year 2012 assessable base of 2.1%. The reduction in property revenue is a result of the declining assessable base and was offset in a large part by the reduction in the Homestead Tax Credit. General Fund property taxes are projected to increase in FY2014 by \$36 million over FY 2013, representing a 16.3% increase. \$32 million of this increase is attributable to the consolidation of the fire tax districts into the General Fund. The real estate market appears to have bottomed out, but it is too early to predict if the market will continue to rebound in the coming year.

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 shown increases beginning in 2010 through 2013. The year over year increase for 2012 to 2013 was 3.7%. Income tax is budgeted at \$176.4 million for fiscal year 2014.

The elections in 2012 brought a major change to Frederick County with the passing of the Charter Government referendum. In calendar year 2014 the citizens will elect the first County Executive and County Council. We should all be looking forward to what this change will have in store for the future of our County. The new Executive will have authority over the day-to-day operations of the County while the County Council will have legislative authority. This change will allow 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 - In spite of the current economic difficulties, Frederick County is positioned well to handle current and future fiscal challenges because of years of conservative and sound financial management. The County's fiscal strength has been attested to by the three bond rating agencies. Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Market Services rates have maintained their ratings of AAA, Aa1 and AA+, respectively. 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 fiscal year 2014 budget once again faces fiscal challenges requiring the balancing of financial resources. The State mandated contribution to teacher pensions will be phased in over a four year period, with the County being responsible for 100 percent of the cost in fiscal year 2016. Management is committed to address structural imbalances through expenditure cuts and without material reliance on one time resources. Hiring freezes (with the exception of critical positions) were initiated in October 2008 and have continued to the date of this letter.

Frederick County concluded the fiscal year ended June 30, 2013 with a General Fund fund balance of \$94.4 million. Of this amount, \$1.4 million is nonspendable.

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, 2012. 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.

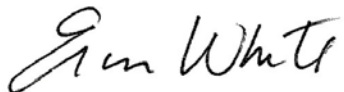
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements. Accordingly, we are submitting it to the GFOA to determine its eligibility for another certificate.

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 Financial Services Manager, Susan Blum, and the Accounting Team Leaders, Ronni Putman, Melanie Thom, Kathi Tritsch, along with their staff; the Director of Treasury, Diane Fox, and her staff who administer the County's property taxes and revenue collection system; the Director of Procurement and Contracting, Diane George, and her staff who work to maximize the value the County receives in all expenditures of tax dollars. Administration of the budget process, without which the accounting and financial reporting could not exist, is in the capable hands of the Budget Officer, Regina Howell and her staff. A special thanks goes to them as well. A sincere note of appreciation goes to Lori Rhodes who assumed the production process of this document. Lastly, I express my appreciation to County Manager, Lori Depies and the Board of County Commissioners and their staff 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 (See Departments; Budget [for other information] and Treasury [for other information]). In addition, copies of this report are placed in the Frederick County Public Library system for use by the general public.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Erin White". The signature is written in a cursive, flowing style.

Erin White, CPA
Acting Director of Finance

WINCHESTER HALL





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

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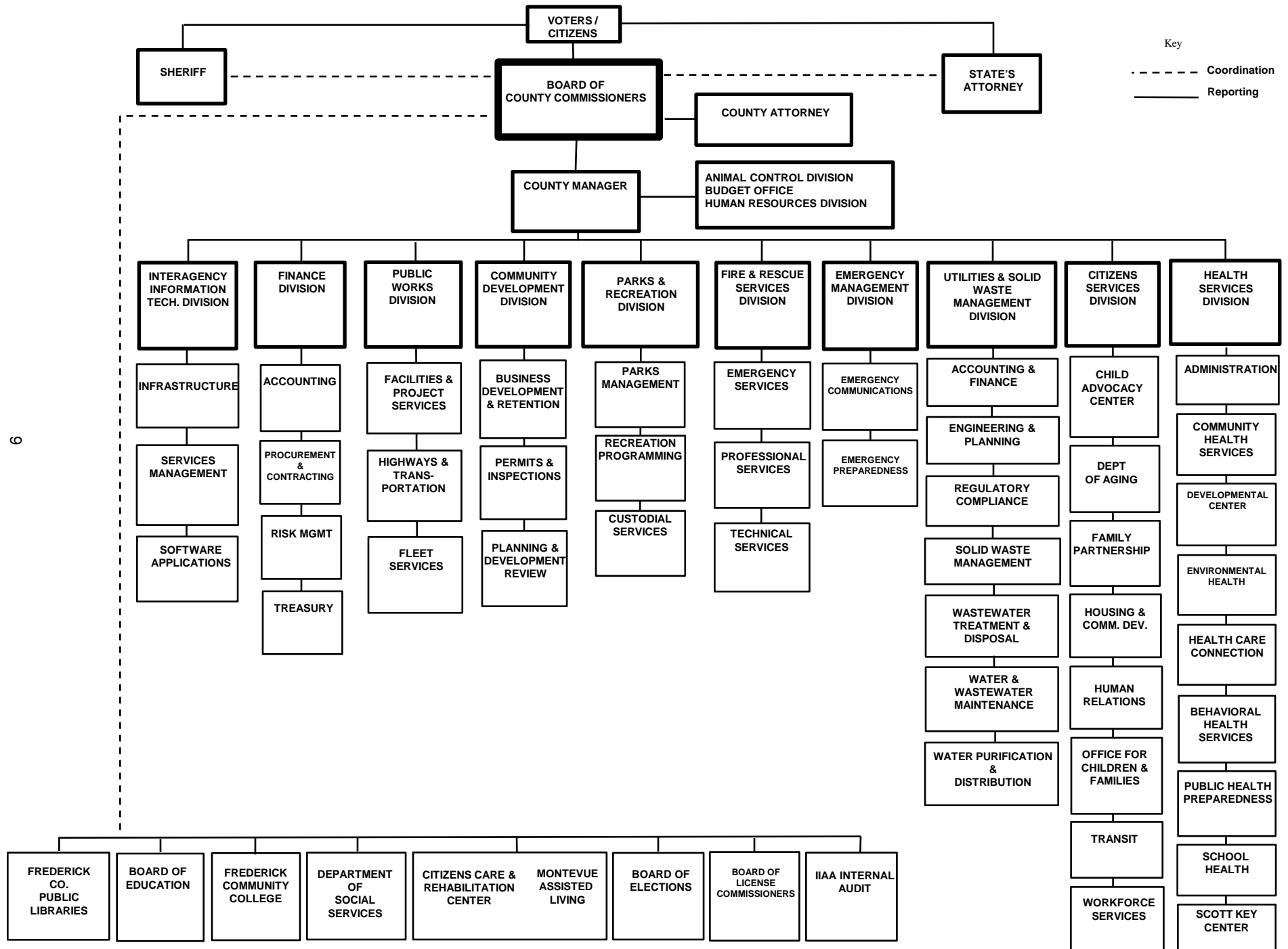
**Frederick County
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FREDERICK COUNTY GOVERNMENT ORGANIZATION CHART





**Board of County Commissioners of Frederick County,
Maryland
2011-2015 Term**

Seated from left

**Commissioner C. Paul Smith, Vice President; Commissioner Blaine R. Young, President;
and Commissioner Billy Shreve**

Standing from left

**Commissioner Kirby Delauter and Commissioner David P. Gray
(Photo by Tim Wesolek)**

Frederick County, Maryland
Summary of Elected and Appointed Officials

Board of County Commissioners

Blaine R. Young, President
C. Paul Smith, Vice President
Billy Shreve
David P. Gray
Kirby Delauter

Sheriff

Charles A. "Chuck" Jenkins

State's Attorney

J. Charles Smith III, Esquire

Administrative Judge of the Circuit Court

Honorable G. Edward Dwyer, Jr.

Clerk of the Circuit Court

Sandra K. Dalton, Clerk

Appointed Officials

County Attorney
County Manager
Animal Control Division Director
Citizens Care & Rehabilitation Center / Montevue
 Assisted Living Executive Administrator
Citizens Services Division Director
Community Development Division
Emergency Management Division Director
Finance Division Director
Fire and Rescue Services Division Director
Health Services Division Health Officer
Human Resources Division Director
Interagency Information Technologies Division Director
Interagency Internal Audit Director
Parks and Recreation Division Director
Public Works Division Director
Utilities and Solid Waste Management Division Director

John S. Mathias, Esquire
Lori L. Depies, CPA
Harold L. Domer, Jr.

Robert C. Aims
Patricia B. Rosensteel
Eric E. Soter
John E. "Jack" Markey
Erin M. White, CPA (Acting)
Douglas W. Brown (Acting)
Barbara A. Brookmyer, MD, MPH
Mitchell L. Hose
Sherry A. Weakley
Kelly M. Hammond (Acting)
W. Paul Dial
Charles F. Nipe (Acting)
Kevin L. Demosky

Component Units

Board of Education

President	Jean A. Smith
Vice-President	Joy Schaefer
Member	Brad W. Young
Member	Kathryn B. Groth
Member	April F. Miller, O.D
Member	James C. Reeder, Jr.
Member	Zakir Bengali
Student Member	Brandon K. Wharton
Superintendent	Theresa R. Alban, Ph.D.

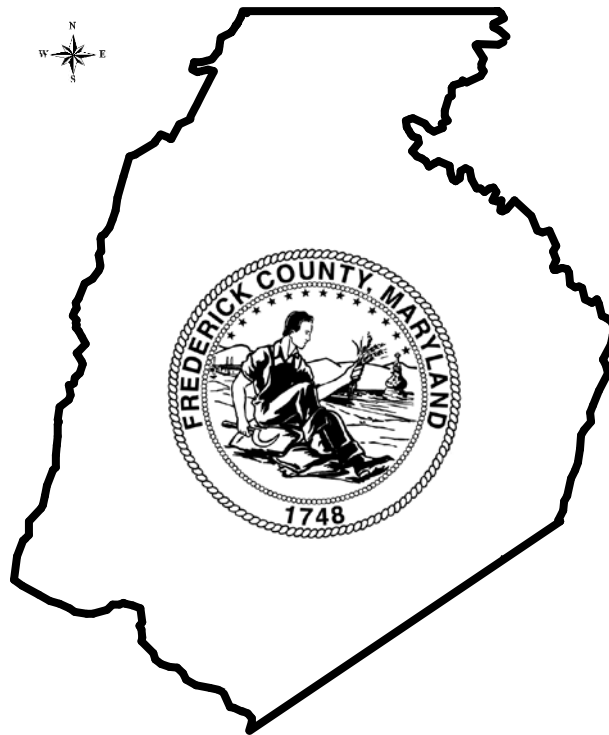
Frederick Community College Board of Trustees

Chairperson	Dixie J. Miller
Vice Chairperson	Debra S. Borden
Trustee	Marvin E. Ausherman
Trustee	David F. Buffer
Trustee	Nick Diaz
Trustee	Donald C. Linton
Trustee	Doris J. White
President	Douglas D. Browning

Frederick County Public Library Board

President	Blanca Poteat
Vice-President	Cheryl G. Smith
Secretary/Treasurer	Candy Greenway
Member	Michael Kurtianyk
Member	Thomas C. Kutz
Member	George Laugelli
Member	Tina B. Prenskey
Public Libraries Director	Darrell L. Batson

FINANCIAL SECTION



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of County Commissioners
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, 2013, 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, 2013, 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.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The introductory and statistical 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
December 13, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

Frederick County Government's (the "County") discussion and analysis is designed 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 (it's ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page 1) and the County's financial statements (beginning on page 29). All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of Frederick County Government exceeded its liabilities at the close of this fiscal year by \$710.0 million (net position), approximately 69.1% of which is attributable to the County's business-type activities. Of total net position, \$660.2 million is the net investment in capital assets, and \$182.7 million is restricted for specific purposes (restricted net position). The County's unrestricted net position is a negative \$132.9 million. This total unrestricted net position amount includes a balance of \$102.7 million from business-type activities, offset by a deficit balance in unrestricted net position from governmental activities of \$235.6 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 school buildings 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 \$264.0 million of bonds payable, the proceeds of which have been used to fund school and college construction.
- Total government-wide net position increased by \$36.6 million or 5.4%. The governmental net position increased by \$2.4 million versus an increase of \$19.7 million in FY2012. This difference is primarily due to a 2.1% decrease in real estate assessments that resulted in a reduction in property tax revenues of \$21.0 million.
- The business-type net position increased by \$34.2 million or 7.5% versus an increase of \$15.1 million in FY2012. This variance is largely a result of non-operating income from developer contributions and capital grants in the Water and Sewer Fund, which increased by \$20.5 million in FY 2013.
- The governmental activities revenue totaled \$508.8 million or 82.9% of total revenue and the net results from governmental activities was an increase in net position of \$2.4 million.
- The business-type activities revenue totaled \$105.1 million or 17.1% of total revenue and the net position from business-type activities increased by \$34.2 million.
- The total cost of all County programs was \$577.3 million, a decrease of \$0.1 million or 0.02% from FY2012.

- As of June 30, 2013, the County's governmental funds have a combined fund balance of \$246.4 million, an increase of \$11.7 million from the previous fiscal year. The greatest net change in fund balance, \$27.1 million increase from the prior year, occurred in the Capital Projects Fund, due to the issuance of \$26.8 million in general obligation bonds. In 2013, the General Fund, Agricultural Preservation Fund and the Nonmajor Governmental Funds where total expenditures exceeded revenues, had decreases in fund balance of \$6.2 million, \$2.8 million and \$6.4 million, respectively.
- At the close of each fiscal year, there is a legislated mandate for a set-aside described in the County Code as an amount equal to five percent of total General Fund expenditures and transfers to the Board of Education and Community College. This amounts to \$21.5 million for this fiscal year. This amount is included in "Committed" fund balance of the General Fund in accordance with the promulgations of Governmental Accounting Standards Board Statements; Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54).

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 and long term obligations. "Net Position" is the difference between the County's assets 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 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 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, nursing homes, public housing and permitting & development review, where the fee for service is intended to cover all or most of the cost of operation, including depreciation.

The Government-Wide Financial Statements include not only Frederick County itself (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 Board of Education and Community College can 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 focus is on Major Funds. 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 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 Fire/Rescue Tax Districts 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 Nursing Home Construction Fund, the Sheriff's Drug Enforcement Fund, the Narcotics Task Force Fund, the Inmates Canteen Fund, the Housing Initiative 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, the Parks Acquisition & Development Fund, and the Nursing Home Construction Fund are eliminated and merged with the Capital Projects Fund.

During FY 2013, the Board of County Commissioners approved the consolidation of the Fire/Rescue Tax Districts Fund into the General Fund. Accordingly, the Fire/Rescue Tax Districts Fund assets, liabilities and net position were transferred to the General Fund at the end of FY 2013.

Frederick County adopts an annual appropriated budget for its General Fund and each of the Special Revenue Funds (except for the Sheriff's Drug Enforcement Fund, the Narcotics Task Force 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 five individual enterprise funds: the Water & Sewer Fund, the Solid Waste Management Fund, the Citizens Care & Rehabilitation Center Fund, the Montevue Home Fund, and the Bell Court Apartments Fund. Prior to FY 2013 the County financial statements also included the Permitting and Development Review Enterprise Fund, but during FY 2013 the Board of County Commissioners approved that this fund be closed and the balances consolidated into the General 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 included in 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.

While the total column on the Business-type Fund Financial Statements (see Exhibits II-A-9 and II-A-10) may be the same as the Business-type 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 bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets 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 progress in funding its obligation to provide retirement benefits to its employees. The required supplementary information is presented in Exhibit II-A-15 to Exhibit II-A-18.

Infrastructure Assets

Infrastructure assets is the County's largest group of assets (roads, bridges, traffic signals, underground pipes [unless associated with a utility], etc.) in the governmental 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 life.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

As noted earlier, 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 exceeded liabilities by \$710.0 million at the close of the fiscal year. 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, \$660.2 million or 93.0%, 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 assets represent 25.7% of total net assets. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the government has a negative

balance of \$132.9 million. The unrestricted net position for business-type activities has a balance of \$102.7 million.

The County issues long-term debt to finance the construction of public schools. These public schools are considered capital assets of the 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. This is the situation generally in all counties in Maryland and is not unique to Frederick County.

The result of these basic current year calculations is that the County's overall financial position has improved slightly from FY2012 to FY2013. The deficit increased in the Unrestricted Net Position of the Governmental Activities by \$44.3 million while the already positive Business Activities Unrestricted Net Position increased \$1.2 million. The main reason for the continued deficit in Net Position in the governmental activities is the fact that the County continues to issue debt related to the Board of Education and Community College capital program. During this fiscal year General Obligation Bonds in the amount of \$16.7 million and \$1.5 million were issued for the Board of Education and Community College projects, respectively. Overall, total net position increased by \$36.6 million. Reasons for the increase in net position include, but are not limited to, the following: continued salary reductions due to attrition and delays in filling permanent full-time positions or eliminating those positions. This expense savings was complimented by income taxes materializing in amounts that exceeded the estimates.

Statement of Net Position

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

Statement of Net Position as of June 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 314,837	\$ 315,042	\$ 145,492	\$ 148,797	\$ 460,329	\$ 463,839
Capital assets	478,237	477,020	570,464	535,257	1,048,701	1,012,277
Total assets	793,074	792,062	715,956	684,054	1,509,030	1,476,116
Current and other liabilities	40,936	40,556	18,370	26,071	59,306	66,627
Long-term debt outstanding	532,445	534,164	207,259	201,887	739,704	736,051
Total Liabilities	573,381	574,720	225,629	227,958	799,010	802,678
Net Position:						
Net investment in capital assets	275,015	261,682	385,175	354,047	660,190	615,729
Restricted	180,302	146,940	2,402	456	182,704	147,396
Unrestricted (deficit)	(235,625)	(191,281)	102,749	101,593	(132,876)	(89,688)
Total net position	\$ 219,693	\$ 217,342	\$ 490,326	\$ 456,096	\$ 710,019	\$ 673,438

As noted earlier, the government's net position increased by \$36.6 million during the fiscal year. Net position of governmental activities increased \$2.4 million. The increase in net position of business-type activities was \$34.2 million in FY2013.

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	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues						
Charges for services	\$ 26,019	\$ 19,664	\$ 68,229	\$ 67,230	\$ 94,248	\$ 86,894
Operating grants and contributions	20,369	18,669	-	-	20,369	18,669
Capital grants and contributions	8,846	10,060	36,011	15,481	44,857	25,541
General revenues						
Local property taxes	259,687	280,655	-	-	259,687	280,655
Local income taxes	163,762	161,880	-	-	163,762	161,880
Other local taxes	26,243	19,885	-	-	26,243	19,885
Intergovernmental	-	3,200	-	-	-	3,200
Build America Bond subsidy	1,325	1,375	342	364	1,667	1,739
Investment earnings	(946)	8,638	469	447	(477)	9,085
Miscellaneous	3,526	4,682	20	6	3,546	4,688
Total revenues	508,831	528,708	105,071	83,528	613,902	612,236
EXPENSES						
Program Activities						
Governmental Activities:						
General government	51,176	46,807	-	-	51,176	46,807
Public safety	97,785	94,647	-	-	97,785	94,647
Public works	35,874	38,138	-	-	35,874	38,138
Health	5,723	6,165	-	-	5,723	6,165
Social services	8,505	7,570	-	-	8,505	7,570
Education	249,689	253,446	-	-	249,689	253,446
Parks, recreation, and culture	18,637	18,460	-	-	18,637	18,460
Conservation of natural resources	2,655	4,007	-	-	2,655	4,007
Community development and public housing	6,979	6,633	-	-	6,979	6,633
Economic development and opportunity	7,440	7,558	-	-	7,440	7,558
Interest on long term debt	19,465	19,546	-	-	19,465	19,546
Business-type Activities:						
Water and sewer	-	-	32,465	31,927	32,465	31,927
Solid waste management	-	-	18,366	17,878	18,366	17,878
Non-major Business-type Activities	-	-	22,576	24,640	22,576	24,640
Total expenses	503,928	502,977	73,407	74,445	577,335	577,422
Change in net position before transfers	4,903	25,731	31,664	9,083	36,567	34,814
Transfers	(2,782)	(6,013)	2,782	6,013	-	-
Gain(loss) on transfer of operations	230	-	(216)	-	14	-
Change in net position	2,351	19,718	34,230	15,096	36,581	34,814
Net Position - beginning of year	217,342	197,624	456,096	441,000	673,438	638,624
Net Position - ending of year	\$ 219,693	\$ 217,342	\$ 490,326	\$ 456,096	\$ 710,019	\$ 673,438

Governmental Activities: The Governmental Funds (accounted for on both the modified accrual basis and budgetary basis) continued growth in fund balances. The Governmental activities of the Government-wide financial statements also experienced increases in net position by \$2.4 million. These increases were due to general salary savings across all funds.

Business-type Activities: Business-type activities increased Frederick County's net position by \$34.2 million. The key element of this increase relates to contributions from developers. Capital grants and contributions continue to provide a major revenue source for the Water and Sewer Fund during the current fiscal year, producing \$36.0 million in revenue.

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 \$246.4 million. Approximately 97.1% of this total amount (\$239.2 million) constitutes restricted, committed, assigned and/or unassigned fund balance, which is generally available for spending. The remainder of fund balance (\$7.1 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 \$122.8 million is \$21.5 million that enabling legislation (Section 2-7-1(a)(2) of the Frederick County Code of Ordinances) requires to be set-aside in an amount equal to five percent of the General Fund expenditures and transfers to the 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 \$92.9 million. Reducing the committed fund balance for the legislative mandate noted earlier still provides a fund balance of \$71.4 million spendable for current operations. Total fund balance for the General Fund is \$94.4 million. As a measure of the General Fund's liquidity, it may be useful to compare restricted, committed, assigned, and unassigned fund balance and total fund balance to total expenditures. Restricted, committed, assigned and unassigned fund balance represents 21.6% of total General Fund expenditures, while total fund balance represents 22.0% of that same amount.

Frederick County's General Fund fund balance decreased by \$6.2 million during the current fiscal year. This decrease is due primarily to a budgeted use of fund balance totaling \$41.4 of which \$6.2 was used.

The Agricultural Preservation Fund has a total fund balance of \$51.4 million. \$45.3 million is committed for debt service related to the Installment Purchase Agreements. The total fund balance decreased by \$2.8 million during FY2013 primarily due to a \$1.6 million decrease in investments related to unrealized loss on investments.

The Capital Projects Fund has a total fund balance of \$92.5 million. The increase in fund balance was \$27.1 million. This increase is primarily due to \$26.8 million in general obligation bond issued during the year.

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. Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$76.3 million and unrestricted net position in the Solid Waste Management Fund totaled \$22.9 million. The Nonmajor Enterprise Funds had unrestricted net position totaling \$2.4 million.

General Fund Budgetary Highlights

The final expenditure and transfer budgets for the General Fund were increased \$1.0 million over the original budget. During the year, revenues were greater than budgetary estimates by \$8.3 million and expenditures were less than budgetary estimates by \$14.6 million. Other financing sources and uses had a favorable variance of \$12.2 million. The favorable variances totaled \$35.1 million, thereby reducing the need to draw upon all of the appropriated fund balance of \$41.4 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 \$2.4 million. This is primarily due to \$1.6 million in real property taxes more than originally estimated.
- Local income tax distributions were greater than the budgeted amount by \$4.8 million. This is the result of a conservative budget and the difficulty in estimating this revenue stream.
- Charges for Services, primarily planning and zoning fees and Scott Key Center fees, were greater than the budgeted amount by \$1.0 million. The planning and zoning fees are primarily due to better than expected activity in rezoning and plat fees, whereas Scott Key Center fees were a result of conservative budgeting.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$14.6 million generally throughout all functions of government. The largest contributors to this savings were \$3.7 million in general government, \$1.0 million in public safety, \$1.4 million in public works, and \$5.3 million as accumulated in the non-departmental expenditures (primarily as a result of non-spending of contingencies). All of these savings were directed as part of the Board of County Commissioners' efforts to systematically reduce the size of government. 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, 2012 and 2013, amount to \$1,012 million and \$1,049 million, respectively. This investment in capital assets includes land, easements, buildings, improvements, machinery and equipment, vehicles, roads, water and sewer lines, highways and bridges and construction in progress. The total increase in Frederick County's investment in capital assets for the current fiscal year was 3.6%.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 88,772	\$ 88,921	\$ 8,528	\$ 7,088	\$ 97,300	\$ 96,009
Construction in prog.	14,500	28,677	125,813	100,070	140,313	128,747
Buildings, impr. & equip.	367,114	329,951	246,696	254,978	613,810	584,929
Infrastructure	352,752	349,686	335,711	317,188	688,463	666,874
Depreciation	(344,901)	(320,215)	(146,284)	(144,067)	(491,185)	(464,282)
Total	<u>\$ 478,237</u>	<u>\$ 477,020</u>	<u>\$ 570,464</u>	<u>\$ 535,257</u>	<u>\$ 1,048,701</u>	<u>\$ 1,012,277</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 3.C.

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

	Governmental Activities	Business-type Activities	Total
Beginning Balance - July 1, 2012	\$ 477,020	\$ 535,257	\$ 1,012,277
Additions	58,928	72,527	131,455
Depreciation	(24,703)	(10,808)	(35,511)
Retirement*	(33,008)	(26,512)	(59,520)
Ending Balance - June 30, 2013	<u>\$ 478,237</u>	<u>\$ 570,464</u>	<u>\$ 1,048,701</u>

*Net of accumulated depreciation related to asset retirement.

Costs incurred for major capital asset additions during the current fiscal year, not including prior year costs, include, but are not limited to, the following projects:

Governmental Activities:

- Construction costs were incurred for the following major projects:
 - Digital Radio System Upgrade \$5.3 million
 - Pavement Management 3.3 million
 - Nursing Home & Assisted Living Facility 2.6 million
 - Ijamsville Road, Phase I 1.9 million
- The following transfers were made to the Frederick County Board of Education for school construction:
 - North Frederick Elementary Replacement \$1.9 million
- The following transfers were made to Frederick Community College for school construction.
 - Building F Conversion \$1.4 million

Business-type Activities:

- Construction costs were incurred for the following major projects:
 - McKinney Wastewater Treatment Plant \$31.2 million
 - Lake Linganore Pinehurst Water & Sewer Improve. 3.1 million

Debt Outstanding

As of year-end, the County had \$574.5 million in general obligation bonds outstanding compared to a total of \$572.9 million last year, a 0.28% net increase. This increase is attributed to the issuance of new money and refunding bonds totaling \$92.8 million, retiring of \$53.8 million in debt and principal payments of \$37.4 million of General Obligation Bonds.

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.

The legal debt margin for Water / Sewer and Solid Waste Fund general obligation debt issuance is calculated as a percentage of total assessed real estate values. This calculation is displayed in Exhibit III-A-12 of the Statistical Section on page 163.

The following reconciliation summarizes the outstanding debt balances, which is presented in detail in Note 3.F.

**Debt Outstanding
as of June 30
(In Thousands)**

	June 30, 2013	June 30, 2012
Governmental Activities:		
Bonds and notes payable:		
General obligation bonds	\$ 447,690	\$ 437,662
Installment purchase agreements	53,784	54,611
Other notes payable	375	1,245
	<u>501,849</u>	<u>493,518</u>
Add remaining original issue premium	21,380	23,885
Less deferred amount on bond refundings	(20,606)	(18,099)
Total bonds and notes payable	<u>502,623</u>	<u>499,304</u>
Other liabilities:		
Capital lease obligations	2,261	3,517
Compensated absences	9,378	8,969
Net OPEB obligation	17,998	22,195
Termination benefits	185	179
Total other liabilities	<u>29,822</u>	<u>34,860</u>
Governmental activities long-term liabilities	<u>\$ 532,445</u>	<u>\$ 534,164</u>
Business-type Activities:		
Bonds and notes payable:		
General obligation bonds	\$ 126,835	\$ 135,273
Other notes payable	65,379	49,990
	<u>192,214</u>	<u>185,263</u>
Add remaining original issue premium	7,214	8,836
Less deferred amount on bond refundings	(7,301)	(7,672)
Total bonds and notes payable	<u>192,127</u>	<u>186,427</u>
Other liabilities:		
Landfill closure costs	13,842	13,974
Compensated absences	1,279	1,459
Termination benefits	11	27
Total other liabilities	<u>15,132</u>	<u>15,460</u>
Business-type activities long-term liabilities	<u>\$ 207,259</u>	<u>\$ 201,887</u>

On September 6, 2012, the County completed a taxable bond refunding in the amount of \$61,370,000 to refund select maturities of the General Obligation Public Facilities Refunding Bonds of 2005. Then on May 2, 2013 the County issued new money tax-exempt General Obligation Public Facilities Bonds in the amount of \$31,450,000. The rating agencies confirmed the following ratings to those debt issues:

AAA	Fitch Ratings
Aa1	Moody's Investors Service, Inc.
AA+	Standard & Poor's

Principal payments and reductions of General Obligation debt in the amounts of \$74.0 million and \$22.5 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 PROPERTY TAX RATES

The following summarizes some economic factors and trends:

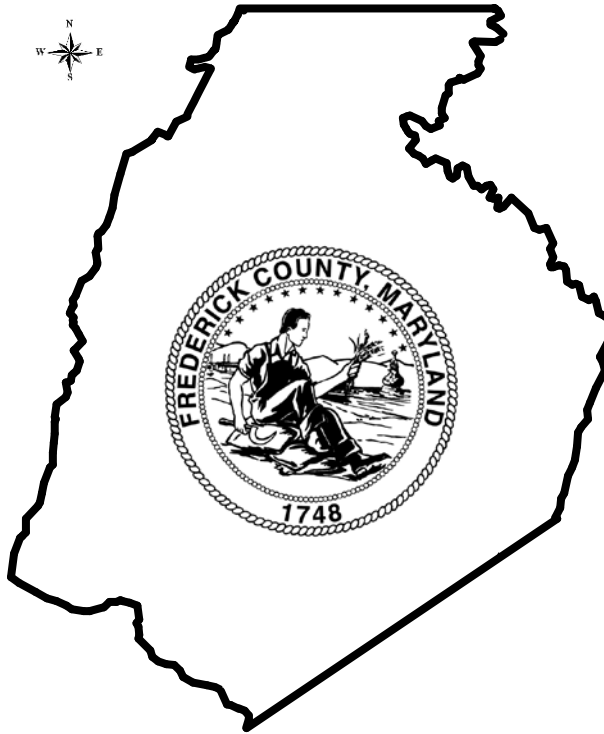
- The FY2014 General Fund property tax was increased from \$.936 to \$1.064 per \$100 of assessed valuation, which is a direct result of the consolidation of the Fire/Rescue Tax Districts Special Revenue Fund into the General Fund. The tax rate is based on a full market value taxable assessment of \$24,910,570,541.

FINANCIAL CONTACT

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

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BASIC FINANCIAL STATEMENTS



This section provides a combined overview of the County's net assets 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, 2013

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Assets						
Cash	\$ 16,551,488	\$ 166,503	\$ 16,717,991	\$ 15,734,329	\$ 14,871,651	\$ 6,311
Equity in pooled invested cash	125,549,861	106,169,620	231,719,481	-	-	1,266
Total cash and cash equivalents	142,101,349	106,336,123	248,437,472	15,734,329	14,871,651	7,577
Investments	83,089,714	8,350,271	91,439,985	13,865,038	10,644,141	441,983
Receivables, net of allowance for uncollectibles:						
Property taxes	829,896	-	829,896	-	-	-
Accounts	3,958,392	19,924,885	23,883,277	2,077,608	1,122,149	2,581
Intergovernmental	34,819,545	-	34,819,545	3,368,723	2,939,928	-
Internal balances	1,183,090	(1,183,090)	-	-	-	-
Due from primary government	-	-	-	374,782	-	2,440,275
Due from component units	4,655	13,292	17,947	-	-	-
Inventories	1,723,744	105,949	1,829,693	1,060,651	538,431	-
Prepaid items	1,068,590	34,239	1,102,829	64,743	221,307	33,340
Deferred charges	2,865,761	753,129	3,618,890	-	-	-
Long-term receivables, net of allowance for uncollectibles	8,914,873	7,650,879	16,565,752	-	-	-
Cash and cash equivalents - restricted	32,475,581	3,506,052	35,981,633	1,004,071	-	20,000
Properties Held for Sale	1,801,714	-	1,801,714	-	-	-
Beneficial interest in charitable remainder trust	-	-	-	-	365,730	-
Capital assets:						
Land	88,771,606	8,527,737	97,299,343	47,684,254	271,620	-
Buildings and improvements	249,402,172	198,039,429	447,441,601	827,850,258	94,606,419	-
Equipment	117,712,408	48,656,789	166,369,197	59,974,237	4,301,095	256,908
Library collection	-	-	-	-	1,975,830	10,222,697
Infrastructure	352,751,784	335,711,390	688,463,174	-	-	-
Construction in progress	14,499,579	125,812,853	140,312,432	5,817,124	4,515,434	-
Accumulated depreciation	(344,900,887)	(146,284,078)	(491,184,965)	(295,987,622)	(35,760,014)	(6,906,537)
Total assets	793,073,566	715,955,849	1,509,029,415	682,888,196	100,613,721	6,518,824

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
Liabilities						
Accounts payable	\$ 2,690,064	\$ 132,287	\$ 2,822,351	\$ 10,373,260	\$ 1,639,265	\$ 43,642
Accrued liabilities	11,662,967	9,440,202	21,103,169	165,942	977,026	-
Payroll and benefit deductions	10,353,352	1,111,056	11,464,408	8,115,180	365,051	306,277
Property taxes payable	290,148	-	290,148	-	-	-
Due to third parties	4,447,163	-	4,447,163	-	244,172	-
Due to other governmental units	378,971	443	379,414	-	-	-
Due to component units	4,475,515	-	4,475,515	-	-	-
Due to fiduciary funds	-	-	-	29,770	-	-
Unearned revenues	5,658,141	1,674,558	7,332,699	5,750	1,999,386	130,201
Performance and security deposits	-	11,219	11,219	-	-	-
Other liabilities	979,782	6,000,260	6,980,042	-	-	-
Noncurrent liabilities:						
Due within one year	35,780,498	16,518,436	52,298,934	7,499,310	365,303	30,887
Due in more than one year	496,664,132	190,740,859	687,404,991	184,876,059	8,553,653	1,857,843
Total liabilities	<u>573,380,733</u>	<u>225,629,320</u>	<u>799,010,053</u>	<u>211,065,271</u>	<u>14,143,856</u>	<u>2,368,850</u>
Net Position						
Net investment in capital assets	275,015,641	385,175,447	660,191,088	629,279,251	62,642,580	3,573,068
Restricted for:						
School and library construction	40,972,621	-	40,972,621	-	-	-
Additional or expanded road facilities	16,584,672	-	16,584,672	-	-	-
Capital Projects	44,012,177	2,401,597	46,413,774	-	-	-
Agricultural preservation	47,178,790	-	47,178,790	-	-	-
County code required set-aside	21,492,983	-	21,492,983	-	-	-
Other purposes	10,061,083	-	10,061,083	1,004,071	11,178,289	567,652
Unrestricted (Deficit)	(235,625,134)	102,749,485	(132,875,649)	(158,460,397)	12,648,996	9,254
Total net position	<u>\$ 219,692,833</u>	<u>\$ 490,326,529</u>	<u>\$ 710,019,362</u>	<u>\$ 471,822,925</u>	<u>\$ 86,469,865</u>	<u>\$ 4,149,974</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Board of Education	Community College	Public Libraries
					Governmental Activities	Business-type Activities				
Primary government:										
Governmental activities:										
General government	\$ 51,175,746	\$ 15,442,981	\$ 1,671,004	\$ 276,238	\$ (33,785,523)	\$ -	\$ (33,785,523)	\$ -	\$ -	\$ -
Public safety	97,785,269	6,143,618	1,893,493	1,599,511	(88,148,647)	-	(88,148,647)	-	-	-
Public works	35,874,382	758,458	4,597,841	3,404,243	(27,113,840)	-	(27,113,840)	-	-	-
Health	5,722,861	253,721	872,241	-	(4,596,899)	-	(4,596,899)	-	-	-
Social services	8,505,272	1,870,902	1,189,191	-	(5,445,179)	-	(5,445,179)	-	-	-
Education	249,689,186	-	-	-	(249,689,186)	-	(249,689,186)	-	-	-
Parks, recreation and culture	18,636,699	1,235,612	-	1,123,524	(16,277,563)	-	(16,277,563)	-	-	-
Conservation of natural resources	2,654,878	190,724	784,508	2,442,432	762,786	-	762,786	-	-	-
Community development and public housing	6,979,175	104,050	6,530,334	-	(344,791)	-	(344,791)	-	-	-
Economic development and opportunity	7,440,036	18,644	2,800,877	-	(4,620,515)	-	(4,620,515)	-	-	-
Interest on long term debt	19,465,343	-	29,325	-	(19,436,018)	-	(19,436,018)	-	-	-
Total governmental activities	<u>503,928,847</u>	<u>26,018,710</u>	<u>20,368,814</u>	<u>8,845,948</u>	<u>(448,695,375)</u>	<u>-</u>	<u>(448,695,375)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:										
Water and sewer	32,464,763	24,453,219	-	36,011,030	-	27,999,486	27,999,486	-	-	-
Solid waste management	18,365,946	25,066,503	-	-	-	6,700,557	6,700,557	-	-	-
Nursing homes	22,407,711	18,594,578	-	-	-	(3,813,133)	(3,813,133)	-	-	-
Public housing	168,096	114,488	-	-	-	(53,608)	(53,608)	-	-	-
Total business-type activities	<u>73,406,516</u>	<u>68,228,788</u>	<u>-</u>	<u>36,011,030</u>	<u>-</u>	<u>30,833,302</u>	<u>30,833,302</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 577,335,363</u>	<u>\$ 94,247,498</u>	<u>\$ 20,368,814</u>	<u>\$ 44,856,978</u>	<u>(448,695,375)</u>	<u>30,833,302</u>	<u>(417,862,073)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units:										
Board of Education	\$ 577,700,370	\$ 7,104,302	\$ 356,661,183	\$ 24,794,489	-	-	-	(189,140,396)	-	-
Community College	59,428,156	20,655,892	41,335,781	3,574,196	-	-	-	-	6,137,713	-
Public Libraries	11,895,647	397,785	11,548,967	-	-	-	-	-	-	51,105
Total Component Units	<u>\$ 649,024,173</u>	<u>\$ 28,157,979</u>	<u>\$ 409,545,931</u>	<u>\$ 28,368,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,140,396)</u>	<u>6,137,713</u>	<u>51,105</u>
General Revenues:										
Local property taxes					259,687,605	-	259,687,605	-	-	-
Local income taxes					163,761,716	-	163,761,716	-	-	-
Recordation taxes					24,339,679	-	24,339,679	-	-	-
Excise taxes					141,214	-	141,214	-	-	-
Hotel rental tax					1,221,602	-	1,221,602	-	-	-
Admission and amusement tax					525,352	-	525,352	-	-	-
Agriculture transfer tax					16,549	-	16,549	-	-	-
Build America Bond Subsidy					1,325,054	341,630	1,666,684	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	154,637,818	-	-
Investment earnings					(945,754)	469,201	(476,553)	41,184	-	2,524
Miscellaneous					3,525,720	19,585	3,545,305	1,531,276	-	-
Gain / (Loss) on disposal of operations					230,352	(215,886)	14,466	-	-	-
Transfers					(2,782,241)	2,782,241	-	-	-	-
Total general revenues and transfers					<u>451,046,848</u>	<u>3,396,771</u>	<u>454,443,619</u>	<u>156,210,278</u>	<u>-</u>	<u>2,524</u>
Change in net position					2,351,473	34,230,073	36,581,546	(32,930,118)	6,137,713	53,629
Net position - beginning of year					217,341,360	456,096,456	673,437,816	504,753,043	80,332,152	4,096,345
Total net position - end of year					<u>\$ 219,692,833</u>	<u>\$ 490,326,529</u>	<u>\$ 710,019,362</u>	<u>\$ 471,822,925</u>	<u>\$ 86,469,865</u>	<u>\$ 4,149,974</u>

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

**FREDERICK COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Agricultural Preservation</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 15,295,584	\$ -	\$ -	\$ 1,255,904	\$ 16,551,488
Equity in pooled invested cash	33,264,951	9,455,722	65,989,067	594,083	109,303,823
Total cash and cash equivalents	48,560,535	9,455,722	65,989,067	1,849,987	125,855,311
Investments	39,065,951	41,921,528	2,102,235	-	83,089,714
Receivables, net of allowance for uncollectibles:					
Property taxes	829,863	-	-	33	829,896
Accounts	3,280,796	8,010	7	539,070	3,827,883
Intergovernmental	30,824,442	-	265,847	3,206,226	34,296,515
Prepays	540,464	456,376	-	398	997,238
Due from other funds	3,059,835	-	-	-	3,059,835
Due from component units	-	-	-	4,634	4,634
Inventories	1,309,260	-	-	-	1,309,260
Long-term receivables, net of allowance for uncollectibles:					
Employee salary advances	56,218	-	-	-	56,218
MILA loans	-	-	-	287,178	287,178
Fire/Rescue loans	-	-	-	88,594	88,594
Non-profit organization loans	78,410	-	-	2,965,901	3,044,311
System benefit charge - residential	4,819	-	-	-	4,819
Small business loans	-	-	-	56,036	56,036
Housing loans	-	-	-	5,377,717	5,377,717
Cash and cash equivalents - restricted	3,075,002	-	29,400,579	-	32,475,581
Total assets	<u>\$ 130,685,595</u>	<u>\$ 51,841,636</u>	<u>\$ 97,757,735</u>	<u>\$ 14,375,774</u>	<u>\$ 294,660,740</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 159,275	\$ 1,560	\$ 2,103,646	\$ 132,630	\$ 2,397,111
Accrued liabilities	748,719	3,846	2,503,051	427,674	3,683,290
Payroll and benefit deductions	9,925,699	4,061	32,855	410,810	10,373,425
Property taxes payable	290,148	-	-	-	290,148
Due to other funds	-	-	-	705,692	705,692
Due to third parties	4,399,154	-	-	48,009	4,447,163
Due to other governmental units	268,404	10,667	-	99,900	378,971
Due to component units	2,624,631	-	-	-	2,624,631
Other liabilities	-	-	306,738	673,044	979,782
Deferred revenue	17,914,023	458,382	301,446	3,714,951	22,388,802
Total liabilities	<u>36,330,053</u>	<u>478,516</u>	<u>5,247,736</u>	<u>6,212,710</u>	<u>48,269,015</u>
Fund balances:					
Nonspendable	1,448,707	199,067	-	5,522,347	7,170,121
Restricted	3,075,002	1,687,836	40,695,165	42,716	45,500,719
Committed	25,194,232	45,291,856	51,814,834	503,339	122,804,261
Assigned	64,137,601	4,184,361	-	2,094,662	70,416,624
Unassigned	500,000	-	-	-	500,000
Total fund balances	<u>94,355,542</u>	<u>51,363,120</u>	<u>92,509,999</u>	<u>8,163,064</u>	<u>246,391,725</u>
 Total liabilities and fund balance	<u>\$ 130,685,595</u>	<u>\$ 51,841,636</u>	<u>\$ 97,757,735</u>	<u>\$ 14,375,774</u>	<u>\$ 294,660,740</u>

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

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 246,391,725

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	\$	88,771,606	
Buildings and Improvements		249,402,172	
Equipment		117,712,408	
Infrastructure		352,751,784	
Construction in Progress		14,499,579	
Less Accumulated Depreciation		<u>(344,900,887)</u>	478,236,662

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, net of Deferred Loss on Bond Refunding		(427,084,362)	
Accrued Bond Interest		(7,839,712)	
Installment Purchase Agreements		(53,783,983)	
Notes Payable		(375,438)	
Capital Lease Obligations		(2,260,619)	
Unamortized Premium on Bonds Payable		(21,379,956)	
Compensated Absences		(9,377,913)	
Termination Benefits		(184,564)	
Net Other Post Employment Benefit Obligation		(17,997,795)	
Recognition of Deferred Revenue		<u>16,730,661</u>	(523,553,681)

Costs from the issuance of long-term debt are recognized as expenditures in the fund statements, but are deferred in the government-wide statements.

Deferred Issuance Costs - General Obligation Bonds		2,591,677	
Deferred Issuance Costs - IPAs		237,304	
Deferred Issuance Costs - Capital Leases		<u>36,780</u>	2,865,761

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.

15,752,366

Net position of governmental activities (See Exhibit II-A-1) \$ 219,692,833

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 229,421,283	\$ -	\$ -	\$ 30,093,063	\$ 259,514,346
Local income taxes	176,068,392	-	-	-	176,068,392
Other local taxes	17,629,314	2,450,517	6,429,385	1,221,602	27,730,818
Licenses and permits	2,974,589	-	-	-	2,974,589
Grants from federal government	253,848	-	300,309	14,858,533	15,412,690
Grants from state government	2,387,190	2,300,086	2,693,481	3,726,434	11,107,191
Charges for services	6,114,460	-	10,116,334	5,458,201	21,688,995
Fines and forfeitures	308,429	-	-	194,154	502,583
Interest from loans	-	-	-	23,219	23,219
Investment income	231,262	(1,636,770)	345,097	63,457	(996,954)
Build America bond subsidy	730,163	-	597,388	47,343	1,374,894
Miscellaneous	3,021,241	142,346	300,631	387,198	3,851,416
Total revenues	<u>439,140,171</u>	<u>3,256,179</u>	<u>20,782,625</u>	<u>56,073,204</u>	<u>519,252,179</u>
Expenditures					
Current:					
General government	35,387,470	-	-	2,423,055	37,810,525
Public safety	53,870,510	-	-	42,887,600	96,758,110
Public works	16,802,655	-	-	5,533,335	22,335,990
Health	4,833,549	-	-	1,102,860	5,936,409
Social services	4,806,088	-	-	2,055,584	6,861,672
Education	251,123,285	-	-	-	251,123,285
Parks, recreation and culture	15,142,891	-	-	-	15,142,891
Conservation of natural resources	587,367	2,848,857	-	813,150	4,249,374
Community development and public housing	326,247	-	-	6,671,303	6,997,550
Economic development and opportunity	1,934,000	-	-	5,590,458	7,524,458
Miscellaneous	5,824,185	-	-	-	5,824,185
Intergovernmental	5,077,122	-	-	-	5,077,122
Debt service	34,133,767	3,367,503	12,990,159	2,245,206	52,736,635
Capital projects	-	-	16,655,781	-	16,655,781
Total expenditures	<u>429,849,136</u>	<u>6,216,360</u>	<u>29,645,940</u>	<u>69,322,551</u>	<u>535,033,987</u>
Excess (deficiency) of revenues over expenditures	<u>9,291,035</u>	<u>(2,960,181)</u>	<u>(8,863,315)</u>	<u>(13,249,347)</u>	<u>(15,781,808)</u>
Other financing sources (uses)					
Transfers in from:					
General fund	-	186,382	8,836,125	14,054,206	23,076,713
Special revenue funds	6,987,796	-	235,000	-	7,222,796
Enterprise funds	1,410,316	-	-	-	1,410,316
Internal service funds	51,300	-	-	-	51,300
Transfers out to:					
General fund	-	-	-	(6,987,796)	(6,987,796)
Capital projects fund	(8,836,125)	-	-	(235,000)	(9,071,125)
Special revenue funds	(14,240,588)	-	-	-	(14,240,588)
Enterprise funds	(4,192,557)	-	-	-	(4,192,557)
Refunding bonds issued	35,235,134	-	16,711,259	-	51,946,393
Payment to refunded bond escrow agent	(35,117,972)	-	(16,655,729)	-	(51,773,701)
General obligation bonds issued	-	-	26,800,000	-	26,800,000
Premium on Debt	3,167,032	-	54,992	-	3,222,024
Total other financing sources and (uses)	<u>(15,535,664)</u>	<u>186,382</u>	<u>35,981,647</u>	<u>6,831,410</u>	<u>27,463,775</u>
Net change in fund balances	<u>(6,244,629)</u>	<u>(2,773,799)</u>	<u>27,118,332</u>	<u>(6,417,937)</u>	<u>11,681,967</u>
Fund balances - beginning of year	<u>100,600,171</u>	<u>54,136,919</u>	<u>65,391,667</u>	<u>14,581,001</u>	<u>234,709,758</u>
Fund balances - end of year	<u>\$ 94,355,542</u>	<u>\$ 51,363,120</u>	<u>\$ 92,509,999</u>	<u>\$ 8,163,064</u>	<u>\$ 246,391,725</u>

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

FREDERICK COUNTY, MARYLAND
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 11,681,967

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	\$ 167,076	
Depreciation Expense	(24,703,476)	
Adjusted for Internal Service Fund Depreciation	2,180,132	(22,356,268)

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

Transfer of Assets from Permitting and Development Review Enterprise Fund (fund closed during fiscal year)	5,736,742	
Donation of Capital Assets	2,222,016	
Additions to Construction in Progress	19,084,846	
Asset Replacements, Retirements and Deletions	(1,659,619)	25,383,985

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	13,395,379	
Income Taxes - Recognized as Income in the Prior Year	(25,702,055)	
Other Revenues - Deferred in the Fund Statements	3,335,282	
Other Revenues - Recognized as Income in the Prior Year	(3,789,234)	(12,760,628)

(continued)

FREDERICK COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

The issuance of long-term debt (i.e. bonds, leases, installment purchase agreements) proceeds provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government 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 General Obligation Bonds	\$	(26,800,000)	
Bond Premium		(3,051,082)	
Deferred Loss on Bond and Capital Lease Refundings		(343,634)	
Principal Payments on General Obligation Debt		28,428,473	
Principal Payments on Notes Payable		869,432	
Principal Payments on Capital Leases		1,256,275	
Principal Payments on IPA's		827,100	
Loan to Component Unit		(4,369,234)	
Transfer of debt related to Permitting and Development Review Enterprise Fund (fund closed during fiscal year)		(5,506,390)	
Deferred Charge for Issuance Costs		596,529	
Amortization of Bond Premiums		4,445,189	
Amortization of Deferred Loss on Bonds		(2,519,439)	
Amortization of Issuance Costs		(284,650)	
Build America Bond Subsidy		(49,840)	
		<u>(49,840)</u>	\$ (6,501,271)

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 Other Post Employment Benefit Obligation	4,197,186	
Accrued Interest - Prior Year	8,477,775	
Accrued Interest - Current Year	(7,806,131)	
Compensated Absences Accrual	(209,582)	
Termination Benefits Accrual	14,548	
	<u>14,548</u>	4,673,796

Internal service funds are used by management to charge the costs of fleet and voice services to individual funds. 2,229,892

Change in net position of governmental activities (See Exhibit II-A-2) \$ 2,351,473

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, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Local property taxes				
Real property (inc. additions & abatements)	\$ 229,482,527	\$ 229,482,527	\$ 231,053,626	\$ 1,571,099
Public utilities	6,513,900	6,513,900	7,391,602	877,702
Payments in lieu of taxes	63,100	63,100	115,999	52,899
Total levy	<u>236,059,527</u>	<u>236,059,527</u>	<u>238,561,227</u>	<u>2,501,700</u>
Tax credit - state reimbursement	3,335,100	3,335,100	3,338,242	3,142
Homestead credit	(2,080,200)	(2,080,200)	(1,889,441)	190,759
Other tax credits and refunds	(11,370,800)	(11,370,800)	(11,485,305)	(114,505)
Interest - delinquent taxes	2,348,300	2,348,300	2,361,249	12,949
Discounts allowed on taxes	<u>(1,249,300)</u>	<u>(1,249,300)</u>	<u>(1,464,689)</u>	<u>(215,389)</u>
Total adjustments	<u>(9,016,900)</u>	<u>(9,016,900)</u>	<u>(9,139,944)</u>	<u>(123,044)</u>
Total local property taxes	<u>227,042,627</u>	<u>227,042,627</u>	<u>229,421,283</u>	<u>2,378,656</u>
Local income taxes	<u>171,226,300</u>	<u>171,226,300</u>	<u>176,068,392</u>	<u>4,842,092</u>
Other local taxes				
Admission and amusement	816,000	816,000	525,352	(290,648)
Recordation	15,097,069	15,097,069	15,617,540	520,471
911 fees - local	1,494,300	1,494,300	1,486,422	(7,878)
Security interest filing fees	500	500	-	(500)
Total other local taxes	<u>17,407,869</u>	<u>17,407,869</u>	<u>17,629,314</u>	<u>221,445</u>
Licenses and permits				
Alcoholic beverage licenses	235,600	235,600	278,630	43,030
Traders' licenses	201,600	201,600	199,060	(2,540)
Animal licenses	44,200	44,200	52,289	8,089
Marriage licenses	12,200	12,200	14,635	2,435
Miscellaneous licenses and permits	<u>2,351,000</u>	<u>2,351,000</u>	<u>2,429,975</u>	<u>78,975</u>
Total licenses and permits	<u>2,844,600</u>	<u>2,844,600</u>	<u>2,974,589</u>	<u>129,989</u>
Grants from federal government	<u>293,000</u>	<u>293,000</u>	<u>253,848</u>	<u>(39,152)</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, 2013

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Grants from state government				
Police protection	\$ 660,000	\$ 660,000	\$ 664,585	\$ 4,585
Aid for fire, rescue and ambulance services	360,000	360,000	365,416	5,416
Highway user revenues	1,209,400	1,209,400	1,151,629	(57,771)
County inmate housing	-	-	205,560	205,560
Total grants from state government	<u>2,229,400</u>	<u>2,229,400</u>	<u>2,387,190</u>	<u>157,790</u>
Charges for services				
Planning and zoning fees	447,700	1,316,705	1,656,738	340,033
Court costs, fees and charges	2,500	2,500	2,512	12
Scott Key Center	1,359,500	1,359,500	1,847,076	487,576
Other general government	202,700	202,700	229,930	27,230
Public safety	603,600	627,280	631,439	4,159
Public improvement inspections	10,200	10,200	33,826	23,626
Workforce services	44,000	44,000	100	(43,900)
Frederick County Developmental Center	10,000	10,000	8,721	(1,279)
Weed control	199,509	199,509	190,724	(8,785)
Municipal recoveries	262,500	262,500	253,956	(8,544)
Citizens services	-	15,100	23,826	8,726
Recreation	1,054,000	1,054,000	1,235,612	181,612
Total charges for services	<u>4,196,209</u>	<u>5,103,994</u>	<u>6,114,460</u>	<u>1,010,466</u>
Fines and forfeitures				
Court	68,500	68,500	56,416	(12,084)
Alcoholic beverages	10,600	10,600	13,800	3,200
Other fines and forfeitures	257,100	257,100	238,213	(18,887)
Total fines and forfeitures	<u>336,200</u>	<u>336,200</u>	<u>308,429</u>	<u>(27,771)</u>
Investment income	<u>400,000</u>	<u>400,060</u>	<u>231,262</u>	<u>(168,798)</u>
Build America Bond Subsidy	<u>730,160</u>	<u>730,160</u>	<u>730,163</u>	<u>3</u>
Miscellaneous revenues				
Rents and concessions	2,232,300	2,232,300	2,345,395	113,095
Contributions and donations	39,000	67,776	63,851	(3,925)
Sale of property	7,500	7,500	16,552	9,052
Other miscellaneous revenues	869,400	962,472	595,443	(367,029)
Total miscellaneous revenues	<u>3,148,200</u>	<u>3,270,048</u>	<u>3,021,241</u>	<u>(248,807)</u>
Total revenues	<u>429,854,565</u>	<u>430,884,258</u>	<u>439,140,171</u>	<u>8,255,913</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, 2013

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
General government				
Legislative and executive				
County commissioners	\$ 524,361	\$ 574,361	\$ 545,940	\$ 28,421
County manager	1,224,296	1,190,540	1,176,643	13,897
Boards and commissions	6,211	6,211	3,818	2,393
Total legislative and executive	<u>1,754,868</u>	<u>1,771,112</u>	<u>1,726,401</u>	<u>44,711</u>
Judicial				
Circuit court	1,254,750	1,253,822	1,186,740	67,082
Orphans court	26,240	26,240	22,206	4,034
States attorney	5,824,409	5,819,350	5,677,710	141,640
Grand jury	85,864	85,864	55,121	30,743
Total judicial	<u>7,191,263</u>	<u>7,185,276</u>	<u>6,941,777</u>	<u>243,499</u>
Elections				
Board of supervisors of elections	<u>1,439,558</u>	<u>1,439,558</u>	<u>984,413</u>	<u>455,145</u>
Financial administration				
Accounting	2,281,685	2,179,365	1,979,378	199,987
Independent auditing	45,385	45,385	51,307	(5,922)
Budgeting	545,423	476,076	470,400	5,676
Purchasing	1,232,864	1,232,864	1,191,568	41,296
Risk Management	363,557	429,681	359,887	69,794
Treasury	1,113,011	1,113,011	1,046,524	66,487
Total financial administration	<u>5,581,925</u>	<u>5,476,382</u>	<u>5,099,064</u>	<u>377,318</u>
Legal				
County attorney	<u>973,840</u>	<u>977,761</u>	<u>976,210</u>	<u>1,551</u>
Personnel administration				
Personnel	<u>991,236</u>	<u>996,605</u>	<u>966,759</u>	<u>29,846</u>
Planning				
Permits & Inspection	3,075,406	3,077,879	2,807,402	270,477
Planning & Development Review	2,498,245	3,370,237	3,129,803	240,434
Environmental Sustainability	145,168	138,375	135,016	3,359
Total planning and zoning	<u>5,718,819</u>	<u>6,586,491</u>	<u>6,072,221</u>	<u>514,270</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, 2013

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Management services				
General services	\$ 1,757,563	\$ 1,923,910	\$ 1,685,836	\$ 238,074
Maintenance	8,463,909	8,496,584	7,211,338	1,285,246
Total management services	10,221,472	10,420,494	8,897,174	1,523,320
Other general government				
Interagency Information Technologies	7,503,347	7,483,068	7,069,313	413,755
Internal Audit	487,404	462,780	417,380	45,400
Board of liquor license commissioners	322,537	322,537	295,927	26,610
Total other general government	8,313,288	8,268,385	7,782,620	485,765
Total general government	42,186,269	43,122,064	39,446,639	3,675,425
Public safety				
Sheriff	24,683,262	24,728,479	24,429,931	298,548
Detention center	12,539,960	12,539,960	12,329,726	210,234
Work release center	2,706,130	2,706,130	2,917,415	(211,285)
Alternative sentencing	861,213	861,213	791,667	69,546
Emergency communications	5,086,486	5,086,486	5,122,805	(36,319)
Fire and rescue companies	4,515,545	4,737,828	4,421,744	316,084
Fire and rescue services	531,307	488,657	355,908	132,749
Fire inspection	497,494	497,494	454,152	43,342
Emergency preparedness	361,330	361,330	338,921	22,409
Fire/rescue state grant allocation	360,000	360,000	328,875	31,125
Public safety director	466,872	466,872	475,656	(8,784)
Division of Emergency Planning & Management	296,963	296,963	280,875	16,088
Animal control	1,774,915	1,774,915	1,703,398	71,517
Total public safety	54,681,477	54,906,327	53,951,073	955,254
Public works				
Highways	13,260,172	13,951,749	13,452,257	499,492
Public works administration	283,688	283,688	313,278	(29,590)
Facilities & Project Management	2,852,696	2,496,564	1,791,432	705,132
NPDES	647,718	626,027	507,088	118,939
Transportation engineering	1,094,492	1,446,685	1,304,464	142,221
Total public works	18,138,766	18,804,713	17,368,519	1,436,194

(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, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Health				
County administrator	\$ 138,444	\$ 138,444	\$ 135,917	\$ 2,527
Core services	1,861,146	1,861,146	1,580,605	280,541
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	421,533	421,533	413,098	8,435
Frederick County Developmental Center	2,787,703	2,809,414	2,497,278	312,136
ARC of Frederick County	15,917	15,917	15,917	-
Counseling services	13,223	13,223	13,223	-
Mental Health Association hotline	33,058	33,058	33,058	-
Central Maryland Catholic Charities	12,218	12,218	12,218	-
Total health	<u>5,415,814</u>	<u>5,437,525</u>	<u>4,833,886</u>	<u>603,639</u>
Social services				
Contribution to Department of Social Services	674,796	676,322	584,663	91,659
Scott Key Center	3,183,029	3,183,029	3,006,166	176,863
Department of Aging	474,526	375,197	369,459	5,738
Office of Children and Families	97,180	97,180	78,864	18,316
Medical transportation services	174,676	174,750	108,913	65,837
Family Partnership	274,488	274,488	263,943	10,545
Child Advocacy Center	282,256	288,432	225,122	63,310
Deinstitutionalization day care	11,514	11,514	-	11,514
Community Agency School Services	7,430	7,430	7,430	-
Community Agency School Services	31,164	31,164	31,164	-
Boys & Girls Club	26,125	26,125	26,125	-
Advocates for the Homeless	10,125	10,125	10,125	-
American Red Cross	6,626	6,626	6,626	-
Frederick Alliance for Youth	4,105	4,105	4,105	-
Cakes for Cause	2,040	2,040	2,040	-
Goodwill Industries	5,058	5,058	5,058	-
Healthy Family/Heartly House	5,147	5,147	5,147	-
CASA of Frederick County	2,664	2,664	2,664	-
Hope Alive	2,702	2,702	2,702	-
Other social services	64,396	64,396	64,396	-
Total social services	<u>5,340,047</u>	<u>5,248,494</u>	<u>4,804,712</u>	<u>443,782</u>
Education				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	237,851,221	237,851,221	237,156,411	694,810
Frederick Community College	14,004,812	14,004,812	13,966,874	37,938
Total education	<u>251,858,033</u>	<u>251,858,033</u>	<u>251,123,285</u>	<u>734,748</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, 2013

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Parks, recreation and culture				
Frederick County Public Libraries	\$ 9,742,176	\$ 9,713,609	\$ 9,490,849	\$ 222,760
Parks	5,983,541	5,958,776	5,622,118	336,658
Frederick Arts Council	7,209	7,209	7,209	-
Historical Society of Frederick County	1,800	1,800	1,800	-
Total parks, recreation and culture	<u>15,734,726</u>	<u>15,681,394</u>	<u>15,121,976</u>	<u>559,418</u>
Conservation of natural resources				
Extension service	333,001	333,001	299,635	33,366
Weed Control	199,509	199,509	192,072	7,437
Soil conservation	79,335	79,335	80,335	(1,000)
Gypsy moth control	40,000	40,000	15,000	25,000
Forestry Board	325	325	325	-
Total conservation of natural resources	<u>652,170</u>	<u>652,170</u>	<u>587,367</u>	<u>64,803</u>
Community development and public housing				
Housing administration	<u>325,276</u>	<u>325,276</u>	<u>326,247</u>	<u>(971)</u>
Total community development and public housing	<u>325,276</u>	<u>325,276</u>	<u>326,247</u>	<u>(971)</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, 2013

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Economic development and opportunity				
Business Retention & Development	\$ 919,313	\$ 1,019,313	\$ 856,703	\$ 162,610
Citizens Services Administration	284,243	284,243	281,425	2,818
Workforce Services	665,355	657,010	521,061	135,949
FITCI	36,045	36,045	36,045	-
Human relations	169,140	169,140	166,101	3,039
Commission for Women	135	31,895	29,432	2,463
Commission for Disabilities	137	137	-	137
Seton Center	13,324	13,324	13,324	-
Child Care Consortium	16,529	16,529	16,529	-
Total economic development and opportunity	<u>2,104,221</u>	<u>2,227,636</u>	<u>1,920,620</u>	<u>307,016</u>
Non-departmental				
Property and liability insurance	1,168,000	1,168,000	809,416	358,584
Other employee benefits and taxes	5,545,130	5,787,323	4,297,967	1,489,356
Other various contingencies	5,418,069	4,589,931	750,000	3,839,931
Indirect cost recovery	(4,694,456)	(4,698,915)	(4,659,736)	(39,179)
Other miscellaneous	(536,446)	(400,821)	(33,197)	(367,624)
Total non-departmental	<u>6,900,297</u>	<u>6,445,518</u>	<u>1,164,450</u>	<u>5,281,068</u>
Intergovernmental				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
SDAT	1,298,000	1,298,000	1,295,114	2,886
Tax rebate to municipalities	3,732,734	3,732,734	3,732,735	(1)
Total intergovernmental	<u>5,080,734</u>	<u>5,080,734</u>	<u>5,077,122</u>	<u>3,612</u>
Debt service				
Principal - general obligation debt	20,783,312	20,783,312	20,786,147	(2,835)
Principal - state loans	840,107	840,107	840,107	-
Interest - general obligation debt	13,048,244	13,048,244	12,471,340	576,904
Interest - state loans	36,173	36,173	36,173	-
Total debt service	<u>34,707,836</u>	<u>34,707,836</u>	<u>34,133,667</u>	<u>574,069</u>
Total expenditures	<u>443,125,666</u>	<u>444,497,720</u>	<u>429,859,663</u>	<u>14,638,057</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, 2013

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
Other financing sources (uses)				
Special Taxing Districts - Fire	\$ -	\$ -	\$ 6,987,796	\$ 6,987,796
Fleet Services	-	43,000	43,000	-
Voice Services	-	8,300	8,300	-
DPDR	-	-	1,157,316	1,157,316
Enterprise - Solid Waste	-	60,000	60,000	-
Enterprise - Water & Sewer	-	193,000	193,000	-
Transfers out to				
Grants special revenue fund	(5,586,039)	(5,657,904)	(4,860,781)	797,123
Agriculture preservation special revenue fund	(186,382)	(186,382)	(186,382)	-
Capital projects fund	(8,936,125)	(8,836,125)	(8,836,125)	-
Fire tax fund	(9,193,425)	(9,193,425)	(9,193,425)	-
Enterprise fund - Citizens Care & Rehabilitation Center	(1,678,665)	(1,680,230)	(1,693,563)	(13,333)
Enterprise fund - Montevue Home	(2,512,022)	(2,512,327)	(2,498,994)	13,333
Refunding bonds issued	-	-	35,235,134	35,235,134
Payment to refunded bond escrow agent	-	-	(35,117,972)	(35,117,972)
Premium on debt	-	-	3,167,032	3,167,032
Total other financing sources (uses)	<u>(28,092,658)</u>	<u>(27,762,093)</u>	<u>(15,535,664)</u>	<u>12,226,429</u>
Budgeted use of fund balance	\$ <u>(41,363,759)</u>	\$ <u>(41,375,555)</u>	\$ <u>(6,255,156)</u>	\$ <u>35,120,399</u>
Change in fund balance			\$ (6,255,156)	
Net change in reserves and adjustments to GAAP basis			10,527	
Fund balance - beginning of year			<u>100,600,171</u>	
Fund balance - end of year			\$ <u><u>94,355,542</u></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, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actuals</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Other local taxes	\$ 2,584,090	\$ 2,584,090	\$ 2,450,517	\$ (133,573)
Grants from state government	-	2,291,915	2,300,086	8,171
Investment income	1,270,927	1,270,927	(1,636,770)	(2,907,697)
Miscellaneous	835,659	835,659	142,346	(693,313)
Total revenues	<u>4,690,676</u>	<u>6,982,591</u>	<u>3,256,179</u>	<u>(3,726,412)</u>
Expenditures				
Conservation of natural resources	3,241,132	5,868,726	2,848,857	3,019,869
Debt Service	<u>3,504,027</u>	<u>3,504,027</u>	<u>3,367,503</u>	<u>136,524</u>
Total expenditures	<u>6,745,159</u>	<u>9,372,753</u>	<u>6,216,360</u>	<u>3,156,393</u>
Excess (deficiency) of revenues over expenditures	<u>(2,054,483)</u>	<u>(2,390,162)</u>	<u>(2,960,181)</u>	<u>(570,019)</u>
Other financing sources (uses)				
Appropriated fund balance	41,001	376,680	-	(376,680)
Transfer from General Fund	186,382	186,382	186,382	-
Installment purchase agreement	<u>1,827,100</u>	<u>1,827,100</u>	<u>-</u>	<u>(1,827,100)</u>
Total other financing sources (uses)	<u>2,054,483</u>	<u>2,390,162</u>	<u>186,382</u>	<u>(2,203,780)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(2,773,799)</u>	<u>\$ (2,773,799)</u>
Net change in reserves and adjustment to GAAP basis			-	
Fund balance - beginning			54,136,919	
Fund balance - ending			<u>\$ 51,363,120</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, 2013

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
Assets					
Current assets:					
Cash	\$ 500	\$ 2,600	\$ 163,403	\$ 166,503	\$ -
Equity in pooled invested cash	67,518,408	37,017,429	1,633,783	106,169,620	16,246,038
Restricted cash and cash equivalents	3,011,210	11,433	483,409	3,506,052	-
Total cash and cash equivalents	70,530,118	37,031,462	2,280,595	109,842,175	16,246,038
Short-term investments	4,352,771	3,997,500	-	8,350,271	-
Receivables, net of allowance for uncollectibles accounts	13,067,708	1,729,890	5,127,287	19,924,885	130,509
Due from other funds	369,917	-	-	369,917	-
Due from component units	13,292	-	-	13,292	21
Inventories	105,949	-	-	105,949	414,484
Prepaid items	-	-	34,239	34,239	71,352
Total current assets	<u>88,439,755</u>	<u>42,758,852</u>	<u>7,442,121</u>	<u>138,640,728</u>	<u>16,862,404</u>
Noncurrent assets:					
Notes receivable	7,650,879	-	-	7,650,879	-
Capital assets:					
Land	5,558,373	2,837,164	132,200	8,527,737	-
Buildings and improvements	143,525,270	52,636,279	1,877,880	198,039,429	1,833,133
Equipment	42,097,660	6,059,882	499,247	48,656,789	26,667,411
Other improvements	332,576,030	3,135,360	-	335,711,390	-
Accumulated depreciation	(108,810,632)	(36,168,421)	(1,305,025)	(146,284,078)	(22,198,605)
Construction in progress	125,804,009	8,844	-	125,812,853	-
Deferred bond issue expense	654,741	98,388	-	753,129	-
Total noncurrent assets	<u>549,056,330</u>	<u>28,607,496</u>	<u>1,204,302</u>	<u>578,868,128</u>	<u>6,301,939</u>
Total assets	<u>637,496,085</u>	<u>71,366,348</u>	<u>8,646,423</u>	<u>717,508,856</u>	<u>23,164,343</u>
Liabilities					
Current liabilities:					
Accounts payable	79,441	25,717	27,129	132,287	292,953
Payroll and benefit deductions	415,802	97,383	597,871	1,111,056	88,025
Accrued expenses	7,316,952	1,148,615	974,635	9,440,202	39,040
Due to other funds	-	369,917	2,354,143	2,724,060	-
Due to other government units	443	-	-	443	-
Deferred revenues	1,643,163	26,116	5,279	1,674,558	-
Security deposits	-	-	11,219	11,219	-
Other liabilities	5,866,000	-	134,260	6,000,260	-
Current portion landfill closure and postclosure liability	-	190,650	-	190,650	-
Current portion general obligation bonds and notes	12,767,658	3,401,150	-	16,168,808	-
Current portion of compensated absences	52,740	15,318	90,920	158,978	7,990
Total current liabilities	<u>28,142,199</u>	<u>5,274,866</u>	<u>4,195,456</u>	<u>37,612,521</u>	<u>428,008</u>
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	13,651,793	-	13,651,793	-
Long term portion general obligation bonds and notes	153,216,878	22,740,712	-	175,957,590	-
Liability for compensated absences	596,108	129,541	394,666	1,120,315	142,512
Accrued termination benefits	10,045	1,116	-	11,161	-
Total noncurrent liabilities	<u>153,823,031</u>	<u>36,523,162</u>	<u>394,666</u>	<u>190,740,859</u>	<u>142,512</u>
Total liabilities	<u>181,965,230</u>	<u>41,798,028</u>	<u>4,590,122</u>	<u>228,353,380</u>	<u>570,520</u>
Net Position					
Net investment in capital assets	377,290,156	6,680,989	1,204,302	385,175,447	6,301,939
Restricted for:					
Capital projects	1,918,188	-	483,409	2,401,597	-
Unrestricted	<u>76,322,511</u>	<u>22,887,331</u>	<u>2,368,590</u>	<u>101,578,432</u>	<u>16,291,884</u>
Total net position	<u>\$ 455,530,855</u>	<u>\$ 29,568,320</u>	<u>\$ 4,056,301</u>	<u>\$ 489,155,476</u>	<u>\$ 22,593,823</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				1,171,053	
Net position of business-type activities				<u>\$ 490,326,529</u>	

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

FREDERICK COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Water and Sewer</u>	<u>Solid Waste Management</u>	<u>Total Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Operating revenues					
Service charges	\$ 23,418,738	\$ 25,010,035	\$ -	\$ 48,428,773	\$ 17,386,959
Charges for health care services, net of contractual adjustments	-	-	17,994,848	17,994,848	-
Rental charges	-	-	114,170	114,170	-
Total net charges for services	<u>23,418,738</u>	<u>25,010,035</u>	<u>18,109,018</u>	<u>66,537,791</u>	<u>17,386,959</u>
Delinquent fees collected	56,707	56,468	-	113,175	-
Other revenues	<u>977,774</u>	-	600,048	<u>1,577,822</u>	-
Total operating revenues	<u>24,453,219</u>	<u>25,066,503</u>	<u>18,709,066</u>	<u>68,228,788</u>	<u>17,386,959</u>
Operating expenses					
Personnel services	8,670,045	1,861,333	13,202,673	23,734,051	2,516,038
Operating expenses (including administrative overhead)	6,932,431	14,338,059	7,409,436	28,679,926	1,417,618
Prefunded loss & estimated claims	-	-	-	-	1,975,000
Insurance	-	-	138,774	138,774	998,733
Supplies	1,135,444	42,880	1,132,373	2,310,697	5,182,516
Repairs and maintenance	1,830,590	161,673	679,979	2,672,242	768,117
Depreciation expense	<u>9,694,115</u>	<u>1,029,995</u>	<u>83,578</u>	<u>10,807,688</u>	<u>2,180,132</u>
Total operating expenses	<u>28,262,625</u>	<u>17,433,940</u>	<u>22,646,813</u>	<u>68,343,378</u>	<u>15,038,154</u>
Operating income (loss)	<u>(3,809,406)</u>	<u>7,632,563</u>	<u>(3,937,747)</u>	<u>(114,590)</u>	<u>2,348,805</u>
Nonoperating revenues (expenses)					
Donations	-	-	4,913	4,913	-
Investment earnings	362,395	104,323	2,483	469,201	51,200
Miscellaneous income	-	8,947	-	8,947	6,722
Build America Bonds Subsidy	341,630	-	-	341,630	-
Insurance recovery	-	-	-	-	96,722
Interest expense	(4,308,223)	(979,803)	-	(5,288,026)	-
Gain (loss) on disposition of capital assets	5,725	-	-	5,725	13,839
Total nonoperating revenues (expenses)	<u>(3,598,473)</u>	<u>(866,533)</u>	<u>7,396</u>	<u>(4,457,610)</u>	<u>168,483</u>
Net income (loss) before contributions and transfers	<u>(7,407,879)</u>	<u>6,766,030</u>	<u>(3,930,351)</u>	<u>(4,572,200)</u>	<u>2,517,288</u>
Capital contributions	36,011,030	-	-	36,011,030	-
Transfers in	-	-	4,192,557	4,192,557	-
Transfers (out)	(193,000)	(60,000)	(1,157,316)	(1,410,316)	(51,300)
Loss on disposal of operations	-	-	(215,886)	(215,886)	-
Total contributions and transfers	<u>35,818,030</u>	<u>(60,000)</u>	<u>2,819,355</u>	<u>38,577,385</u>	<u>(51,300)</u>
Change in net position	28,410,151	6,706,030	(1,110,996)	34,005,185	2,465,988
Net position - beginning of year	<u>427,120,704</u>	<u>22,862,290</u>	<u>5,167,297</u>		<u>20,127,835</u>
Net position - end of year	<u>\$ 455,530,855</u>	<u>\$ 29,568,320</u>	<u>\$ 4,056,301</u>		<u>\$ 22,593,823</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				<u>224,888</u>	
Change in net position of business-type activities (Exhibit II-A-2)				<u>\$ 34,230,073</u>	

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, 2013

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
Cash flows from operating activities					
Cash received from residents and customers	\$ 19,889,366	\$ 25,156,520	\$ 14,558,619	\$ 59,604,505	\$ 17,360,872
Cash paid to suppliers	(10,083,367)	(14,884,376)	(5,706,845)	(30,674,588)	(10,257,824)
Cash paid to employees	(8,595,079)	(1,840,410)	(13,114,542)	(23,550,031)	(2,505,587)
Net cash provided (used) by operating activities	<u>1,210,920</u>	<u>8,431,734</u>	<u>(4,262,768)</u>	<u>5,379,886</u>	<u>4,597,461</u>
Cash flows from noncapital financing activities					
Transfers in	785,433	-	(857,253)	(71,820)	-
Cash received from donations	-	-	4,912	4,912	-
Transfers out	(193,000)	(845,433)	-	(1,038,433)	(51,300)
Cash received from patient and resident funds	-	-	59,521	59,521	-
Cash paid to memorial and employee funds	-	-	(390)	(390)	-
Net cash provided (used) by noncapital financing activities	<u>592,433</u>	<u>(845,433)</u>	<u>(793,210)</u>	<u>(1,046,210)</u>	<u>(51,300)</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(48,499,540)	(3,202,168)	-	(51,701,708)	(397,465)
Recoveries for damages	-	-	-	-	96,722
Proceeds from sale of capital assets	-	-	-	-	41,847
Proceeds from debt issues	28,799,773	-	-	28,799,773	-
Payment of bond and note principal	(15,951,150)	(3,250,567)	-	(19,201,717)	-
Interest paid on bonds	(4,626,985)	(1,049,878)	-	(5,676,863)	-
Contributed capital	35,082,178	-	-	35,082,178	-
Net cash used by capital & related financing activities	<u>(5,195,724)</u>	<u>(7,502,613)</u>	<u>-</u>	<u>(12,698,337)</u>	<u>(258,896)</u>
Cash flows from investing activities					
Purchase of investments	(11,774,228)	(8,000,000)	-	(19,774,228)	-
Proceeds from the sale of investments	22,767,646	19,000,000	-	41,767,646	-
Interest received on investments	393,803	119,137	2,760	515,700	51,200
Net cash provided by investing activities	<u>11,387,221</u>	<u>11,119,137</u>	<u>2,760</u>	<u>22,509,118</u>	<u>51,200</u>
Net increase in cash and cash equivalents	7,994,850	11,202,825	(5,053,218)	14,144,457	4,338,465
Cash and cash equivalents - beginning of year	<u>62,535,268</u>	<u>25,828,637</u>	<u>7,333,813</u>	<u>95,697,718</u>	<u>11,907,573</u>
Cash and cash equivalents - end of year	<u>\$ 70,530,118</u>	<u>\$ 37,031,462</u>	<u>\$ 2,280,595</u>	<u>\$ 109,842,175</u>	<u>\$ 16,246,038</u>

(continued)

FREDERICK COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (3,809,406)	\$ 7,632,563	\$ (3,937,747)	\$ (114,590)	\$ 2,348,805
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	9,694,115	1,029,995	83,578	10,807,688	2,180,132
Landfill closing costs	-	(283,062)	-	(283,062)	-
Accrued termination benefits	3,666	407	-	4,073	-
Miscellaneous non operating income	5,722	-	-	5,722	6,722
Change in assets and liabilities:					
(Increase) decrease:					
Accounts receivable	(433,486)	70,381	(2,942,348)	(3,305,453)	(32,809)
Bad debt allowance	-	-	-	-	-
Inventory	(14,970)	-	-	(14,970)	(44,595)
Prepaid items	-	-	(7,788)	(7,788)	-
Increase (decrease):					
Accounts payable	(479,405)	12,532	(61,147)	(528,020)	187,036
Accrued expenses	337,952	(194,550)	293,249	436,651	(52,828)
Deferred revenues	(4,083,247)	(535)	-	(4,083,782)	-
Liability for compensated leave	42,264	12,164	(40,544)	13,884	4,998
Due to other funds	-	-	2,354,143	2,354,143	-
Closure liability	-	151,839	-	151,839	-
Other liabilities	(52,285)	-	(4,164)	(56,449)	-
Net cash provided (used) by operating activities	\$ <u>1,210,920</u>	\$ <u>8,431,734</u>	\$ <u>(4,262,768)</u>	\$ <u>5,379,886</u>	\$ <u>4,597,461</u>

Noncash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$8,954. Included in interest income in the Solid Waste Fund is an unrealized loss of \$5,400.

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

**FREDERICK COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,370,321	\$ -	\$ 104,559
Equity in pooled invested cash	968,298	1,063,594	7,784,211
Investments:			
Money markets	3,205,056	1,064,389	-
Fixed income securities	38,413,194	-	-
Equity securities	333,507,626	74,693,868	-
Accounts receivable	10	-	-
Interest receivable	471,496	2	-
Prepaid items	-	49,598	-
Total assets	<u>377,936,001</u>	<u>76,871,451</u>	<u>\$ 7,888,770</u>
LIABILITIES			
Accounts payable	324,602	58,023	\$ -
Accrued payroll	932,849	-	-
Due to third parties	-	-	2,328,642
Performance deposits	-	-	5,560,128
Retirement benefit deductions	165,764	2,040	-
Total liabilities	<u>1,423,215</u>	<u>60,063</u>	<u>\$ 7,888,770</u>
NET POSITION			
Net position held in trust for pension benefits and other purposes	<u>\$ 376,512,786</u>	<u>\$ 76,811,388</u>	

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

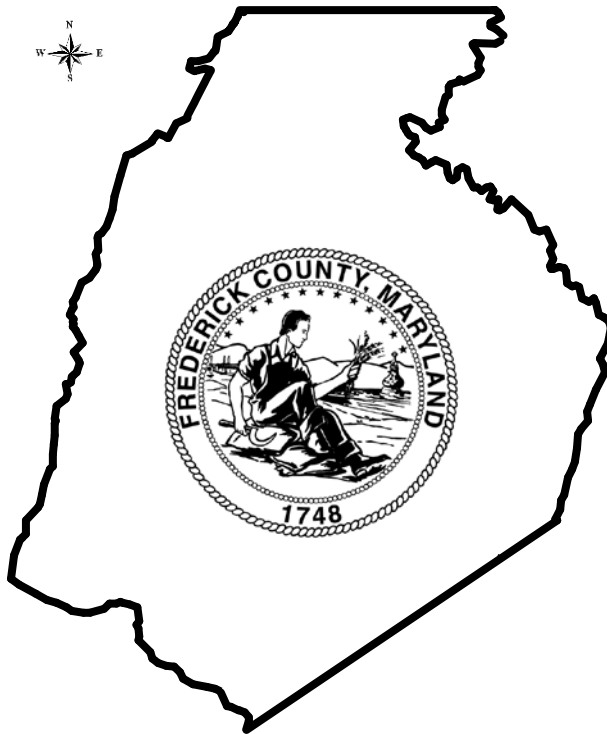
FREDERICK COUNTY , MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Pension Trust	Other Post Employment Benefits Trust
Additions		
Contributions		
Employer contributions	\$ 19,971,589	\$ 18,389,186
Member contributions	6,774,650	-
Member contributions for current benefits	-	1,113,345
Total contributions	<u>26,746,239</u>	<u>19,502,531</u>
Investment income		
Net appreciation in fair value of plan investments	39,404,947	6,769,100
Interest and dividends	8,296,631	893,358
Investment expense	(692,051)	-
Net investment income	<u>47,009,527</u>	<u>7,662,458</u>
Total additions	<u>73,755,766</u>	<u>27,164,989</u>
Deductions		
Benefits and refunds	12,793,306	5,914,475
Administrative expenses	898,035	32,079
Total deductions	<u>13,691,341</u>	<u>5,946,554</u>
Change in net position	60,064,425	21,218,435
Net position - beginning of year	<u>316,448,361</u>	<u>55,592,953</u>
Net position - end of year	<u>\$ 376,512,786</u>	<u>\$ 76,811,388</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, 2013
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**FREDERICK COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Frederick County (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

For financial reporting purposes, in conformance with GAAP, the reporting entity includes the Board of County Commissioners of Frederick County (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 Board of County Commissioners of Frederick 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 Board of County Commissioners of Frederick County. The BOE submits a funding request by major categories of expenditure. The Board of County Commissioners can reduce the BOE request and appropriate a lesser amount in total and/or redistribute funds between major categories. The Board of County Commissioners 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 Board of County Commissioners funds a minimum budget as a condition for State funding; however, this review is considered ministerial and not substantive in nature.

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 Board of County Commissioners of Frederick County. FCC requests a single amount to fund its operations. The Board of Commissioners can reject FCC's

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Finally, a primary government is also financially accountable for legally separate organizations if its officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific benefits to, or to impose specific financial burdens on, the primary government. The Board of Trustees of Frederick County Public Library meets the conditions for financial accountability with respect to the Board of County Commissioners of Frederick 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 Board of County Commissioners of Frederick County appoints the FCPL Board of Trustees. The FCPL's budget is submitted to and approved by the Board of Commissioners 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 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.
- Development Road Improvement Fund – This fund accounts for building excise tax collections that are dedicated to road development.
- 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.
- Nursing Home Construction Fund – This fund accounts for recordation taxes dedicated to pay for the cost of building a new Citizens Care and Rehabilitation Center, a nursing home facility and Montevue Assisted Living Facility, as well as the related debt service.
- Parks Acquisition and Development Fund – This fund accounts for recordation taxes dedicated for parkland acquisition and development.

NOTES TO FINANCIAL STATEMENTS
(Continued)

- School Construction Fund – This fund accounts for recordation taxes dedicated to pay a portion of the cost of school construction.

Nonmajor governmental funds include the following special revenue funds:

- Electric Lighting Tax Districts Fund – This fund accounts for property taxes that are legally restricted to paying for street lighting.
- 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 accounts 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 Activities Funds – These three funds account for activities such as the Sheriff's Drug Enforcement, Narcotics Task Force, and Inmates' Canteen.

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.
- Citizens Care and Rehabilitation Center Fund – This fund accounts for operations of Citizens Care and Rehabilitation Center of Frederick County, a nursing home facility.
- Montevue Home Fund – This fund accounts for operations of Montevue Assisted Living Facility.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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, and servicing tax increment financing bonds.
- 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.
- 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

2. Property Taxes Receivable

The County's property taxes are levied each July 1 at rates enacted by the Board of County Commissioners 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, 2013, was \$25,473,411,929. The Countywide property tax rate was \$0.936 per \$100 of assessed value. In addition, taxes were levied in two fire tax districts and 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 fire and lighting tax districts and public utility tax, is \$418,583 and is included in total property taxes receivable of \$829,896 on the Statement of Net Position. This compares to the current portion of the prior year levy of \$130,258 included in the total property taxes of \$630,757 as of June 30, 2012.

NOTES TO FINANCIAL STATEMENTS (Continued)

3. Inventories and Prepaids

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.

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

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, FCC and FCPL are the same as the County. The following useful lives are used for depreciation purposes for the assets of these component units:

NOTES TO FINANCIAL STATEMENTS
(Continued)

	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 financial position includes a separate section for deferred outflows 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 currently does not have any items qualifying for reporting in this category.

In addition to liabilities, the statement of financial position 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. Frederick County currently does not have any items qualifying for reporting in this category. 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, debt issue costs 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, represents all capital assets, including infrastructure, reduced by accumulated depreciation and the outstanding debt directly attributable to the acquisition, construction or improvements of these assets. Restricted net position represents external restrictions by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. In the Water & Sewer Enterprise Fund, a portion of the unrestricted net position is reserved to represent the intent of the County's administration to use the unrestricted net position for specific purposes in the future. Data specific to these reserves is available in Note 3.G.6.

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

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 action of the County's highest level of decision making authority. The highest level of decision making action is legislation which is enacted by the Board of County Commissioners (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of County Commissioners 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 constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the County Manager or their designee(s).
- *Unassigned* – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The budget document is a comprehensive financial plan showing all revenues and expenditures for the operating budget, the capital budget and the Capital Improvements Program. 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 County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January 15, the Budget Officer requests all departments to submit their proposed operating budgets for the fiscal year commencing the following July 1.
2. All budget requests are compiled by the Budget Office and, after making departmental reviews of the request, a recommended budget is presented to the Board of County Commissioners for review and appeal.
3. Public hearings are required by law to be scheduled by the Budget Officer with approval of the Board of County Commissioners.
4. Prior to the commencement of the fiscal year, the property tax rate is set and the budget is legally enacted through the passage of an ordinance.
5. The Board of County Commissioners adopts the budget for all funds, except the General Fund, at the fund level of budgetary control. The General Fund budget is adopted at the department level. Budgetary schedules in this document may display greater detail than the legal level of budget adoption.

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Supplemental appropriations are allowed only to provide for the award of federal and state grants and other restricted revenues during the year.
7. Appropriations lapse at the end of the fiscal year for all funds, except the Capital Projects Fund and certain federal and state grants that do not have a year-end date of June 30.
8. 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 Task Force, Inmates' Canteen, Fire/Rescue Loan and Non-Profit Organizations Loan), Capital Projects, Enterprise Funds, Internal Service Funds, Pension Trust Fund, and Other Post Employment Benefits Trust Fund. No budgets are in place for the Special Revenue Funds individually noted.
9. During the operating year, inter-departmental budget transfers must be approved by the Board of County Commissioners.

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).

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 – Budget and Actual" 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	General Fund			
	Revenues	Expenditures	Other Financing Sources (Uses)	Net change in Fund Balance
Budgetary Basis	\$ 439,140,171	\$ 429,859,663	\$ (15,535,664)	\$ (6,255,156)
Basis Adjustments:				
Encumbrance adjustment	-	(323,819)	-	323,819
Inventory adjustment	-	(214,438)	-	214,438
Incentive	-	527,730	-	(527,730)
Net affect of basis adjustments	-	(10,527)	-	10,527
GAAP Basis	<u>\$ 439,140,171</u>	<u>\$ 429,849,136</u>	<u>\$ (15,535,664)</u>	<u>\$ (6,244,629)</u>

The following department over expended their FY2013 budget:

	Amended Budget	Actual	Variance
Work Release	\$ 2,706,130	\$ 2,917,415	\$ (211,285)

The negative variance for Work Release was due primarily to the decrease in room and board recovery funds.

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 \$40,073,334 and the bank balance was \$43,111,525. 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:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Federal Deposit Insurance Corporation (FDIC)	\$ 732,881
National Credit Union Administration (NCUA)	1,480
Held by the government's agent, in the government's name	42,377,164
Total Bank Balance	<u>\$ 43,111,525</u>

The County's cash and investments as of June 30, 2013, totaled \$375,859,090 as presented in the Statement of Net Position. Restricted cash and cash equivalents represent unspent bond proceeds and Bell Court Apartments required reserves for Maryland Department of Housing and Community Development (DHCD). The following table reconciles the County's deposits and investments to the Statement of Net Position:

Total Primary Government - Exhibit II-A-1	
Cash	\$ 16,717,991
Equity in Pooled Invested Cash	231,719,481
Investments	91,439,985
Restricted Cash and Cash Equivalents	35,981,633
Total	<u>\$ 375,859,090</u>
Deposit & Investment Summary:	
Investments	\$ 347,092,453
Cash on Hand	11,863
Deposits	40,073,334
Less: Component Units and Agency Fund Cash Equivalents	
Pension Trust	(2,338,619)
OPEB Trust	(1,063,594)
Frederick County Public Libraries	(27,577)
Agency Funds	(7,888,770)
Total	<u>\$ 375,859,090</u>

Pension Trust Fund

As of June 30, 2013, the carrying amount of the Pension Trust Fund's deposits was \$1,370,321 and the bank balance was \$1,370,836. The deposits of the Pension Trust Fund were not exposed to custodial risk as of June 30, 2013.

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, 2013, BOE's cash on hand for petty cash was \$8,800. The carrying amount of the Board's deposits was \$19,535,567 and investments, including \$62,135,255 of fiduciary funds, were \$73,194,326. \$1,004,071 of cash and cash equivalents is restricted for debt service. The bank balance was \$21,890,643. The deposits of the Board were not exposed to custodial risk as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2013, FCC's cash on hand for petty cash was \$7,500. The carrying amount of the college's deposits was \$5,845,997 and investments were \$8,426,867. Cash and cash equivalents, as shown on the Statement of Net Position, include Frederick Community College Foundation, Inc. in the amount of \$591,287. The bank balance was \$5,976,344. The deposits of the college were not exposed to custodial risk as of June 30, 2013.

As of June 30, 2013, the carrying amount and bank balance of FCPL's deposits was \$4,381.

2. Investments

Primary Government

As of June 30, 2013, Frederick County held the following investments and maturities. The government's investment balances were as follows:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0-18 Month Maturities</u>	<u>18-24 Month Maturities</u>	<u>> 24 Month Maturities</u>
U. S. Treasuries	\$ 41,921,528	\$ 981,170	\$ 3,471,360	\$ 37,468,998
Repurchase Agreements	6,530,709	6,530,709	-	-
MD Local Government Investment Pool	208,756,157	208,756,157	-	-
Money Market Funds	46,896,309	46,896,309	-	-
Federal Agency Securities	42,987,750	42,987,750	-	-
Total Fair Value	<u>\$ 347,092,453</u>	<u>\$ 306,152,095</u>	<u>\$ 3,471,360</u>	<u>\$ 37,468,998</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.

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, 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

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Obligations of U. S. government agencies
3. Repurchase agreement (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 designated by the buyer)
4. Bankers' acceptances
5. Shares in an investment company or investment trust (limited to direct obligations of the U.S government and to repurchased 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:

<u>Investment</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poors</u>	<u>Fitch Ratings</u>
MD Local Government Investment Pool	\$ 208,756,157	not rated	AAAm	not rated
Repurchase Agreement	6,530,709	P1	A-1	F1+
Federal Home Loan Bank	13,991,740	AAA	AA+	not rated
Federal Home Loan Bank	10,000,600	not rated	AA+	not rated
Federal Agriculture Mortgage Corporation	10,000,900	not rated	not rated	not rated
Federal Farm Credit Bank	8,994,510	AAA	AA+	not rated

The repurchase agreements are collateralized with Small Business Administration (SBA) securities and are explicitly guaranteed by the U.S. Government. 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	\$ 41,921,528	12.078 %
Repurchase Agreements	6,530,709	1.882
MD Local Government Investment Pool (MLGIP)	208,756,157	60.144
Money Market Funds	46,896,309	13.511
Federal Home Loan Bank (FHLB)	23,992,340	6.913
Federal Agricultural Mortgage Corp.	10,000,900	2.881
Federal Farm Credit Bank	8,994,510	2.591
Total Fair Value	<u>\$ 347,092,453</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 Plans 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, 2013, the Plan held the following investments and maturities:

<u>Investment Type (All funds)</u>	<u>Fair Value</u>	<u>0 - 18 Month Maturities</u>	<u>18 - 24 Month Maturities</u>	<u>> 24 Month Maturities</u>
Money Market Funds	\$ 3,205,056	\$ 3,205,056	\$ -	\$ -
Mutual Funds	183,168,252	183,168,252	-	-
U.S. Government Securities (Fixed Income)	16,862,010	1,953,524	-	14,908,486
Corporate Bonds and Notes (Fixed Income)	19,249,377	2,051,554	136,216	17,061,607
Other Government Agencies (Fixed Income)	2,301,807	-	-	2,301,807
Common Stocks	150,339,374	150,339,374	-	-
Total Fair Value	<u>\$ 375,125,876</u>	<u>\$ 340,717,760</u>	<u>\$ 136,216</u>	<u>\$ 34,271,900</u>

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

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

Equities

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

Fixed Income

All debt instruments except:

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

The money market funds are unrated, as are the mutual funds and common stocks used by the Plan. As of June 30, 2013, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 22,845,107
BAA3 to BA1	7,303,562
CAA2 to C	-
Not rated	8,264,525
Total Fair Value	<u>\$ 38,413,194</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 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 did not have foreign currency risk as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component Units

The Board of Education's investments as of June 30, 2013 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	\$ 9,134,032	\$ 9,134,032	\$ -	\$ -	0.08%
Money Market	5,731,647	5,731,647	-	-	0.10%
Certificates of Deposit	6,758	6,758	-	-	Various
Fixed Income Securities	20,324,494	20,324,494	-	-	0.00%
Equity Securities	37,997,395	37,997,395	-	-	1.34%
Totals	<u>\$ 73,194,326</u>	<u>\$ 73,194,326</u>	<u>\$ -</u>	<u>\$ -</u>	

The above investment balances include fiduciary funds in the amount of \$62,135,255. Total net investment income per statement of activities as of June 30, 2013 was \$41,184.

FCC's investments as of June 30, 2013 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>\$ 8,426,867</u>	<u>\$ 8,426,867</u>	<u>\$ -</u>	<u>\$ -</u>	0.08%

Total net investment income for FCC (excluding the FCC Foundation) as of June 30, 2013 was \$15,998. The Frederick Community College Foundation investments as of June 30, 2013 were:

Investment Type	June 30, 2013			June 30, 2012		
	Cost	Market	Unrealized Gains (Losses)	Cost	Market	Unrealized Gains (Losses)
USMF Fund	\$ 11,221,284	\$ 10,644,141	\$ (577,143)	\$ 10,097,541	\$ 9,546,180	\$ (551,361)
Charitable Remainder Trust	479,043	365,730	(113,313)	486,758	334,540	(152,219)
Total Investments	<u>\$ 11,700,327</u>	<u>\$ 11,009,871</u>	<u>\$ (690,456)</u>	<u>\$ 10,584,299</u>	<u>\$ 9,880,720</u>	<u>\$ (703,580)</u>

As of June 30, 2013, the Foundation had 372,552.43 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$28.57085 per unit with a value of \$10,664,141.

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL's investments as of June 30, 2013 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 263,748	\$ 263,748	\$ -	\$ -	0.12 - 0.13%
Certificates of Deposit	198,235	198,235	-	-	Various
Total Investments	<u>\$ 461,983</u>	<u>\$ 461,983</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2013:

Total net investment income per statement of activities - \$2,524.

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

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 AAAM 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, 2013, 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 the BOE, FCC or FCPL.

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:

NOTES TO FINANCIAL STATEMENTS
(Continued)

General Fund	\$500,674
Water and Sewer	1,092
Solid Waste	23,452
Citizen's Nursing Home	1,222,582
Montevue Home	39,317

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, 2013, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	\$ 17,926	\$ 21	\$ -	\$ 17,947
Less: Not recorded as payable by component unit in FY13	(17,926)	(21)	-	(17,947)
Due to primary government per Component Units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Due to component units per Primary Government	\$ 2,030,508	\$ -	\$ 2,445,007	\$ 4,475,515
Plus: Receivables recorded by component unit in FY12	133,088	-	(4,732)	128,356
Less: Receivable recorded by component unit in FY 13	(1,788,814)	-	-	(1,788,814)
Due from primary government per Component Units	<u>\$ 374,782</u>	<u>\$ -</u>	<u>\$ 2,440,275</u>	<u>\$ 2,815,057</u>

C. Capital Assets

Capital Asset activity for the year ended June 30, 2013 is as follows:

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government				Ending Balance
	Beginning Balance	Increases	Adjustments/ Transfers*	Decreases	
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 88,921,439	\$ 937,305	\$ 513,942	\$ (1,601,080)	\$ 88,771,606
Construction in progress	28,677,407	17,142,030	-	(31,319,858)	14,499,579
Total capital assets at historical cost not being depreciated	117,598,846	18,079,335	513,942	(32,920,938)	103,271,185
Capital assets being depreciated:					
Buildings and improvements	232,823,807	10,314,283	6,264,082	-	249,402,172
Equipment	97,126,197	21,723,006	996,279	(2,133,074)	117,712,408
Infrastructure	349,685,900	3,074,637	-	(8,753)	352,751,784
Total capital assets at historical cost being depreciated	679,635,904	35,111,926	7,260,361	(2,141,827)	719,866,364
Less accumulated depreciation for:					
Buildings and improvements	66,875,808	6,960,601	1,132,779	-	74,969,188
Equipment	64,460,148	8,700,488	904,782	(2,046,528)	72,018,890
Infrastructure	188,879,175	9,042,387	-	(8,753)	197,912,809
Total accumulated depreciation	320,215,131	24,703,476	2,037,561	(2,055,281)	344,900,887
Total capital assets being depreciated, net of accumulated depreciation	359,420,773	10,408,450	5,222,800	(86,546)	374,965,477
Governmental activities capital assets, net	\$ 477,019,619	\$ 28,487,785	\$ 5,736,742	\$ (33,007,484)	\$ 478,236,662
Depreciation expense was charged to governmental functions as follows:					
General government					\$ 2,940,207
Public safety					5,740,615
Public works					2,614,899
Health					197,571
Social services					876,424
Rec and culture					3,256,573
Conservation of Natural Resources					2,264
Economic Development and Opportunity					32,536
Infrastructure					9,042,387
Total depreciation expense					\$ 24,703,476

* Asset additions due to the consolidation of the Permitting and Development Review Enterprise Fund into the General Fund.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,088,479	\$ 1,953,200	\$ (513,942)	\$ 8,527,737
Construction in progress	100,070,192	46,504,586	(20,761,925)	125,812,853
Total capital assets at historical cost not being depreciated	107,158,671	48,457,786	(21,275,867)	134,340,590
Capital assets being depreciated:				
Buildings and improvements	204,746,649	5,130,202	(11,837,422)	198,039,429
Equipment	50,231,379	415,743	(1,990,333)	48,656,789
Infrastructure	317,188,020	18,523,370	-	335,711,390
Total capital assets at historical cost being depreciated	572,166,048	24,069,315	(13,827,755)	582,407,608
Less accumulated depreciation for:				
Buildings and improvements	62,958,290	4,271,082	(6,706,119)	60,523,253
Equipment	30,547,579	2,149,435	(1,884,837)	30,812,177
Infrastructure	50,561,477	4,387,171	-	54,948,648
Total accumulated depreciation	144,067,346	10,807,688	(8,590,956)	146,284,078
Total capital assets being depreciated, net of accumulated depreciation	428,098,702	13,261,627	(5,236,799)	436,123,530
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 535,257,373</u>	<u>\$ 61,719,413</u>	<u>\$ (26,512,666)</u>	<u>\$ 570,464,120</u>
Depreciation expense was charged to business-type functions as follows:				
Citizens Care & Rehabilitation Center				\$ 6,286
Bell Court				77,292
Solid Waste				1,029,995
Water & Sewer				9,694,115
Total depreciation expense				<u>\$ 10,807,688</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component units' capital asset activity for the year ended June 30, 2013 was as follows:

BOE	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 46,295,756	\$ 183,039	\$ 1,205,459	\$ 47,684,254
Construction in progress	29,154,270	12,468,736	(35,805,882)	5,817,124
Total capital assets at historical cost not being depreciated	75,450,026	12,651,775	(34,600,423)	53,501,378
Capital assets being depreciated:				
Building and improvements	802,973,936	33,608,063	(8,731,741)	827,850,258
Furniture and equipment	81,277,735	3,424,052	(24,727,550)	59,974,237
Total capital assets at historical cost being depreciated	884,251,671	37,032,115	(33,459,291)	887,824,495
Less accumulated depreciation for:				
Building and improvements	241,907,876	22,766,627	(5,748,784)	258,925,719
Furniture and equipment	52,405,526	3,897,964	(19,241,587)	37,061,903
Total accumulated depreciation	294,313,402	26,664,591	(24,990,371)	295,987,622
Total capital assets being depreciated, net of accumulated depreciation	589,938,269	10,367,524	(8,468,920)	591,836,873
BOE's capital assets, net of accumulated depreciation	\$ 665,388,295	\$ 23,019,299	\$ (43,069,343)	\$ 645,338,251

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	11,535,334	3,359,019	(11,133,618)	4,515,434
Total capital assets at historical cost not being depreciated	11,806,954	3,359,019	(11,133,618)	4,787,054
Capital assets being depreciated:				
Library collection	1,933,958	41,872	-	1,975,830
Building and improvements	75,822,171	12,753,102	(393,007)	88,575,273
Furniture and equipment	4,452,026	242,076	-	4,301,095
Site improvement	6,016,920	14,226	-	6,031,146
Total capital assets at historical cost being depreciated	88,225,075	13,051,276	(393,007)	100,883,344
Less accumulated depreciation for:				
Library collection	1,778,413	42,136	-	1,820,549
Building and improvements	23,741,232	2,266,978	(387,170)	25,621,040
Furniture and equipment	3,003,880	331,757	-	3,335,637
Site improvement	4,637,245	311,238	-	4,948,483
Bond issuance cost	-	34,305	-	34,305
Total accumulated depreciation	33,160,770	2,986,414	(387,170)	35,760,014
Total capital assets being depreciated, net of accumulated depreciation	55,064,305	10,064,862	(5,837)	65,123,330
FCC's capital assets, net of accumulated depreciation	\$ 66,871,259	\$ 13,423,881	\$ (11,139,455)	\$ 69,910,384

NOTES TO FINANCIAL STATEMENTS
(Continued)

FCPL	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets being depreciated:				
Library collection	\$ 10,197,298	\$ 1,364,097	\$ (1,338,698)	\$ 10,222,697
Furniture and equipment	231,944	24,964	-	256,908
Total capital assets at historical cost being depreciated	10,429,242	1,389,061	(1,338,698)	10,479,605
Less accumulated depreciation for:				
Library collection	6,748,055	1,367,045	(1,338,698)	6,776,402
Furniture and equipment	108,818	21,317	-	130,135
Total accumulated depreciation	6,856,873	1,388,362	(1,338,698)	6,906,537
Total capital assets being depreciated, net of accumulated depreciation	3,572,369	699	-	3,573,068
FCPL's capital assets, net of accumulated depreciation	\$ 3,572,369	\$ 699	\$ -	\$ 3,573,068

NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Interfund Receivables, Payables and Transfers

1. Primary Government Interfund Receivables and Payable Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Total Due from Other Funds</u>
	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	
General Fund	\$ 705,692	\$ 2,354,143	\$ 3,059,835
Total Due to Other Funds	<u>\$ 705,692</u>	<u>\$ 2,354,143</u>	<u>\$ 3,059,835</u>

Interfund balances due from the nonmajor governmental funds include \$705,692 from the Grants Fund. The amount due from the Grant Fund is primarily the additional cash amounts needed during the year ended June 30, 2013, to fund grant expenditures until the County is reimbursed by grantor agencies. This amount due will be repaid to the General Fund as the Grant Fund is reimbursed for expenditures by grantor agencies in the subsequent years. The interfund balance due from the nonmajor enterprise funds is due in its entirety from the Citizens Care and Rehabilitation Center Fund and is a result of the large accounts receivable balance. The amount due to the General Fund will be paid as the Citizens Care and Rehabilitation Center collects its accounts receivable.

2. Interfund Transfers – Primary Government

Interfund transfers for the year ended June 30, 2013 consists of the following:

	<u>Transfers In</u>					<u>Total Transfers to Other Funds</u>
	<u>General Fund</u>	<u>Agricultural Preservation</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	
<u>Transfers Out</u>						
General Fund	\$ -	\$ 186,382	\$ 8,836,125	\$ 14,054,206	\$ 4,192,557	\$ 27,269,270
Nonmajor Governmental	6,987,796	-	235,000	-	-	7,222,796
Water and Sewer	193,000	-	-	-	-	-
Solid Waste	60,000	-	-	-	-	-
Nonmajor Enterprise	1,157,316	-	-	-	-	-
Internal Service	51,300	-	-	-	-	-
Total Transfers in from Other Funds	<u>\$ 8,449,412</u>	<u>\$ 186,382</u>	<u>\$ 9,071,125</u>	<u>\$ 14,054,206</u>	<u>\$ 4,192,557</u>	<u>\$ 34,492,066</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and;
- Transfers to the enterprise funds of the Citizens Care and Rehabilitation Center and Montevue Home for operating purposes from the General Fund.

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 2013 were \$1,090,587.

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

Years Ending June 30,	Total Payment
2014	\$ 792,084
2015	492,034
2016	403,693
2017	380,564
2018	385,496
2019-2023	1,927,002
2024-2028	791,521
2029-2033	419,041
2034-2038	265,393
Total	\$ 5,856,828

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 2013 totaled \$126,197.

NOTES TO FINANCIAL STATEMENTS
(Continued)

The future minimum lease revenues for the subleases are as follows:

Years Ending June 30,	Total Payment
2014	\$ 64,940
2015	-
2016	-
2017	-
2018	-
2019-thereafter	-
	<u>\$ 64,940</u>

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 2013 totaled \$987,433.

Future minimum lease revenues for these rentals are as follows:

Years Ending June 30,	Total Payment
2014	\$ 873,395.00
2015	855,708
2016	858,243
2017	861,729
2018	744,736
2019-thereafter	2,040,511
	<u>\$ 6,234,322</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Non-Current Liabilities

1. Changes in Non-Current Liabilities

Primary Government:

	Balance July 1, 2012	Additions	Principal Repayments & Reductions	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 437,662,080	\$ 83,991,415	\$ (73,963,037)	\$ 447,690,458	\$ 31,535,639
Unamortized Premium on Bonds	23,885,038	3,691,521	(6,196,603)	21,379,956	4,345,733
Deferred Loss on Bond Refunding	(18,099,128)	(7,154,299)	4,647,331	(20,606,096)	(2,591,943)
Installment Purchase Agreements	54,611,083	-	(827,100)	53,783,983	972,759
Notes Payable	1,244,870	-	(869,432)	375,438	39,786
Capital Lease Obligations	3,516,894	-	(1,256,275)	2,260,619	786,059
Compensated Absences	8,969,423	11,725,445	(11,316,955)	9,377,913	648,212
Net OPEB Obligation	22,194,981	-	(4,197,186)	17,997,795	-
Termination Benefits	179,039	5,525	-	184,564	44,253
Total Governmental Activity- Long Term Liabilities	<u>\$ 534,164,280</u>	<u>\$ 92,259,607</u>	<u>\$ (93,979,257)</u>	<u>\$ 532,444,630</u>	<u>\$ 35,780,498</u>

Payments on the non-current liabilities above (excluding compensated absences), that pertain to the County's governmental activities are made by the General, Citizens Care and Rehabilitation Center Building Fund, Parks Acquisition and Development, Agricultural Preservation, Impact Fee, Economic Development Loan, 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 fund.

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, 2013, Internal Service Funds compensated absences totaling \$150,502 are included in the above amounts.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance July 1, 2012	Additions	Principal Repayments & Reductions	Balance June 30, 2013	Due Within One Year
Business-type Activities:					
Bonds Payable	\$ 135,272,920	\$ 14,073,607	\$ (22,511,984)	\$ 126,834,543	\$ 9,179,361
Unamortized Premium on Bonds	8,836,129	560,396	(2,182,325)	7,214,200	1,374,945
Deferred Loss on Bond Refundings	(7,672,063)	(1,255,623)	1,626,694	(7,300,992)	(847,803)
Notes Payable	49,989,582	18,533,905	(3,144,840)	65,378,647	6,462,305
Landfill Closure Costs	13,973,666	151,839	(283,062)	13,842,443	190,650
Compensated Absences	1,459,320	2,199,933	(2,379,960)	1,279,293	158,978
Termination Benefits	27,373	-	(16,212)	11,161	-
Total Business-type Activities - Long Term Liabilities	<u>\$ 201,886,927</u>	<u>\$ 34,264,057</u>	<u>\$ (28,891,689)</u>	<u>\$ 207,259,295</u>	<u>\$ 16,518,436</u>

The County is not subject to any general debt limitations with regard to its issuance of general obligation bonds other than water, sewer, drainage system and solid waste bonds and other specific types of bonds which are authorized to be issued under certain provisions of the Maryland Code, but any debt limitation which would be applicable to a particular issue of bonds would be contained within the enabling legislation enacted by the General Assembly of the State.

The debt limit for the primary government's water, sewer and solid waste activities as of June 30, 2013 was \$1,546,288,079 and the legal debt margin was \$1,354,074,889.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Component Units:

	Balance July 1, 2012	Net Changes	Balance June 30, 2013	Due Within One Year
Board of Education				
Capital lease obligations	\$ 15,847,175	\$ 211,825	\$ 16,059,000	\$ 588,000
Compensated absences	6,647,490	327,838	6,975,328	4,638,032
Net OPEB liability	135,117,488	13,336,834	148,454,322	-
Termination benefits payable	19,137,174	1,749,545	20,886,719	2,273,278
Board of Education - Long-term Liabilities	<u>\$ 176,749,327</u>	<u>\$ 15,626,042</u>	<u>\$ 192,375,369</u>	<u>\$ 7,499,310</u>
Frederick Community College				
Certificates of Participation	\$ 7,517,140	\$ (249,335)	\$ 7,267,805	\$ 260,000
Compensated absences	1,553,686	(48,212)	1,505,474	105,303
Net OPEB liability	144,918	759	145,677	-
Frederick Community College - Long-term Liabilities	<u>\$ 9,215,744</u>	<u>\$ (296,788)</u>	<u>\$ 8,918,956</u>	<u>\$ 365,303</u>
Frederick County Public Libraries				
Compensated absences	\$ 444,847	\$ 1,529	\$ 446,376	\$ 30,887
Net OPEB liability	1,442,354	-	1,442,354	-
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 1,887,201</u>	<u>\$ 1,529</u>	<u>\$ 1,888,730</u>	<u>\$ 30,887</u>

2. General Obligation Bonds

Primary Government

The County may not issue general obligation bonds and installment purchase agreements unless specific enabling legislation is passed by the Maryland General Assembly. In addition to the Bonds, the County has been authorized by the General Assembly to, among other things, (i) issue temporary notes during any single year in an amount up to \$100,000 to pay debt service on bonded indebtedness and \$5,000,000 to pay any expenses or obligations of the County, (ii) incur debt for the purpose of providing funds for the construction of water, sewerage, drainage systems and solid waste systems, as long as the amount issued, less any sinking funds or reserves to pay such bonds, does not exceed 15 percent of the valuation of all legally assessable property within Frederick County subject to unlimited County taxation, and (iii) issue bonds in an amount up to \$111,440,488. This represents the remaining authorization under Chapter 382 of the Laws of Maryland of 2007 (\$11,440,488) and the authority granted under Chapter 54 of the Laws of Maryland of 2012 (\$100,000,000), as of June 30, 2013.

Any indebtedness authorized by the General Assembly may not be issued until a resolution authorizing the same has been adopted by the Board of County Commissioners.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Government Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity Due Serially to	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/13
Pub Facilities Refunding Bonds of 1998A	General	10/15/98	7/1/2015	3.30-5.00%	\$ 19,346,419	\$ 6,444,279
Public Facilities Refunding Bonds of 2002, Serie	General	04/01/02	7/1/2016	5.00-5.25%	13,999,267	1,989,272
Public Facility GO Bonds of 2002	General	11/01/02	11/1/2012	2.00-5.00%	38,199,998	-
Pub Facilities & Refunding Bonds of 2003**	General	09/01/03	8/1/2013	2.00-4.25%	33,188,577	1,582,872
Pub Facilities & Refunding Bonds of 2003	Impact Fee	09/01/03	8/1/2013	2.00-4.25%	6,269,108	437,128
Pub Facilities & Refunding Bonds of 2003	Fire-Urban	09/01/03	8/1/2012	2.00-4.25%	2,331,175	-
Pub Facility Refunding Bonds of 2005	General	05/01/05	8/1/2015	3.50%-5.00%	62,517,782	17,698,413
Pub Facility Refunding Bonds of 2005	Impact Fee	05/01/05	8/1/2015	3.00%-5.00%	29,264,191	8,421,757
Pub Facility Refunding Bonds of 2006	General	02/01/06	11/1/2022	4.00%-5.25%	12,608,476	12,608,476
Public Facilities Bonds of 2007* **	General	05/15/07	6/1/2027	4.00%-5.00%	39,781,674	13,867,077
Public Facilities Bonds of 2007	Hotel Rental	05/15/07	6/1/2027	4.00%-5.00%	1,285,000	410,269
Public Facilities Bonds of 2007	Impact Fee	05/15/07	6/1/2027	4.00%-5.00%	8,172,000	2,609,117
Public Facilities Bonds of 2007	Fire-Urban	05/15/07	6/1/2013	4.00%-5.00%	1,632,370	-
Public Facilities Bonds of 2007	Fire-Sub	05/15/07	6/1/2013	4.00%-5.00%	78,292	-
Public Facilities Bonds of 2008	CCRC	06/15/08	6/1/2028	3.50%-5.00%	6,700,000	2,841,465
Public Facilities Bonds of 2008**	General	06/15/08	6/1/2028	3.50%-5.00%	37,998,753	17,034,351
Public Facilities Bonds of 2008	Impact Fee	06/15/08	6/1/2028	3.50%-5.00%	11,094,300	4,705,085
Public Facilities Bonds of 2008	Fire-Urban	06/15/08	6/1/2013	3.50%-5.00%	1,222,206	-
Public Facilities Bonds of 2008	School Const	06/15/08	6/1/2028	3.50%-5.00%	3,094,748	1,312,481
Public Facilities Bonds of 2008	Fire-Sub	06/15/08	6/1/2013	3.50%-5.00%	944,993	-
Public Facilities Bonds of 2010A	CCRC	01/26/10	2/1/2020	2.00%-5.00%	2,550,474	1,909,491
Public Facilities Bonds of 2010A**	General	01/26/10	2/1/2020	2.00%-5.00%	26,290,747	19,989,283
Public Facilities Bonds of 2010A	Impact Fee	01/26/10	2/1/2020	2.00%-5.00%	148,431	111,127
Public Facilities Bonds of 2010A	Fire-Urban	01/26/10	2/1/2013	2.00%	371,415	-
Public Facilities Bonds of 2010A	School Const	01/26/10	2/1/2020	2.00%-5.00%	17,815,220	13,337,917
Public Facilities Bonds of 2010A	Fire-Sub	01/26/10	2/1/2013	2.00%	37,170	-
Pub Fac Bonds of 2010B (BAB)	CCRC	01/26/10	2/1/2030	4.90%-5.90%	3,849,526	3,849,526
Pub Fac Bonds of 2010B (BAB)**	General	01/26/10	2/1/2030	4.90%-5.90%	40,298,305	40,298,305
Pub Fac Bonds of 2010B (BAB)	Impact Fee	01/26/10	2/1/2030	4.90%-5.90%	224,032	224,032
Pub Fac Bonds of 2010B (BAB)	School Const	01/26/10	2/1/2030	4.90%-5.90%	26,889,180	26,889,180
Pub Fac Bonds of 2010C Refunding	CCRC	04/27/10	12/1/2020	2.00%-5.00%	628,280	487,211
Pub Fac Bonds of 2010C Refunding* **	General	04/27/10	12/1/2020	2.00%-5.00%	40,018,928	31,420,389

NOTES TO FINANCIAL STATEMENTS
(Continued)

Government Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity Due Serially to	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/13
Pub Fac Bonds of 2010C Refunding	Impact Fee	04/27/10	12/1/2020	2.00%-5.00%	16,640,022	12,903,801
Pub Fac Bonds of 2010C Refunding	Fire-Urban	04/27/10	12/1/2012	2.00%-3.00%	47,023	-
Pub Fac Bonds of 2011B Refunding	General	08/04/11	8/1/2017	2.00%-4.00%	9,909,092	9,909,092
Public Facilities Bonds of 2011	CCRC	08/04/11	8/1/2031	2.50%-5.00%	8,800,000	8,800,000
Public Facilities Bonds of 2011**	General	08/04/11	8/1/2031	2.50%-5.00%	44,423,000	44,423,000
Public Facilities Bonds of 2011	Hotel Rental	08/04/11	8/1/2031	2.50%-5.00%	1,152,000	1,152,000
Public Facilities Bonds of 2011	Parks	08/04/11	8/1/2031	2.50%-5.00%	1,070,000	1,070,000
Public Facilities Bonds of 2011	School Const	08/04/11	8/1/2031	2.50%-5.00%	365,000	365,000
Pub Fac Bonds of 2012 Refunding	CCRC	02/09/12	8/1/2024	4.00%	2,719,079	2,719,079
Pub Fac Bonds of 2012 Refunding* **	General	02/09/12	8/1/2024	2.00%-4.00%	44,684,766	44,684,766
Pub Fac Bonds of 2012 Refunding	Hotel Rental	02/09/12	8/1/2024	4.00%	586,487	586,487
Pub Fac Bonds of 2012 Refunding	Impact Fee	02/09/12	8/1/2024	2.00%-4.00%	10,596,387	10,596,387
Pub Fac Bonds of 2012 Refunding	School Const	02/09/12	8/1/2024	4.00%	1,255,950	1,255,950
Pub Fac Bonds of 2012B Refunding - Taxable	General	08/23/12	8/1/2020	1.00%-1.66%	35,235,134	35,235,134
Pub Fac Bonds of 2012B Refunding - Taxable	Impact Fee	08/23/12	8/1/2020	1.00%-1.66%	16,711,259	16,711,259
Public Facilities Bonds of 2013	General	05/02/13	5/1/2033	2.00%-5.00%	26,800,000	26,800,000
					<u>\$ 709,846,236</u>	<u>\$ 447,690,458</u>

* Effective 7/1/2012, the Permitting and Development Review Enterprise Fund was eliminated and all outstanding Permitting and Development Review Enterprise Fund General Obligation Bond balances were transferred into the General Fund. The total transfer amount was \$5,245,023, which includes \$1,093,336 of Public Facilities Bonds of 2007, \$2,766,937 of Public Facilities Bonds 2010C Refunding, and \$1,384,750 of Public Facilities Bonds 2012 Refunding.

** Effective 6/30/2013, the Fire Tax fund was eliminated and all outstanding Fire-Urban and Fire-Suburban General Obligation Bond balances were transferred into the General Fund. The total transfer amount is \$12,658,463 which includes the following:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Government Activities	Transfer Amount
Public Facilities & Refunding Bonds of 2003 (Fire-Urban)	\$ 174,730
Public Facilities Bonds of 2007 (Urban)	770,410
Public Facilities Bonds of 2007 (Suburban)	31,928
Public Facilities Bonds of 2008 (Urban)	900,046
Public Facilities Bonds of 2008 (Suburban)	695,902
Public Facilities Bonds of 2010A (Urban)	1,106,448
Public Facilities Bonds of 2010A (Suburban)	110,732
Public Facilities Bonds of 2010B (Urban)	2,230,595
Public Facilities Bonds of 2010B (Suburban)	223,234
Public Facilities Bonds of 2010C Refunding (Urban)	162,404
Public Facilities Bonds of 2011 (Urban)	2,457,623
Public Facilities Bonds of 2011 (Suburban)	175,231
Public Facilities Bonds of 2012 Refunding (Urban)	2,907,610
Public Facilities Bonds of 2012 Refunding (Suburban)	711,570
	<u><u>\$ 12,658,463</u></u>

The annual requirements to amortize governmental activities bond debt as of June 30, 2013 are as follows:

Years Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2014	\$ 31,535,639	\$ 17,930,978
2015	33,935,397	16,589,704
2016	36,078,191	15,154,946
2017	34,816,004	13,820,921
2018	34,757,373	12,609,778
2019-2023	141,704,991	44,805,386
2024-2028	93,728,945	22,018,316
2029-2033	41,133,918	3,624,121
	<u><u>\$ 447,690,458</u></u>	<u><u>\$ 146,554,150</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

Business Type Activities	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Range of Interest Rates	Amount of Original Issue	Amount Outstanding 6/30/13
Pub Facilities Refunding Bonds of 1998A	SW	10/15/98	07/01/15	3.30-5.00%	\$ 6,294,581	\$ 2,096,721
Pub Facilities Refunding Bonds of 1998A	W&S	10/15/98	07/01/15	3.30-5.00%	2,849,000	949,000
Public Facilities Refunding Bonds of 2002, Series A	W&S	4/1/02	07/01/16	5.00-5.25%	8,590,733	1,220,728
Public Facility GO Bonds of 2002	SW	11/1/02	11/01/12	2.00-5.00%	6,820,000	-
Public Facility GO Bonds of 2002	W&S	11/1/02	11/01/12	2.00-5.00%	16,680,000	-
Pub Facilities & Refunding Bonds of 2003	W&S	9/1/03	08/01/12	2.00-4.25%	7,216,140	-
Pub Facility Refunding Bonds of 2005	SW	5/1/05	08/01/15	3.00%-5.00%	3,141,667	863,194
Pub Facility Refunding Bonds of 2005	W&S	5/1/05	08/01/15	3.00%-5.00%	12,091,361	3,386,635
Pub Facility Refunding Bonds of 2006	SW	2/1/06	11/01/22	4.00%-5.25%	2,251,042	2,251,042
Pub Facility Refunding Bonds of 2006	W&S	2/1/06	11/01/22	4.00%-5.25%	5,505,482	5,505,482
Public Facilities Bonds of 2007	SW	5/15/07	06/01/27	4.00%-5.00%	7,200,000	2,298,781
Public Facilities Bonds of 2007	W&S	5/15/07	06/01/27	4.00%-5.00%	31,790,000	10,149,757
Public Facilities Bonds of 2008	SW	6/15/08	06/01/28	3.50%-5.00%	815,000	345,641
Public Facilities Bonds of 2008	W&S	6/15/08	06/01/28	3.50%-5.00%	17,510,000	7,425,978
Public Facilities Bonds of 2010A	SW	1/26/10	02/01/20	2.00%-5.00%	318,809	238,687
Public Facilities Bonds of 2010A	W&S	1/26/10	02/01/20	2.00%-5.00%	12,172,734	9,113,496
Pub Fac Bonds of 2010B (BAB)	SW	1/26/10	02/01/30	4.90%-5.90%	481,191	481,191
Pub Fac Bonds of 2010B (BAB)	W&S	1/26/10	02/01/30	4.90%-5.90%	18,372,766	18,372,766
Pub Fac Bonds of 2010C Refunding	SW	4/27/10	12/01/20	2.00%-5.00%	4,266,101	3,308,224
Pub Fac Bonds of 2010C Refunding	W&S	4/27/10	12/01/20	2.00%-5.00%	17,312,615	13,425,375
Pub Fac Bonds of 2011B Refunding	SW	8/4/11	08/01/17	2.00%-4.00%	1,769,110	1,769,110
Pub Fac Bonds of 2011B Refunding	W&S	8/4/11	08/01/17	2.00%-4.00%	4,326,797	4,326,797
Pub Fac Bonds of 2012 Refunding	SW	2/9/12	08/01/24	4.00%	3,616,909	3,616,909
Pub Fac Bonds of 2012 Refunding	W&S	2/9/12	08/01/24	4.00%	21,615,422	21,615,422
Pub Fac Bonds of 2012B - Refunding - Taxable	SW	8/23/12	08/01/20	1.00%-1.66%	2,015,435	2,015,435
Pub Fac Bonds of 2012B - Refunding - Taxable	W&S	8/23/12	08/01/20	1.00%-1.66%	7,408,172	7,408,172
Public Facilities Bonds of 2013	W&S	5/2/13	05/01/33	2.00%-5.00%	4,650,000	4,650,000
					<u>\$ 227,081,067</u>	<u>\$ 126,834,543</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The annual requirements to amortize business-type bond debt as of June 30, 2013 are as follows:

Years Ending June 30,	Public Facilities Bonds	
	Principal	Interest
2014	\$ 9,179,361	\$ 5,316,378
2015	9,979,603	4,912,570
2016	10,411,809	4,476,718
2017	9,833,996	4,059,743
2018	9,407,627	3,664,827
2019-2023	44,840,009	12,506,033
2024-2028	27,346,055	5,117,343
2029-2033	5,836,083	531,275
	<u><u>\$ 126,834,543</u></u>	<u><u>\$ 40,584,887</u></u>

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 source for the investment purchases.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Installment Purchase Agreements	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/13
Installment Purchase Agreement #02-04	Ag Pres	05/15/03	05/15/23	4.95%	\$ 484,567	\$ 484,567
Installment Purchase Agreement #02-07A	Ag Pres	05/15/03	05/15/15	4.16%	224,695	224,695
Installment Purchase Agreement #02-07B	Ag Pres	05/15/03	05/15/15	4.16%	266,914	266,914
Installment Purchase Agreement #02-03	Ag Pres	07/14/03	05/15/23	5.03%	1,273,527	1,273,527
Installment Purchase Agreement #02-10	Ag Pres	10/08/03	05/15/23	5.52%	696,992	696,992
Installment Purchase Agreement #02-24	Ag Pres	12/11/03	05/15/23	5.46%	753,565	753,565
Installment Purchase Agreement #02-28	Ag Pres	12/11/03	05/15/15	4.76%	385,748	385,748
Installment Purchase Agreement #02-22	Ag Pres	12/11/03	05/15/23	5.46%	1,320,273	1,320,273
Installment Purchase Agreement #02-01	Ag Pres	02/25/04	05/15/24	5.20%	174,701	174,701
Installment Purchase Agreement #02-11	Ag Pres	02/25/04	05/15/24	5.20%	695,412	695,412
Installment Purchase Agreement #02-21	Ag Pres	05/04/04	05/15/14	4.76%	221,896	221,896
Installment Purchase Agreement #02-18	Ag Pres	06/15/04	05/15/24	5.73%	99,717	99,717
Installment Purchase Agreement #04-10	Ag Pres	06/15/04	05/15/24	5.73%	388,192	388,192
Installment Purchase Agreement #04-15	Ag Pres	06/18/04	05/15/14	4.87%	447,207	447,207
Installment Purchase Agreement #04-06	Ag Pres	06/29/04	05/15/24	5.61%	252,395	252,395
Installment Purchase Agreement #02-13	Ag Pres	06/29/04	05/15/24	5.61%	261,769	261,769
Installment Purchase Agreement #02-15	Ag Pres	08/03/04	05/15/14	4.53%	303,656	303,656
Installment Purchase Agreement #04-16	Ag Pres	08/03/04	05/15/24	5.43%	592,631	592,631
Installment Purchase Agreement #04-11	Ag Pres	08/03/04	05/15/24	5.43%	225,942	225,942
Installment Purchase Agreement #04-12	Ag Pres	08/03/04	05/15/24	5.43%	208,592	208,592
Installment Purchase Agreement #04-03	Ag Pres	08/03/04	05/15/24	5.43%	194,975	194,975
Installment Purchase Agreement #04-01	Ag Pres	08/03/04	05/15/24	5.43%	262,012	262,012
Installment Purchase Agreement #04-08	Ag Pres	08/31/04	05/15/24	5.25%	234,717	234,717
Installment Purchase Agreement #04-05	Ag Pres	08/31/04	05/15/24	5.25%	300,000	300,000
Installment Purchase Agreement #04-09	Ag Pres	08/31/04	05/15/24	5.25%	87,850	87,850
Installment Purchase Agreement #05-29	Ag Pres	03/29/05	05/15/25	4.98%	670,000	670,000
Installment Purchase Agreement #05-30	Ag Pres	03/29/05	05/15/25	4.98%	388,538	388,538
Installment Purchase Agreement #05-31	Ag Pres	03/29/05	05/15/25	4.64%	389,471	389,471
Installment Purchase Agreement #05-32	Ag Pres	04/19/05	05/15/15	4.28%	366,975	366,975
Installment Purchase Agreement #05-33	Ag Pres	04/19/05	05/15/15	4.28%	157,757	157,757
Installment Purchase Agreement #05-34	Ag Pres	04/19/05	05/15/25	4.74%	686,271	686,271
Installment Purchase Agreement #05-35	Ag Pres	04/19/05	05/15/15	4.28%	632,168	632,168
Installment Purchase Agreement #05-36	Ag Pres	05/19/05	05/15/20	4.44%	544,114	544,114
Installment Purchase Agreement #05-37	Ag Pres	05/19/05	05/15/20	4.44%	92,894	92,894
Installment Purchase Agreement #05-38	Ag Pres	05/19/05	05/15/15	4.12%	282,021	282,021
Installment Purchase Agreement #05-40	Ag Pres	05/19/05	05/15/15	4.12%	372,079	372,079

NOTES TO FINANCIAL STATEMENTS
(Continued)

Installment Purchase Agreements	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/13
Installment Purchase Agreement #05-41	Ag Pres	07/20/05	05/15/25	4.52%	\$ 541,512	\$ 541,512
Installment Purchase Agreement #05-42	Ag Pres	07/20/05	05/15/15	4.20%	76,572	76,572
Installment Purchase Agreement #05-43	Ag Pres	07/20/05	05/15/25	4.52%	367,493	367,493
Installment Purchase Agreement #05-44	Ag Pres	07/20/05	05/15/25	4.52%	250,000	250,000
Installment Purchase Agreement #05-45	Ag Pres	10/11/05	05/15/20	4.58%	281,600	281,600
Installment Purchase Agreement #05-46	Ag Pres	10/11/05	05/15/25	4.63%	229,033	229,033
Installment Purchase Agreement #05-47	Ag Pres	10/11/05	05/15/25	4.63%	363,222	363,222
Installment Purchase Agreement #05-49	Ag Pres	12/13/05	05/15/25	4.78%	316,811	316,811
Installment Purchase Agreement #06-50	Ag Pres	02/28/06	05/15/21	4.66%	315,016	315,016
Installment Purchase Agreement #06-51	Ag Pres	02/28/06	05/15/26	4.61%	436,923	436,923
Installment Purchase Agreement #06-52	Ag Pres	05/18/06	05/15/21	5.28%	144,632	144,632
Installment Purchase Agreement #06-54	Ag Pres	05/18/06	05/15/26	5.27%	221,872	221,872
Installment Purchase Agreement #06-55	Ag Pres	06/15/06	05/15/16	5.03%	628,359	628,359
Installment Purchase Agreement #06-56	Ag Pres	06/15/06	05/15/21	5.20%	236,027	236,027
Installment Purchase Agreement #06-57	Ag Pres	06/15/06	05/15/16	5.03%	500,000	500,000
Installment Purchase Agreement #06-58	Ag Pres	06/15/06	05/15/21	5.20%	75,000	75,000
Installment Purchase Agreement #06-59	Ag Pres	07/13/06	05/15/16	5.03%	465,871	465,871
Installment Purchase Agreement #06-60	Ag Pres	07/13/06	05/15/16	5.03%	181,217	181,217
Installment Purchase Agreement #06-53	Ag Pres	08/24/06	05/15/16	4.72%	188,835	188,835
Installment Purchase Agreement #06-61	Ag Pres	08/24/06	05/15/26	4.93%	605,646	605,646
Installment Purchase Agreement #06-62	Ag Pres	08/24/06	05/15/16	4.72%	666,067	666,067
Installment Purchase Agreement #06-63	Ag Pres	10/26/06	05/15/26	4.87%	246,181	246,181
Installment Purchase Agreement #07-64	Ag Pres	01/25/07	05/15/17	4.77%	658,701	658,701
Installment Purchase Agreement #07-65	Ag Pres	02/01/07	05/15/17	4.75%	643,951	643,951
Installment Purchase Agreement #07-66	Ag Pres	03/15/07	05/15/27	4.71%	744,325	744,325
Installment Purchase Agreement #07-67	Ag Pres	03/15/07	05/15/17	4.51%	400,000	400,000
Installment Purchase Agreement #07-69	Ag Pres	03/15/07	05/15/17	4.51%	500,000	500,000
Installment Purchase Agreement #07-70	Ag Pres	04/12/07	05/15/17	4.69%	841,876	841,876
Installment Purchase Agreement #07-71	Ag Pres	04/12/07	05/15/22	4.93%	1,039,204	1,039,204
Installment Purchase Agreement #07-68	Ag Pres	05/10/07	05/15/22	4.86%	322,000	322,000
Installment Purchase Agreement #07-72	Ag Pres	05/10/07	05/15/17	4.62%	109,486	109,486
Installment Purchase Agreement #07-73	Ag Pres	05/10/07	05/15/17	4.62%	200,000	200,000
Installment Purchase Agreement #07-74	Ag Pres	06/07/07	05/15/19	5.08%	625,310	625,310
Installment Purchase Agreement #07-75	Ag Pres	06/07/07	05/15/27	5.14%	430,542	430,542
Installment Purchase Agreement #07-77	Ag Pres	06/07/07	05/15/17	4.98%	42,452	42,452
Installment Purchase Agreement #07-76	Ag Pres	06/21/07	05/15/27	5.25%	391,452	391,452
Installment Purchase Agreement #07-78	Ag Pres	06/21/07	05/15/17	5.10%	750,000	750,000
Installment Purchase Agreement #07-79	Ag Pres	06/21/07	05/15/27	5.25%	855,458	855,458

NOTES TO FINANCIAL STATEMENTS
(Continued)

Installment Purchase Agreements	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/13
Installment Purchase Agreement #07-80	Ag Pres	12/13/07	05/15/27	4.67%	\$ 499,494	\$ 499,494
Installment Purchase Agreement #07-81	Ag Pres	12/13/07	05/15/27	4.67%	184,299	184,299
Installment Purchase Agreement #07-82A	Ag Pres	12/13/07	05/15/17	4.22%	575,534	575,534
Installment Purchase Agreement #07-82AB	Ag Pres	12/13/07	05/15/17	4.22%	575,534	575,534
Installment Purchase Agreement #08-83	Ag Pres	02/07/08	05/15/20	4.20%	1,284,116	1,284,116
Installment Purchase Agreement #08-84	Ag Pres	02/07/08	05/15/28	4.55%	558,718	558,718
Installment Purchase Agreement #08-85	Ag Pres	04/17/08	05/15/23	4.56%	1,030,451	1,030,451
Installment Purchase Agreement #08-86	Ag Pres	04/17/08	05/15/23	4.56%	400,114	400,114
Installment Purchase Agreement #08-88	Ag Pres	05/20/08	05/15/28	4.59%	940,777	940,777
Installment Purchase Agreement #08-87	Ag Pres	05/20/08	05/15/28	4.59%	1,899,662	1,899,662
Installment Purchase Agreement #08-90	Ag Pres	10/28/08	05/15/28	4.29%	870,918	870,918
Installment Purchase Agreement #08-89	Ag Pres	02/27/09	05/15/28	4.40%	1,566,510	1,566,510
Installment Purchase Agreement #09-94A	Ag Pres	10/01/09	05/15/19	3.49%	433,273	433,273
Installment Purchase Agreement #09-94B	Ag Pres	10/01/09	05/15/19	3.49%	433,274	433,274
Installment Purchase Agreement #09-97A	Ag Pres	10/01/09	05/15/29	4.15%	323,870	323,870
Installment Purchase Agreement #09-97B	Ag Pres	10/01/09	05/15/29	4.15%	323,870	323,870
Installment Purchase Agreement #09-97C	Ag Pres	10/01/09	05/15/29	4.15%	323,870	323,870
Installment Purchase Agreement #09-98A	Ag Pres	10/01/09	05/15/29	4.15%	364,533	364,533
Installment Purchase Agreement #09-98B	Ag Pres	10/01/09	05/15/29	4.15%	364,533	364,533
Installment Purchase Agreement #09-92	Ag Pres	07/16/09	05/15/29	4.60%	961,422	961,422
Installment Purchase Agreement #09-93	Ag Pres	07/16/09	05/15/29	4.60%	234,792	234,792
Installment Purchase Agreement #09-91	Ag Pres	10/28/09	05/15/29	4.46%	1,297,071	1,297,071
Installment Purchase Agreement #09-95A	Ag Pres	02/18/10	05/15/20	4.02%	139,895	139,895
Installment Purchase Agreement #09-95B	Ag Pres	02/18/10	05/15/20	4.02%	139,895	139,895
Installment Purchase Agreement #09-96A	Ag Pres	02/18/10	05/15/22	4.36%	195,199	195,199
Installment Purchase Agreement #09-96B	Ag Pres	02/18/10	05/15/22	4.36%	100,389	100,389
Installment Purchase Agreement #09-96C	Ag Pres	02/18/10	05/15/22	4.36%	100,389	100,389
Installment Purchase Agreement #09-96D	Ag Pres	02/18/10	05/15/22	4.36%	61,377	61,377
Installment Purchase Agreement #10-99	Ag Pres	06/17/10	05/15/20	3.43%	712,151	712,151
Installment Purchase Agreement #10-100A	Ag Pres	09/30/10	05/15/30	3.71%	533,421	533,421
Installment Purchase Agreement #10-100B	Ag Pres	09/30/10	05/15/30	3.71%	533,420	533,420
Installment Purchase Agreement #10-101	Ag Pres	09/30/10	05/15/30	3.71%	117,367	117,367
Installment Purchase Agreement #10-102A	Ag Pres	10/28/10	05/15/30	4.08%	444,918	444,918
Installment Purchase Agreement #10-102B	Ag Pres	10/28/10	05/15/30	4.08%	444,918	444,918
Installment Purchase Agreement #11-104A	Ag Pres	01/13/11	05/15/31	4.70%	156,973	156,973
Installment Purchase Agreement #11-104B	Ag Pres	01/13/11	05/15/31	4.70%	156,973	156,973
Installment Purchase Agreement #11-104C	Ag Pres	01/13/11	05/15/31	4.70%	156,973	156,973
Installment Purchase Agreement #11-104D	Ag Pres	01/13/11	05/15/31	4.70%	156,973	156,973

NOTES TO FINANCIAL STATEMENTS
(Continued)

Installment Purchase Agreements	Paying Fund	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Amount of Original Issue	Amount Outstanding 6/30/13
Installment Purchase Agreement #10-104E	Ag Pres	01/13/11	05/15/31	4.70%	\$ 78,487	\$ 78,487
Installment Purchase Agreement #10-104F	Ag Pres	01/13/11	05/15/31	4.70%	78,486	78,486
Installment Purchase Agreement #10-105A	Ag Pres	02/24/11	05/15/31	4.66%	350,000	350,000
Installment Purchase Agreement #10-105B	Ag Pres	02/24/11	05/15/31	4.66%	350,000	350,000
Installment Purchase Agreement #11-103	Ag Pres	01/13/11	05/15/31	4.70%	908,661	908,661
Installment Purchase Agreement #11-106A	Ag Pres	11/04/11	05/15/31	3.08%	16,059	16,059
Installment Purchase Agreement #11-106B	Ag Pres	11/04/11	05/15/31	3.08%	16,059	16,059
Installment Purchase Agreement #11-106C	Ag Pres	11/04/11	05/15/31	3.08%	16,059	16,059
Installment Purchase Agreement #11-107	Ag Pres	11/04/11	05/15/31	3.08%	1,539,427	1,539,427
Total Installment Purchase Agreements					\$ 53,783,983	\$ 53,783,983

The annual requirements to amortize installment purchase agreement debt as of June 30, 2013 are as follows:

Years Ending June 30,	Installment Purchase Agreements	
	Principal	Interest
2014	\$ 972,759	\$ 2,522,122
2015	3,154,400	2,532,374
2016	2,630,349	2,391,392
2017	5,297,534	2,333,813
2018	870,918	1,959,066
2019-2023	13,235,244	9,075,664
2024-2028	17,373,644	5,159,583
2029-2031	10,249,135	1,091,205
	\$ 53,783,983	\$ 27,065,219

4. Capital Lease Obligations

Primary Government

The County has entered into various lease agreements as lessee for financing the acquisition of numerous pieces of fire and rescue 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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 15,522,055
Less: Accumulated depreciation	(9,669,650)
Total:	<u>\$ 5,852,405</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Years Ending June 30,</u>	<u>Total Payment</u>
2014	\$ 816,995
2015	584,375
2016	584,375
2017	337,961
	<u>2,323,706</u>
Less: amount representing interest	(63,087)
Present value-net minimum lease payments	<u>\$ 2,260,619</u>

Component Unit

The BOE has various capital lease agreements for the purchase of a wide area network technology upgrade, a new central office building, and food service equipment. Payments, including interest, during FY2013 were \$961,263. 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 lease agreement is for a period of twenty-five years ending September 1, 2032.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Building	\$ 16,361,160
Machinery and equipment	15,115,943
Less: Accumulated depreciation	(12,300,767)
Total	<u>\$ 19,176,336</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

As of June 30, 2013, the minimum obligation under capital leases was as follows:

Years Ending June 30,	Governmental Activities
2014	\$ 1,076,715
2015	1,077,193
2016	1,077,081
2017	1,077,365
2018	1,077,029
2019-2023	5,385,995
2024-2028	5,387,427
2029-2033	5,389,629
Total Obligations	21,548,434
Less: Portion representing interest	(5,489,434)
Present value of lease obligation	<u>\$ 16,059,000</u>

5. Certificates of Participation

Component Unit

FCC issued Certificates of Participation in December 2010 to finance a new parking garage and a portion of the enrollment services building. Manufactures and Traders Trust Company serves as trustee for the transaction and there is a term of twenty-five years. Principal payments begin in FY2013.

The annual requirements to amortize the certificates of participation as of June 30, 2013 are as follows:

NOTES TO FINANCIAL STATEMENTS
(Continued)

Ending June 30,	Certificates of Participation			
	Principal	Less Discount	Net	Interest
2014	\$ 260,000	\$ 5,664	\$ 254,336	\$ 463,157
2015	265,000	5,664	259,336	455,358
2016	270,000	5,664	264,336	446,612
2017	275,000	5,664	269,336	436,353
2018	285,000	5,664	279,336	424,528
2019-2023	1,450,000	26,467	1,423,533	1,899,438
2024-2028	1,660,000	26,003	1,633,997	1,438,460
2029-2033	2,000,000	26,003	1,973,997	803,400
2034-2035	920,000	10,402	909,598	104,250
	<u>\$ 7,385,000</u>	<u>\$ 117,195</u>	<u>\$ 7,267,805</u>	<u>\$ 6,471,556</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 \$630,000 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, 2013 was \$287,177. The proceeds of this loan have been reloaned by the County to Dan Jay LLC to assist in the financing of the acquisition of certain industrial land and shell buildings in Frederick County. It is anticipated that the repayment of this loan by the private user will generate sufficient monies for the County to repay DBED; however, the loan is a full faith and credit obligation of the County. A loan in the amount of \$181,059 has also been received under the program and granted to State Farm Insurance to assist in the financing of certain street and site improvements in the County. The loan is a full faith and credit obligation of the County. The outstanding balance of this loan as of June 30, 2013 was \$88,261.

Maryland State Retirement System

Effective June 30, 1993, the County withdrew from the Maryland State Retirement System for all hires after June 30, 1993. The State calculated a net unfunded amount due from the County, which is further explained in Note 4.D. The original amount of this liability was \$7,036,995. Under the Reformed Plan, established in 1999, this liability was increased to \$7,388,271. There is no balance due as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Paying Fund</u>	<u>Amount of Original Issue</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity</u>	<u>Annual Rate/ Payment Frequency</u>	<u>Amount Outstanding 06/30/13</u>
Governmental Activity:						
MD Industrial Land Act Loan - Dan Jay LLC	Econ Dev	\$ 630,000	02/11/94	02/11/21	5.23%/Quarterly	\$ 287,177
MD Industrial Land Act Loan - State Farm	General	181,059	05/12/94	05/12/21	5.93%/Quarterly	88,261
Maryland State Retirement System	General	7,388,271	06/30/93	12/31/12	7.5%/Annually	-
Total Notes Payable		<u>\$ 8,199,330</u>				<u>\$ 375,438</u>

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 39,786	\$ 19,459
2015	41,973	17,272
2016	44,281	14,964
2017	46,716	12,529
2018-2021	202,682	22,970
	<u>\$ 375,438</u>	<u>\$ 87,194</u>

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, 2013, the County has authorized and approved borrowings in an aggregate principal amount of \$91,357,811 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, 2013, \$79,782,372 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, 2013 is \$65,378,647. These loans have interest rates of 0.08 – 4.56 percent.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 2013, \$283,062 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was decreased \$84,238 to reflect the variance between estimated and actual costs. The total remaining estimated costs for closure and post closure care of Site A are \$3,185,650 as of June 30, 2013. This entire amount is reported as a liability for Site A.

As of June 30, 2013, the Site B landfill had capacity used of 2,040,495 tons, which is 49.51 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 \$21,523,138. The resulting liability is \$10,656,793 with \$10,866,345 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 \$13,842,443 as of June 30, 2013. 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 2012B:

On September 6, 2012, the County issued the Public Facilities Refunding Bonds, Series 2012B, in the amount of \$61,370,000. These bonds carry an average interest rate of 1.35 percent. The gross proceeds of \$61.6 million (including premium) were used to advance refund certain maturities in the amount of \$53.8 million of the Public Facilities Refunding Bonds of 2005. As a result certain maturities of the 2005 bonds have been removed from the government-wide statement of net assets.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$8.0 million. This difference is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through fiscal year 2021. The County uses the straight line method to amortize this loss. The County completed the refunding to reduce its total debt service payments through fiscal year 2021 by \$3,072,981, and to obtain an economic gain of \$3,016,764.

Total Defeased Bonds

As of June 30, 2013, there remains \$217,770,000 of outstanding defeased debt.

NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Fund Balances/Net Position

1. Governmental Activities- Nonspendable

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Inventory	\$ 1,309,260	\$ -	\$ -	\$ -	\$ 1,309,260
Prepaid	56,218	-	-	-	56,218
Long-term receivables	83,229	-	-	5,522,347	5,605,576
Agricultural compliance monitoring	-	199,067	-	-	199,067
Total nonspendable fund balances	<u>\$ 1,448,707</u>	<u>\$ 199,067</u>	<u>\$ -</u>	<u>\$ 5,522,347</u>	<u>\$ 7,170,121</u>

2. Governmental Activities – Restricted

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Debt service	\$ 3,075,002	\$ -	\$ -	\$ -	\$ 3,075,002
School and library construction	-	-	24,557,273	-	24,557,273
Parks construction	-	-	89,202	-	89,202
Roads and bridges construction	-	-	8,875,277	-	8,875,277
General government/other construction	-	-	7,173,413	-	7,173,413
Sheriff's activities	-	-	-	42,716	42,716
Rural Legacy	-	1,687,836	-	-	1,687,836
Total restricted fund balances	<u>\$ 3,075,002</u>	<u>\$ 1,687,836</u>	<u>\$ 40,695,165</u>	<u>\$ 42,716</u>	<u>\$ 45,500,719</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. *Governmental Activities – Committed*

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Bond rating enhancement	\$ 2,200,000	\$ -	\$ -	\$ -	\$ 2,200,000
Enabling legislation	21,492,983				21,492,983
Length of Service Award Program	186,998	-	-	-	186,998
Encumbrances	1,314,251	-	-	-	1,314,251
School and library construction	-	-	14,375,218	-	14,375,218
Parks construction	-	-	13,250,119	-	13,250,119
Roads and bridges construction	-	-	7,470,751	-	7,470,751
General government/other construction	-	-	16,718,746	-	16,718,746
Electric lighting	-	-	-	1,575	1,575
Sheriff's activities	-	-	-	501,764	501,764
Installment purchase agreements	-	45,291,856	-	-	45,291,856
Total committed fund balances	<u>\$ 25,194,232</u>	<u>\$ 45,291,856</u>	<u>\$ 51,814,834</u>	<u>\$ 503,339</u>	<u>\$ 122,804,261</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, 2013 the required balance is \$21,492,983. 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 Activities – Assigned*

	General Fund	Agricultural Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Snow removal	\$ 473,553	\$ -	\$ -	\$ -	\$ 473,553
Fuel reserve	1,502,939	-	-	-	1,502,939
FY 14 budget	34,564,993	-	-	-	34,564,993
FY 15 budget	23,551,966	-	-	-	23,551,966
Encumbrances	629,322	-	-	-	629,322
Income taxes	3,414,828	-	-	-	3,414,828
Grant activities	-	-	-	912,901	912,901
Electric lighting	-	-	-	544	544
Loan activities	-	-	-	1,181,217	1,181,217
Agricultural Preservation	-	4,184,361	-	-	4,184,361
Total assigned fund balances	<u>\$ 64,137,601</u>	<u>\$ 4,184,361</u>	<u>\$ -</u>	<u>\$ 2,094,662</u>	<u>\$ 70,416,624</u>

5. *Governmental Activities - Unassigned*

Section 2-7-4 of the Frederick County, Maryland Code of Ordinances provides for the County to maintain an unassigned General Fund balance equal to \$500,000, as a contingency fund and shall be dedicated and appropriated to meet any unexpected demand which may arise.

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	\$ 144,058,083	\$ -
Other Amounts Restricted by 3rd Parties	36,244,243	2,401,597
Total Restricted Net Position	<u>\$ 180,302,326</u>	<u>\$ 2,401,597</u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Business-Type Activities with Unrestricted Net Position

On February 19, 2002 the 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, 2013, the calculation of these reserves is \$71,748,041 (detailed below). These reserves are a part of the \$455,530,859 net position balance.

Reserved for:	
Operating Reserves	\$ 4,587,304
3 R Reserves	2,633,232
Tap Credits	2,810,510
Cash Funding of Capital Projects	4,914,958
System Development	56,802,037
Total Water and Sewer Reserves	<u>71,748,041</u>
Excess reserves	4,574,470
Unrestricted net position	<u><u>\$ 76,322,511</u></u>

8. Net Investment in Capital Assets

As of June 30, 2013, Net investment in capital assets in the Government-Wide Statement of Net Position were calculated as follows:

	Governmental Activities	Business-type Activities
Capital Assets (Exhibit II-A-1)	\$ 478,236,662	\$ 570,464,120
Debt related to Capital Assets	(235,696,602)	(187,206,861)
Unspent bond proceeds included in debt related to capital assets	<u>32,475,581</u>	<u>1,918,188</u>
Net Investment in Capital Assets (Exhibit II-A-1)	<u><u>\$ 275,015,641</u></u>	<u><u>\$ 385,175,447</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4. OTHER INFORMATION

A. Commitments and Contingencies

1. Construction Commitments

As of June 30, 2013, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	\$ 35,324,091	\$ 4,516,436	\$ 21,781,291	\$ 13,542,800
Roads and Bridges	41,900,665	18,732,626	31,697,780	10,202,885
Board of Education	60,744,519	43,121,962	53,478,718	7,265,801
Frederick Community College	29,147,502	21,776,093	24,845,472	4,302,030
Parks and Recreation	19,710,686	2,698,274	14,826,374	4,884,312
Watershed Restoration	671,850	351,388	671,850	-
Municipal	1,328,964	1,096,181	1,246,879	82,085
	<u>\$ 188,828,277</u>	<u>\$ 92,292,960</u>	<u>\$ 148,548,364</u>	<u>\$ 40,279,913</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, 2013 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, 2013.

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. Economic Dependency

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

Citizens Care and Rehabilitation Center, a non-major enterprise fund, has three payor types that individually exceed ten percent of total operating revenues for this fund. They are Medicaid (37.36 percent), Medicare (26.63 percent), and Private Pay (22.07 percent).

The Solid Waste Enterprise Fund has three customers which account for 21.12 percent of total operating revenues. Two commercial haulers accounted for \$3,831,348 or 15.28 percent of the fiscal year 2013 operating revenues. A single municipality accounted for \$1,463,148 or 5.84 percent of the fiscal year 2013 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 three 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 of the first loan to be repaid to MDE is \$274,714, maturing on February 1, 2043. 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. None of the funds for either of these loans has been drawn as of June 30, 2013.

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, 2013.

C. Conduit Debt

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, or 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.

Frederick County has issued taxable Tax Increment Financing Bonds to finance a portion of the infrastructure needed in the Dudrow Industrial Park and Center Park 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. Below is information on the current outstanding bond issue in the Dudrow Industrial Park District. All debt related to the Center Park Development District has been paid in full.

<u>Payee</u>	<u>Amount of Original Issue</u>	<u>Date of Debt Issue</u>	<u>Date of Debt Maturity</u>	<u>Interest Rate</u>	<u>Payment Frequency</u>	<u>Amount Outstanding 6/30/2013</u>
Toys'R-Us	\$ 1,890,094	09/26/96	09/15/18	8.16%	Annually	\$ 857,818

Frederick County has issued special obligation bonds on November 6, 1998, April 1, 2004, and September 23, 2010 for the Urbana Community Development Authority in the amount of \$30,000,000, \$32,974,000, and \$97,695,000, respectively; and January 18, 2001 and September 20, 2007 for the Villages of Lake Linganore Community Development Authority in the amount of \$6,730,000 and \$6,346,142, respectively. The bonds were for infrastructure costs within the boundaries of the respective Authorities. In addition, a portion of the Urbana Community Development Authority 2010 bonds was to refund all the outstanding 1998 and 2004 Bonds, to fund capitalized interest and the debt service reserve fund and to pay the cost of issuance of the 2010 Bonds. The Bonds are secured by special taxes levied on the properties within the respective Authorities. There remains additional bond authority totaling \$2,305,000 for unissued debt within the Urbana Community Development Authority.

NOTES TO FINANCIAL STATEMENTS (Continued)

The County has authorized a Community Development Authority district for the Aspen North area of the County. While taxes have been levied on the Aspen North properties, debt has not yet been issued. The County has also authorized a Community Development Authority and the Jefferson Technology Park Development District for Jefferson Technology Park properties. The bonds for Jefferson Technology Park have not been issued as of June 30, 2013 and no taxes levied. See Note 4H.

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 Board of County Commissioners are not eligible to participate in this Plan. In addition, grant funded employees hired or rehired after June 30, 2012, and employees of Citizens Care and Rehabilitation Center and Montevue Assisted Living 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, 2013, 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	121	531	-	-
Terminated employees entitled to benefits	-	-	194	325
Active employees	575	1,174	-	-

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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 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. 27, Accounting for Pensions by State and Local Governmental Employers. 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 FY2013 was 20.1 percent.

Annual Pension Cost

During the fiscal year ending June 30, 2013 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2012.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Significant actuarial assumptions used include a) a rate of return on the investment of present and future assets of 7.50 percent per year compounded annually, gross of investment expenses, b) projected salary increases from 5.00 percent to 10.00 percent per year compounded annually, including 2.5 percent per year attributable to inflation, and the remainder of merit/seniority, or c) 1.00 percent cost of living benefit increase.

The projected unit credit cost method is the actuarial cost method used to determine the plan's normal cost and the actuarial accrued liability. The actuarial value of assets is determined by adjusting the market value of assets as of the actuarial valuation date for any actuarial gains and losses. The smoothed market value method is the actuarial method used to determine asset values. There was an actuarial loss during FY2012 caused primarily by the performance of the investments.

The Plan's unfunded liability is attributable to two sources; plan changes and cumulative gains/losses and assumption changes. Plan changes are amortized over a closed 30-year period and the cumulative gains/losses and assumption changes are amortized over an open 15-year period. As of July 1, 2012 there are three plan change bases which are currently outstanding – the COLA plan change (15 years remaining), July 1, 2000 plan improvements for all employees (17 years remaining) and the July 1, 2009 disability plan changes (26 years remaining). All amortization payments are calculated as a level percent of payroll, which is assumed to increase 3.5 percent each year.

The annual pension cost, the percentage of that amount contributed, and the net pension obligation for the past three years are as follows:

Fiscal Years	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2013	\$ 19,971,589	100%	\$ -
2012	18,787,085	100	-
2011	20,207,459	100	-

As of June 30, 2013, the plan's net position was \$376,512,786.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
07/01/12	\$ 312,691,229	\$ 382,729,492	\$ 70,038,263	81.7%	\$ 101,379,283	69.1%
07/01/11	288,173,951	348,960,508	60,786,557	82.6	100,902,862	60.2
07/01/10	258,024,773	325,399,414	67,374,641	79.3	108,101,751	62.3

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

3. Cost-Sharing Multiple-Employer Pension Plan

Plan Description

The Employees' Retirement System of the State of Maryland (Retirement System) covers most employees hired prior to January 1, 1980, who did not elect to transfer into the County Plan. The Pension System for Employees of the State of Maryland (Pension System) covers employees hired between December 31, 1979, and June 30, 1993, plus Retirement System participants who have voluntarily joined the Pension System, less employees who elected to transfer into the County Plan. New provisions of the Pension System were adopted by State legislation effective July 1, 2006, and by local resolution effective May 21, 2007.

Under the terms of the Retirement System, a member may retire after 30 years of service regardless of age, or at age 60 or over, with at least five years of service. A member is eligible for vesting after five years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 60. Under the terms of the Pension System, a member may retire after 30 years of service regardless of age, at age 65 with two years of service, at age 64 with three years of service, at age 63 with four years of service, or at age 62 with at least five years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member is eligible for vesting after five years of service; however, the contribution must be left in the Pension System in order to qualify for benefits at age 62.

Benefits under the Retirement System and the Pension System are established under Titles 22 and 23, respectively, of the State Personnel and Pensions Article of the Annotated Code of Maryland.

The Maryland State Retirement and Pension System issues a comprehensive annual financial report. The report can be obtained from the agency's offices.

NOTES TO FINANCIAL STATEMENTS
(Continued)

Maryland State Retirement and Pension Systems
120 East Baltimore Street, 14th Floor
Baltimore, Maryland 21201

Funding Policy

Obligations to contribute to the plans were established under Titles 22 and 23 of the State Personnel and Pensions 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. New provisions of the Pension System were adopted by the State legislation effective July 1, 2011, which will require members to contribute 7 percent of their gross employee compensation.

Required contributions under the plans, which are not funded by employee contributions, are funded entirely by the County. Due to the withdrawal of the County from the State Systems for all hires after June 30, 1993, the State calculated a net unfunded amount due from the County. The final payment was made in December of 2012. The required contributions and the percentage of that amount contributed for the past three years are as follows:

<u>Fiscal Years</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>
2013	\$ 862,344	\$ 862,344	100%
2012	862,344	862,344	100
2011	862,344	862,344	100

Required contributions to the Retirement System and the Pension System are not separately available.

4. Employer Sponsored Defined Contribution Retirement Plan

Plan Description

The Frederick County Maryland Defined Contribution Plan was established on July 1, 2012 under authority created by State legislation and Section 2-2-2 of the County Code. Benefit provisions of the plan were adopted by ordinance after a public hearing. The defined contribution retirement plan (the "Plan") was established for employees of Frederick County Government classified as "grant funded" and employees of Citizens Care and Rehabilitation Center and Montevue Assisted Living 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 employees of Citizens Care and Rehabilitation Center and Montevue Assisted Living hired on or after July 1, 2012.

5. Component Units

The employees of FCPS are covered under one of three defined benefit retirement plans that are administered by the Maryland State Retirement and Pension Systems. Total contributions were \$28,013,075 in fiscal year 2013. This contribution was recognized as both revenue and expenditures for FCPS.

FCPS 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 Board of Education has the right to amend the Plan at any time. In fiscal year 2013, the Superintendent of Schools was the only participant in the Defined Contribution Plan. There are no contribution requirements of the employee or the Board of Education. 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, 2013 a \$20,000 contribution was made to the Plan by FCPS. 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 \$1,163,276 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 State provided employer contributions totaling \$744,304 to these plans while FCC provided \$187,107. These non-State plans are defined contribution plans requiring an employer contribution of 7.25 percent of employees' base salary. Employee contributions to the non-State plans are not mandatory.

Substantially all employees of the FCPL are covered under the Maryland State Teachers' Retirement System or the Maryland State Teachers' Pension System. Plan members on December 31, 1979, are members of the Teachers' Retirement System unless they elected to join the Pension System. No new Retirement System members were accepted after December 31, 1979. A member of the Teachers' Retirement System may retire with full benefits at age 60 or with 30 years of service. A member of the Teachers' Pension System may retire with full benefits with 30 years of service or at age 62 or older with specified years of service. For both systems, vesting starts after five years of service. Benefits under both plans are established under Titles 22 and 23 of the State Personnel and Pensions Article of the Annotated Code of Maryland. Obligations to contribute to the plans were established under the above-referenced article of the Maryland Code. Members of the Retirement System and the Pension System contribute seven percent and five percent of their gross employee compensation, respectively. The FCPL's

NOTES TO FINANCIAL STATEMENTS
(Continued)

share of contributions for its employees is primarily the responsibility of the State. During the fiscal year ended June 30, 2013, the State paid \$645,369 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 2013, LOSAP provided 200 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 \$601,398 in fiscal year 2013 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 Board of County Commissioners at their 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 Board of County Commissioners. 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.

Membership of the Plan consisted of the following at April 1, 2012 the date of the May 16, 2012 actuarial valuation report:

Retirees and beneficiaries receiving benefits	554
Terminated plan members entitled to but not yet receiving benefits	N/A
Active plan members	<u>1,746</u>
Total	<u><u>2,300</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.

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 2013, the County contributed \$18,389,186 to the Plan, including \$4,795,592 for current premiums (approximately 81 percent of total premiums including the implicit subsidy) and an additional \$13,593,594 to prefund benefits. Plan members receiving benefits contributed \$1,113,345 approximately 19 percent of the total premium. Administrative costs are financed through investment earnings.

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	\$ 13,924,000
Interest on net OPEB obligation	1,795,000
Amortization of net OPEB obligation	<u>(1,527,000)</u>
Annual OPEB cost	14,192,000
Contribution made	<u>(18,389,186)</u>
Decrease in net OPEB obligation	(4,197,186)
Net OPEB obligation - beginning of year	<u>23,637,335</u>
Net OPEB obligation - end of year	<u><u>\$ 19,440,149</u></u>
 Recorded in the Primary Government	 \$ 17,997,795
Recorded in the FCPL Component Unit	1,442,354
Total Net OPEB obligation - end of year	<u><u>\$ 19,440,149</u></u>

NOTES TO FINANCIAL STATEMENTS
(Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2013, 2012, and 2011 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation (Asset)
2013	\$ 14,192,000	129.57%	\$ 19,440,149
2012	19,252,000	100.00	23,637,335
2011	20,782,000	56.44	23,637,335

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)
07/01/12	\$ 55,592,953	\$ 175,466,000	31.6%	\$ 119,873,047	\$ 101,379,283	118.2%
07/01/11	37,696,695	195,525,000	19.3%	157,828,305	100,902,862	156.4%
07/01/10	25,171,478	211,958,000	11.9%	186,786,522	108,101,751	172.8%

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

In the July 1, 2012, 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 9.0 percent initially, reduced by decrements to an ultimate rate of 4.2 percent by the year 2099, c) an inflation rate of 2.9 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, 2013 there were 1,561 retirees (of which 378 had dependent coverage) and 5,028 active benefited employees in the Plan. The Board of Education has the authority to establish and amend post-employment benefits.

The Board of Education negotiates the contribution percentage between the FCPS and the employees through union contracts and personnel policy. The required contribution is based on projected "pay-as-you-go" financing requirements. For fiscal year 2013, the Board contributed \$21,460,166 to the Plan. Of this amount \$7,124,318 was for FCPS' share of retiree premiums and \$14,335,848 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 \$6,202,804 or approximately 47 percent of the total premiums. The rates for fiscal year 2013 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 2013, retirees paid \$33,000 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 employee or temporary employee, 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 2013 approximately 21.6 percent of the County's eligible employees elected to participate in the plan.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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)

NMWDA is a body politic and corporate and a public instrumentality of the State of Maryland. 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. NMWDA 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 2013 membership dues and fees for services amounting to \$140,000.

H. Subsequent Events

On August 6, 2013, Frederick County issued Special Tax A Limited Obligation Bonds, Series 2013A, in the amount of \$6,640,000, and Tax Increment and Special Tax B Limited Obligation Bonds, Series 2013B, in the amount of \$33,360,000. The bonds financed infrastructure costs within the Jefferson Technology Park Development District. They are limited obligation bonds and as such, do not pledge the full faith and credit of the County. The Series A bonds will be funded with proceeds of special tax assessments within the established Jefferson Technology Park Community Development Authority (CDA). The Series B bonds will be primarily funded with proceeds from incremental real property tax revenues on parcels within the Jefferson Technology Park Development District and supported by additional special tax assessments within the CDA, if needed.

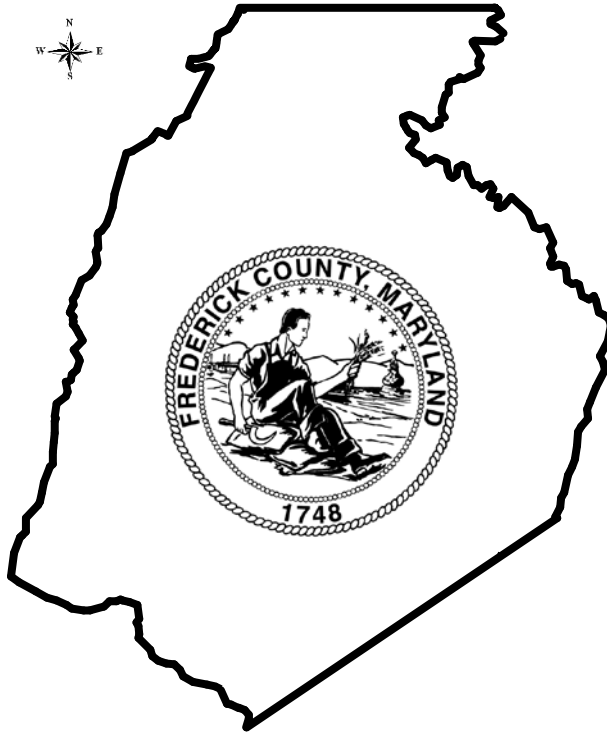
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. New Governmental Accounting Standards Board (GASB) Standard

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*, in December 2010, effective for financial statement periods beginning after December 15, 2011. In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after December 15, 2011 and June 15, 2012, respectively. In addition, in June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. The County has implemented the above GASB statements, and they have no material effect on the financial position of the County.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2013, and 2014, respectively. In January 2013, GASB issued Statement No. 69, *Government Combination and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Guarantees*, effective for periods beginning after June 15, 2013. The County will implement these statements as of their effective dates. While the County is still in the process of determining the effect of implementing these GASB statements, it is expected that Statement No. 68 will have a material effect on the financial position of the County.

REQUIRED SUPPLEMENTARY INFORMATION



The information provided in this section is required supplementary disclosures.

**FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
LAST SIX FISCAL YEARS**

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
07/01/07	\$ 182,523,585	\$ 240,863,996	75.8 %	\$ 58,340,411	\$ 95,573,594	61.0 %
07/01/08	213,314,439	273,383,310	78.0	60,068,871	110,497,740	54.4
07/01/09	236,064,896	299,810,414	78.7	63,745,518	111,777,209	57.0
07/01/10	258,024,773	325,399,414	79.3	67,374,641	108,101,751	62.3
07/01/11	288,173,951	348,960,508	82.6	60,786,557	100,902,862	60.2
07/01/12	312,691,229	382,729,492	81.7	70,038,263	101,379,283	69.1

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; 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 EMPLOYEES RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
LAST SIX FISCAL YEARS**

Fiscal Years	Annual Required Contribution (ARC)	ARC Recognized in Plan Financial Statements	Percentage Recognized
2008	\$ 18,588,620	\$ 18,588,620	100%
2009	20,360,404	20,360,404	100
2010	20,438,562	20,438,562	100
2011	20,207,459	20,207,459	100
2012	18,787,085	18,787,085	100
2013	19,971,589	19,971,589	100

**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
07/01/08	\$ 13,327,892	\$ 173,968,000	7.7 %	\$ 160,640,108	\$ 110,497,740	145.4 %
07/01/09	15,499,400	189,613,000	8.2	174,113,600	111,777,209	155.8
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

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**

Fiscal Years	Annual Required Contribution (ARC)	Contribution Recognized in Plan Financial Statements	Percentage Contributed
2009	\$ 17,193,000	\$ 7,218,260	42 %
2010	18,552,000	11,351,017	61
2011	20,626,000	11,729,902	57
2012	19,252,000	19,252,000	100
2013	13,924,000	18,389,186	132

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, 2013

	Special Revenue Funds						Total Non Major Governmental Funds (See Exhibit II-A-3)
	Grants	Fire/Rescue Tax Districts	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's Activities	Loan Activities	
Assets							
Cash	\$ 2,627	\$ -	\$ -	\$ -	\$ 75,383	\$ 1,177,894	\$ 1,255,904
Equity in pooled invested cash	-	-	2,885	88,480	502,718	-	594,083
Total cash and cash equivalents	2,627	-	2,885	88,480	578,101	1,177,894	1,849,987
Receivables, net of allowance for uncollectibles:							
Property taxes	-	-	33	-	-	-	33
Accounts	361,945	-	-	141,841	31,961	3,323	539,070
Intergovernmental	3,206,226	-	-	-	-	-	3,206,226
Prepays	398	-	-	-	-	-	398
Due from component units	4,634	-	-	-	-	-	4,634
Long term receivables, net of allowance for uncollectibles:							
MILA loans	-	-	-	-	-	287,178	287,178
Fire/ Rescue loans	-	-	-	-	-	88,594	88,594
Non-profit organization loans	-	-	-	2,965,901	-	-	2,965,901
Small business loans	-	-	-	-	-	56,036	56,036
Housing loans	1,435,500	-	-	-	-	3,942,217	5,377,717
Total assets	<u>\$ 5,011,330</u>	<u>\$ -</u>	<u>\$ 2,918</u>	<u>\$ 3,196,222</u>	<u>\$ 610,062</u>	<u>\$ 5,555,242</u>	<u>\$ 14,375,774</u>
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ 114,883	\$ -	\$ 174	\$ -	\$ 17,573	\$ -	\$ 132,630
Accrued liabilities	196,728	-	625	230,321	-	-	427,674
Payroll and benefit deductions	410,810	-	-	-	-	-	410,810
Due to third parties	-	-	-	-	48,009	-	48,009
Due to other governmental units	99,900	-	-	-	-	-	99,900
Due to other funds	705,692	-	-	-	-	-	705,692
Other liabilities	385,866	-	-	-	-	287,178	673,044
Deferred revenue	749,050	-	-	2,965,901	-	-	3,714,951
Total liabilities	<u>2,662,929</u>	<u>-</u>	<u>799</u>	<u>3,196,222</u>	<u>65,582</u>	<u>287,178</u>	<u>6,212,710</u>
Fund balances							
Nonspendable	1,435,500	-	-	-	-	4,086,847	5,522,347
Restricted	-	-	-	-	42,716	-	42,716
Committed	-	-	1,575	-	501,764	-	503,339
Assigned	912,901	-	544	-	-	1,181,217	2,094,662
Total fund balance	<u>2,348,401</u>	<u>-</u>	<u>2,119</u>	<u>-</u>	<u>544,480</u>	<u>5,268,064</u>	<u>8,163,064</u>
Total liabilities and fund balance	<u>\$ 5,011,330</u>	<u>\$ -</u>	<u>\$ 2,918</u>	<u>\$ 3,196,222</u>	<u>\$ 610,062</u>	<u>\$ 5,555,242</u>	<u>\$ 14,375,774</u>

FREDERICK COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUNDS
 JUNE 30, 2013

	<u>Sheriff's Drug Enforcement</u>	<u>Narcotics Task Force</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's Activities (See Exhibit II-B-1)</u>
Assets				
Cash	\$ 27,374	\$ -	\$ 48,009	\$ 75,383
Equity in pooled invested cash	33,170	132,192	337,356	502,718
Total cash and cash equivalents	<u>60,544</u>	<u>132,192</u>	<u>385,365</u>	<u>578,101</u>
Receivables, net of allowance for uncollectibles:				
Accounts	-	-	31,961	31,961
Total assets	<u>\$ 60,544</u>	<u>\$ 132,192</u>	<u>\$ 417,326</u>	<u>\$ 610,062</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ (343)	\$ 17,916	\$ 17,573
Due to third parties	-	-	48,009	48,009
Total liabilities	<u>-</u>	<u>(343)</u>	<u>65,925</u>	<u>65,582</u>
Fund balances				
Restricted	33,002	9,714	-	42,716
Committed	27,542	122,821	351,401	501,764
Total fund balance	<u>60,544</u>	<u>132,535</u>	<u>351,401</u>	<u>544,480</u>
Total liabilities and fund balance	<u>\$ 60,544</u>	<u>\$ 132,192</u>	<u>\$ 417,326</u>	<u>\$ 610,062</u>

FREDERICK COUNTY, MARYLAND
COMBINING BALANCE SHEET
LOAN ACTIVITIES - SPECIAL REVENUE FUNDS
JUNE 30, 2013

	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	\$ 1,044,309	\$ 20,000	\$ 99,654	\$ 13,931	\$ 1,177,894
Total cash and cash equivalents	1,044,309	20,000	99,654	13,931	1,177,894
Investments	-	-	-		-
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	3,323	-	3,323
Long term receivables, net of allowance for uncollectibles:					
MILA loans	-	-	-	287,178	287,178
Fire/ Rescue loans	-	-	88,594	-	88,594
Small business loans	-	-	-	56,036	56,036
Housing loans	3,942,217	-	-	-	3,942,217
Prepays	-	-	-	-	-
Cash and cash equivalents - restricted	-	-	-	-	-
Total assets	<u>\$ 4,986,526</u>	<u>\$ 20,000</u>	<u>\$ 191,571</u>	<u>\$ 357,145</u>	<u>\$ 5,555,242</u>
Liabilities and fund balance					
Liabilities					
Other liabilities	\$ -	\$ -	\$ -	\$ 287,178	\$ 287,178
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,178</u>	<u>287,178</u>
Fund balances					
Nonspendable	3,942,217	-	88,594	56,036	4,086,847
Assigned	1,044,309	20,000	102,977	13,931	1,181,217
Total fund balance	<u>4,986,526</u>	<u>20,000</u>	<u>191,571</u>	<u>69,967</u>	<u>5,268,064</u>
Total liabilities and fund balance	<u>\$ 4,986,526</u>	<u>\$ 20,000</u>	<u>\$ 191,571</u>	<u>\$ 357,145</u>	<u>\$ 5,555,242</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Special Revenue Funds						Total Nonmajor Governmental Funds (See Exhibit II-A-5)
	Grants	Fire/Rescue Tax Districts	Electric Lighting Tax Districts	Hotel Rental Tax	Sheriff's Activities	Loan Activities	
Revenues							
Fire tax levy	\$ -	\$ 30,082,315	\$ -	\$ -	\$ -	\$ -	\$ 30,082,315
Lighting tax levy	-	-	10,748	-	-	-	10,748
Other local taxes	-	-	-	1,221,602	-	-	1,221,602
Grants from federal government	14,858,533	-	-	-	-	-	14,858,533
Grants from state government	3,697,109	-	-	-	-	29,325	3,726,434
Charges for services	981,342	3,967,906	-	-	404,903	104,050	5,458,201
Fines and forfeitures	-	-	-	-	194,154	-	194,154
Interest from loans	-	-	-	-	-	23,219	23,219
Investment earnings	164	56,736	32	495	2,032	3,998	63,457
Build America Bond Subsidy	-	47,343	-	-	-	-	47,343
Miscellaneous revenue	248,905	36,914	-	101,081	-	298	387,198
Total revenues	<u>19,786,053</u>	<u>34,191,214</u>	<u>10,780</u>	<u>1,323,178</u>	<u>601,089</u>	<u>160,890</u>	<u>56,073,204</u>
Expenditures							
General government	2,391,159	-	-	31,896	-	-	2,423,055
Public safety	1,665,851	40,645,955	-	-	575,794	-	42,887,600
Public works	5,518,107	-	15,228	-	-	-	5,533,335
Health	1,102,860	-	-	-	-	-	1,102,860
Social services	2,055,584	-	-	-	-	-	2,055,584
Conservation of natural resources	813,150	-	-	-	-	-	813,150
Community development and public housing	6,629,861	-	-	-	-	41,442	6,671,303
Economic development and opportunity	4,397,879	-	-	1,190,140	-	2,439	5,590,458
Debt service	-	2,058,478	-	141,419	-	45,309	2,245,206
Total expenditures	<u>24,574,451</u>	<u>42,704,433</u>	<u>15,228</u>	<u>1,363,455</u>	<u>575,794</u>	<u>89,190</u>	<u>69,322,551</u>
Excess (deficiency) of revenues over expenditures	<u>(4,788,398)</u>	<u>(8,513,219)</u>	<u>(4,448)</u>	<u>(40,277)</u>	<u>25,295</u>	<u>71,700</u>	<u>(13,249,347)</u>
Other financing sources (uses)							
Transfers in from General Fund	4,860,781	9,193,425	-	-	-	-	14,054,206
Transfers in from Special Taxing Districts-Fire	5,600	-	-	-	-	-	5,600
Transfers out to Grants Fund	-	(5,600)	-	-	-	-	(5,600)
Transfers out to Capital Projects Fund	-	(235,000)	-	-	-	-	(235,000)
Transfers out to General Fund	-	(6,987,796)	-	-	-	-	(6,987,796)
Total other financing sources (uses)	<u>4,866,381</u>	<u>1,965,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,831,410</u>
Net change in fund balances	77,983	(6,548,190)	(4,448)	(40,277)	25,295	71,700	(6,417,937)
Fund balance - beginning of year	<u>2,270,418</u>	<u>6,548,190</u>	<u>6,567</u>	<u>40,277</u>	<u>519,185</u>	<u>5,196,364</u>	<u>14,581,001</u>
Fund balance - end of year	<u>\$ 2,348,401</u>	<u>\$ -</u>	<u>\$ 2,119</u>	<u>\$ -</u>	<u>\$ 544,480</u>	<u>\$ 5,268,064</u>	<u>\$ 8,163,064</u>

FREDERICK COUNTY, MARYLAND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Sheriff's Drug Enforcement</u>	<u>Narcotics Task Force</u>	<u>Inmates' Canteen</u>	<u>Total Sheriff's Activities (See Exhibit II-B-4)</u>
Revenues				
Charges for services	\$ 12,176	\$ -	\$ 392,727	\$ 404,903
Fines and forfeitures	-	194,154	-	194,154
Investment earnings	132	573	1,327	2,032
Total revenues	<u>12,308</u>	<u>194,727</u>	<u>394,054</u>	<u>601,089</u>
Expenditures				
Public safety	9,802	177,532	388,460	575,794
Total expenditures	<u>9,802</u>	<u>177,532</u>	<u>388,460</u>	<u>575,794</u>
Excess (deficiency) of revenues over expenditures	<u>2,506</u>	<u>17,195</u>	<u>5,594</u>	<u>25,295</u>
Net change in fund balances	2,506	17,195	5,594	25,295
Fund balance - beginning of year	<u>58,038</u>	<u>115,340</u>	<u>345,807</u>	<u>519,185</u>
Fund balance - end of year	<u>\$ 60,544</u>	<u>\$ 132,535</u>	<u>\$ 351,401</u>	<u>\$ 544,480</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, 2013

	Housing Initiative	Non-Profit Organizations Loans	Fire/Rescue Loans	Economic Development Loans	Total Loan Activities (See Exhibit II-B-4)
Grants from state government	\$ -	\$ -	\$ -	\$ 29,325	\$ 29,325
Charges for services	104,050	-	-	-	104,050
Interest from loans	-	-	4,675	18,544	23,219
Investment earnings	3,587	-	371	40	3,998
Miscellaneous revenue	-	-	-	298	298
Total revenues	<u>107,637</u>	<u>-</u>	<u>5,046</u>	<u>48,207</u>	<u>160,890</u>
Expenditures					
Community development and public housing	41,442	-	-	-	41,442
Economic development and opportunity	-	-	-	2,439	2,439
Debt service	-	-	-	45,309	45,309
Total expenditures	<u>41,442</u>	<u>-</u>	<u>-</u>	<u>47,748</u>	<u>89,190</u>
Excess (deficiency) of revenues over expenditures	<u>66,195</u>	<u>-</u>	<u>5,046</u>	<u>459</u>	<u>71,700</u>
Net change in fund balances	66,195	-	5,046	459	71,700
Fund balance - beginning of year	<u>4,920,331</u>	<u>20,000</u>	<u>186,525</u>	<u>69,508</u>	<u>5,196,364</u>
Fund balance - end of year	<u>\$ 4,986,526</u>	<u>\$ 20,000</u>	<u>\$ 191,571</u>	<u>\$ 69,967</u>	<u>\$ 5,268,064</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, 2013

	Grants			Fire/Rescue Tax Districts			School Construction		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Fire tax levy	\$ -	\$ -	\$ -	\$ 29,783,945	\$ 30,082,315	\$ 298,370	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	3,923,000	4,057,222	134,222
Grants from federal government	18,539,687	14,858,533	(3,681,154)	-	-	-	-	-	-
Grants from state government	4,033,970	3,697,109	(336,861)	-	-	-	-	-	-
Charges for services	927,827	981,342	53,515	3,600,087	3,967,906	367,819	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	(216)	164	380	35,000	56,736	21,736	30,000	43,854	13,854
Build America Bonds Subsidy	-	-	-	48,001	47,343	(658)	518,794	518,794	-
Miscellaneous revenue	315,559	248,905	(66,654)	35,000	36,914	1,914	-	-	-
Total revenues	<u>23,816,827</u>	<u>19,786,053</u>	<u>(4,030,774)</u>	<u>33,502,033</u>	<u>34,191,214</u>	<u>689,181</u>	<u>4,471,794</u>	<u>4,619,870</u>	<u>148,076</u>
Expenditures									
General government	3,069,758	2,389,819	679,939	-	-	-	-	-	-
Public safety	2,665,663	1,665,851	999,812	41,260,669	40,674,070	586,599	-	-	-
Public works	6,915,730	5,525,807	1,389,923	-	-	-	-	-	-
Health	1,303,013	1,102,861	200,152	-	-	-	-	-	-
Social services	2,768,403	2,052,108	716,295	-	-	-	-	-	-
Conservation of natural resources	1,359,107	813,150	545,957	-	-	-	-	-	-
Community development and public housing	7,014,338	6,590,861	423,477	-	-	-	-	-	-
Economic development and opportunity	5,245,083	4,397,879	847,204	-	-	-	-	-	-
Debt service	-	-	-	2,072,967	2,058,478	14,489	3,915,059	3,903,218	11,841
Total expenditures	<u>30,341,095</u>	<u>24,538,336</u>	<u>5,802,759</u>	<u>43,333,636</u>	<u>42,732,548</u>	<u>601,088</u>	<u>3,915,059</u>	<u>3,903,218</u>	<u>11,841</u>
Excess (deficiency) of revenues over expenditures	<u>(6,524,268)</u>	<u>(4,752,283)</u>	<u>1,771,985</u>	<u>(9,831,603)</u>	<u>(8,541,334)</u>	<u>1,290,269</u>	<u>556,735</u>	<u>716,652</u>	<u>159,917</u>
Other financing sources (uses)									
Appropriated fund balance	762,160	715,749	(46,411)	-	-	-	(226,735)	-	226,735
Transfers in from general fund	5,631,937	4,860,781	(771,156)	9,193,425	9,193,425	-	-	-	-
Transfers in from fire/rescue tax district fund	130,171	5,600	(124,571)	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(235,000)	(235,000)	-	(330,000)	(330,000)	-
Transfers out to general fund	-	-	-	-	(6,987,796)	6,987,796	-	-	-
Transfers out to grants fund	-	-	-	(5,600)	(5,600)	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Premium on public facilities bonds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>6,524,268</u>	<u>5,582,130</u>	<u>(942,138)</u>	<u>8,952,825</u>	<u>1,965,029</u>	<u>(6,987,796)</u>	<u>(556,735)</u>	<u>(330,000)</u>	<u>226,735</u>
Net change in fund balances	<u>\$ -</u>	<u>829,847</u>	<u>\$ 829,847</u>	<u>\$ (878,778)</u>	<u>(6,576,305)</u>	<u>\$ (5,697,527)</u>	<u>\$ -</u>	<u>386,652</u>	<u>\$ 386,652</u>
Fund balance - beginning of year		2,270,418			6,548,190			-	
Net change in reserves and adjustments to GAAP basis		(751,864)			28,115			(386,652)	
Fund balance - end of year		<u>\$ 2,348,401</u>			<u>\$ -</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, 2013

	Impact Fees			Development Road Improvement			Electric Lighting Tax Districts		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	12,163	10,748	(1,415)
Other local taxes	-	-	-	-	141,214	141,214	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	7,189,516	10,116,334	2,926,818	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	91,269	192,511	101,242	3,000	29,601	26,601	-	32	32
Build America Bonds Subsidy	4,322	4,322	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
Total revenues	<u>7,285,107</u>	<u>10,313,167</u>	<u>3,028,060</u>	<u>3,000</u>	<u>170,815</u>	<u>167,815</u>	<u>12,163</u>	<u>10,780</u>	<u>(1,383)</u>
Expenditures									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	15,032	15,228	(196)
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-	-
Debt service	7,745,536	7,582,217	163,319	-	-	-	-	-	-
Total expenditures	<u>7,745,536</u>	<u>7,582,217</u>	<u>163,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,032</u>	<u>15,228</u>	<u>(196)</u>
Excess (deficiency) of revenues over expenditures	<u>(460,429)</u>	<u>2,730,950</u>	<u>3,191,379</u>	<u>3,000</u>	<u>170,815</u>	<u>167,815</u>	<u>(2,869)</u>	<u>(4,448)</u>	<u>(1,579)</u>
Other financing sources (uses)									
Appropriated fund balance	460,429	-	(460,429)	497,000	-	(497,000)	2,869	-	(2,869)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(500,000)	(500,000)	-	-	-	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Proceeds from refunding bonds	-	16,711,259	16,711,259	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(16,655,729)	(16,655,729)	-	-	-	-	-	-
Premium on public facilities bonds	-	54,992	54,992	-	-	-	-	-	-
Total other financing sources (uses)	<u>460,429</u>	<u>110,522</u>	<u>(349,907)</u>	<u>(3,000)</u>	<u>(500,000)</u>	<u>(497,000)</u>	<u>2,869</u>	<u>-</u>	<u>(2,869)</u>
Net change in fund balances	<u>\$ -</u>	<u>2,841,472</u>	<u>\$ 2,841,472</u>	<u>\$ -</u>	<u>(329,185)</u>	<u>\$ (329,185)</u>	<u>\$ -</u>	<u>(4,448)</u>	<u>\$ (4,448)</u>
Fund balance - beginning of year		-			-			6,567	
Net change in reserves and adjustments to GAAP basis		<u>(2,841,472)</u>			<u>329,185</u>			<u>-</u>	
Fund balance - end of year		<u>\$ -</u>			<u>\$ -</u>			<u>\$ 2,119</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, 2013

	Parks Acquisition & Development			Hotel Rental Tax			Nursing Home Construction		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	1,176,410	1,216,984	40,574	1,075,000	1,221,602	146,602	981,000	1,013,965	32,965
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	25,000	51,202	26,202	500	495	(5)	25,000	27,929	2,929
Build America Bonds Subsidy	-	-	-	-	-	-	74,272	74,272	-
Miscellaneous revenue	-	-	-	101,081	101,081	-	-	-	-
Total revenues	<u>1,201,410</u>	<u>1,268,186</u>	<u>66,776</u>	<u>1,176,581</u>	<u>1,323,178</u>	<u>146,597</u>	<u>1,080,272</u>	<u>1,116,166</u>	<u>35,894</u>
Expenditures									
General government	-	-	-	28,058	31,896	(3,838)	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	1,047,443	1,190,140	(142,697)	-	-	-
Debt service	6,750	42,529	(35,779)	141,357	141,419	(62)	1,461,625	1,462,195	(570)
Total expenditures	<u>6,750</u>	<u>42,529</u>	<u>(35,779)</u>	<u>1,216,858</u>	<u>1,363,455</u>	<u>(146,597)</u>	<u>1,461,625</u>	<u>1,462,195</u>	<u>(570)</u>
Excess (deficiency) of revenues over expenditures	<u>1,194,660</u>	<u>1,225,657</u>	<u>30,997</u>	<u>(40,277)</u>	<u>(40,277)</u>	<u>-</u>	<u>(381,353)</u>	<u>(346,029)</u>	<u>35,324</u>
Other financing sources (uses)									
Appropriated fund balance	2,005,890	-	(2,005,890)	-	-	-	381,353	-	(381,353)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(3,158,050)	(3,158,050)	-	-	-	-	-	-	-
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)	<u>(1,152,160)</u>	<u>(3,158,050)</u>	<u>(2,005,890)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,353</u>	<u>-</u>	<u>(381,353)</u>
Net change in fund balances	<u>\$ 42,500</u>	<u>(1,932,393)</u>	<u>\$ (1,974,893)</u>	<u>\$ (40,277)</u>	<u>(40,277)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(346,029)</u>	<u>\$ (346,029)</u>
Fund balance - beginning of year (restated)		-			40,277			-	
Net change in reserves and adjustments to GAAP basis		<u>1,932,393</u>			<u>-</u>			<u>346,029</u>	
Fund balance - end of year		<u>\$ -</u>			<u>\$ -</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, 2013

	Housing Initiative			Economic Development Loans		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
Revenues						
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-
Grants from state government	-	-	-	29,325	29,325	-
Charges for services	-	-	-	-	-	-
Interest from loans	-	-	-	15,984	15,984	-
Investment earnings	2,000	3,587	1,587	2,950	2,600	(350)
Miscellaneous revenue	512,000	166,474	(345,526)	-	298	298
Total revenues	514,000	170,061	(343,939)	48,259	48,207	(52)
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Community development and public housing	513,000	41,442	471,558	-	-	-
Economic development and opportunity	-	-	-	4,450	2,439	2,011
Debt service	-	-	-	45,309	45,309	-
Total expenditures	513,000	41,442	471,558	49,759	47,748	2,011
Excess (deficiency) of revenues over expenditures	1,000	128,619	127,619	(1,500)	459	1,959
Other financing sources (uses)						
Appropriated fund balance	(1,000)	-	1,000	1,500	-	(1,500)
Transfers in from general fund	-	-	-	-	-	-
Transfers in from capital projects fund	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	-	-	-
Transfers out to general fund	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-
Proceeds from bond refunding	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(1,000)	-	1,000	1,500	-	(1,500)
	\$ -	128,619	\$ 128,619	\$ -	459	\$ 459
 Fund balance - beginning of year		4,920,331			69,508	
Net change in reserves and adjustments to GAAP basis		(62,424)			-	
Fund balance - end of year		\$ 4,986,526			\$ 69,967	

Explanation of Budget to GAAP Differences:

Encumbrances for equipment, services and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment, services and supplies are received for GAAP purposes. Loan funds report loan repayments as revenue and new loans as expenditures. Loan transactions are eliminated for GAAP purposes.

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, 2013

	<u>Project Budget</u>	<u>Current Year Actual</u>	<u>Total To Date</u>	<u>Variance - Positive (Negative)</u>
Revenues				
Grants from federal government				
ARRA	\$ 100,779	\$ 270,479	\$ -	\$ (100,779)
Highways	6,813,694	236	236	(6,813,458)
Miscellaneous grants	887,130	29,594	12,514	(874,616)
Grants from state government:				
Highways	2,414,119	995,302	1,824,000	(590,119)
Program open space	330,286	965,590	-	(330,286)
Detention center	(527)	732,589	-	527
Education	1,503,383	-	40,633	(1,462,750)
Other	564,020	300,631	342,317	(221,703)
Total revenues	<u>12,612,884</u>	<u>3,294,421</u>	<u>2,219,700</u>	<u>(10,393,184)</u>
Expenditures				
General government	35,324,091	5,813,746	4,516,436	30,807,655
Roads and bridges	41,900,665	8,546,449	18,732,626	23,168,039
Board of Education	60,744,519	(8,174,475)	43,121,962	17,622,557
Frederick Community College	29,147,502	2,319,237	21,776,093	7,371,409
Parks and recreation	19,710,686	578,840	2,698,274	17,012,412
Watershed restoration	671,850	78,212	351,388	320,462
Municipal	1,328,964	668,976	1,096,181	232,783
Total expenditures	<u>188,828,277</u>	<u>9,830,985</u>	<u>92,292,960</u>	<u>96,535,317</u>
Excess (deficiency) of revenues over expenditures	<u>(176,215,393)</u>	<u>(6,536,564)</u>	<u>(90,073,260)</u>	<u>86,142,133</u>
Other financing sources (uses)				
Transfers in from general fund	37,776,950	8,836,125	37,776,950	-
Transfers in from impact fees fund	7,074,946	-	7,074,946	-
Transfers in from parks acquisition & development fund	13,990,552	3,158,050	13,992,822	2,270
Transfers in from special tax district	-	235,000	-	-
Transfers in from development road improvement fund	11,652,401	500,000	11,652,401	-
Transfers in from school construction fund	1,830,000	330,000	1,830,000	-
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	103,565,143	26,800,000	73,700,644	(29,864,499)
Total other financing sources (uses)	<u>176,215,393</u>	<u>39,859,175</u>	<u>146,328,664</u>	<u>(29,886,729)</u>
Net change in fund balances	<u>\$ -</u>	<u>33,322,611</u>	<u>\$ 56,255,404</u>	<u>\$ 56,255,404</u>
Net change in reserves and adjustment to GAAP basis		(6,204,279)		
Fund balance - beginning of year		65,391,667		
Fund balance - end of year		<u>\$ 92,509,999</u>		

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2013

	Business-type Activities-Enterprise Funds				
	Nursing Homes		Public Housing	Permitting & Development Review	Total Nonmajor Enterprise Funds (See Exhibit II-A-9)
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments		
Assets					
Current assets:					
Cash	\$ 95,355	\$ 52,510	\$ 15,538	\$ -	\$ 163,403
Equity in pooled invested cash	-	1,633,783	-	-	1,633,783
Restricted cash and cash equivalents	-	-	483,409	-	483,409
Total cash and cash equivalents	95,355	1,686,293	498,947	-	2,280,595
Receivables, net of allowance for uncollectible accounts	4,962,226	163,925	1,136	-	5,127,287
Prepaid items	32,211	2,028	-	-	34,239
Total current assets	5,089,792	1,852,246	500,083	-	7,442,121
Noncurrent assets:					
Capital assets:					
Land	-	-	132,200	-	132,200
Buildings and improvements	-	-	1,877,880	-	1,877,880
Equipment	324,247	-	175,000	-	499,247
Accumulated depreciation	(304,161)	-	(1,000,864)	-	(1,305,025)
Total noncurrent assets	20,086	-	1,184,216	-	1,204,302
Total assets	5,109,878	1,852,246	1,684,299	-	8,646,423
Liabilities					
Current liabilities:					
Accounts payable	19,389	7,506	234	-	27,129
Payroll and benefit deductions	493,506	102,703	1,662	-	597,871
Accrued expenses	957,003	10,466	7,166	-	974,635
Due to other funds	2,354,143	-	-	-	2,354,143
Deferred revenues	928	4,351	-	-	5,279
Security deposits	-	-	11,219	-	11,219
Other liabilities	82,098	52,162	-	-	134,260
Current portion of compensated absences	73,645	17,275	-	-	90,920
Total current liabilities	3,980,712	194,463	20,281	-	4,195,456
Noncurrent liabilities:					
Liability for compensated absences	334,591	60,075	-	-	394,666
Total noncurrent liabilities	334,591	60,075	-	-	394,666
Total liabilities	4,315,303	254,538	20,281	-	4,590,122
Net Position					
Net investment in capital assets	20,086	-	1,184,216	-	1,204,302
Restricted	-	-	483,409	-	483,409
Unrestricted	774,489	1,597,708	(3,607)	-	2,368,590
Total net position	\$ 794,575	\$ 1,597,708	\$ 1,664,018	\$ -	\$ 4,056,301

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				
	Nursing Homes		Public Housing		Total
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	Nonmajor Enterprise Funds (See Exhibit II-A-10)
Operating revenues					
Charges for health care services, net of contractual adjustments	\$ 16,386,075	\$ 1,608,773	\$ -	\$ -	\$ 17,994,848
Rental charges	-	-	114,170	-	114,170
Total net charges for services	16,386,075	1,608,773	114,170	-	18,109,018
Other revenues	595,347	4,383	318	-	600,048
Total operating revenues	16,981,422	1,613,156	114,488	-	18,709,066
Operating expenses					
Personnel services	10,860,521	2,312,112	30,040	-	13,202,673
Other operating expense (including administrative overhead)	6,326,558	1,025,177	57,701	-	7,409,436
Insurance	98,126	38,310	2,338	-	138,774
Supplies	985,826	146,547	-	-	1,132,373
Repairs and maintenance	666,468	12,786	725	-	679,979
Depreciation	6,286	-	77,292	-	83,578
Total operating expenses	18,943,785	3,534,932	168,096	-	22,646,813
Operating income (loss)	(1,962,363)	(1,921,776)	(53,608)	-	(3,937,747)
Nonoperating revenues (expenses)					
Donations	4,458	455	-	-	4,913
Investment earnings	-	16	2,467	-	2,483
Total nonoperating revenues (expenses)	4,458	471	2,467	-	7,396
Net income (loss) before transfers	(1,957,905)	(1,921,305)	(51,141)	-	(3,930,351)
Transfers in (out)	1,693,563	2,498,994	-	(1,157,316)	3,035,241
Loss on disposal of operations	-	-	-	(215,886)	(215,886)
Total transfers/loss	1,693,563	2,498,994	-	(1,373,202)	2,819,355
Change in net position	(264,342)	577,689	(51,141)	(1,373,202)	(1,110,996)
Net position - beginning of year	1,058,917	1,020,019	1,715,159	1,373,202	5,167,297
Net position - end of year	\$ 794,575	\$ 1,597,708	\$ 1,664,018	\$ -	\$ 4,056,301

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				
	Nursing Homes		Public Housing		Total
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	Nonmajor Enterprise Funds (See Exhibit II-A-11)
Cash flows from operating activities					
Cash received from residents and customers	\$ 12,976,172	\$ 1,466,958	\$ 115,489	\$ -	\$ 14,558,619
Cash received from (paid to) interfund services	-	-	-	-	-
Cash paid to suppliers	(4,427,590)	(1,218,623)	(60,632)	-	(5,706,845)
Cash paid to employees	(10,773,901)	(2,311,683)	(28,958)	-	(13,114,542)
Net cash provided (used) by operating activities	(2,225,319)	(2,063,348)	25,899	-	(4,262,768)
Cash flows from noncapital financing activities					
Transfers in (out)	1,693,563	2,498,994	-	(5,049,810)	(857,253)
Cash received from donations	4,458	454	-	-	4,912
Cash received from (paid to) patient and resident funds	30,494	29,027	-	-	59,521
Cash received from (paid to) memorial and employee funds	-	(390)	-	-	(390)
Net cash provided by noncapital financing activities	1,728,515	2,528,085	-	(5,049,810)	(793,210)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	-	-	-	-	-
Net cash provided (used) by capital & related financing activities	-	-	-	-	-
Cash flows from investing activities					
Interest received on investments	-	16	2,744	-	2,760
Net cash provided by investing activities	-	16	2,744	-	2,760
Net increase (decrease) in cash and cash equivalents	(496,804)	464,753	28,643	(5,049,810)	(5,053,218)
Cash and cash equivalents - beginning of year (restated)	592,159	1,221,540	470,304	5,049,810	7,333,813
Cash and cash equivalents - end of year	\$ 95,355	\$ 1,686,293	\$ 498,947	\$ -	\$ 2,280,595

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-11)
	Nursing Homes		Public Housing		
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,962,363)	\$ (1,921,776)	\$ (53,608)	\$ -	\$ (3,937,747)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	6,286	-	77,292	-	83,578
Change in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(2,795,793)	(146,555)	-	-	(2,942,348)
Prepaid items	(5,760)	(2,028)	-	-	(7,788)
Increase (decrease) in:					
Accounts payable	(62,980)	2,565	(732)	-	(61,147)
Accrued expenses	270,707	19,595	2,947	-	293,249
Liability for compensated leave	(20,428)	(20,116)	-	-	(40,544)
Due to other funds	2,354,143	-	-	-	2,354,143
Other liabilities	(9,131)	4,967	-	-	(4,164)
Net cash provided (used) by operating activities	\$ <u>(2,225,319)</u>	\$ <u>(2,063,348)</u>	\$ <u>25,899</u>	\$ <u>-</u>	\$ <u>(4,262,768)</u>
Noncash investing, capital, and financing activities:					
None					

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds (See Exhibit II-A-9)</u>
Assets				
Current assets:				
Equity in pooled invested cash	\$ 1,955,840	\$ 1,001,595	\$ 13,288,603	\$ 16,246,038
Total cash and cash equivalents	1,955,840	1,001,595	13,288,603	16,246,038
Receivables, net of allowance for uncollectible accounts	-	83,046	47,463	130,509
Due from component units	-	21	-	21
Inventories	-	-	414,484	414,484
Prepaid items	-	71,352	-	71,352
Total current assets	<u>1,955,840</u>	<u>1,156,014</u>	<u>13,750,550</u>	<u>16,862,404</u>
Noncurrent assets:				
Capital assets:				
Buildings and improvements	-	-	1,833,133	1,833,133
Equipment	-	1,753,448	24,913,963	26,667,411
Accumulated depreciation	-	(1,489,303)	(20,709,302)	(22,198,605)
Total noncurrent assets	<u>-</u>	<u>264,145</u>	<u>6,037,794</u>	<u>6,301,939</u>
Total assets	<u>1,955,840</u>	<u>1,420,159</u>	<u>19,788,344</u>	<u>23,164,343</u>
Liabilities				
Current liabilities:				
Accounts payable	-	4,867	288,086	292,953
Payroll and benefit deductions	-	19,254	68,771	88,025
Accrued expenses	-	-	39,040	39,040
Current portion of compensated absences	-	2,912	5,078	7,990
Total current liabilities	<u>-</u>	<u>27,033</u>	<u>400,975</u>	<u>428,008</u>
Noncurrent liabilities:				
Liability for compensated absences	-	27,291	115,221	142,512
Total noncurrent liabilities	<u>-</u>	<u>27,291</u>	<u>115,221</u>	<u>142,512</u>
Total liabilities	<u>-</u>	<u>54,324</u>	<u>516,196</u>	<u>570,520</u>
Net position				
Net investment in capital assets	-	264,145	6,037,794	6,301,939
Unrestricted	1,955,840	1,101,690	13,234,354	16,291,884
Total net position	<u>\$ 1,955,840</u>	<u>\$ 1,365,835</u>	<u>\$ 19,272,148</u>	<u>\$ 22,593,823</u>

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Worker's Compensation	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-10)
Operating revenues				
Service charges	\$ 5,022,013	\$ 1,368,822	\$ 10,996,124	\$ 17,386,959
Total operating revenues	<u>5,022,013</u>	<u>1,368,822</u>	<u>10,996,124</u>	<u>17,386,959</u>
Operating expenses				
Personnel services	-	516,384	1,999,654	2,516,038
Other operating expenses (including administrative overhead)	92,440	530,506	794,672	1,417,618
Prefunded loss & estimated claims	1,975,000	-	-	1,975,000
Insurance	998,733	-	-	998,733
Supplies	-	22,636	5,159,880	5,182,516
Repairs and maintenance	-	206,791	561,326	768,117
Depreciation	-	81,132	2,099,000	2,180,132
Total operating expenses	<u>3,066,173</u>	<u>1,357,449</u>	<u>10,614,532</u>	<u>15,038,154</u>
Operating income (loss)	<u>1,955,840</u>	<u>11,373</u>	<u>381,592</u>	<u>2,348,805</u>
Nonoperating revenues (expenses)				
Investment earnings	-	4,053	47,147	51,200
Miscellaneous income	-	-	6,722	6,722
Insurance recovery	-	-	96,722	96,722
Gain (loss) on disposition of capital assets	-	-	13,839	13,839
Total nonoperating revenues (expenses)	<u>-</u>	<u>4,053</u>	<u>164,430</u>	<u>168,483</u>
Net income (loss) before contributions and transfers	<u>1,955,840</u>	<u>15,426</u>	<u>546,022</u>	<u>2,517,288</u>
Transfers out	-	(8,300)	(43,000)	(51,300)
Total contributions and transfers	<u>-</u>	<u>(8,300)</u>	<u>(43,000)</u>	<u>(51,300)</u>
Change in net position	1,955,840	7,126	503,022	2,465,988
Net position - beginning of year	<u>-</u>	<u>1,358,709</u>	<u>18,769,126</u>	<u>20,127,835</u>
Net position - end of year	<u>\$ 1,955,840</u>	<u>\$ 1,365,835</u>	<u>\$ 19,272,148</u>	<u>\$ 22,593,823</u>

**FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	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	\$ 5,022,013	\$ 1,362,498	\$ 10,976,361	\$ 17,360,872
Cash paid to suppliers	(3,066,173)	(755,616)	(6,436,035)	(10,257,824)
Cash paid to employees	-	(521,300)	(1,984,287)	(2,505,587)
Net cash provided by operating activities	<u>1,955,840</u>	<u>85,582</u>	<u>2,556,039</u>	<u>4,597,461</u>
Cash flows from noncapital financing activities				
Transfers in (out)	-	(8,300)	(43,000)	(51,300)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(8,300)</u>	<u>(43,000)</u>	<u>(51,300)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	(78,449)	(319,016)	(397,465)
Recoveries for damages	-	-	96,722	96,722
Proceeds from sale of capital assets	-	-	41,847	41,847
Net cash provided (used) by capital & related financing activities	<u>-</u>	<u>(78,449)</u>	<u>(180,447)</u>	<u>(258,896)</u>
Cash flows from investing activities				
Interest received on investments	-	4,053	47,147	51,200
Net cash provided by investing activities	<u>-</u>	<u>4,053</u>	<u>47,147</u>	<u>51,200</u>
Net increase (decrease) in cash and cash equivalents	1,955,840	2,886	2,379,739	4,338,465
Cash and cash equivalents - beginning of year	<u>-</u>	<u>998,709</u>	<u>10,908,864</u>	<u>11,907,573</u>
Cash and cash equivalents - end of year	<u>\$ 1,955,840</u>	<u>\$ 1,001,595</u>	<u>\$ 13,288,603</u>	<u>\$ 16,246,038</u>

(continued)

FREDERICK COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Worker's Compensation</u>	<u>Voice Services</u>	<u>Fleet Services</u>	<u>Total Internal Service Funds (See Exhibit II-A-11)</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,955,840	\$ 11,373	\$ 381,592	\$ 2,348,805
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	-	81,132	2,099,000	2,180,132
Miscellaneous non operating income	-	-	6,722	6,722
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	-	(6,324)	(26,485)	(32,809)
Inventory	-	-	(44,595)	(44,595)
Increase (decrease) in:				
Accounts payable	-	4,317	182,719	187,036
Accrued expenses	-	186	(53,014)	(52,828)
Liability for compensated leave	-	(5,102)	10,100	4,998
Net cash provided by operating activities	<u>\$ 1,955,840</u>	<u>\$ 85,582</u>	<u>\$ 2,556,039</u>	<u>\$ 4,597,461</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, 2013**

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 86,288	\$ 2,103,202	\$ 2,106,837	\$ 82,653
Equity in pooled invested cash	576,399	3,205,458	1,557,774	2,224,083
Total Assets	<u>\$ 662,687</u>	<u>\$ 5,308,660</u>	<u>\$ 3,664,611</u>	<u>\$ 2,306,736</u>
Liabilities				
Due to third parties	<u>\$ 662,687</u>	<u>\$ 4,664,464</u>	<u>\$ 3,020,415</u>	<u>\$ 2,306,736</u>
 Subdivision and Driveway Deposits Fund				
Assets				
Equity in pooled invested cash	<u>\$ 2,137,089</u>	<u>\$ 3,983,975</u>	<u>\$ 560,936</u>	<u>\$ 5,560,128</u>
Liabilities				
Due to third parties	\$ 1,785	\$ -	\$ 1,785	\$ -
Performance deposits	2,135,304	3,983,975	559,151	5,560,128
Total Liabilities	<u>\$ 2,137,089</u>	<u>\$ 3,983,975</u>	<u>\$ 560,936</u>	<u>\$ 5,560,128</u>
 Work Release Fund				
Assets				
Cash and cash equivalents	<u>\$ 20,446</u>	<u>\$ 427,600</u>	<u>\$ 431,430</u>	<u>\$ 16,616</u>
Liabilities				
Due to third parties	<u>\$ 20,446</u>	<u>\$ 427,600</u>	<u>\$ 431,430</u>	<u>\$ 16,616</u>
 Tax Incremental Financing Bond Fund				
Assets				
Cash and cash equivalents	<u>\$ 3,874</u>	<u>\$ 398,510</u>	<u>\$ 397,094</u>	<u>\$ 5,290</u>
Liabilities				
Due to third parties	<u>\$ 3,874</u>	<u>\$ 297,195</u>	<u>\$ 295,779</u>	<u>\$ 5,290</u>
 Totals - All Agency funds				
Assets				
Cash and cash equivalents	\$ 110,608	\$ 2,929,312	\$ 2,935,361	\$ 104,559
Equity in pooled invested cash	2,713,488	7,189,433	2,118,710	7,784,211
Total assets	<u>\$ 2,824,096</u>	<u>\$ 10,118,745</u>	<u>\$ 5,054,071</u>	<u>\$ 7,888,770</u>
Liabilities				
Due to third parties	\$ 688,792	\$ 5,389,259	\$ 3,749,409	\$ 2,328,642
Performance deposits	2,135,304	3,983,975	559,151	5,560,128
Total liabilities	<u>\$ 2,824,096</u>	<u>\$ 9,373,234</u>	<u>\$ 4,308,560</u>	<u>\$ 7,888,770</u>

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE (1)
JUNE 30, 2013

	<u>2013</u>
Governmental funds capital assets	
Land and improvements	\$ 122,489,534
Buildings	213,851,110
Equipment	91,044,999
Infrastructure	352,751,784
Construction in progress	14,499,579
Total governmental funds capital assets	<u><u>\$ 794,637,006</u></u>
 Investment in governmental funds capital assets by source	
Capital projects fund (2)	\$ 652,798,620
General fund (3)	23,770,910
Special revenue funds (3)	82,353,856
Donations	35,713,620
Total governmental funds capital assets	<u><u>\$ 794,637,006</u></u>

- (1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,500,544 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.
- (3) Capital assets totaling \$14,260,729, previously included in the special revenue funding source, have been reclassified as General Fund per the absorption of the Fire Tax Districts into the General Fund.

FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION (1)
JUNE 30, 2013

Function	Land and Improvements	Buildings	Equipment	Infrastructure	Construction in Progress	Total
General government	\$ 4,840,811	\$ 45,718,751	\$ 16,177,460	\$ -	\$ -	\$ 66,737,022
Public safety	6,776,524	61,060,820	58,106,762	-	-	125,944,106
Public works	4,578,782	10,174,940	10,197,822	-	-	24,951,544
Public health	-	7,584,601	52,772	-	-	7,637,373
Social services	531,518	40,162,139	2,279,832	-	-	42,973,489
Recreation and culture	38,231,563	48,091,859	4,107,382	-	-	90,430,804
Conservation of natural resources	67,312,367	-	100,288	-	-	67,412,655
Economic Development and Opportunity	217,969	1,058,000	22,681	-	-	1,298,650
Infrastructure	-	-	-	352,751,784	-	352,751,784
Construction in progress	-	-	-	-	14,499,579	14,499,579
Total governmental funds capital assets	\$ <u>122,489,534</u>	\$ <u>213,851,110</u>	\$ <u>91,044,999</u>	\$ <u>352,751,784</u>	\$ <u>14,499,579</u>	\$ <u>794,637,006</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,500,544 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.

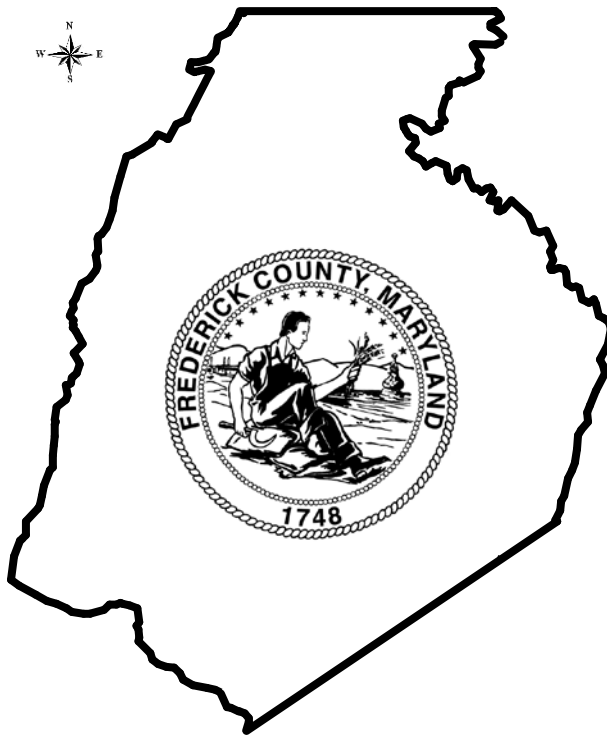
FREDERICK COUNTY, MARYLAND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION (1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Function</u>	<u>Governmental Funds Capital Assets July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2013</u>
General government	\$ 58,658,392	\$ 9,043,003	\$ 964,373	\$ 66,737,022
Public safety	104,899,426	21,388,456	343,776	125,944,106
Public works	25,124,960	61,134	234,550	24,951,544
Public health	7,637,373	-	-	7,637,373
Social services	38,790,637	4,182,852	-	42,973,489
Recreation and culture	87,126,397	4,774,783	1,470,376	90,430,804
Conservation of natural resources	66,615,756	937,304	140,405	67,412,655
Economic Development and Opportunity	1,298,650	-	-	1,298,650
Infrastructure	349,685,900	3,074,637	8,753	352,751,784
Construction in progress	<u>28,677,407</u>	<u>17,142,030</u>	<u>31,319,858</u>	<u>14,499,579</u>
Total governmental funds capital assets	\$ <u>768,514,898</u>	\$ <u>60,604,199</u>	\$ <u>34,482,091</u>	\$ <u>794,637,006</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,500,544 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.

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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)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007 (3)	2006 (3)	2005	2004 (3)
Governmental activities										
Net Investment in capital assets	\$ 275,015,641	\$ 261,682,219	\$ 282,853,416	\$ 273,493,228	\$ 242,888,896	\$ 223,296,140	\$ 220,485,887	\$ 216,474,001	\$ 226,722,373	\$ 225,535,503
Restricted (1)	180,302,326	146,940,466	143,503,406	184,828,765	147,016,541	133,032,506	157,734,585	123,851,893	35,780,332	26,588,880
Unrestricted (Deficit) (2)	<u>(235,625,134)</u>	<u>(191,281,325)</u>	<u>(228,733,110)</u>	<u>(288,083,336)</u>	<u>(167,092,969)</u>	<u>(59,630,068)</u>	<u>(62,896,588)</u>	<u>(56,507,349)</u>	<u>(7,182,824)</u>	<u>(38,026,756)</u>
Total governmental activities net position	<u>219,692,833</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>	<u>283,818,545</u>	<u>255,319,881</u>	<u>214,097,627</u>
Business-type activities										
Net Investment in capital assets	385,175,447	354,046,472	338,311,974	312,459,077	291,788,577	232,785,591	214,474,800	193,225,382	175,358,149	147,999,499
Restricted	2,401,597	456,221	4,371,265	9,714,241	679,335	15,750,610	24,851,353	3,206,982	229,896	191,252
Unrestricted (Deficit)	<u>102,749,485</u>	<u>101,593,763</u>	<u>98,317,538</u>	<u>77,554,957</u>	<u>80,856,215</u>	<u>96,536,501</u>	<u>87,412,069</u>	<u>104,778,749</u>	<u>88,146,766</u>	<u>90,132,660</u>
Total business-type activities net position	<u>490,326,529</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>	<u>301,211,113</u>	<u>263,734,811</u>	<u>238,323,411</u>
Primary government										
Net Investment in capital assets	660,191,088	615,728,691	621,165,390	585,952,305	534,677,473	456,081,731	434,960,687	409,699,383	402,080,522	373,535,002
Restricted (1)	182,703,923	147,396,687	147,874,671	194,543,006	147,695,876	148,783,116	182,585,938	127,058,875	36,010,228	26,780,132
Unrestricted (Deficit) (2)	<u>(132,875,649)</u>	<u>(89,687,562)</u>	<u>(130,415,572)</u>	<u>(210,528,379)</u>	<u>(86,236,754)</u>	<u>36,906,433</u>	<u>24,515,481</u>	<u>48,271,400</u>	<u>80,963,942</u>	<u>52,105,904</u>
Total primary government net position	<u>\$ 710,019,362</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>	<u>\$ 585,029,658</u>	<u>\$ 519,054,692</u>	<u>\$ 452,421,038</u>

- (1) Due to the implementation of GASB Statement No. 46 in fiscal year 2006, higher restricted net position is being reported than in previous years.
(2) 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.
(3) Restated

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007 (1)	2006 (1)	2005	2004 (1)
Expenses										
Governmental activities:										
General government	\$ 51,175,746	\$ 46,806,905	\$ 47,444,418	\$ 47,426,759	\$ 48,336,652	\$ 47,365,230	\$ 44,608,747	\$ 41,402,131	\$ 27,425,402	\$ 24,607,455
Public safety	97,785,269	94,646,502	94,014,597	96,002,101	98,638,171	92,368,561	82,346,886	68,737,205	58,696,992	48,301,860
Public works	35,874,382	38,137,648	38,082,578	42,608,184	45,639,681	36,272,941	33,363,952	30,839,056	29,789,265	31,779,170
Health	5,722,861	6,165,458	7,389,079	8,666,393	8,430,003	8,350,521	12,022,712	20,318,327	15,586,778	15,002,153
Social services	8,505,272	7,570,218	8,607,518	8,699,974	9,079,466	9,034,819	7,433,791	7,248,599	5,519,938	5,935,055
Education	249,689,186	253,445,819	255,092,160	296,413,864	317,246,467	280,571,794	234,952,181	236,655,998	215,923,669	214,618,912
Parks, recreation and culture	18,636,699	18,460,120	18,294,771	17,106,503	17,984,081	16,540,827	13,027,882	11,619,119	9,450,582	10,937,095
Conservation of natural resources	2,654,878	4,007,350	2,514,717	3,203,584	5,920,062	5,284,255	2,018,025	3,771,639	1,278,781	4,981,389
Community development and public housing	6,979,175	6,632,923	7,068,638	6,124,692	5,313,485	5,532,210	4,692,471	3,195,154	3,713,439	3,058,614
Economic development and opportunity	7,440,036	7,558,114	12,777,129	14,318,099	14,367,112	13,586,428	12,368,074	11,485,801	10,928,583	10,369,467
Miscellaneous	-	-	-	-	-	-	-	-	3,803,446	4,397,069
Intergovernmental	-	-	-	-	-	-	-	-	6,006,926	4,796,634
Interest on long term debt	19,465,343	19,546,097	15,104,694	17,983,300	17,384,242	15,180,615	13,236,202	9,858,697	9,351,188	11,089,623
Total governmental activities expenses	<u>503,928,847</u>	<u>502,977,154</u>	<u>506,390,299</u>	<u>558,553,453</u>	<u>588,339,422</u>	<u>530,088,201</u>	<u>460,070,923</u>	<u>445,131,726</u>	<u>397,474,989</u>	<u>389,874,496</u>
Business-type activities:										
Water and sewer	32,464,763	31,926,579	29,622,835	28,894,767	27,858,760	25,789,356	23,082,586	21,623,009	19,977,977	19,785,831
Solid waste management	18,365,946	17,878,124	19,949,545	20,467,049	22,543,435	20,989,211	20,649,798	17,615,883	12,368,757	11,613,296
Nursing homes	22,407,711	20,203,892	19,217,797	19,389,965	18,720,204	17,961,626	15,862,296	14,691,041	13,399,901	12,815,110
Public housing	168,096	149,510	143,837	174,279	138,883	121,973	127,423	106,859	107,323	111,334
Permitting and development review	-	4,287,265	5,080,138	5,840,521	6,586,058	6,866,402	6,244,552	4,761,715	4,134,794	3,334,752
Total business-type activities expenses	<u>73,406,516</u>	<u>74,445,370</u>	<u>74,014,152</u>	<u>74,766,581</u>	<u>75,847,340</u>	<u>71,728,568</u>	<u>65,966,655</u>	<u>58,798,507</u>	<u>49,988,752</u>	<u>47,660,323</u>
Total primary government expenses	<u>\$ 577,335,363</u>	<u>\$ 577,422,524</u>	<u>\$ 580,404,451</u>	<u>\$ 633,320,034</u>	<u>\$ 664,186,762</u>	<u>\$ 601,816,769</u>	<u>\$ 526,037,578</u>	<u>\$ 503,930,233</u>	<u>\$ 447,463,741</u>	<u>\$ 437,534,819</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 15,442,981	\$ 8,208,837	\$ 7,755,507	\$ 9,934,491	\$ 7,107,680	\$ 6,123,458	\$ 10,002,667	\$ 13,070,811	\$ 1,086,267	\$ 1,026,083
Public safety	6,143,618	7,356,176	6,456,180	6,808,959	6,332,060	6,000,432	5,501,706	4,259,470	2,938,922	2,687,452
Public works	758,458	747,519	785,085	657,612	681,480	798,599	699,799	838,845	743,694	759,069
Health	253,721	271,307	43,167	1,895,940	1,770,050	1,955,859	2,571,249	3,575,509	3,348,561	3,461,277
Social services	1,870,902	1,532,062	1,388,107	1,309,912	1,427,143	1,359,191	1,199,006	1,143,596	1,632,919	1,737,198
Parks, recreation and culture	1,235,612	1,161,925	1,045,575	859,500	796,378	727,658	640,439	554,694	466,417	472,016
Conservation of natural resources	190,724	181,256	183,549	-	183,704	193,410	198,663	213,945	129,844	120,408
Community development and public housing	104,050	174,436	-	-	-	-	-	-	-	-
Economic development and opportunity	18,644	30,247	65,258	94,066	131,241	75,736	250,412	353,402	374,485	402,481
Operating grants and contributions:	20,368,814	18,668,608	22,050,865	23,530,387	35,124,152	37,093,647	35,352,838	40,427,661	36,100,015	33,919,736
Capital grants and contributions:	8,845,948	10,060,341	8,006,580	7,425,608	18,624,294	4,480,176	4,884,031	3,018,316	5,203,254	6,508,424
Total governmental activities program revenues	<u>\$ 55,233,472</u>	<u>\$ 48,392,714</u>	<u>\$ 47,779,873</u>	<u>\$ 52,516,475</u>	<u>\$ 72,178,182</u>	<u>\$ 58,808,166</u>	<u>\$ 61,300,810</u>	<u>\$ 67,456,249</u>	<u>\$ 52,024,378</u>	<u>\$ 51,094,144</u>

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007 (1)	2006 (1)	2005	2004 (1)
Business-type activities:										
Charges for services:										
Water and sewer	\$ 24,453,219	\$ 24,539,136	\$ 24,274,317	\$ 20,874,838	\$ 20,716,900	\$ 19,879,735	\$ 19,651,077	\$ 20,315,028	\$ 19,177,820	\$ 18,880,725
Solid waste management	25,066,503	24,502,144	24,584,906	23,313,156	23,140,754	19,286,726	17,255,845	15,028,960	11,306,315	11,455,502
Nursing homes	18,594,578	14,241,647	14,185,948	13,869,981	13,016,338	12,276,779	12,277,443	11,101,735	10,226,199	9,674,807
Public housing	114,488	108,478	94,815	94,164	94,347	95,121	88,299	84,584	82,043	81,765
Permitting and development review	-	3,838,228	4,350,081	5,216,087	5,184,792	5,647,636	6,106,718	4,590,651	4,380,255	3,300,643
Operating grants and contributions:	-	-	-	25,000	-	5,159,639	10,418,677	12,951,233	12,810,064	8,810,279
Capital grants and contributions:	36,011,030	15,481,330	40,907,293	27,684,963	32,266,084	12,881,554	13,869,468	21,425,241	10,234,860	5,928,940
Total business-type activities program revenues	104,239,818	82,710,963	108,397,360	91,078,189	94,419,215	75,227,190	79,667,527	85,497,432	68,217,556	58,132,661
Total primary government program revenues	<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>	<u>\$ 152,953,681</u>	<u>\$ 120,241,934</u>	<u>\$ 109,226,805</u>
Net (Expense)/Revenue										
Governmental activities	\$ (448,695,375)	\$ (454,584,440)	\$ (458,610,426)	\$ (506,036,978)	\$ (516,161,240)	\$ (471,280,035)	\$ (398,770,113)	\$ (377,675,477)	\$ (345,450,611)	\$ (338,780,352)
Business-type activities	30,833,302	8,265,593	34,383,208	16,311,608	18,571,875	3,498,622	13,700,872	26,698,925	18,228,804	10,472,338
Total primary government net expense	<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>	<u>\$ (350,976,552)</u>	<u>\$ (327,221,807)</u>	<u>\$ (328,308,014)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Local property taxes	\$ 259,687,605	\$ 280,654,804	\$ 289,330,130	\$ 289,144,746	\$ 271,247,190	\$ 244,968,090	\$ 220,103,311	\$ 202,355,103	\$ 182,302,769	\$ 167,913,097
Local income taxes	163,761,716	161,879,620	165,839,265	143,208,402	137,509,451	164,716,995	153,232,580	149,588,132	142,255,367	137,782,293
Other local taxes	26,244,396	19,886,169	21,938,991	23,080,409	23,393,903	31,601,856	41,284,492	49,031,997	57,772,607	49,074,166
Intergovernmental	-	3,200,000	3,676,983	-	-	-	-	-	-	-
Build America Bonds Subsidy	1,325,054	1,374,895	1,374,892	591,969	-	-	-	-	-	-
Grants & contributions not restricted to specific program	-	-	-	-	-	-	-	-	-	-
Investment earnings	(945,754)	8,637,707	1,758,640	4,904,974	7,900,842	15,484,565	15,415,259	8,787,443	5,517,391	2,513,831
Miscellaneous	3,525,720	4,681,823	7,903,103	914,146	7,630,745	3,270,163	3,904,920	2,722,004	2,693,466	2,250,381
Gain / (Loss) on disposal of operations	230,352	-	-	-	-	-	-	-	-	-
Transfers	(2,782,241)	(6,012,930)	(5,826,523)	(8,381,479)	(5,407,001)	(7,386,940)	(3,665,110)	(6,310,538)	(3,868,735)	(6,906,330)
Total governmental activities	<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>	<u>406,174,141</u>	<u>386,672,865</u>	<u>352,627,438</u>
Business-type activities:										
Build America Bonds Subsidy	341,630	363,764	363,764	156,620	-	-	-	-	-	-
Investment earnings	469,201	447,281	642,203	892,586	4,244,887	6,719,219	7,525,143	4,226,175	2,848,200	654,240
Miscellaneous	19,585	6,111	56,804	661,855	27,662	729,699	635,984	240,664	465,661	694,704
Gain / (Loss) on disposal of operations	(215,886)	-	-	-	-	-	-	-	-	-
Transfers	2,782,241	6,012,930	5,826,523	8,381,479	5,407,001	7,386,940	3,665,110	6,310,538	3,868,735	6,906,330
Total business-type activities	<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>	<u>10,777,377</u>	<u>7,182,596</u>	<u>8,255,274</u>
Total primary government	<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>	<u>\$ 416,951,518</u>	<u>\$ 393,855,461</u>	<u>\$ 360,882,712</u>
Change in Net Position										
Governmental activities	\$ 2,351,473	\$ 19,717,648	\$ 27,385,055	\$ (52,573,811)	\$ (73,886,110)	\$ (18,625,306)	\$ 31,505,339	\$ 28,498,664	\$ 41,222,254	\$ 13,847,086
Business-type activities	34,230,073	15,095,679	41,272,502	26,404,148	28,251,425	18,334,480	25,527,109	37,476,302	25,411,400	18,727,612
Total primary government	<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>	<u>\$ 65,974,966</u>	<u>\$ 66,633,654</u>	<u>\$ 32,574,698</u>

(1) Restated

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

	Fiscal Year									
	2013	2012	2011	2010(1)	2009(1)	2008(1)	2007(1)	2006(1)	2005(1)	2004 (1)(2)
General Fund										
Nonspendable	\$ 1,448,707	\$ 1,245,845	\$ 1,648,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,075,002	1,481,720	1,748,141	-	-	-	-	-	-	-
Committed	25,194,232	22,808,337	21,460,449	-	-	-	-	-	-	-
Assigned	64,137,601	74,564,269	59,868,123	-	-	-	-	-	-	-
Unassigned	500,000	500,000	500,000	-	-	-	-	-	-	-
Total General Fund	<u>94,355,542</u>	<u>100,600,171</u>	<u>85,225,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
All other Governmental Funds										
Nonspendable										
Special revenue funds	5,721,414	5,890,746	5,527,435	-	-	-	-	-	-	-
Restricted										
Capital project funds	40,695,165	26,378,793	15,301,345	-	-	-	-	-	-	-
Special revenue funds	1,730,552	2,216,834	1,885,830	-	-	-	-	-	-	-
Committed										
Capital project funds	51,814,834	39,012,874	28,461,553	-	-	-	-	-	-	-
Special revenue funds	45,795,195	49,323,414	49,659,195	-	-	-	-	-	-	-
Assigned										
Special revenue funds	6,279,023	11,286,926	5,915,306	-	-	-	-	-	-	-
Total all other governmental funds	<u>152,036,183</u>	<u>134,109,587</u>	<u>106,750,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Fund										
Reserved	-	-	-	2,712,109	2,808,056	3,105,738	3,394,405	3,825,762	3,567,549	3,390,883
Unreserved	-	-	-							
Designated	-	-	-	34,083,914	28,147,175	46,788,577	79,230,104	51,885,900	32,472,096	25,295,120
Undesignated	-	-	-	20,360,666	21,364,533	20,973,351	18,339,726	53,857,163	56,594,257	41,588,839
Total General Fund	<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>	<u>109,568,825</u>	<u>92,633,902</u>	<u>70,274,842</u>
All other Governmental Funds										
Reserved	-	-	-	60,726,010	30,439,539	25,902,551	34,693,529	26,349,699	25,967,238	14,993,032
Unreserved										
Designated										
Special revenue funds	-	-	-	77,153,427	64,476,579	59,773,405	52,212,007	59,411,063	40,894,139	24,870,777
Undesignated										
Capital project funds	-	-	-	11,442,860	17,869,398	97,993,054	70,046,722	12,503,245	(9,658,250)	25,306,231
Special revenue funds	-	-	-	23,122,490	27,235,110	24,370,105	25,313,519	25,958,899	20,424,923	20,753,183
Total all other governmental funds	<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>	<u>124,222,906</u>	<u>77,628,050</u>	<u>85,923,223</u>
Total Governmental Fund Balance	<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>	<u>\$ 233,791,731</u>	<u>\$ 170,261,952</u>	<u>\$ 156,198,065</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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Local property taxes	\$ 259,514,346	\$ 280,559,892	\$ 289,635,356	\$ 288,983,632	\$ 271,101,871	\$ 245,072,399	\$ 220,049,674	\$ 202,393,241	\$ 183,381,053	\$ 166,807,853
Local income taxes	176,068,392	169,760,329	157,826,635	146,332,338	158,356,951	161,633,784	154,536,579	144,199,778	137,124,133	132,462,327
Other local taxes	27,730,818	21,465,211	23,529,980	25,219,644	24,774,769	38,844,848	43,622,707	50,893,829	57,562,364	48,977,481
Licenses and permits	2,974,589	532,074	517,020	508,039	529,307	525,736	555,708	831,982	979,054	847,080
Grants from federal government	15,412,690	16,645,496	20,508,653	20,900,126	16,018,557	14,972,920	14,435,041	12,950,308	12,336,937	10,945,899
Grants from state government	11,107,191	9,017,538	9,542,786	9,684,799	23,509,031	26,645,876	25,809,335	30,450,610	29,567,220	28,301,914
Intergovernmental	-	3,200,000	3,676,983	-	-	-	-	-	-	-
Charges for services	21,688,995	15,866,215	15,401,850	18,437,255	15,897,927	9,084,044	18,069,358	21,341,057	9,262,332	9,314,013
Fines and forfeitures	502,583	212,745	272,540	225,230	399,997	428,472	304,985	308,518	330,530	424,633
Interest from loans	23,219	25,632	26,130	36,243	39,347	59,566	89,802	19,512	11,078	8,440
Investment income	(996,954)	8,575,492	1,696,828	4,829,617	7,647,654	15,251,373	15,188,001	8,700,804	5,517,391	2,513,831
Build America bond subsidy	1,374,894	1,374,895	1,393,990	-	-	-	-	-	-	-
Miscellaneous	3,851,416	4,402,651	3,700,464	2,621,349	7,373,952	2,643,364	3,695,581	2,635,249	2,563,737	2,762,783
Total revenues	<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>	<u>474,724,888</u>	<u>438,635,829</u>	<u>403,366,254</u>
Expenditures										
Current										
General government	37,810,525	32,732,501	31,033,301	31,630,270	33,547,085	33,788,704	27,818,998	24,306,561	22,204,110	21,639,704
Public safety	96,758,110	91,044,159	86,282,410	91,382,456	91,228,627	91,745,100	74,193,200	64,500,424	56,524,525	48,492,872
Public works	22,335,990	23,097,616	22,071,591	26,459,278	26,114,555	23,592,543	19,905,496	18,984,178	20,812,477	18,008,073
Health	5,936,409	5,999,958	6,553,649	7,959,216	7,581,629	8,290,898	11,767,833	20,145,681	15,447,857	14,833,362
Social services	6,861,672	6,836,930	7,339,050	7,862,659	8,120,521	8,371,921	6,665,331	6,476,583	6,540,358	6,314,660
Education	251,123,285	243,014,146	241,906,846	243,159,708	252,074,877	241,164,441	213,329,178	196,563,412	185,300,073	179,415,425
Parks, recreation and culture	15,142,891	14,645,090	13,977,415	14,161,782	14,143,791	14,549,408	11,885,934	10,528,919	8,782,883	8,035,178
Conservation of natural resources	4,249,374	5,617,846	9,155,146	11,438,864	7,976,051	14,124,430	5,194,359	2,397,091	1,741,058	4,505,561
Community development and public housing	6,997,550	6,648,743	7,033,746	6,078,956	5,273,431	5,541,941	4,687,912	3,191,585	3,723,967	3,052,368
Economic development and opportunity	7,524,458	7,589,188	11,815,100	13,469,494	13,755,107	14,655,342	12,488,625	11,583,440	10,926,166	10,377,175
Miscellaneous	5,824,185	1,104,915	1,322,468	1,451,118	1,349,087	1,471,497	6,376,131	4,229,897	4,182,513	4,583,681
Intergovernmental	5,077,122	8,768,154	7,451,352	6,651,041	7,442,704	6,630,971	6,062,188	5,454,453	4,847,291	4,463,342
Debt service										
Principal	33,334,244	30,689,502	27,242,262	25,866,128	25,866,128	22,966,196	20,179,909	15,432,931	22,652,797	15,002,880
Interest	19,402,391	21,317,629	23,543,184	18,123,755	18,464,996	16,335,094	14,295,744	11,056,416	10,864,875	10,953,670
Capital projects	16,655,781	45,867,283	68,903,882	97,440,556	99,230,793	81,621,365	63,431,403	82,714,041	51,188,595	48,975,783
Total expenditures	<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>	<u>477,565,612</u>	<u>425,739,545</u>	<u>398,653,734</u>
Excess of revenues over expenditures	<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>	<u>(2,840,724)</u>	<u>12,896,284</u>	<u>4,712,520</u>

(continued)

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Other Financing Sources (Uses)										
Transfers in from:										
General Fund	\$ 23,076,713	\$ 16,548,559	\$ 9,055,525	\$ 7,373,865	\$ 22,704,374	\$ 36,198,005	\$ 46,308,521	\$ 31,721,340	\$ 23,656,581	\$ 25,587,376
Special Revenue Funds	7,222,796	400,000	696,364	3,025,753	3,486,070	11,894,630	30,331,520	10,556,300	12,954,780	6,418,131
Capital Projects Fund	-	-	4,500,000	2,691,419	-	-	-	-	-	-
Enterprise Funds	1,410,316	-	-	38,360	-	-	-	-	-	-
Internal Service Funds	51,300	-	1,674,000	1,000,000	997,039	-	-	-	18,212	-
Transfer out to:										
General Fund	(6,987,796)	-	(5,047,695)	(2,487,108)	-	-	-	-	-	(184,481)
Special Revenue Funds	(14,240,588)	(7,044,110)	(5,972,843)	(8,862,176)	(8,247,105)	(11,748,149)	(8,009,101)	(8,429,500)	(7,230,957)	(5,862,101)
Capital Projects Fund	(9,071,125)	(9,904,449)	(3,231,351)	(1,741,753)	(17,943,339)	(36,344,486)	(68,630,940)	(33,848,140)	(29,380,404)	(25,958,925)
Enterprise Funds	(4,192,557)	(6,012,930)	(5,735,201)	(8,481,582)	(5,592,335)	(7,459,195)	(3,941,258)	(6,682,958)	(3,868,735)	(6,906,330)
Internal Service Funds	-	-	(129,592)	(250,648)	(15,527)	(976,979)	(796,768)	(1,690,917)	(14,804)	(220,000)
Proceeds from public facilities and refunding bonds	78,746,393	120,557,832	-	173,041,815	-	61,055,000	49,856,000	82,958,476	91,781,972	41,792,400
Payment to refunded bond escrow agent	(51,773,701)	(81,114,121)	-	(59,789,074)	-	-	-	(13,710,975)	(96,489,172)	(13,032,948)
Bond premium on public facilities and refunding bonds	3,222,024	18,317,929	-	10,503,504	-	2,385,238	919,527	4,751,327	8,870,030	654,580
Installment purchase agreement	-	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	731,000	852,100	2,515,000
Sale of capital assets	-	53,820	-	45,918	7,023	17,475	1,250	14,550	18,000	6,900
Total other financing sources (uses)	<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>	<u>66,370,503</u>	<u>1,167,603</u>	<u>24,809,602</u>
Net change in fund balances	<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>	<u>\$ 63,529,779</u>	<u>\$ 14,063,887</u>	<u>\$ 29,522,122</u>
Total expenditures	\$ 535,033,987	\$ 544,973,660	\$ 565,631,402	\$ 603,135,281	\$ 612,169,382	\$ 584,849,851	\$ 498,282,241	\$ 477,565,612	\$ 425,739,545	\$ 398,653,734
Less: Capital outlay	(167,076)	(4,331,574)	(6,402,058)	(16,999,763)	(3,395,622)	(9,772,187)	(12,420,057)	(5,398,071)	(11,759,104)	(10,284,676)
Noncapital expenditures	<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>	<u>\$ 472,167,541</u>	<u>\$ 413,980,441</u>	<u>\$ 388,369,058</u>
Debt service	<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>	<u>\$ 26,489,347</u>	<u>\$ 33,517,672</u>	<u>\$ 25,956,550</u>
Debt service as a percentage of noncapital expenditures	9.86%	9.62%	9.08%	7.51%	7.28%	6.83%	7.10%	5.61%	8.10%	6.68%

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

Fiscal Year	Real Property Taxable Assessed Value					Public Utilities		Total	
	Residential Property	Commercial Property	Industrial Property	Total Real Property	Direct Tax Rate (1)	Taxable Assessed Value	Direct Tax Rate (1)(2)	Taxable Assessed Value	Direct Tax Rate (1)(3)
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
2006	14,300,899,383	3,093,387,029	851,597,799	18,245,884,211	1.000	340,388,820	2.50	18,586,273,031	1.027
2005	12,785,252,464	2,976,052,758	791,720,234	16,553,025,456	1.000	365,265,099	2.50	16,918,290,555	1.032
2004	n/a	n/a	n/a	14,713,127,459	1.000	341,838,850	2.50	15,054,966,309	1.034

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 direct rates.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Direct Property Tax Rates										
Frederick County (1)	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 1.000	\$ 1.000	\$ 1.000
Total Direct Property Tax Rates	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 1.000	\$ 1.000	\$ 1.000
Overlapping 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	\$ 0.080	\$ 0.065	\$ 0.065
Urban Fire/Rescue	0.128	0.128	0.128	0.128	0.128	0.128	0.128	0.135	0.135	0.135
Braddock lighting tax district	0.010	0.010	0.006	0.006	0.006	0.006	0.012	0.016	0.020	0.024
Libertytown lighting tax district	0.013	0.013	0.013	0.013	0.013	0.013	0.018	0.021	0.022	0.020
New Addition lighting tax district	0.090	0.010	0.007	0.007	0.007	0.007	0.012	0.014	0.021	0.028
State	0.112	0.112	0.112	0.112	0.112	0.112	0.112	0.132	0.132	0.132
<u>Municipalities</u>										
Brunswick	0.462	0.462	0.462	0.422	0.422	0.432	0.452	0.452	0.488	0.488
Burkittsville	0.140	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)	0.732	0.650	0.650	0.650	0.650	0.670	0.690	0.690	0.690	0.640
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	0.165	0.165	0.174	0.183	0.188	0.193	0.202
Myersville (3)	0.391	0.274	0.274	0.274	0.274	0.274	0.274	0.274	0.274	0.236
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	0.308	0.260	0.260	0.260	0.270	0.280	0.265	0.270	0.273	0.248
Walkersville	0.170	0.170	0.156	0.156	0.156	0.156	0.156	0.166	0.176	0.176
Woodsboro	0.128	0.130	0.120	0.120	0.120	0.120	0.129	0.138	0.152	0.152

(1) In FY2013, 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: 0.813

County's Myersville tax differential rate: 0.8188

(2) Frederick City increased its tax rate because of lowered county tax differential rate charged to customers.

(3) Town of Myersville increased its tax rate because of lowered 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**

<u>Name of Taxpayer</u>	<u>Fiscal Year 2013</u>			<u>Fiscal Year 2004</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Potomac Edison/Alleghany Power	\$ 134,351,850	1	0.52 %	\$ 144,838,860	1	0.96 %
RIV 402, LLC	95,725,000	2	0.37	-		-
PR Financing Limited Partnership	70,287,900	3	0.27	-		-
Verizon Maryland/Bell Atlantic	67,325,150	4	0.26	106,294,010	2	0.71
Medimmune, Inc.	51,825,900	5	0.20	-		-
River X, LLC	46,370,467	6	0.18	-		-
Costco Wholesale Corporation	45,198,900	7	0.18	-		-
Washington Gas Light Company	41,044,750	8	0.16	34,212,190	8	0.23
Writ Frederick Crossing Land, LLC	39,208,500	9	0.15	-		-
State Farm Mutual Auto Insurance	38,407,100	10	0.15	39,616,032	7	0.26
Crown American Financing Part.	-		-	69,870,200	3	0.46
M.O.R. Westview	-		-	49,200,300	4	0.33
Manekin/Morecop	-		-	44,211,800	5	0.29
Eastalco Aluminum Company	-		-	40,187,343	6	0.27
Butera Properties	-		-	33,051,100	9	0.22
EQR-Overlook Manor II, LLC	-		-	32,557,866	10	0.22
Totals	<u>\$ 629,745,517</u>		<u>2.44 %</u>	<u>\$ 594,039,701</u>		<u>3.95 %</u>

Source: County Treasurer's Office

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments (1)</u>	<u>Total Adjusted Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percentage of Original Levy</u>		<u>Amount</u>	<u>Percentage of Adjusted Levy</u>
2013	\$ 226,706,549	\$ (1,468,868)	\$ 225,237,681	\$ 224,912,437	99.86 %	\$ -	\$ 224,912,437	99.86 %
2012	240,261,872	(1,868,202)	238,393,670	238,135,801	99.89	90,794	238,226,595	99.93
2011	245,857,629	(2,208,994)	243,648,635	243,347,532	99.88	174,299	243,521,831	99.95
2010	243,164,858	(1,913,319)	241,251,539	240,846,665	99.83	330,567	241,177,232	99.97
2009	227,624,313	(1,559,310)	226,065,003	225,751,007	99.86	284,701	226,035,708	99.99
2008	207,783,675	(2,264,381)	205,519,294	205,408,797	99.95	100,807	205,509,604	100.00
2007	184,843,834	(718,504)	184,125,330	183,777,116	99.81	341,130	184,118,246	100.00
2006	172,329,130	(847,822)	171,481,308	171,131,906	99.80	320,729	171,452,635	99.98
2005	160,956,202	5,986,647	166,942,849	166,492,845	99.73	449,091	166,941,936	100.00
2004	145,697,511	8,777,276	154,474,787	153,934,018	99.65	540,806	154,474,824	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 2004 through 2005 "adjustments" included additions, abatements and new construction bills. For fiscal years 2006 through 2013, only additions and abatements are included in this column.

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

Governmental Activities							
Fiscal Year	General Obligation Bonds (1)	Bond Anticipation Notes	Capital Leases	Notes Payable	Agricultural Preservation Installment Purchase Agreements	Total Governmental Activities	
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	
2006	293,854,568	-	4,235,122	6,640,103	20,751,405	325,481,198	
2005	235,469,310	-	4,980,289	7,322,577	15,767,333	263,539,509	
2004	244,525,906	8,150,000	5,538,335	7,973,065	8,774,670	274,961,976	
Business-Type Activities							
Fiscal Year	General Obligation Bonds	Bond Anticipation Notes	Notes Payable (3)	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
2013	\$ 126,747,752	\$ -	\$ 65,748,564	\$ 192,496,316	\$ 697,380,728	N/A	\$ 2,926
2012	136,436,986	-	51,144,933	187,581,919	690,402,755	N/A	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
2006	99,409,177	-	29,602,176	129,011,353	454,492,551	4.8%	1,986
2005	71,575,278	-	28,917,294	100,492,572	364,032,081	4.2%	1,632
2004	76,602,895	-	31,062,443	107,665,338	382,627,314	4.7%	1,749

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.

(2) See Exhibit III-A-13 for personal income and population data. (All information updated as of June 30, 2013)

(3) Notes payable includes Interfund Solid Waste Cart Loan of \$369,917.

**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)
2013	\$ 575,212,124	\$ 53,783,983	\$ (304,324,274)	\$ 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	1.02%	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
2006	393,263,745	20,751,405	(187,272,256)	226,742,894	1.19%	991
2005	307,044,588	15,767,333	(135,488,237)	187,323,684	1.10%	840
2004	321,128,801	8,774,670	(135,697,951)	194,205,520	1.29%	888

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.
- (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, 2013

<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>504,884,412</u>	100%	\$ <u>5,048,844</u>
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	16,059,000	100%	160,590
Frederick Community College	7,007,805	100%	70,078
Towns, Cities and Villages:			
Brunswick	534,421	100%	5,344
Emmitsburg	412,187	100%	4,122
Frederick City	69,619,446	100%	696,194
Middletown	929,182	100%	9,292
Myersville	<u>3,500,000</u>	100%	<u>35,000</u>
Subtotal Overlapping:	<u>98,062,041</u>		<u>980,620</u>
Totals	\$ <u><u>602,946,453</u></u>		\$ <u><u>6,029,465</u></u>

Source: Division of Finance

(1) Debt repaid by general government activities

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt limitation - 6% of total assessed value	\$ 1,578,375,474	\$ 1,614,294,873	\$ 1,596,671,653	\$ 1,496,803,097	\$ 1,373,425,595	\$ 1,231,256,017	\$ 1,115,175,382	\$ 1,015,097,433	\$ 903,297,979
Total debt applicable to limit (2)	<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>	<u>123,521,133</u>	<u>100,434,321</u>	<u>107,647,938</u>
Legal debt margin	<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>	<u>\$ 991,654,249</u>	<u>\$ 914,663,112</u>	<u>\$ 795,650,041</u>
Total net debt applicable to the limit as a percentage of debt limit	11.74%	11.41%	11.49%	10.63%	12.46%	12.65%	11.08%	9.89%	11.92%

Legal debt margin calculation for fiscal year 2013

Assessed valuations (1)	<u>\$ 25,771,467,979</u>
Debt limitation - 6% of total assessed value	1,546,288,079
Debt applicable to limitation	
Total bonds payable	126,834,543
Total notes payable	<u>65,378,647</u>
Total debt applicable to limit (2)	<u>192,213,190</u>
Legal debt margin	<u>\$ 1,354,074,889</u>
Total net debt applicable to the limit as a percentage of debt limit	12.43%

(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.

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

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (thousands of dollars) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>Community College Academic State FTE (4)</u>			<u>Unemployment Rate (5)</u>
					<u>Credit</u>	<u>Non- Credit</u>	<u>Total</u>	
2013	238,345	N/A	N/A	40,527	3,798	534	4,332	6.6%
2012	236,551	N/A	N/A	40,487	3,842	571	4,413	5.9
2011	235,400	\$ 11,034,674	\$ 45,107	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
2006	228,900	9,278,747	41,792	39,741	3,011	432	3,443	3.4
2005	223,000	8,659,325	39,465	39,564	2,826	363	3,189	3.0
2004	218,800	8,157,871	37,695	39,004	2,744	346	3,090	2.9

Sources: (1) Estimated by Frederick County Business Development & Retention Division
(2) US Bureau of Economic Analysis (All data updated as of June 30, 2013)
(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>	<u>2013</u>			<u>2004</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	10,000 *	1	10.61 %	7,300 *	1	8.87 %
Frederick County Board of Education	5,538	2	5.87	4,640	2	5.64
Frederick Memorial Healthcare System	2,800	3	2.97	2,270	3	2.76
Frederick County Government	2,130	4	2.26	1,984	4	2.41
Wells Fargo Home Mortgage	1,881	5	2.00	1,700	5	2.07
SAIC - Frederick	1,800	6	1.91	-	-	-
Bechtel Corporation (formerly Bechtel Power)	1,578	7	1.67	1,457	7	1.77
Frederick Community College	899	8	0.95	1,137	8	1.38
Frederick City Government	852	9	0.90	714	11	0.87
United Health Care (formerly MAMSI)	832	10	0.88	1,565	6	1.90
CitiMortgage (formerly First Nationwide Mortgage)	-	-	-	813	10	0.99
State Farm Insurance	793	11	0.84	1,000	9	1.22
	<u>29,103</u>		<u>30.86 %</u>	<u>24,580</u>		<u>29.88 %</u>

* Includes military personnel

Source: Frederick County Business Development & Retention Division, 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	294	303	332	356	378	384	350	335	335	326
Public safety	810	820	801	831	864	846	762	704	646	584
Public works	359	376	407	422	443	421	395	383	359	363
Health	316	298	318	326	333	337	316	313	292	299
Social services	101	105	109	138	149	141	136	126	125	128
Parks, recreation and culture	46	45	46	46	48	50	49	50	42	42
Library	111	114	119	117	123	121	116	108	91	89
Conservation of natural resources	7	7	5	7	7	7	7	7	7	7
Community dev. & public housing	9	9	9	11	11	11	8	7	6	6
Economic dev. & opportunity	31	31	33	114	119	114	104	111	106	110
Total	<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>	<u>2,144</u>	<u>2,009</u>	<u>1,954</u>

Source: Division of Finance

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

	Fiscal Year									
Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Human Resources										
Employment announcements issued	219	256	180	110	133	272	265	182	170	180
Employment applications received/reviewed	9,392	8,993	7,515	4,698	5,127	7,968	6,989	6,000	7,000	6,000
Finance/Accounting										
Accounts payable checks generated	20,766	21,056	22,310	21,580	22,719	29,216	23,557	28,000	31,000	31,000
Procurement & Contracting										
Formal bids, RFP's, sole source & emergencies	185	211	204	203	210	204	207	225	200	*
Treasurer										
Invoices prepared	2,063	2,148	2,573	2,413	2,318	2,291	2,235	1,920	1,800	1,700
Property tax bills/delinquent notices mailed	102,348	107,045	106,612	101,345	103,892	101,648	106,403	87,207	93,000	87,000
Building Maintenance										
Buildings	149	147	142	145	145	136	121	116	114	110
Work orders/service requests	4,331	5,888	5,815	4,231	5,043	4,040	3,767	4,486	4,272	3,758
Square feet of properties managed	1,316,994	1,313,488	1,300,120	1,250,119	1,250,119	1,232,121	1,212,276	1,183,434	1,142,634	1,058,350
Facility Services										
Number of leases managed	35	39	33	41	39	37	35	37	37	44
Square feet of leased property managed	136,860	148,257	141,742	161,996	159,227	169,258	166,769	155,303	155,303	172,519
Pieces of outgoing U.S. mail	291,304	298,733	326,858	334,375	400,976	415,488	425,899	400,560	485,000	465,458
Elections										
Registered voters	149,312	141,136	136,014	135,264	132,866	127,227	124,000	124,000	122,000	113,000
Liquor Board										
Regular liquor licenses	307	304	304	284	300	299	294	298	295	290
Liquor inspections	7,216	5,399	5,864	4,449	3,463	3,652	3,260	3,260	3,200	3,130
Internal Audit										
Internal Audits performed (1)	2	4	4	6	5	9	8	16	21	20
Circuit Court										
New cases filed	10,333	10,710	10,431	12,499	12,429	11,168	10,053	9,303	7,939	6,106
Public Safety										
Housing units permitted (2)	1,006	845	581	788	665	738	1,143	2,087	1,653	1,781
Sheriff's Office										
Administration Bureau										
Civil Process papers served	22,972	19,440	20,648	28,286	30,993	24,771	21,596	25,200	24,500	29,050
Courthouse Security										
Prisoners handled: adult/juvenile	3,846	4,332	4,241	4,535	4,684	4,844	5,336	5,200	5,250	4,050
Operations: Law Enforcement										
Arrests: adult/juvenile	3,189	3,520	3,826	3,892	4,226	4,197	4,376	4,961	4,386	4,700
Calls for service	89,428	98,876	99,047	101,728	96,469	88,434	68,159	58,687	68,340	65,000
Adult Detention Center										
Average daily population	382	395	442	416	425	484	498	464	466	452
Emergency Communications (3)										
Fire/EMS dispatches	32,614	32,199	32,453	30,457	27,674	26,642	26,378	25,591	22,827	25,368
Police dispatches	134,084	145,206	144,489	150,634	144,158	131,355	109,285	102,598	79,297	83,761
911 calls	126,042	140,973	132,231	117,346	109,111	107,353	109,601	107,127	109,210	109,795
Animal Control (3)										
Calls for service	10,858	11,322	10,657	9,373	9,022	8,110	7,771	7,061	6,960	6,838

(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.

(2) For FY04-FY12, the data represents housing units constructed. For FY13, the data represents housing units permitted.

(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	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Works										
Water facilities										
Customers	21,113	20,763	20,549	20,263	20,062	20,131	20,081	19,692	17,578	17,039
Annual production (1,000 gals.)	2,032,866	2,036,251	1,846,545	1,612,900	1,733,200	1,712,670	1,952,000	1,952,328	1,860,600	1,639,941
Sewer facilities										
Customers	29,398	28,550	28,221	27,874	27,559	25,923	25,890	24,787	24,614	23,724
Fleet Services										
Work orders	5,160	5,429	5,716	5,613	6,066	5,507	5,372	4,277	7,695	6,300
Vehicles maintained	926	961	967	1,045	1,016	994	959	888	820	802
Highway Operations										
County roads - mileage maintained	1,270	1,271	1,264	1,264	1,264	1,258	1,257	1,256	1,245	1,237
Tar and chip maintenance (miles)	12	11	21	12	32	41	59	95	*	53
Usage of salt & cinders (tons)	17,911	7,268	15,263	16,998	14,793	22,911	24,144	25,000	18,900	27,118
Transportation Engineering										
Bridges inspected	103	138	116	136	114	170	170	170	172	265
Road overlay (miles)	17	26	3	37	48	32	25	26	26	22
Construction Management										
CIP and developer funded subdivision projects completed	23	23	41	74	69	106	77	193	163	80
TransIT										
Passenger trips	864,013	909,804	835,880	786,711	791,961	737,974	709,701	651,306	553,344	460,738
Revenue vehicle miles	1,129,546	1,147,211	1,173,086	1,196,533	1,218,305	1,112,748	1,096,130	1,053,170	994,505	867,664
Revenue vehicle hours	79,904	81,995	83,154	86,305	85,770	85,829	83,467	80,541	83,038	76,641
Health										
Health Department										
Public health nursing contacts	22,068	21,130	21,499	22,632	25,575	25,839	35,046	31,379	29,866	*
Mental health visits	12,220	12,165	10,724	10,133	10,182	10,691	10,803	5,958	7,053	*
Substance abuse visits	35,827	25,764	26,464	28,860	29,630	30,474	32,063	10,932	13,734	*
Dental visits for children	3,983	3,899	4,242	4,384	4,851	5,056	4,410	4,486	4,556	*
Environmental health reviews/inspections	13,458	14,304	14,799	14,668	16,684	14,664	15,132	14,041	13,588	*
School health program										
Children served	40,527	39,293	40,484	40,210	40,155	40,566	40,315	39,741	39,564	39,004
Health room visits	320,884	289,766	304,730	307,925	270,234	271,815	248,626	160,000	147,070	150,000
Developmental Center										
Infants & Toddlers Program children served	528	697	638	583	548	529	533	*	*	*
School-based services visits	14,113	13,959	14,378	14,734	12,442	11,512	10,551	*	*	*
Audiology services visits	793	767	809	835	801	877	860	969	861	921
Social Services										
Social Services										
Child & Adult Care Food Program										
Home visits	800	855	843	825	900	900	900	1,344	1,026	981
Department of Aging										
Home delivered meals served to elderly	51,282	50,305	50,220	45,490	44,624	50,042	52,141	20,000	21,000	27,000
Congregate meals served	11,795	13,474	15,522	15,338	16,936	16,638	16,656	19,000	21,500	23,000

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

Function/Program	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Parks, recreation and culture										
Parks & Recreation										
Parks acres maintained	2,066	2,066	2,066	2,066	1,792	1,572	1,534	1,534	1,511	1,511
Recreation center attendance	101,069	99,106	95,135	99,247	90,645	77,138	76,844	54,718	45,000	46,066
Conservation of natural resources										
Agriculture										
Farms	1,442	1,442	1,442	1,442	1,442	1,273	1,273	1,273	1,273	1,273
Acreage	202,087	202,087	202,087	202,087	202,087	195,827	195,827	195,827	195,827	195,827
Preserved land										
Farms	405	397	390	376	355	298	274	244	220	195
Acreage	54,365	53,572	52,802	50,946	47,538	40,163	37,807	33,836	30,782	27,396
Community development and public housing										
Bell Court housing project (28 units)										
Occupancy rate	99%	100%	100%	100%	100%	100%	99%	99%	99%	99%
Economic development and opportunity										
Workforce Services										
One - stop services - customers served	5,009	4,538	6,547	5,122	2,744	2,365	2,507	2,310	2,310	2,310
One - stop services - youth customers served	220	212	242	214	200	330	*	*	*	*
Job orders received	3,178	3,743	4,446	2,761	1,765	2,116	*	*	*	*
Customized training provided (trainees)	Program Ended	1,044	1,413	998	2,319	1,663	*	*	*	*
Maryland Business works projects (trainees)	n/a	Grant Ended	351	187	190	310	*	*	*	*
Recruitment for business	44	60	32	90	81	*	*	*	*	*
Customized & onsite recruitment events	359	454	364	18	28	31	*	*	*	*
Website unique visitors	82,257	93,875	82,422	79,697	55,605	21,774	*	*	*	*
Business Development and Retention Division										
Average web hits per month	421,502	420,018	422,119	390,112	370,934	365,115	326,761	280,396	251,629	169,475
Inquiries	2,100	2,001	2,590	3,847	3,943	3,343	3,273	2,507	*	*
Prospects	140	128	150	164	311	440	405	482	*	*
Projects	503	499	513	541	513	422	396	137	184	187
Companies visited	325	308	311	348	429	424	455	486	321	349
Companies assisted	313	290	270	272	335	418	360	244	544	593

*Information not available

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>Fiscal Year</u>									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Government										
Building maintenance										
Buildings managed	149	147	142	145	145	136	121	116	114	110
Public Safety										
Fire/rescue stations	30	30	30	30	30	30	30	30	30	30
Adult Detention Center average daily population	382	395	442	416	425	484	498	464	466	452
Public Works										
County roads - mileage	1,270	1,271	1,264	1,264	1,264	1,258	1,257	1,256	1,245	1,237
Water facilities										
Plants/Distribution Systems	12	12	12	12	12	14	14	14	14	14
Daily capacity (1,000 gals.)	18,124	18,124	18,124	12,432	12,432	12,432	10,193	10,193	9,485	9,485
Miles of water mains	306	302	293	290	289	284	271	253	243	231
Hydrants	2,665	2,602	2,482	2,453	2,428	2,357	2,259	2,085	1,924	1,778
Sewer facilities										
Plants/Collection Systems	14	14	15	15	16	16	16	17	17	17
Daily capacity (1,000 gals.)	8,677	8,677	8,677	8,677	7,727	7,677	7,677	7,707	7,707	7,701
Miles of sewer mains	367	363	357	353	352	344	339	327	313	303
Bridges										
Bridges (over 20' spans)	219	219	219	219	219	215	215	214	214	213
Fleet services										
Vehicles	926	961	967	1,045	1,016	994	959	888	820	802
Parks, Recreation and Culture										
County park acreage	2,066	2,066	2,066	2,066	1,792	1,572	1,534	1,534	1,511	1,511
County facilities	36	36	36	36	31	30	30	29	29	29

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