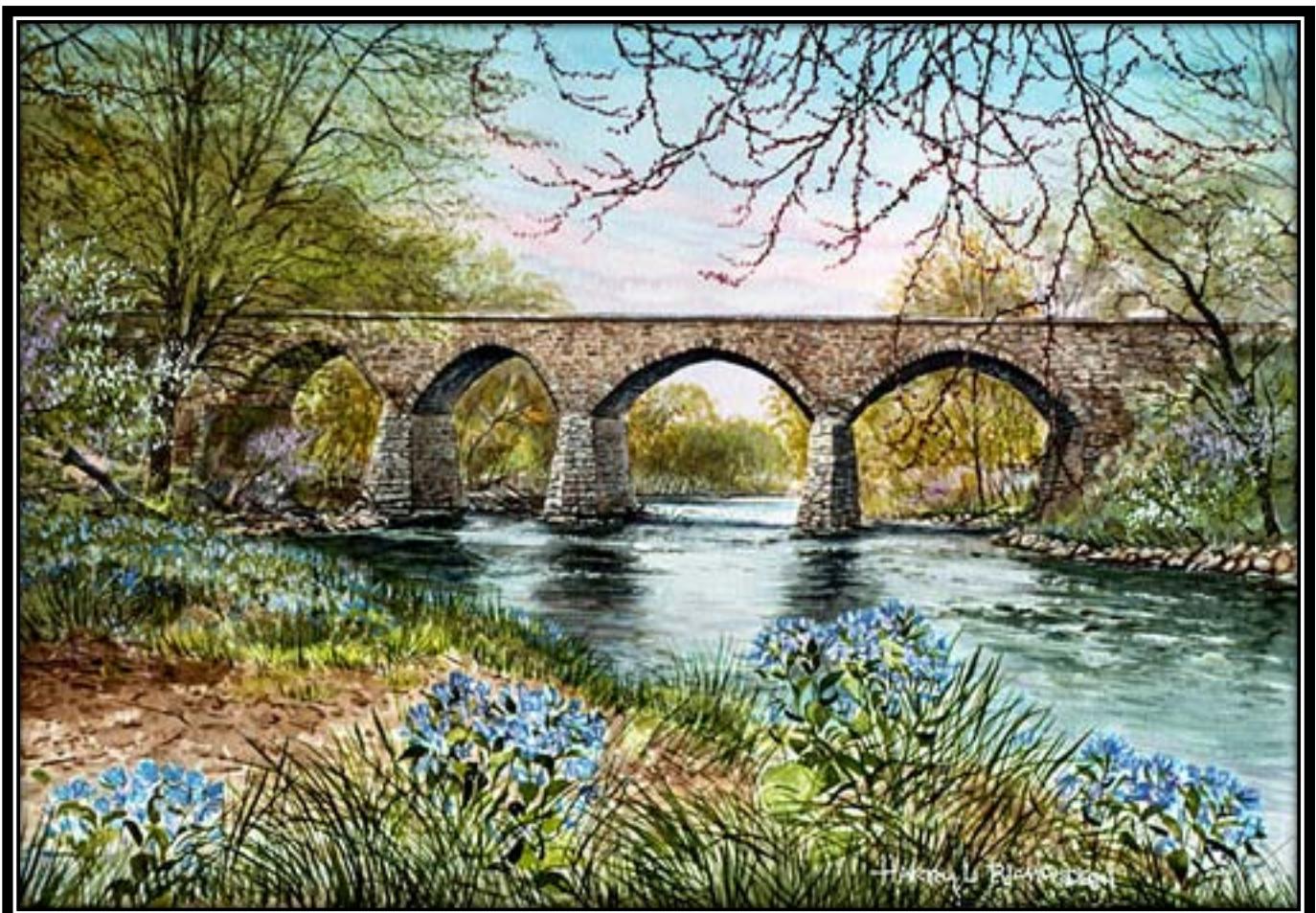


# Frederick County Maryland



LeGore Bridge in Springtime

Harry Richardson

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012

Front Cover: "*LeGore Bridge in Springtime*" In late April, Virginia Bluebell wildflowers carpet the rich river bottom. This historic stone bridge spanning the Monocacy River was built privately by James William LeGore, owner of LeGore Lime Company, of the town of LeGore, near Woodsboro, Maryland. The bridge made it easier to transport the lime and gravel products from LeGore quarry north to the Pennsylvania markets. This massive private project was begun about 1898 and opened to the public in 1900. The bridge is 64 ft. high, 27 ft. wide, and 340 ft. long and was restored in 2009.

To see more of this artist's work visit his website at [harryrichardson.com](http://harryrichardson.com)

*Frederick County, Maryland*  
*Comprehensive Annual Financial Report*  
*Fiscal Year 2012*  
*July 1, 2011 – June 30, 2012*



*Prepared by the Finance Division*

# OUR MISSION



**FREDERICK COUNTY, MARYLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**TABLE OF CONTENTS**

<u>Exhibit</u>	<u>Description</u>	<u>Page</u>
I	<b>INTRODUCTORY SECTION</b>	
	Letter of Transmittal.....	1
	GFOA Certificate of Achievement.....	8
	Government Organization Chart.....	9
	Summary of Elected and Appointed Officials .....	11
II	<b>FINANCIAL SECTION</b>	
	Independent Public Accountants Report.....	13
	Management's Discussion and Analysis.....	15
Basic Financial Statements:		
	Government-wide Financial Statements:	
II-A-1	Statement of Net Assets.....	29
II-A-2	Statement of Activities .....	31
	Fund Financial Statements:	
II-A-3	Balance Sheet – Governmental Funds .....	32
II-A-4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	33
II-A-5	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	34
II-A-6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities .....	35
II-A-7	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget and Actual – General Fund .....	37
II-A-8	Statement of Revenues, Expenses, and Changes in Fund Balance – Budgetary Basis – Budget and Actual – Agricultural Preservation Fund.....	45
II-A-9	Statement of Net Assets – Proprietary Funds .....	46
II-A-10	Statement of Revenues, Expenditures, and Changes in Net Assets – Proprietary Funds .....	47
II-A-11	Statement of Cash Flows – Proprietary Funds.....	48
II-A-12	Statement of Fiduciary Net Assets .....	50
II-A-13	Statement of Changes in Fiduciary Net Assets .....	51
II-A-14	Notes to Financial Statements .....	55
Required Supplementary Information:		
II-A-15	Schedule of Funding Progress – Last Six Fiscal Years – Frederick County Employees Retirement Plan.....	119
II-A-16	Schedule of Contributions from the Employer Fiscal Years – Frederick County Employees Retirement Plan.....	120
II-A-17	Schedule of Funding Progress – Frederick County Retiree Health Benefit Plan .....	121
II-A-18	Schedule of Employer Contributions – Frederick County Retiree Health Benefit Plan .....	122
Supplementary Data:		
	Combining and Individual Fund Statements and Supplementary Schedules:	
	Nonmajor Funds:	
II-B-1	Combining Balance Sheet – Nonmajor Governmental Funds .....	123
II-B-2	Combining Balance Sheet – Sheriff's Activities – Special Revenue Funds .....	124
II-B-3	Combining Balance Sheet – Loan Activities – Special Revenue Funds .....	125
II-B-4	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	126
II-B-5	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Sheriff's Activities – Special Revenue Fund.....	127

## TABLE OF CONTENTS

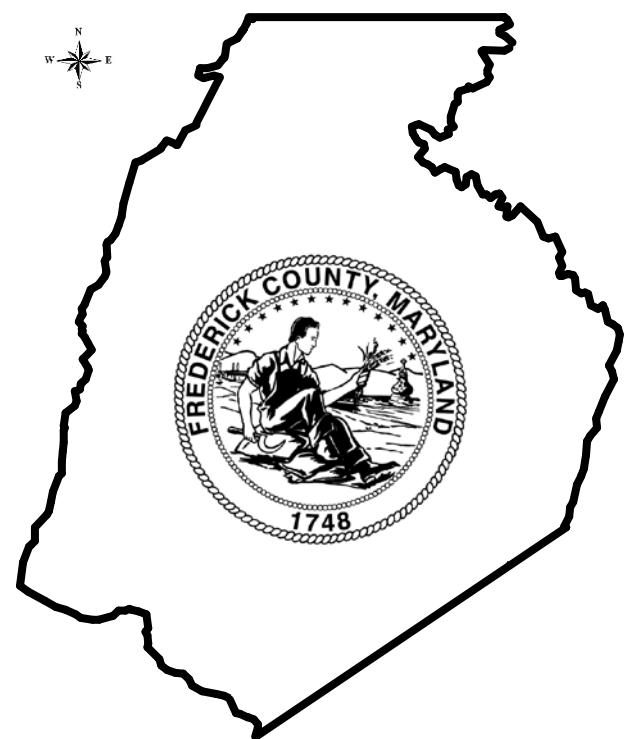
<u>Exhibit</u>	<u>Description</u>	<u>Page</u>
II-B-6	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Loan Activities – Special Revenue Fund .....	128
II-B-7	Special Revenue Funds - Schedules of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis – Budget and Actual.....	129
Capital Projects Fund:		
II-B-8	Schedule of Revenues and Expenditures and Changes in Fund Balance – Budget and Actual .....	133
Enterprise Funds:		
II-B-9	Combining Statement of Net Assets – Nonmajor Enterprise Funds.....	134
II-B-10	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds .....	135
II-B-11	Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	136
Internal Service Funds:		
II-B-12	Combining Statement of Net Assets – Internal Service Funds .....	138
II-B-13	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds .....	139
II-B-14	Combining Statement of Cash Flows – Internal Service Funds.....	140
Agency Funds:		
II-B-15	Combining Statement of Changes in Assets and Liabilities .....	142
Capital Assets used in the Operation of Governmental Funds:		
II-B-16	Schedule by Source .....	143
II-B-17	Schedule by Function.....	144
II-B-18	Schedule of Changes by Function .....	145

### STATISTICAL SECTION

Statistical Data (Not covered by Report of Independent Certified Public Accountants)

III-A-1	Net Assets by Component, Last Nine Fiscal Years.....	148
III-A-2	Changes in Net Assets, Last Nine Fiscal Years .....	149
III-A-3	Fund Balances, Governmental Funds, Last Ten Fiscal Years .....	151
III-A-4	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	152
III-A-5	Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years .....	154
III-A-6	Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years .....	155
III-A-7	Principal Property Tax Payers, Current Year and Nine Years Ago .....	156
III-A-8	Property Tax Levies and Collections, Last Ten Fiscal Years.....	157
III-A-9	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years .....	158
III-A-10	Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years .....	159
III-A-11	Direct and Overlapping Governmental Activities Debt.....	160
III-A-12	Computation of Legal Debt Margin, Last Ten Fiscal Years .....	161
III-A-13	Demographic and Economic Statistics, Last Ten Fiscal Years .....	162
III-A-14	Principal Employers, Current Year and Nine Years Ago.....	163
III-A-15	Full Time-Equivalent County Government Employees by Function, Last Ten Fiscal Years.....	164
III-A-16	Operating Indicators by Function, Last Ten Fiscal Years .....	165
III-A-17	Capital Asset Statistics by Function, Last Ten Fiscal Years .....	168

# 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](http://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 19, 2012

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, 2012.

### **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 report includes the independent public accountants' opinion of the Board of County Commissioners' (the "Board") appointed certified public accounting firm 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 unqualified opinion on the County's financial statements as of and for the fiscal year ended June 30, 2012. 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 independent public accountants report is located at the beginning of the financial section of this report.

The County is also required to undergo an annual Single Audit in conformity with the provisions of the 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 236,551. 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 65,833. 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](http://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 and the Permitting & Development Review Funds are 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 Finance Division 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 department 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** –There continues to be a tremendous amount of uncertainty regarding the national economy in the immediate and long-term. The federal government has been a positive influence on Maryland and Frederick during the most recent recession. Fort Detrick, a military installation primarily dedicated to medical research, is an economic engine for the County as well as the State of Maryland. Federal biodefense expansion and Base Realignment and Closure (BRAC) 2005 changes at Fort Detrick 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. Fort Detrick currently employs 9,200 military and private sector positions and is projected to add another 1,000 more through 2015.

The Science Applications International Corporation (SAIC) - Frederick, Inc. officially opened a new 330,000 square foot Advanced Technology Research Facility in early 2012 providing offices and state-of-the art laboratories for cancer and AIDS research. This facility is intended to serve as the cornerstone for a research campus facility at this site.

Frederick County experienced a 1.9% increase in employment from 2010 to 2012. The percent increase in average weekly wages was 12% for the same period.

The County's largest revenue source remains real property taxes in spite of recent declines in the real estate market. The fiscal year 2012 tax assessable base resulted in a decrease over the fiscal year 2011 assessable base of 2.3%. The reduction in property revenue as a result of the declining assessable base was offset in large part by the reduction in the Homestead Tax Credit.

Income tax revenue, the second largest revenue source in the County, which is directly affected by population growth, employment levels and personal income, showed steady growth through 2008. Starting in fiscal year 2009 income tax revenues declined. That trend reversed itself in fiscal year 2011 and 2012. Income tax is budgeted at \$171.2 million for fiscal year 2013.

The County has also had to contend with reductions in revenues tied to the State and affected by Maryland's shortfalls. The most significant revenue reduction has been Highway User tax revenue. Also a special session of the Maryland General Assembly in May 2012 passed legislation shifting 50.0

percent of the teacher's pension costs to the local subdivisions in fiscal year 2013. Frederick County's share of teacher's pension costs for fiscal year 2013 is \$5.9 million.

In spite of fiscal challenges the fiscal year 2013 appears stable due to sound fiscal management policies and a history of financial conservatism.

**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 2013 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, 2012 with a General Fund fund balance of \$100.6 million. The actual fund balance increased \$15.4 million from the fund balance at June 30, 2011. Of this amount, \$1.2 million is unspendable.

### **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, 2011. 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 Acting Director of Accounting, Susan Blum, and the Accounting Team Leaders, Ronni Griffin, Melanie Thom, Kathi Tritsch, along with their staff; and the Director of Treasury, Diane Fox, and her staff who administer the County's property tax and revenue collection systems. 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 staffs for their continued interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Use of this Report

This report and the financial information prepared by the Frederick County Division of Finance can be accessed on the County's website at [www.FrederickCountyMD.gov/reports](http://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,



Erin White, CPA  
Acting Director of Finance



# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Frederick County  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



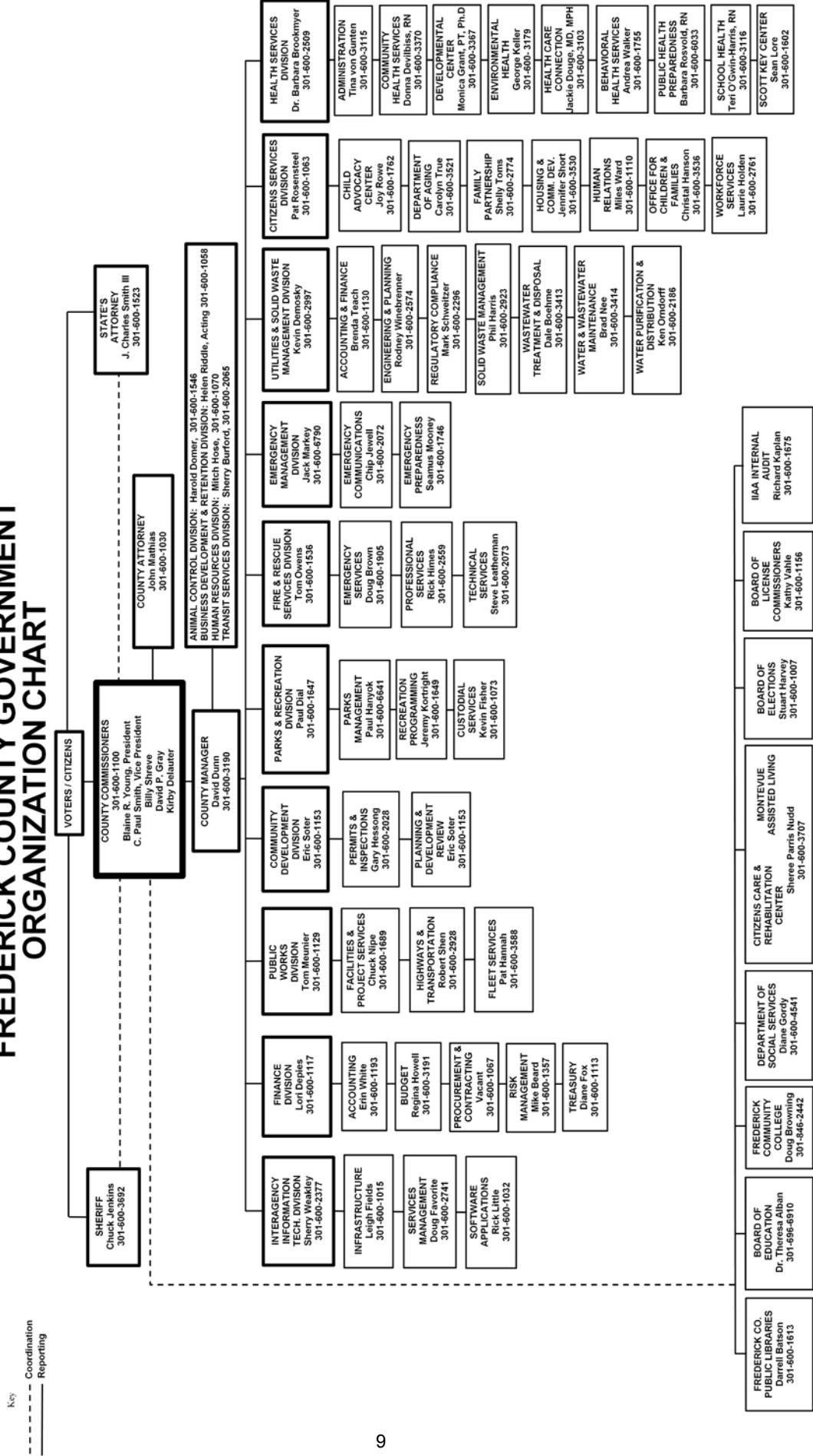
*Linda C. Danison*

President

*Jeffrey R. Ecker*

Executive Director

# 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  
Business Development and Retention 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  
Transit Services Division Director  
Utilities and Solid Waste Management Division Director

John S. Mathias, Esquire  
David B. Dunn  
Harold L. Domer, Jr.  
Helen M. Riddle (Acting)  
  
Sheree Parris Nudd  
Patricia B. Rosensteel  
Eric E. Soter  
John E. "Jack" Markey  
Lori L. Depies, CPA  
Thomas W. Owens  
Barbara A. Brookmyer, MD, MPH  
Mitchell L. Hose  
Sherry A. Weakley  
Richard A. Kaplan  
W. Paul Dial  
Thomas J. Meunier, P.E.  
Sherry C. Burford  
Kevin L. Demosky

## **Component Units**

### **Board of Education**

President	Angie L. Fish
Vice-President	Donna J. Crook
Member	Brad W. Young
Member	Kathryn B. Groth
Member	April F. Miller, O.D
Member	James C. Reeder, Jr.
Member	Jean A. Smith
Student Member	Brandon K. Wharton
Superintendent	Theresa R. Alban, Ph.D.

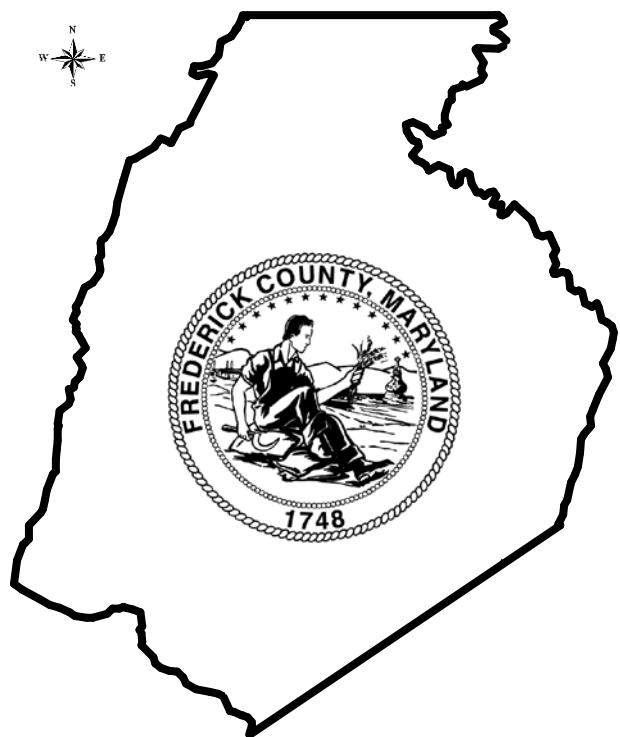
### **Frederick Community College**

Chairperson	Dixie J. Miller
Vice Chairperson	Debra S. Borden
Trustee	Nick Diaz
Trustee	Byron J. Grayson
Trustee	Donald C. Linton
Trustee	Peter H. Michael
Trustee	Doris J. White
President	Douglas D. Browning (Interim)

### **Frederick County Public Library**

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

# FINANCIAL SECTION







## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of County Commissioners  
Frederick County, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Frederick County, Maryland (the County), as of June 30, 2012, and for the year then ended, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required 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 evidence sufficient to express an opinion or provide any assurance.



**S B & C O M P A N Y, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying introductory, statistical, combining, individual fund statements and supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The combining individual fund statements and supplementary schedules have 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 combining individual fund statements and supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*SBC & Company, LLC*

Hunt Valley, Maryland  
December 14, 2012

## 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 \$673.4 million (net assets), approximately 67.7 percent of which is attributable to the County's business-type activities. Of total net assets, \$615.7 million is invested in capital assets, net of related debt, and \$147.4 million is restricted for specific purposes (restricted net assets). The County's unrestricted net assets are a negative \$89.7 million. This total unrestricted net asset amount includes a balance of \$101.6 million from business-type activities, offset by a deficit balance in unrestricted net assets from governmental activities of \$191.3 million. This deficit balance in unrestricted net assets 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 \$258.6 million of bonds payable, the proceeds of which have been used to fund school and college construction.
- Total government-wide net assets increased by \$34.8 million or 5.5 percent. The governmental net assets increased by \$19.7 million versus an increase of \$27.4 million in FY2011. This difference is based in part by a 2.4% decrease in real estate assessments reducing property tax revenues by \$8.7 million along with \$4.0 million decrease in local income taxes. This was offset by increases in investment earnings of \$6.0 million related to unrealized gains on investments that will be held to maturity.
- The business-type net assets increased by \$15.1 million or 3.4 percent versus an increase of \$41.3 million in FY2011. These variances are largely a result of non-operating income from developer contributions and capital grants in the Water and Sewer Fund, which decreased by \$24.9 million in FY2012.
- The governmental activities revenue totaled \$528.7 million or 86.4 percent of total revenue and the net results from governmental activities was an increase in net assets of \$19.7 million.
- The business-type activities revenue totaled \$83.5 million or 13.6 percent of total revenue and the net assets from business-type activities increased by \$15.1 million.

- The total cost of all County programs was \$577.4 million, a decrease of \$3.0 million or 0.5% from FY2011 and a decrease of \$55.9 million or 8.8% from FY2010.
- As of June 30, 2012, the County's governmental funds have a combined fund balance of \$234.7 million, an increase of \$42.7 million from the previous fiscal year. The three major governmental funds have reported increases of \$15.4 million in the General Fund, \$8.6 million in the Agricultural Preservation Fund and \$21.6 million in the Capital Projects Fund which is offset by a \$2.9 million decrease in the Nonmajor Governmental Funds. The General Fund increase of \$15.4 million is due primarily to income tax revenues that exceeded the budget by almost \$13.9 million along with a favorable variance in property taxes that exceeded revenue estimated by almost \$2.5 million. The Agricultural Preservation Fund's increase in fund balance of \$8.6 million is almost entirely due to a \$6.0 million unrealized gain on investments during FY12 that will not be realized, as these investments are held to maturity to pay off installment purchase agreements in future years. The remaining increase to fund balance was due to the reduction in easement acquisitions, while other revenues remained constant. The Capital Projects Fund increase of \$21.6 million is primarily due to the \$59.0 million receipt of bond proceeds and a \$3.6 million increase in funds transferred from the General Fund, when combined with a \$42 million deficiency in revenue over expenses. The Nonmajor Governmental Funds had a reduction of fund balance of \$2.9 million. The largest contributor to this reduction was the Fire/Rescue Tax Districts Special Revenue Fund which had a budgeted use of fund balance in excess of \$3.6 million. However, expenditure savings totaled in excess of \$0.5 million and \$180,000 in bond proceeds resulted in a fund balance reduction of only \$2.7 million.
- 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 \$20.5 million for this fiscal year. This amount is included in "Restricted" 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).
- Frederick County's total general obligation bonds (governmental and proprietary) increased by \$35.4 million during the current fiscal year, the result of two refunding issues and one new money issue.

## 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 Assets* (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 Assets" is the difference between the County's assets and its liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. 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 assets changed during the most recent fiscal year. All changes in net assets 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.

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 six individual enterprise funds: the Water & Sewer Fund, the Solid Waste Management Fund, the Citizens Care & Rehabilitation Center Fund, the Montevue Home Fund, the Bell Court Apartments Fund, and the Permitting and Development Review 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 fleet services and voice services operations. Because the services of these funds benefit both the governmental

and business-type functions, the change in net assets 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 assets 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 \$673.4 million at the close of the fiscal year. Frederick County's net assets are divided into three categories, invested in capital assets net of related debt, restricted net assets and unrestricted net assets. The largest portion of the County's net assets, \$615.7 million or 91.4 percent, 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 21.9 percent of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the government have a negative balance of \$89.7 million. The unrestricted net assets for business-type activities have a balance of \$101.6 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 assets. 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 somewhat from FY2011 to FY2012. The deficit decreased in the Unrestricted Net Assets of the Governmental Activities by \$37.4 million while the already positive Business Activities Unrestricted Net Assets increased \$3.3 million. The main reason for the continued deficit in Net Assets in the governmental activities is the fact that the County continues to have expenses related to the Board of Education and Community College capital program. During this fiscal year \$9.4 million and \$0.9 million were sent to the Board of Education and Community College, respectively. Overall, total net assets increased by \$34.8 million. Reasons for the increase in net assets 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 and property taxes materializing in amounts that exceeded the estimates.

## Statement of Net Assets

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

<b>Statement of Net Assets</b> as of June 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 315,042	\$ 271,026	\$ 148,797	\$ 156,402	\$ 463,839	\$ 427,428
Capital assets	477,020	467,137	535,257	517,644	1,012,277	984,781
Total assets	<u>792,062</u>	<u>738,163</u>	<u>684,054</u>	<u>674,046</u>	<u>1,476,116</u>	<u>1,412,209</u>
Current and other liabilities	40,556	34,364	26,071	28,069	66,627	62,433
Long-term debt outstanding	534,164	506,175	201,887	204,977	736,051	711,152
Total Liabilities	<u>574,720</u>	<u>540,539</u>	<u>227,958</u>	<u>233,046</u>	<u>802,678</u>	<u>773,585</u>
Net Assets:						
Invested in capital assets, net of debt	261,682	282,853	354,047	338,312	615,729	621,165
Restricted	146,940	143,504	456	4,371	147,396	147,875
Unrestricted (deficit)	<u>(191,281)</u>	<u>(228,733)</u>	<u>101,593</u>	<u>98,317</u>	<u>(89,688)</u>	<u>(130,416)</u>
Total net assets	<u><u>\$ 217,342</u></u>	<u><u>\$ 197,624</u></u>	<u><u>\$ 456,096</u></u>	<u><u>\$ 441,000</u></u>	<u><u>\$ 673,438</u></u>	<u><u>\$ 638,624</u></u>

As noted earlier, the government's net assets increased by \$34.8 million during the fiscal year. Net assets of governmental activities increased \$19.7 million. The increase in net assets of business-type activities was \$15.1 million in FY2012.

For more detailed information see the Statement of Net Assets (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 assets for these two fiscal years.

**Statement of Activities**  
**For the Fiscal Year Ended June 30,**  
**(In Thousands)**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 19,664	\$ 17,722	\$ 67,230	\$ 67,490	\$ 86,894	\$ 85,212
Operating grants and contributions	18,669	22,051	-	-	18,669	22,051
Capital grants and contributions	10,060	8,007	15,481	40,907	25,541	48,914
<b>General revenues</b>						
Local property taxes	280,655	289,330	-	-	280,655	289,330
Local income taxes	161,880	165,839	-	-	161,880	165,839
Other local taxes	19,885	21,939	-	-	19,885	21,939
Intergovernmental	3,200	3,677	-	-	3,200	3,677
Build America Bond subsidy	1,375	1,375	364	364	1,739	1,739
Investment earnings	8,638	1,759	447	642	9,085	2,401
Miscellaneous	4,682	7,903	6	56	4,688	7,959
<b>Total revenues</b>	<b>528,708</b>	<b>539,602</b>	<b>83,528</b>	<b>109,459</b>	<b>612,236</b>	<b>649,061</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
<b>Governmental Activities:</b>						
General government	46,807	47,444	-	-	46,807	47,444
Public safety	94,647	94,015	-	-	94,647	94,015
Public works	38,138	38,082	-	-	38,138	38,082
Health	6,165	7,389	-	-	6,165	7,389
Social services	7,570	8,607	-	-	7,570	8,607
Education	253,446	255,092	-	-	253,446	255,092
Parks, recreation, and culture	18,460	18,295	-	-	18,460	18,295
Conservation of natural resources	4,007	2,515	-	-	4,007	2,515
Community development and public housing	6,633	7,069	-	-	6,633	7,069
Economic development and opportunity	7,558	12,777	-	-	7,558	12,777
Interest on long term debt	19,546	15,105	-	-	19,546	15,105
<b>Business-type Activities:</b>						
Water and sewer	-	-	31,927	29,623	31,927	29,623
Solid waste management	-	-	17,878	19,949	17,878	19,949
Non-major Business-type Activities	-	-	24,640	24,442	24,640	24,442
<b>Total expenses</b>	<b>502,977</b>	<b>506,390</b>	<b>74,445</b>	<b>74,014</b>	<b>577,422</b>	<b>580,404</b>
<b>Change in net assets before transfers</b>	<b>25,731</b>	<b>33,212</b>	<b>9,083</b>	<b>35,445</b>	<b>34,814</b>	<b>68,657</b>
<b>Transfers</b>	<b>(6,013)</b>	<b>(5,827)</b>	<b>6,013</b>	<b>5,827</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>19,718</b>	<b>27,385</b>	<b>15,096</b>	<b>41,272</b>	<b>34,814</b>	<b>68,657</b>
<b>Net Assets - beginning of year</b>	<b>197,624</b>	<b>170,239</b>	<b>441,000</b>	<b>399,728</b>	<b>638,624</b>	<b>569,967</b>
<b>Net Assets - ending of year</b>	<b>\$ 217,342</b>	<b>\$ 197,624</b>	<b>\$ 456,096</b>	<b>\$ 441,000</b>	<b>\$ 673,438</b>	<b>\$ 638,624</b>

**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 assets by \$19.7 million. These increases were due to general salary savings across all funds and unexpected income tax revenues (approximately \$13.9 million) in the General Fund. In addition, there are a number of expenditures savings as a result of cost reduction measures.

**Business-type Activities:** Business-type activities increased Frederick County's net assets by \$15.1 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 \$15.5 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 \$234.7 million. Approximately 97.0 percent of this total amount (\$227.6 million) constitutes restricted, committed and/or assigned 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 restricted fund balance of \$50.5 million is \$20.4 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 restricted fund balance.

The General Fund is the chief operating fund of Frederick County. At the end of the current fiscal year, restricted, committed, and assigned fund balance of the General Fund was \$99.4 million. Reducing the restricted fund balance for the legislative mandate noted earlier still provides a fund balance of \$78.9 million spendable for current operations. Total fund balance reached \$100.6 million. As a measure of the General Fund's liquidity, it may be useful to compare restricted, committed, and assigned fund balance and total fund balance to total expenditures. Restricted, committed, and assigned fund balance represents 24.3 percent of total General Fund expenditures, while total fund balance represents 24.6 percent of that same amount.

Frederick County's General Fund fund balance increased by \$15.4 million during the current fiscal year. This increase is due primarily to unexpected increases in income tax revenues, combined with moderate increases in expenditures in the areas of general government, public safety, education and intergovernmental with all other functions remaining constant.

The Agricultural Preservation Fund has a total fund balance of \$54.1 million. \$47.9 million is committed for debt service related to the Installment Purchase Agreements. The total fund balance increased by \$8.6 million during FY2012 primarily due to a \$6.0 million increase in

investment earnings related to unrealized gain on investments and a reduction in expenditures for easements.

The Capital Projects Fund has a total fund balance of \$65.4 million. The increase in fund balance was \$21.6 million. This increase is primarily due to \$59.0 million in refunding and new money bond issues during the year, offset by a \$23.0 million reduction in expenditure.

**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 assets of the Water and Sewer Fund at the end of the year amounted to \$76.9 million and unrestricted net assets in the Solid Waste Management Fund totaled \$20.8 million. The Nonmajor Enterprise Funds had unrestricted net assets totaling \$3.0 million.

### **General Fund Budgetary Highlights**

The final budgets for the General Fund represented minor changes from the original budget. Expenditures were reduced by \$172,145 over the original budget. During the year, revenues were greater than budgetary estimates by \$16.3 million and expenditures were less than budgetary estimates by \$16.8 million. Other financing sources and uses had a favorable variance of \$3.5 million. The favorable variances totaled \$36.7 million thereby eliminating the need to draw upon the appropriated fund balance of \$20.8 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 \$2.6 million. This is primarily due to \$1.9 million in real property taxes more than originally estimated.
- Local income tax distributions were greater than the budgeted amount by \$13.9 million. This is the result of a conservative budget and the difficulty in estimating this revenue stream.
- Other local taxes, primarily recordation tax collections, continue to lag behind expectations by \$0.5 million, thereby possibly negating any notion that the recession recovery included the housing industry.
- Investment earnings were less than budget by \$0.4 million. The investment shortfall was due to investment rates being lower than expected.
- Debt service savings of \$2.4 million were a result of refunding bonds issued in FY2012.
- Various departmental under spending of appropriations resulted in total expenditures being under budget by \$16.8 million generally throughout all functions of government. The largest contributors to this savings were \$3.4 million in general government, \$1.5 million in public safety, \$1.4 million in public works, and \$5.4 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, 2011 and 2012, amount to \$984.8 million and \$1,012 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 2.8 percent.

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

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 88,921	\$ 87,426	\$ 7,088	\$ 7,088	\$ 96,009	\$ 94,514
Construction in prog.	28,677	48,031	100,070	99,172	128,747	147,203
Buildings, impr. & equip.	329,951	285,273	254,978	247,299	584,929	532,572
Infrastructure	349,686	344,763	317,188	297,557	666,874	642,320
Depreciation	(320,215)	(298,356)	(144,067)	(133,472)	(464,282)	(431,828)
Total	<u>\$ 477,020</u>	<u>\$ 467,137</u>	<u>\$ 535,257</u>	<u>\$ 517,644</u>	<u>\$ 1,012,277</u>	<u>\$ 984,781</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	\$ 467,137	\$ 517,644	\$ 984,781
Additions	83,509	59,482	142,991
Depreciation	(23,612)	(11,599)	(35,211)
Retirement*	(50,014)	(30,270)	(80,284)
Ending Balance	<u>\$ 477,020</u>	<u>\$ 535,257</u>	<u>\$ 1,012,277</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:

- Nursing Home & Assisted Living Facility \$8.3 million
- Pavement Management 6.2 million
- Digital Radio System Upgrade 5.0 million

- Urbana District Park 4.0 million
- Ballenger Creek Multipurpose Building 1.5 million
- Ijamsville Road, Phase I 1.5 million
- The following transfers were made to the Frederick County Board of Education for school construction:
  - Lincoln Elementary Addition \$19.0 million
  - Oakdale Elementary Addition 3.1 million
- The following transfers were made to Frederick Community College for school construction.
  - Interior Space Conversion \$0.5 million
  - Science/Tech Hall Renovation 0.2 million

**Business-type Activities:**

- Construction costs were incurred for the following major projects:
  - McKinney Wastewater Treatment Plant \$22.7 million
  - Lake Linganore Pinehurst Water & Sewer Improve. 3.0 million

**Debt Outstanding**

As of year-end, the County had \$572.9 million in general obligation bonds outstanding compared to a total of \$555.3 million last year, a 3.2 percent net increase. This increase is attributed to the issuance of new money and refunding bonds totaling \$156.9 million, retiring of \$100.4 million in debt and principal payments of \$38.9 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 161.

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)**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Governmental Activities:</b>		
Bonds and notes payable:		
General obligation bonds	\$ 437,662	\$ 409,779
Installment purchase agreements	54,611	53,023
Other notes payable	1,245	2,092
	<u>493,518</u>	<u>464,894</u>
Add remaining original issue premium	23,885	14,107
Less deferred amount on bond refundings	(18,099)	(8,766)
Total bonds and notes payable	<u>499,304</u>	<u>470,235</u>
Other liabilities:		
Capital lease obligations	3,517	4,072
Compensated absences	8,969	9,450
Net OPEB obligation	22,195	22,195
Termination benefits	179	223
	<u>34,860</u>	<u>35,940</u>
Governmental activities long-term liabilities	<u>\$ 534,164</u>	<u>\$ 506,175</u>
<b>Business-type Activities:</b>		
Bonds and notes payable:		
General obligation bonds	\$ 135,273	\$ 145,506
Other notes payable	49,990	41,793
	<u>185,263</u>	<u>187,299</u>
Add remaining original issue premium	8,836	4,785
Less deferred amount on bond refundings	(7,672)	(2,714)
Total bonds and notes payable	<u>186,427</u>	<u>189,370</u>
Other liabilities:		
Landfill closure costs	13,974	13,966
Compensated absences	1,459	1,618
Termination benefits	27	23
	<u>15,460</u>	<u>15,607</u>
Business-type activities long-term liabilities	<u>\$ 201,887</u>	<u>\$ 204,977</u>

July 21, 2011 was the most recent time the County issued new money tax-exempt General Obligation Public Facilities Bonds in the amount of \$55,810,000. A refunding issue was completed at the same time in the amount of \$16,005,000 to advance refund \$16,315,000 of tax-exempt General Obligation Public Facilities Bonds, Series 2002. In February to 2012 another refunding issue was executed in the amount of \$85,075,000 to advance refund select maturities of the 2003, 2007 and 2008 General Obligation Bonds. 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 \$96.3 million and \$42.9 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. on pages 84-101 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S PROPERTY TAX RATES**

The following summarizes some economic factors and trends:

- As of June 2012 the average unemployment rate for the County was 5.9 percent, while the average unemployment rate for the State of Maryland was 6.9 percent.
- The FY2013 property tax remained at \$.936 per \$100 of assessed valuation. The tax rate is based on a full market value taxable assessment of \$25,536,656,852.

## **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.

# 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 ASSETS**  
**JUNE 30, 2012**

	<b>Primary Government</b>			<b>Component Units</b>		
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	<b>Total</b>	<b>Board of Education</b>	<b>Community College</b>
	<b>Cash</b>	<b>15,563,629</b>	<b>106,569</b>	<b>\$ 15,670,198</b>	<b>\$ 7,770,913</b>	<b>\$ 16,143,334</b>
Cash	\$ 15,563,629	\$ 106,569	\$ 15,670,198	\$ 7,770,913	\$ 16,143,334	\$ 7,188
Equity in pooled invested cash	113,864,607	94,697,195	208,561,802	-	-	-
Total cash and cash equivalents	129,428,236	94,803,764	224,232,000	7,770,913	16,143,334	7,188
Investments	95,913,554	30,354,489	126,268,043	18,461,992	9,546,180	424,296
Receivables, net of allowance for uncollectibles:						
Property taxes	630,757	-	630,757	-	-	-
Accounts	6,642,410	13,070,999	19,713,409	1,886,352	1,186,063	736
Intergovernmental	42,766,076	-	42,766,076	2,014,093	2,422,095	-
Internal balances	(946,165)	946,165	-	-	-	-
Due from primary government	-	-	-	3,910,960	-	2,403,620
Due from component units	4,392,433	-	4,392,433	-	-	-
Inventories	1,464,711	90,979	1,555,690	979,042	716,726	-
Prepaid items	466,256	27,008	493,264	47,079	372,291	30,116
Deferred charges	2,656,943	791,256	3,448,199	-	-	-
Long-term receivables, net of allowance for uncollectibles	9,266,464	7,818,174	17,084,638	-	-	-
Cash and cash equivalents - restricted	22,360,338	893,954	23,254,292	1,423,972	-	20,000
Beneficial interest in charitable remainder trust	-	-	-	-	334,539	-
Capital assets:						
Land	88,921,439	7,088,479	96,009,918	46,295,756	271,620	-
Buildings and improvements	232,823,807	204,746,648	437,570,455	802,973,936	81,839,091	-
Equipment	97,126,197	50,231,379	147,357,576	81,277,735	4,452,026	231,944
Library collection	-	-	-	-	1,933,958	10,197,298
Infrastructure	349,685,900	317,188,020	666,873,920	-	-	-
Construction in progress	28,677,407	100,070,192	128,747,599	29,154,270	12,010,036	-
Accumulated depreciation	(320,215,131)	(144,067,345)	(464,282,476)	(294,313,402)	(33,160,770)	(6,856,873)
Total assets	792,061,632	684,054,161	1,476,115,793	701,882,698	98,067,189	6,458,325

(continued)

FREDERICK COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Board of Education	Community College	Public Libraries
<b>Liabilities</b>						
Accounts payable	\$ 2,097,420	\$ 662,325	\$ 2,759,745	\$ 11,919,983	\$ 1,981,258	\$ 70,130
Accrued liabilities	12,343,726	8,121,620	20,465,346	244,046	384,898	-
Payroll and benefit deductions	7,728,440	1,054,535	8,782,975	8,028,893	341,175	265,229
Property taxes payable	167,722	-	167,722	-	-	-
Due to third parties	1,276,858	-	1,276,858	-	258,972	-
Due to other governmental units	84,373	5,350	89,723	-	-	-
Due to primary government	-	-	-	-	4,206,398	-
Due to component units	6,247,813	2,500	6,250,313	-	-	-
Due to fiduciary funds	-	-	-	41,714	-	-
Unearned revenues	7,787,803	9,523,489	17,311,292	145,692	1,346,592	139,420
Performance and security deposits	-	10,218	10,218	-	-	-
Other liabilities	2,821,837	6,690,741	9,512,578	-	-	-
Noncurrent liabilities:						
Due within one year	34,088,612	13,665,929	47,754,541	7,533,509	281,185	28,151
Due in more than one year	500,075,668	188,220,998	688,296,666	169,215,818	8,934,559	1,859,050
Total liabilities	<u>574,720,272</u>	<u>227,957,705</u>	<u>802,677,977</u>	<u>197,129,655</u>	<u>17,735,037</u>	<u>2,361,980</u>
<b>Net Assets</b>						
Investment in capital assets, net of related debt	261,682,219	354,046,472	615,728,691	649,541,120	57,208,049	3,572,369
Restricted for:						
School and library construction	23,232,376	-	23,232,376	-	-	-
Additional or expanded road facilities	8,208,543	-	8,208,543	-	-	-
Capital Projects	41,823,085	-	41,823,085	-	-	-
Agricultural preservation	49,784,355	-	49,784,355	-	-	-
Fire and rescue services	956,694	-	956,694	-	-	-
County code required set-aside	20,452,457	-	20,452,457	-	-	-
Other purposes	2,482,956	456,221	2,939,177	1,423,972	10,288,084	660,564
Unrestricted (Deficit)	<u>(191,281,325)</u>	<u>101,593,763</u>	<u>(89,687,562)</u>	<u>(146,212,049)</u>	<u>12,836,019</u>	<u>(136,588)</u>
Total net assets	<u>\$ 217,341,360</u>	<u>\$ 456,096,456</u>	<u>\$ 673,437,816</u>	<u>\$ 504,753,043</u>	<u>\$ 80,332,152</u>	<u>\$ 4,096,345</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, 2012**

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government			Total	Component Units		
			Governmental Activities	Business-type Activities						Board of Education	Community College	Public Libraries
<b>Primary government:</b>												
Governmental activities:												
General government	\$ 46,806,905	\$ 8,208,837	\$ 1,558,260	\$ 6,592	\$ (37,033,216)	\$ -	\$ -	\$ (37,033,216)	\$ -	\$ -	\$ -	\$ -
Public safety	94,646,502	7,356,176	2,064,779	1,116,442	(84,109,105)	-	-	(84,109,105)	-	-	-	-
Public works	38,137,648	747,519	3,664,032	6,041,630	(27,684,467)	-	-	(27,684,467)	-	-	-	-
Health	6,165,458	271,307	906,503	-	(4,987,648)	-	-	(4,987,648)	-	-	-	-
Social services	7,570,218	1,532,062	987,932	-	(5,050,224)	-	-	(5,050,224)	-	-	-	-
Education	253,445,819	-	-	-	(253,445,819)	-	-	(253,445,819)	-	-	-	-
Parks, recreation and culture	18,460,120	1,161,925	-	1,287,340	(16,010,855)	-	-	(16,010,855)	-	-	-	-
Conservation of natural resources	4,007,350	181,256	496,353	1,608,337	(1,721,404)	-	-	(1,721,404)	-	-	-	-
Community development and public housing	6,632,923	174,436	6,240,937	-	(217,550)	-	-	(217,550)	-	-	-	-
Economic development and opportunity	7,558,114	30,247	2,749,812	-	(4,778,055)	-	-	(4,778,055)	-	-	-	-
Interest on long term debt	19,546,097	-	-	-	(19,546,097)	-	-	(19,546,097)	-	-	-	-
Total governmental activities	502,977,154	19,663,765	18,668,608	10,060,341	(454,584,440)	-	-	(454,584,440)	-	-	-	-
Business-type activities:												
Water and sewer	31,926,579	24,539,136	-	15,481,330	-	8,093,887	8,093,887	-	-	-	-	-
Solid waste management	17,878,124	24,502,144	-	-	-	6,624,020	6,624,020	-	-	-	-	-
Nursing homes	20,203,892	14,241,647	-	-	-	(5,962,245)	(5,962,245)	-	-	-	-	-
Public housing	149,510	108,478	-	-	-	(41,032)	(41,032)	-	-	-	-	-
Permitting & development review	4,287,265	3,838,228	-	-	-	(449,037)	(449,037)	-	-	-	-	-
Total business-type activities	74,445,370	67,229,633	-	15,481,330	-	8,265,593	8,265,593	-	-	-	-	-
Total primary government	\$ 577,422,524	\$ 86,893,398	\$ 18,668,608	\$ 25,541,671	\$ (454,584,440)	\$ 8,265,593	\$ (446,318,847)	-	-	-	-	-
<b>Component Units:</b>												
Board of Education	\$ 564,505,371	\$ 7,715,600	\$ 355,801,054	\$ 33,017,785	-	-	-	(167,970,932)	-	-	-	-
Community College	57,336,502	21,107,929	31,582,866	1,707,311	-	-	-	-	(2,938,396)	-	-	-
Public Libraries	12,198,723	412,595	11,382,875	-	-	-	-	-	-	(403,253)	-	-
Total Component Units	\$ 634,040,596	\$ 29,236,124	\$ 398,766,795	\$ 34,725,096	-	-	-	(167,970,932)	\$ (2,938,396)	\$ (403,253)	-	-
General Revenues:												
Local property taxes					280,654,804	-	280,654,804	-	-	-	-	-
Local income taxes					161,879,620	-	161,879,620	-	-	-	-	-
Recordation taxes					16,900,107	-	16,900,107	-	-	-	-	-
Excise taxes					71,375	-	71,375	-	-	-	-	-
Hotel rental tax					1,203,918	-	1,203,918	-	-	-	-	-
Admission and amusement tax					810,890	-	810,890	-	-	-	-	-
Agriculture transfer tax					899,879	-	899,879	-	-	-	-	-
Intergovernmental					3,200,000	-	3,200,000	-	-	-	-	-
Build America Bond Subsidy					1,374,895	363,764	1,738,659	-	-	-	-	-
Grants and contributions not restricted to specific programs					-	-	-	151,127,405	-	-	-	-
Investment earnings					8,637,707	447,281	9,084,988	63,295	17,899	2,043	-	-
Miscellaneous					4,681,823	6,111	4,687,934	4,624,497	4,124,953	-	-	-
Transfers					(6,012,930)	6,012,930	-	-	-	-	-	-
Total general revenues and transfers					474,302,088	6,830,086	481,132,174	155,815,197	4,142,852	2,043	-	-
Change in net assets					19,717,648	15,095,679	34,813,327	(12,155,735)	1,204,456	(401,210)	-	-
Net assets - beginning of year					197,623,712	441,000,777	638,624,489	516,908,778	79,127,696	4,497,555	-	-
Total net assets - end of year					\$ 217,341,360	\$ 456,096,456	\$ 673,437,816	\$ 504,753,043	\$ 80,332,152	\$ 4,096,345	-	-

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

**FREDERICK COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	<b>General</b>	<b>Agricultural Preservation</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash	\$ 15,478,144	\$ -	\$ -	\$ 85,485	\$ 15,563,629
Equity in pooled invested cash	31,736,671	11,768,531	48,502,170	9,949,662	101,957,034
Total cash and cash equivalents	47,214,815	11,768,531	48,502,170	10,035,147	117,520,663
Investments	49,360,188	44,490,080	2,063,286	-	95,913,554
Receivables, net of allowance for uncollectibles:					
Property taxes	578,508	-	-	52,249	630,757
Accounts	3,039,623	8,022	49	3,497,038	6,544,732
Intergovernmental	38,664,511	1,491	1,087,852	2,439,349	42,193,203
Prepays	394,518	-	-	386	394,904
Due from other funds	384,799	-	-	-	384,799
Due from component units	11,334	-	-	11,822	23,156
Inventories	1,094,822	-	-	-	1,094,822
Long-term receivables, net of allowance for uncollectibles:					
Employee salary advances	64,272	-	-	-	64,272
MILA loans	-	-	-	316,503	316,503
Fire/Rescue loans	-	-	-	108,170	108,170
Non-profit organization loans	86,751	-	-	3,107,259	3,194,010
Small business loans	-	-	-	62,926	62,926
Housing loans	-	-	-	5,520,583	5,520,583
Cash and cash equivalents - restricted	1,481,721	-	20,403,134	475,483	22,360,338
Total assets	<u>\$ 142,375,862</u>	<u>\$ 56,268,124</u>	<u>\$ 72,056,491</u>	<u>\$ 25,626,915</u>	<u>\$ 296,327,392</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 576,090	\$ 20,720	\$ 1,089,388	\$ 305,306	\$ 1,991,504
Accrued liabilities	313,446	278	2,407,033	965,301	3,686,058
Payroll and benefit deductions	5,995,829	3,771	65,099	1,663,741	7,728,440
Property taxes payable	167,722	-	-	-	167,722
Due to other funds	-	-	-	384,799	384,799
Due to third parties	616,262	-	-	660,596	1,276,858
Due to other governmental units	-	-	-	84,373	84,373
Due to component units	6,196,951	-	-	-	6,196,951
Other liabilities	-	-	2,076,514	745,323	2,821,837
Deferred revenue	27,909,391	2,106,436	1,026,790	6,236,475	37,279,092
Total liabilities	<u>41,775,691</u>	<u>2,131,205</u>	<u>6,664,824</u>	<u>11,045,914</u>	<u>61,617,634</u>
Fund balances:					
Nonspendable	1,245,845	199,067	-	5,691,679	7,136,591
Restricted	21,934,177	1,693,988	26,378,793	522,846	50,529,804
Committed	2,355,880	47,891,300	39,012,874	1,432,114	90,692,168
Assigned	75,064,269	4,352,564	-	6,934,362	86,351,195
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 142,375,862</u>	<u>\$ 56,268,124</u>	<u>\$ 72,056,491</u>	<u>\$ 25,626,915</u>	<u>\$ 296,327,392</u>

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

Exhibit II-A-4

FREDERICK COUNTY, MARYLAND  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

Total fund balance - governmental funds (See Exhibit II-A-3) \$ 234,709,758

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

Long-term due from component unit 4,369,234

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	\$ 88,921,439
Buildings and Improvements	232,823,807
Equipment	97,126,197
Infrastructure	349,685,900
Construction in Progress	28,677,407
Less Accumulated Depreciation	<u>(320,215,131)</u>
	477,019,619

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	(419,562,952)
Accrued Bond Interest	(8,477,775)
Installment Purchase Agreements	(54,611,083)
Notes Payable	(1,244,870)
Capital Lease Obligations	(3,516,894)
Unamortized Premium on Bonds Payable	(23,885,038)
Compensated Absences	(8,969,423)
Termination Benefits	(179,039)
Net Other Post Employment Benefit Obligation	(22,194,981)
Recognition of Deferred Revenue	<u>29,491,289</u>
	(513,150,766)

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	2,338,022
Deferred Issuance Costs - IPAs	266,872
Deferred Issuance Costs - Capital Leases	<u>52,049</u>
	2,656,943

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 assets. This balance is net of Capital Assets and Long-term liabilities included above.

Net assets of governmental activities (See Exhibit II-A-1)	\$ 217,341,360
--	----------------

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>General</b>	<b>Agricultural Preservation</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Local property taxes	\$ 249,135,361	\$ -	\$ -	\$ 31,424,531	\$ 280,559,892
Local income taxes	169,760,329	-	-	-	169,760,329
Other local taxes	12,359,177	2,808,611	5,093,505	1,203,918	21,465,211
Licenses and permits	532,074	-	-	-	532,074
Grants from federal government	251,082	-	1,776,155	14,618,259	16,645,496
Grants from state government	1,862,261	1,608,337	2,120,625	3,426,315	9,017,538
Intergovernmental	3,200,000	-	-	-	3,200,000
Charges for services	3,821,932	-	7,168,483	4,875,800	15,866,215
Fines and forfeitures	153,910	-	-	58,835	212,745
Interest from loans	-	-	-	25,632	25,632
Investment earnings	348,963	7,832,772	330,932	62,825	8,575,492
Build America bond subsidy	730,163	-	597,388	47,344	1,374,895
Miscellaneous	2,480,963	1,558,329	-	363,359	4,402,651
Total revenues	<u>444,636,215</u>	<u>13,808,049</u>	<u>17,087,088</u>	<u>56,106,818</u>	<u>531,638,170</u>
<b>Expenditures</b>					
Current:					
General government	30,366,414	-	-	2,366,087	32,732,501
Public safety	48,643,804	-	-	42,400,355	91,044,159
Public works	16,454,133	-	-	6,643,483	23,097,616
Health	4,854,973	-	-	1,144,985	5,999,958
Social services	4,858,674	-	-	1,978,256	6,836,930
Education	243,014,146	-	-	-	243,014,146
Parks, recreation and culture	14,645,090	-	-	-	14,645,090
Conservation of natural resources	571,582	4,524,622	-	521,642	5,617,846
Community development and public housing	302,771	-	-	6,345,972	6,648,743
Economic development and opportunity	2,047,585	-	-	5,541,603	7,589,188
Miscellaneous	1,104,915	-	-	-	1,104,915
Intergovernmental	8,768,154	-	-	-	8,768,154
Debt service	33,905,912	2,450,169	13,147,832	2,503,218	52,007,131
Capital projects	-	-	45,867,283	-	45,867,283
Total expenditures	<u>409,538,153</u>	<u>6,974,791</u>	<u>59,015,115</u>	<u>69,445,601</u>	<u>544,973,660</u>
Excess (deficiency) of revenues over expenditures	<u>35,098,062</u>	<u>6,833,258</u>	<u>(41,928,027)</u>	<u>(13,338,783)</u>	<u>(13,335,490)</u>
<b>Other financing sources (uses)</b>					
Transfers in from:					
General fund	-	189,022	6,644,110	9,715,427	16,548,559
Special revenue funds	-	-	400,000	-	400,000
Transfers out to:					
Capital projects fund	(6,644,110)	-	-	(400,000)	(7,044,110)
Special revenue funds	(9,904,449)	-	-	-	(9,904,449)
Enterprise funds	(6,012,930)	-	-	-	(6,012,930)
Refunding bonds issued	49,589,928	-	14,571,416	4,205,668	68,367,012
Payment to refunded bond escrow agent	(59,089,185)	-	(17,107,338)	(4,917,598)	(81,114,121)
General obligation bonds issued	-	-	55,810,000	-	55,810,000
Premium on Debt	10,495,016	-	3,238,608	965,125	14,698,749
Installment purchase agreement	-	1,587,605	-	-	1,587,605
Capital leases	1,842,437	-	-	836,610	2,679,047
Sale of capital assets	-	-	-	53,820	53,820
Total other financing sources and (uses)	<u>(19,723,293)</u>	<u>1,776,627</u>	<u>63,556,796</u>	<u>10,459,052</u>	<u>56,069,182</u>
Net change in fund balances	15,374,769	8,609,885	21,628,769	(2,879,731)	42,733,692
Fund balances - beginning of year	<u>85,225,402</u>	<u>45,527,034</u>	<u>43,762,898</u>	<u>17,460,732</u>	<u>191,976,066</u>
Fund balances - end 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>

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

**Exhibit II-A-6**

**FREDERICK COUNTY, MARYLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds (See Exhibit II-A-5) \$ 42,733,692

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	\$ 4,331,575
Depreciation Expense	(23,612,406)
Adjusted for Internal Service Fund Depreciation	<u>2,674,060</u> (16,606,771)

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

Donation of Capital Assets	3,086,413
Additions to Construction in Progress	28,073,248
Asset Replacements, Retirements and Deletions	<u>(2,486,338)</u> 28,673,323

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	25,702,055
Income Taxes - Recognized as Income in the Prior Year	(33,582,764)
Other Revenues - Deferred in the Fund Statements	3,789,234
Other Revenues - Recognized as Income in the Prior Year	<u>(2,140,684)</u> (6,232,159)

**(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, 2012**

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 assets. 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	\$ (55,810,000)
Issuance of IPAs	(1,587,605)
Capital Lease Financing	(836,610)
Bond Premium	(3,384,415)
Deferred Loss on Bond and Capital Lease Refundings	(428,190)
Principal Payments on General Obligation Debt	28,417,445
Principal Payments on Notes Payable	847,510
Principal Payments on Capital Leases	1,424,548
Loan to Component Unit	(321,531)
Deferred Charge for Issuance Costs	776,867
Amortization of Bond Premiums	3,984,799
Amortization of Deferred Loss on Bonds	(1,456,118)
Amortization of Issuance Costs	<u>(253,783)</u> \$ (28,627,083)

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.

Accrued Interest - Prior Year	7,376,458
Accrued Interest - Current Year	(8,477,775)
Compensated Absences Accrual	458,130
Termination Benefits Accrual	<u>44,271</u> (598,916)

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

375,562

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

\$ 19,717,648

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, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>Local property taxes</b>				
Real property (inc. additions & abatements)	\$ 248,986,692	\$ 248,986,692	\$ 250,851,833	\$ 1,865,141
Public utilities	6,803,000	6,803,000	6,726,671	(76,329)
Payments in lieu of taxes	50,500	50,500	115,596	65,096
Total levy	<u>255,840,192</u>	<u>255,840,192</u>	<u>257,694,100</u>	<u>1,853,908</u>
Tax credit - state reimbursement	3,176,300	3,176,300	3,610,520	434,220
Homestead credit	(8,667,600)	(8,667,600)	(8,542,987)	124,613
Other tax credits and refunds	(4,251,600)	(4,251,600)	(4,669,660)	(418,060)
Interest - delinquent taxes	2,042,000	2,042,000	2,558,671	516,671
Discounts allowed on taxes	(1,561,600)	(1,561,600)	(1,515,283)	46,317
Total adjustments	<u>(9,262,500)</u>	<u>(9,262,500)</u>	<u>(8,558,739)</u>	<u>703,761</u>
Total local property taxes	<u>246,577,692</u>	<u>246,577,692</u>	<u>249,135,361</u>	<u>2,557,669</u>
<b>Local income taxes</b>				
	<u>155,843,000</u>	<u>155,843,000</u>	<u>169,760,329</u>	<u>13,917,329</u>
<b>Other local taxes</b>				
Admission and amusement	800,000	800,000	810,890	10,890
Recordation	10,442,200	10,442,200	9,969,245	(472,955)
911 fees - local	1,494,300	1,494,300	1,478,595	(15,705)
Trailer parks	86,400	86,400	100,147	13,747
Security interest filing fees	500	500	300	(200)
Total other local taxes	<u>12,823,400</u>	<u>12,823,400</u>	<u>12,359,177</u>	<u>(464,223)</u>
<b>Licenses and permits</b>				
Alcoholic beverage licenses	224,400	224,400	253,079	28,679
Traders' licenses	212,200	212,200	202,740	(9,460)
Animal licenses	40,200	40,200	50,540	10,340
Marriage licenses	12,200	12,200	12,165	(35)
Miscellaneous licenses and permits	16,000	16,000	13,550	(2,450)
Total licenses and permits	<u>505,000</u>	<u>505,000</u>	<u>532,074</u>	<u>27,074</u>
<b>Grants from federal government</b>				
	<u>168,000</u>	<u>168,000</u>	<u>251,082</u>	<u>83,082</u>

(continued)

FREDERICK COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Grants from state government</b>				
Police protection	\$ 660,000	\$ 660,000	\$ 664,585	\$ 4,585
Aid for fire, rescue and ambulance services	360,000	360,000	365,104	5,104
Highway user revenues	654,968	654,968	617,562	(37,406)
County inmate housing	-	-	215,010	215,010
Total grants from state government	<u>1,674,968</u>	<u>1,674,968</u>	<u>1,862,261</u>	<u>187,293</u>
<b>Intergovernmental</b>	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,200,000</u>	<u>-</u>
<b>Charges for services</b>				
Planning and zoning fees	28,000	28,000	45,644	17,644
Court costs, fees and charges	2,400	2,400	2,886	486
Scott Key Center	1,359,500	1,359,500	1,522,520	163,020
Other general government	126,700	126,700	140,260	13,560
Public safety	315,700	315,700	370,052	54,352
Public improvement inspections	10,200	10,200	84,926	74,726
Workforce services	49,000	49,000	29,364	(19,636)
Frederick County Developmental Center	10,000	10,000	9,019	(981)
Weed control	199,231	199,231	181,256	(17,975)
Municipal recoveries	272,391	272,391	264,538	(7,853)
Citizens services	-	-	9,542	9,542
Recreation	<u>993,300</u>	<u>993,300</u>	<u>1,161,925</u>	<u>168,625</u>
Total charges for services	<u>3,366,422</u>	<u>3,366,422</u>	<u>3,821,932</u>	<u>455,510</u>
<b>Fines and forfeitures</b>				
Court	80,600	80,600	58,415	(22,185)
Alcoholic beverages	5,300	5,300	20,350	15,050
Other fines and forfeitures	<u>75,000</u>	<u>75,000</u>	<u>75,145</u>	<u>145</u>
Total fines and forfeitures	<u>160,900</u>	<u>160,900</u>	<u>153,910</u>	<u>(6,990)</u>
<b>Investment earnings</b>	<u>750,000</u>	<u>750,000</u>	<u>348,963</u>	<u>(401,037)</u>
<b>Build America Bond Subsidy</b>	<u>730,160</u>	<u>730,160</u>	<u>730,163</u>	<u>(3)</u>
<b>Miscellaneous revenues</b>				
Rents and concessions	1,280,940	1,280,940	1,455,955	175,015
Contributions and donations	39,000	39,000	41,895	2,895
Sale of property	10,000	10,000	360,335	350,335
Other miscellaneous revenues	<u>1,191,435</u>	<u>1,191,435</u>	<u>622,778</u>	<u>(568,657)</u>
Total miscellaneous revenues	<u>2,521,375</u>	<u>2,521,375</u>	<u>2,480,963</u>	<u>(40,412)</u>
<b>Total revenues</b>	<u>428,320,917</u>	<u>428,320,917</u>	<u>444,636,215</u>	<u>16,315,292</u>

(continued)

Exhibit II-A-7  
(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, 2012

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>General government</b>				
<b>Legislative and executive</b>				
County commissioners	\$ 557,582	\$ 562,582	\$ 536,599	\$ 25,983
County manager	1,101,014	1,208,955	1,117,055	91,900
Boards and commissions	6,359	6,359	4,591	1,768
Total legislative and executive	<u>1,664,955</u>	<u>1,777,896</u>	<u>1,658,245</u>	<u>119,651</u>
<b>Judicial</b>				
Circuit court	1,183,227	1,183,967	1,111,323	72,644
Orphans court	26,229	26,229	21,554	4,675
States attorney	5,695,326	5,695,326	5,659,330	35,996
Grand jury	85,864	85,864	59,339	26,525
Total judicial	<u>6,990,646</u>	<u>6,991,386</u>	<u>6,851,546</u>	<u>139,840</u>
<b>Elections</b>				
Board of supervisors of elections	<u>1,312,043</u>	<u>1,342,043</u>	<u>1,059,287</u>	<u>282,756</u>
<b>Financial administration</b>				
Accounting	2,390,946	2,390,946	2,182,542	208,404
Independent auditing	62,850	42,600	51,896	(9,296)
Budgeting	500,390	500,390	438,358	62,032
Purchasing	1,012,155	1,045,254	1,066,825	(21,571)
Risk Management	350,823	350,823	344,737	6,086
Treasury	<u>1,102,969</u>	<u>1,102,969</u>	<u>1,019,624</u>	<u>83,345</u>
Total financial administration	<u>5,420,133</u>	<u>5,432,982</u>	<u>5,103,982</u>	<u>329,000</u>
<b>Legal</b>				
County attorney	<u>802,913</u>	<u>850,923</u>	<u>854,498</u>	<u>(3,575)</u>
<b>Personnel administration</b>				
Personnel	<u>951,670</u>	<u>951,670</u>	<u>908,348</u>	<u>43,322</u>
<b>Planning and zoning</b>				
Planning	2,208,800	2,026,449	1,757,458	268,991
Board of zoning appeals	11,622	11,622	5,135	6,487
Total planning and zoning	<u>2,220,422</u>	<u>2,038,071</u>	<u>1,762,593</u>	<u>275,478</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, 2012

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Management services</b>				
General services	\$ 2,548,752	\$ 2,332,747	\$ 1,879,042	\$ 453,705
Logistical services	348,690	284,892	247,244	37,648
Maintenance	<u>8,554,323</u>	<u>8,707,805</u>	<u>7,644,038</u>	<u>1,063,767</u>
Total management services	<u>11,451,765</u>	<u>11,325,444</u>	<u>9,770,324</u>	<u>1,555,120</u>
<b>Other general government</b>				
Interagency Information Technologies	6,643,305	7,324,556	6,764,872	559,684
Internal Audit	468,388	468,388	383,946	84,442
Board of liquor license commissioners	<u>295,283</u>	<u>295,283</u>	<u>294,422</u>	<u>861</u>
Total other general government	<u>7,406,976</u>	<u>8,088,227</u>	<u>7,443,240</u>	<u>644,987</u>
Total general government	<u>38,221,523</u>	<u>38,798,642</u>	<u>35,412,063</u>	<u>3,386,579</u>
<b>Public safety</b>				
Sheriff	23,817,004	23,808,585	23,475,668	332,917
Detention center	12,106,175	11,956,175	11,494,178	461,997
Work release center	2,634,837	2,634,837	2,715,455	(80,618)
Alternative sentencing	897,574	897,574	767,722	129,852
Emergency communications	4,862,559	4,862,559	4,827,487	35,072
Fire and rescue companies	1,702,437	1,749,073	1,447,975	301,098
Fire and rescue services	520,350	520,350	353,318	167,032
Fire inspection	464,832	464,832	451,921	12,911
Emergency preparedness	474,991	386,177	363,107	23,070
Fire/rescue state grant allocation	360,000	360,000	384,662	(24,662)
Public safety director	442,696	442,696	417,331	25,365
Division of Emergency Planning & Management	285,945	285,945	282,759	3,186
Animal control	<u>1,789,404</u>	<u>1,789,404</u>	<u>1,691,337</u>	<u>98,067</u>
Total public safety	<u>50,358,804</u>	<u>50,158,207</u>	<u>48,672,920</u>	<u>1,485,287</u>
<b>Public works</b>				
Highways	13,070,092	12,677,922	12,022,460	655,462
Public works administration	320,154	300,895	289,010	11,885
Project management	407,383	229,496	228,166	1,330
Construction management	2,166,570	2,382,053	1,838,909	543,144
Watershed management section	635,777	606,007	552,372	53,635
Program development and management	541,779	94,094	94,092	2
Transportation engineering	<u>1,155,126</u>	<u>1,121,014</u>	<u>1,036,206</u>	<u>84,808</u>
Total public works	<u>18,296,881</u>	<u>17,411,481</u>	<u>16,061,215</u>	<u>1,350,266</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, 2012

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Health</b>				
County administrator	\$ 134,605	\$ 134,605	\$ 129,748	\$ 4,857
Core services	1,864,502	1,864,502	1,422,874	441,628
Detention center substance abuse	132,572	132,572	132,572	-
Mental health	421,533	421,533	400,744	20,789
Frederick County Developmental Center	2,637,243	2,637,243	2,627,064	10,179
ARC of Frederick County	25,538	25,538	25,538	-
Counseling services	17,100	17,100	16,922	178
Mental Health Association hotline	42,750	42,750	43,850	(1,100)
Child Abuse Prevention-Mental Health Association	4,400	4,400	3,300	1,100
Alzheimer's Association of Frederick County	8,800	8,800	8,800	-
Central Maryland Catholic Charities	15,839	15,839	15,839	-
Total health	<u>5,304,882</u>	<u>5,304,882</u>	<u>4,827,251</u>	<u>477,631</u>
<b>Social services</b>				
Contribution to Department of Social Services	975,395	975,395	594,133	381,262
Scott Key Center	3,072,212	3,072,212	2,990,800	81,412
Department of Aging	360,994	355,869	343,383	12,486
Office of Children and Families	97,180	97,180	73,367	23,813
Medical transportation services	190,239	190,239	157,535	32,704
Family Partnership	266,310	266,310	267,116	(806)
Child Advocacy Center	276,590	276,590	247,346	29,244
Deinstitutionalization day care	11,514	11,514	-	11,514
Community Agency School Services	14,860	14,860	14,860	-
Daybreak Adult Daycare Center	11,250	11,250	11,250	-
Advocates for the Homeless	16,245	16,245	16,245	-
American Red Cross	14,250	14,250	14,250	-
Frederick Alliance for Youth	6,586	6,586	6,586	-
Cakes for Cause	5,625	5,625	5,625	-
Goodwill Industries	10,688	10,688	10,688	-
Healthy Family/Heartly House	10,875	10,875	10,875	-
CASA of Frederick County	4,275	4,275	4,275	-
Hope Alive	4,335	4,335	4,335	-
Other social services	91,800	91,800	91,800	-
Total social services	<u>5,441,223</u>	<u>5,436,098</u>	<u>4,864,469</u>	<u>571,629</u>
<b>Education</b>				
Maryland School for the Blind	2,000	2,000	-	2,000
Frederick County Board of Education	230,418,967	230,418,967	229,599,287	819,680
Frederick Community College	<u>13,534,392</u>	<u>13,534,392</u>	<u>13,414,859</u>	<u>119,533</u>
Total education	<u>243,955,359</u>	<u>243,955,359</u>	<u>243,014,146</u>	<u>941,213</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, 2012

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Parks, recreation and culture</b>				
Frederick County Public Libraries	\$ 9,570,749	\$ 9,570,749	\$ 9,357,872	\$ 212,877
Parks	5,757,303	5,786,334	5,277,901	508,433
Frederick Arts Council	14,418	14,418	14,418	-
Historical Society of Frederick County	3,605	3,605	3,605	-
Total parks, recreation and culture	<u>15,346,075</u>	<u>15,375,106</u>	<u>14,653,796</u>	<u>721,310</u>
<b>Conservation of natural resources</b>				
Extension service	333,821	333,821	300,923	32,898
Weed Control	206,925	206,925	195,769	11,156
Soil conservation	73,194	73,194	74,241	(1,047)
Forestry Board	649	649	649	-
Total conservation of natural resources	<u>614,589</u>	<u>614,589</u>	<u>571,582</u>	<u>43,007</u>
<b>Community development and public housing</b>				
Housing administration	322,731	322,731	302,771	19,960
Total community development and public housing	<u>322,731</u>	<u>322,731</u>	<u>302,771</u>	<u>19,960</u>

(continued)

(Remainder of this page is intentionally blank)

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, 2012

	Original Budget	Amended Budget	Actual	Variance- Positive (Negative)
<b>Economic development and opportunity</b>				
Office of Economic Development	\$ 867,942	\$ 867,942	\$ 839,637	\$ 28,305
Citizens Services Administration	275,134	275,134	280,284	(5,150)
Workforce Services	656,443	656,443	619,093	37,350
Head Start	72,091	72,091	72,091	-
Human relations	163,653	163,653	157,042	6,611
Commission for Women	270	270	270	-
Commission for Disabilities	273	273	194	79
Seton Center	28,172	28,172	28,172	-
Emmitsburg Child Care Center	20,306	20,306	20,306	-
Child Care Consortium	21,375	21,375	21,375	-
MHA E-Care	16,922	16,922	17,100	(178)
Total economic development and opportunity	<u>2,122,581</u>	<u>2,122,581</u>	<u>2,055,564</u>	<u>67,017</u>
<b>Non-departmental</b>				
Property and liability insurance	1,168,000	1,168,000	713,743	454,257
Other employee benefits and taxes	753,374	753,374	324,528	428,846
Other various contingencies	4,456,990	4,760,175	-	4,760,175
Indirect cost recovery	(4,712,362)	(4,733,720)	(5,165,608)	431,888
Other miscellaneous	(610,096)	(585,096)	66,644	(651,740)
Total non-departmental	<u>1,055,906</u>	<u>1,362,733</u>	<u>(4,060,693)</u>	<u>5,423,426</u>
<b>Intergovernmental</b>				
Financial corporations grant to municipalities	50,000	50,000	49,273	727
Town of Thurmont	13,000	19,000	19,000	-
SDAT	1,298,000	1,298,000	1,297,802	198
Tax rebate to municipalities	<u>7,402,081</u>	<u>7,402,081</u>	<u>7,402,079</u>	<u>2</u>
Total intergovernmental	<u>8,763,081</u>	<u>8,769,081</u>	<u>8,768,154</u>	<u>927</u>
<b>Debt service</b>				
Principal - general obligation debt	21,594,518	21,594,518	20,778,891	815,627
Principal - state loans	819,671	819,671	819,670	1
Interest - general obligation debt	13,748,993	13,748,993	12,212,672	1,536,321
Interest - state loans	94,680	94,680	94,679	1
Total debt service	<u>36,257,862</u>	<u>36,257,862</u>	<u>33,905,912</u>	<u>2,351,950</u>
Total expenditures	<u>426,061,497</u>	<u>425,889,352</u>	<u>409,049,150</u>	<u>16,840,202</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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
<b>Other financing sources (uses)</b>				
Transfers out to				
Grants special revenue fund	\$ (5,789,929)	\$ (5,881,825)	\$ (5,265,427)	\$ 616,398
Agriculture preservation special revenue fund	(189,022)	(189,022)	(189,022)	-
Capital projects fund	(6,662,100)	(6,644,110)	(6,644,110)	-
Fire tax fund	(4,450,000)	(4,450,000)	(4,450,000)	-
Enterprise - Water/Sewer	-	(126,739)	(40,084)	86,655
Enterprise fund - Citizens Care & Rehabilitation Center	(3,229,652)	(3,201,892)	(3,201,892)	-
Enterprise fund - Montevue Home	(2,770,954)	(2,770,954)	(2,770,954)	-
Refunding bonds issued	-	-	49,589,928	49,589,928
Payment to refunded bond escrow agent	-	-	(57,261,534)	(57,261,534)
Premium on debt	-	-	10,495,016	10,495,016
Capital leases	-	-	1,842,437	1,842,437
Payment to refund lease escrow agent	-	-	(1,827,651)	(1,827,651)
Total other financing sources (uses)	<u>(23,091,657)</u>	<u>(23,264,542)</u>	<u>(19,723,293)</u>	<u>3,541,249</u>
Budgeted use of fund balance	\$ <u>(20,832,237)</u>	\$ <u>(20,832,977)</u>	\$ <u>15,863,772</u>	\$ <u>36,696,749</u>
Change in fund balance			\$ 15,863,772	
Net change in reserves and adjustments to GAAP basis			(489,003)	
Fund balance - beginning of year			85,225,402	
Fund balance - end of year			<u>\$ 100,600,171</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, 2012**

	Original Budget	Amended Budget	Actuals	Variance - Positive (Negative)
<b>Revenues</b>				
Other local taxes	\$ 3,195,136	\$ 3,195,136	\$ 2,808,611	\$ (386,525)
Grants from state government	-	3,616,176	1,608,337	(2,007,839)
Investment earnings	1,270,927	1,270,927	7,832,772	6,561,845
Miscellaneous	693,461	693,461	1,558,329	864,868
Total revenues	<u>5,159,524</u>	<u>8,775,700</u>	<u>13,808,049</u>	<u>5,032,349</u>
<b>Expenditures</b>				
Conservation of natural resources	4,119,617	8,246,293	4,524,622	3,721,671
Debt Service	2,676,927	2,704,786	2,450,169	254,617
Total expenditures	<u>6,796,544</u>	<u>10,951,079</u>	<u>6,974,791</u>	<u>3,976,288</u>
Excess (deficiency) of revenues over expenditures	<u>(1,637,020)</u>	<u>(2,175,379)</u>	<u>6,833,258</u>	<u>9,008,637</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	647,998	1,186,357	-	(1,186,357)
Transfer from General Fund	189,022	189,022	189,022	-
Installment purchase agreement	800,000	800,000	1,587,605	787,605
Total other financing sources (uses)	<u>1,637,020</u>	<u>2,175,379</u>	<u>1,776,627</u>	<u>(398,752)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>8,609,885</u>	<u>\$ 8,609,885</u>
Net change in reserves and adjustment to GAAP basis			-	
Fund balance - beginning			45,527,034	
Fund balance - ending			<u>\$ 54,136,919</u>	

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

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Governmental Activities-Internal Service Funds</b>
	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Total Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Assets</b>					
Current assets:					
Cash	\$ 500	\$ 2,600	\$ 103,469	\$ 106,569	\$ -
Equity in pooled invested cash	62,097,035	25,826,037	6,774,123	94,697,195	11,907,573
Restricted cash and cash equivalents	<u>437,733</u>	<u>-</u>	<u>456,221</u>	<u>893,954</u>	<u>-</u>
Total cash and cash equivalents	62,535,268	25,828,637	7,333,813	95,697,718	11,907,573
Short-term investments	15,351,589	15,002,900	-	30,354,489	-
Receivables, net of allowance for uncollectibles accounts	9,076,099	1,809,685	2,185,215	13,070,999	97,678
Due from other funds	785,433	-	-	785,433	-
Due from component units	-	-	-	-	43
Inventories	90,979	-	-	90,979	369,889
Prepaid items	-	-	27,008	27,008	71,352
Total current assets	<u>87,839,368</u>	<u>42,641,222</u>	<u>9,546,036</u>	<u>140,026,626</u>	<u>12,446,535</u>
Noncurrent assets:					
Notes receivable	7,818,174	-	-	7,818,174	-
Due from other funds	369,917	-	-	369,917	-
Capital assets:					
Land	3,605,173	2,837,164	646,142	7,088,479	-
Buildings and improvements	138,395,069	52,636,278	13,715,301	204,746,648	1,833,133
Equipment	41,739,881	6,001,918	2,489,580	50,231,379	26,886,720
Other improvements	317,188,020	-	-	317,188,020	-
Accumulated depreciation	(99,102,517)	(35,138,426)	(9,826,402)	(144,067,345)	(20,607,240)
Construction in progress	100,070,192	-	-	100,070,192	-
Deferred bond issue expense	650,986	112,509	27,761	791,256	-
Total noncurrent assets	<u>510,734,895</u>	<u>26,449,443</u>	<u>7,052,382</u>	<u>544,236,720</u>	<u>8,112,613</u>
Total assets	<u>598,574,263</u>	<u>69,090,665</u>	<u>16,598,418</u>	<u>684,263,346</u>	<u>20,559,148</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	558,846	13,185	90,294	662,325	105,916
Payroll and benefit deductions	386,766	89,031	578,738	1,054,535	82,572
Accrued expenses	5,931,162	1,345,259	845,199	8,121,620	97,321
Due to other funds	-	785,433	-	785,433	-
Due to other government units	-	-	5,350	5,350	-
Due to component units	-	-	2,500	2,500	-
Deferred revenues	5,726,410	26,651	3,770,428	9,523,489	-
Security deposits	-	-	10,218	10,218	-
Other liabilities	6,609,332	-	81,409	6,690,741	-
Current portion landfill closure and postclosure liability	-	302,950	-	302,950	-
Current portion general obligation bonds and notes	9,474,751	3,385,509	355,860	13,216,120	-
Current portion of compensated absences	43,391	15,394	88,074	146,859	6,199
Total current liabilities	<u>28,730,658</u>	<u>5,963,412</u>	<u>5,828,070</u>	<u>40,522,140</u>	<u>292,008</u>
Noncurrent liabilities:					
Long term portion landfill closure and postclosure liability	-	13,670,716	-	13,670,716	-
Long term portion general obligation bonds and notes	142,153,329	26,106,319	4,950,798	173,210,446	-
Liability for compensated absences	563,193	117,302	631,968	1,312,463	139,305
Accrued termination benefits	6,379	709	20,285	27,373	-
Due to other funds	-	369,917	-	369,917	-
Total noncurrent liabilities	<u>142,722,901</u>	<u>40,264,963</u>	<u>5,603,051</u>	<u>188,590,915</u>	<u>139,305</u>
Total liabilities	<u>171,453,559</u>	<u>46,228,375</u>	<u>11,431,121</u>	<u>229,113,055</u>	<u>431,313</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	350,267,738	2,060,771	1,717,963	354,046,472	8,112,613
Restricted for:					
Capital projects	-	-	456,221	456,221	-
Unrestricted	76,852,966	20,801,519	2,993,113	100,647,598	12,015,222
Total net assets	<u>\$ 427,120,704</u>	<u>\$ 22,862,290</u>	<u>\$ 5,167,297</u>	<u>\$ 455,150,291</u>	<u>\$ 20,127,835</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.				946,165	
Net assets of business-type activities				<u>\$ 456,096,456</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 ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
<b>Operating revenues</b>					
Service charges	\$ 23,734,175	\$ 24,420,704	\$ -	\$ 48,154,879	\$ 11,644,441
Charges for health care services, net of contractual adjustments	-	-	13,651,672	13,651,672	-
License and permit revenue	-	-	2,296,840	2,296,840	-
Fee revenue	-	-	1,144,392	1,144,392	-
Rental charges	-	-	504,474	504,474	-
Total net charges for services	23,734,175	24,420,704	17,597,378	65,752,257	11,644,441
Delinquent fees collected	60,374	73,199	-	133,573	-
Other revenues	744,587	200	590,975	1,335,762	-
Total operating revenues	24,539,136	24,494,103	18,188,353	67,221,592	11,644,441
<b>Operating expenses</b>					
Personnel services	8,289,678	1,896,608	16,201,062	26,387,348	2,499,190
Operating expenses (including administrative overhead)	6,642,903	13,210,599	6,448,364	26,301,866	1,175,670
Supplies	965,609	39,677	1,068,130	2,073,416	4,406,983
Repairs and maintenance	1,438,339	244,767	60,260	1,743,366	579,645
Depreciation expense	9,560,014	1,340,126	698,486	11,598,626	2,674,060
Total operating expenses	26,896,543	16,731,777	24,476,302	68,104,622	11,335,548
Operating income (loss)	(2,357,407)	7,762,326	(6,287,949)	(883,030)	308,893
<b>Nonoperating revenues (expenses)</b>					
Donations	-	-	6,111	6,111	-
Investment earnings	352,273	81,103	13,905	447,281	36,583
Miscellaneous income	-	-	-	-	6,158
Build America Bonds Subsidy	354,480	9,284	-	363,764	-
Insurance recovery	-	-	-	-	32,334
Interest expense	(4,247,431)	(1,112,139)	(177,153)	(5,536,723)	-
Miscellaneous expense	-	(57,927)	-	(57,927)	-
Gain (loss) on disposition of capital assets	(834,016)	8,041	-	(825,975)	86,413
Total nonoperating revenues (expenses)	(4,374,694)	(1,071,638)	(157,137)	(5,603,469)	161,488
Net income (loss) before contributions and transfers	(6,732,101)	6,690,688	(6,445,086)	(6,486,499)	470,381
Capital contributions	15,481,330	-	-	15,481,330	-
Transfers in	40,084	-	5,972,846	6,012,930	-
Total contributions and transfers	15,521,414	-	5,972,846	21,494,260	-
Change in net assets	8,789,313	6,690,688	(472,240)	15,007,761	470,381
Net assets - beginning of year	418,331,391	16,171,602	5,639,537	-	19,657,454
Net assets - end of year	\$ 427,120,704	\$ 22,862,290	\$ 5,167,297	\$ 20,127,835	
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.			87,918		
Change in net assets of business-type activities (Exhibit II-A-2)			\$ 15,095,679		

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, 2012**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Governmental Activities-Internal Service Funds</b>
	<b>Water and Sewer</b>	<b>Solid Waste Management</b>	<b>Total Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>					
Cash received from residents and customers	\$ 26,605,243	\$ 24,318,977	\$ 16,469,252	\$ 67,393,472	\$ 11,767,798
Cash received from interfund services	-	-	395,996	395,996	-
Cash paid to suppliers	(10,331,795)	(13,495,025)	(6,676,424)	(30,503,244)	(6,263,259)
Cash paid to employees	(8,275,560)	(1,908,142)	(15,959,053)	(26,142,755)	(2,523,538)
Other	-	-	4,600	4,600	-
Net cash provided (used) by operating activities	<u>7,997,888</u>	<u>8,915,810</u>	<u>(5,765,629)</u>	<u>11,148,069</u>	<u>2,981,001</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers in	1,152,547	-	5,972,846	7,125,393	-
Cash received from donations	-	-	6,111	6,111	-
Transfers out	-	(1,152,547)	-	(1,152,547)	-
Cash received from patient and resident funds	-	-	14,194	14,194	-
Cash paid to memorial and employee funds	-	-	(22)	(22)	-
Net cash provided (used) by noncapital financing activities	<u>1,152,547</u>	<u>(1,152,547)</u>	<u>5,993,129</u>	<u>5,993,129</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(35,402,759)	387,627	-	(35,015,132)	(591,652)
Recoveries for damages	-	-	-	-	32,335
Payment of bond issue expense	-	-	-	-	187,833
Proceeds from debt issues	15,824,622	-	(89,586)	15,735,036	-
Payment of bond and note principal	(9,943,611)	(2,536,504)	(301,223)	(12,781,338)	-
Interest paid on bonds	(4,070,366)	(1,838,697)	(215,105)	(6,124,168)	-
Contributed capital	<u>15,944,421</u>	-	-	<u>15,944,421</u>	-
Net cash used by capital & related financing activities	<u>(17,647,693)</u>	<u>(3,987,574)</u>	<u>(605,914)</u>	<u>(22,241,181)</u>	<u>(371,484)</u>
<b>Cash flows from investing activities</b>					
Purchase of investments	(25,768,354)	(15,000,000)	-	(40,768,354)	-
Proceeds from the sale of investments	30,761,966	10,000,000	-	40,761,966	-
Interest received on investments	<u>398,190</u>	<u>74,058</u>	<u>14,190</u>	<u>486,438</u>	<u>36,584</u>
Net cash provided by investing activities	<u>5,391,802</u>	<u>(4,925,942)</u>	<u>14,190</u>	<u>480,050</u>	<u>36,584</u>
Net increase in cash and cash equivalents	(3,105,456)	(1,150,253)	(364,224)	(4,619,933)	2,646,101
Cash and cash equivalents - beginning of year	<u>65,640,724</u>	<u>26,978,890</u>	<u>7,698,037</u>	<u>100,317,651</u>	<u>9,261,472</u>
Cash and cash equivalents - end 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>

(continued)

FREDERICK COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water and Sewer	Solid Waste Management	Total Nonmajor Enterprise Funds	Total	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (2,357,407)	\$ 7,762,326	\$ (6,287,949)	\$ (883,030)	\$ 308,893
<b>Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:</b>					
Depreciation	9,560,114	1,340,126	698,486	11,598,726	2,674,060
Landfill closing costs	-	267,567	-	267,567	-
Accrued termination benefits	(3,189)	355	-	(2,834)	-
Miscellaneous non operating income	-	-	-	-	6,158
Change in assets and liabilities:					
(Increase) decrease:					
Accounts receivable	2,790,018	(179,013)	(212,446)	2,398,559	117,199
Bad debt allowance	-	25,190	-	25,190	-
Inventory	18,197	-	46,753	64,950	(116,034)
Prepaid items	-	-	(27,008)	(27,008)	4,669
Increase (decrease):					
Accounts payable	(1,816,699)	(6,786)	68,973	(1,754,512)	9,308
Accrued expenses	557,733	(17,488)	241,252	781,497	(1,016)
Deferred revenues	(768,827)	3,888	15,011	(749,928)	-
Liability for compensated leave	(33,130)	(20,797)	(104,277)	(158,204)	(22,236)
Closure liability	-	(259,558)	-	(259,558)	-
Other liabilities	51,078	-	(204,424)	(153,346)	-
Net cash provided (used) by operating activities	\$ <u>7,997,888</u>	\$ <u>8,915,810</u>	\$ <u>(5,765,629)</u>	\$ <u>11,148,069</u>	\$ <u>2,981,001</u>

Noncash investing, capital, and financing activities:

Included in interest income in the Water and Sewer Fund is an unrealized loss of \$14,354. Included in interest income in the Solid Waste Fund is an unrealized loss of \$1,891.

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

**FREDERICK COUNTY, MARYLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2012**

	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 394,115	\$ 11	\$ 110,608
Equity in pooled invested cash	932,778	4,235,726	2,713,488
Investments:			
Money markets	4,935,199	-	-
Fixed income securities	36,746,551	-	-
Equity securities	273,509,270	51,296,369	-
Accounts receivable	-	-	-
Interest receivable	409,328	1	-
Prepaid items	-	73,722	-
Total assets	<u>316,927,241</u>	<u>55,605,829</u>	<u>\$ 2,824,096</u>
<b>LIABILITIES</b>			
Accounts payable	352,055	9,520	\$ -
Accrued payroll	565	-	-
Due to third parties	-	-	688,792
Performance deposits	-	-	2,135,304
Retirement benefit deductions	126,260	3,356	-
Total liabilities	<u>478,880</u>	<u>12,876</u>	<u>\$ 2,824,096</u>
<b>NET ASSETS</b>			
Assets held in trust for pension benefits and other purposes	<u>\$ 316,448,361</u>	<u>\$ 55,592,953</u>	

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

Exhibit II-A-13

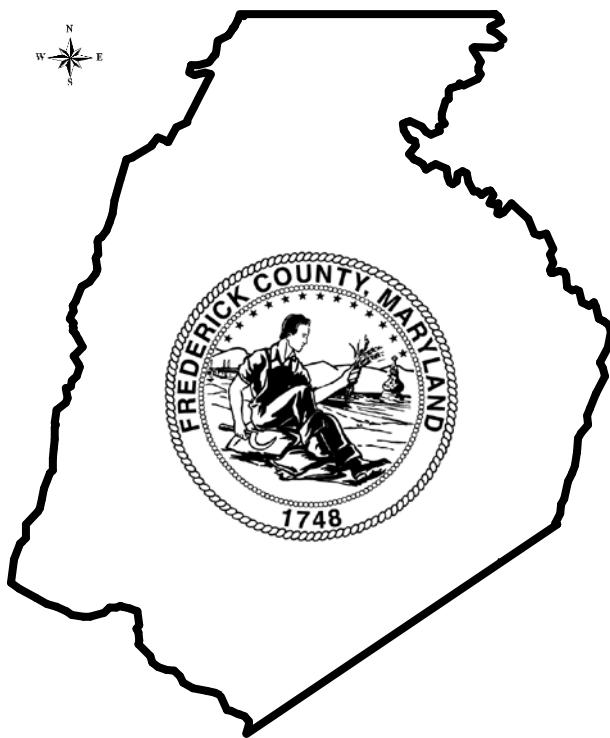
FREDERICK COUNTY, MARYLAND  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Pension Trust</u>	<u>Other Post Employment Benefits Trust</u>
<b>Additions</b>		
Contributions		
Employer contributions	\$ 18,787,085	\$ 19,252,000
Member contributions	5,139,490	-
Member contributions for current benefits	-	1,002,316
Other	-	247,484
Total contributions	<u>23,926,575</u>	<u>20,501,800</u>
Investment income		
Net appreciation in fair value of plan investments	(1,716,441)	2,290,520
Interest and dividends	7,448,847	1,207,999
Investment expense	<u>(621,349)</u>	<u>(3,119)</u>
Net investment income	<u>5,111,057</u>	<u>3,495,400</u>
Total additions	<u>29,037,632</u>	<u>23,997,200</u>
<b>Deductions</b>		
Benefits and refunds	11,884,454	6,033,717
Administrative expenses	864,185	67,225
Total deductions	<u>12,748,639</u>	<u>6,100,942</u>
Change in net assets	16,288,993	17,896,258
Net assets - beginning of year	<u>300,159,368</u>	<u>37,696,695</u>
Net assets - end of year	<u>\$ 316,448,361</u>	<u>\$ 55,592,953</u>

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

(This page is intentionally blank)

## NOTES TO FINANCIAL SECTION





**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**TABLE OF CONTENTS**

Note 1. Summary of Significant Accounting Policies .....	55
A. Financial Reporting Entity .....	55
B. Government-Wide and Fund Financial Statements .....	57
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation .....	57
D. Assets, Liabilities and Net Assets or Equity .....	61
1. Pooled Cash and Investments .....	61
2. Property Taxes Receivable .....	61
3. Inventories and Prepaids .....	62
4. Capital Assets .....	62
5. Compensated Absences .....	63
6. Long-Term Obligations .....	63
7. Net Assets/Fund Balances .....	63
8. Estimates .....	64
Note 2. Stewardship, Compliance and Accountability .....	65
A. Budgetary Data .....	65
B. Reconciliation of Budgetary Basis to GAAP Basis .....	66
Note 3. Detailed Notes on All Funds .....	67
A. Cash, Investments and Equity in Pooled Invested Cash .....	67
1. Deposits .....	67
2. Investments .....	68
B. Receivables and Payables .....	75
1. Accounts and Other Receivables .....	75
2. Due To/From Primary Government and Component Units .....	75
C. Capital Assets .....	75
D. Interfund Receivables, Payables and Transfers .....	81
1. Primary Government Interfund Receivables and Payable Balances .....	81
2. Interfund Transfers – Primary Government .....	81
E. Operating Leases .....	82
F. Non-Current Liabilities .....	83
1. Changes in Non-Current Liabilities .....	83
2. General Obligation Bonds .....	85
3. Agricultural Preservation Installment Purchase Agreements .....	90
4. Capital Lease Obligations .....	94

5. Certificates of Participation .....	96
6. Notes Payable .....	97
7. Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs .....	99
8. Current Year Defeasance of Debt.....	99
<b>G. Fund Balances/Net Assets .....</b>	<b>100</b>
1. Governmental Activities- Nonspendable .....	100
2. Governmental Activities - Restricted .....	101
3. Governmental Activities - Committed.....	102
4. Governmental Activities - Assigned .....	102
5. Net Assets Restricted by Enabling Legislation.....	103
6. Business-Type Activities with Unrestricted Net Assets.....	103
7. Investment in Capital Assets Net of Related Debt.....	104
<b>Note 4. Other Information.....</b>	<b>104</b>
A. Commitments and Contingencies .....	104
1. Construction Commitments .....	104
2. Federal Financial Assistance .....	105
3. Pending Litigation .....	105
4. Economic Dependency .....	105
5. Risk Management.....	105
6. Contingent Liability .....	106
B. Arbitrage Rebate Requirements.....	106
C. Conduit Debt.....	106
D. Retirement and Pension Programs .....	107
1. Single-Employer Pension Plan .....	107
2. Funded Status and Funding Progress .....	110
3. Cost-Sharing Multiple-Employer Pension Plan .....	110
4. Employer Sponsored Defined Contribution Retirement Plan.....	111
5. Component Units.....	112
E. Post-Employment Benefit Plans .....	113
1. Length of Service Awards Program .....	113
2. Retiree Health Benefit Plan .....	113
3. Component Units.....	116
F. Deferred Compensation .....	117
G. Joint Venture .....	117
H. Subsequent Events .....	118

**FREDERICK COUNTY, MARYLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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](http://www.fcps.org)

Frederick Community College  
 7932 Opossumtown Pike  
 Frederick, Maryland 21702  
[www.frederick.edu](http://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 Assets 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 Assets 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 assets are reported in three categories: 1) invested in capital assets, net of related debt; 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).

Nonmajor governmental funds include the following special revenue funds:

- The 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
- Fire/Rescue Tax Districts Fund – This fund primarily accounts for property taxes that are legally restricted to providing fire and rescue services within designated areas of the County. Expenditures accounted for are limited to salaries and fringes, training, lease payments on capital equipment and other capital costs. All other expenditures are recorded in the General Fund.
- Impact Fees Fund – This fund accounts for impact fees collected from developers to pay a portion of the cost of schools necessitated by the development. This fund accounts for budgetary purposes only. See Note 2.B.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

- Development Road Improvement Fund – This fund accounts for building excise tax collections that are dedicated to road development. This fund accounts for budgetary purposes only. See Note 2.B.
- Electric Lighting Tax Districts Fund – This fund accounts for property taxes that are legally restricted to paying for street lighting.
- Parks Acquisition and Development Fund – This fund accounts for recordation taxes dedicated for parkland acquisition and development. This fund accounts for budgetary purposes only. See Note 2.B.
- Hotel Rental Tax Fund – This fund accounts for the hotel tax received from the local hotels as defined by the Hotel Tax Ordinance.
- 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. This fund accounts for budgetary purposes only. See Note 2.B.
- School Construction Fund – This fund accounts for recordation taxes dedicated to pay a portion of the cost of school construction. This fund accounts for budgetary purposes only. See Note 2.B.
- Sheriff's Activities Fund – These four funds account for activities such as the Sheriff's Drug Enforcement, Narcotics Task Force, and Inmates' Canteen.
- Loan Activities – 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.

The County reports the following major proprietary funds:

- 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.
- 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.

Nonmajor proprietary funds include the following enterprise funds:

- Citizens Care and Rehabilitation Center Fund accounts for operations of Citizens Care and Rehabilitation Center of Frederick County, a nursing home facility.
- Montevue Home Fund accounts for operations of an assisted living facility.
- Bell Court Apartments Fund accounts for the operation of the Bell Court low income, elderly housing rental project.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

- Permitting and Development Review Fund accounts for the operations related to the issuing and administration of building and other permits and for the approval process for contractor development plans.

Additionally, the County reports the following fund types:

- Internal Service Funds account for fleet and voice related services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.
- 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.
- Pension Trust Fund accounts for the activities of the Frederick County Employee Retirement Plan, which accumulates resources for pension benefit payments to qualified employees.
- 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.

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

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 and Net Assets or Equity**

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 Board 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, 2012, was \$26,350,641,470. 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 99.89 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 \$456,519 and is included in total property taxes receivable of \$630,757 on the Statement of Net Assets. This compares to the current portion of the prior year levy of \$451,330 included in the total property taxes of \$610,958 as of June 30, 2011.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

*3. Inventories and Prepays*

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

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

*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 fixed 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	10 - 40	10 - 40	n/a
Library Collection	n/a	10	5
Furniture and equipment	4 - 15	5 - 10	5 - 20

*5. 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.

*6. 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 assets. Bond premiums, discounts, and deferred losses on refundings are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium or discount. All debt issue costs are deferred and amortized over the life of the debt issue using the straight-line method.

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.

*7. Net Assets/Fund Balances*

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Invested in capital assets, net of related debt, 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 assets represent 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 assets are reserved to represent the intent of the County's administration to use the unrestricted net assets for specific purposes in the future. Data specific to these reserves is available in Note 3.G.4.

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.

## NOTES TO FINANCIAL STATEMENTS

*(Continued)*

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 which is the Board of County Commissioners. The Board of County Commissioners can impose constraints through the County code, ordinances, and resolutions. 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 (County code, ordinance, and resolution) 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 Board of County Commissioners to their designee(s).
- *Unassigned* – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

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

### 8. *Estimates*

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

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

The budget document is a comprehensive financial plan showing all 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.
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.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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.

General Fund				
	Revenues	Expenditures	Other Financing Sources (Uses)	Net change in Fund Balance
Budgetary Basis	\$ 444,636,215	\$ 409,049,150	\$ (19,723,293)	\$ 15,863,772
Basis Adjustments:				
Encumbrance adjustment	-	102,551	-	(102,551)
Inventory adjustment	-	386,452	-	(386,452)
Net affect of basis adjustments	-	489,003	-	(489,003)
GAAP Basis	<u>\$ 444,636,215</u>	<u>\$ 409,538,153</u>	<u>\$ (19,723,293)</u>	<u>\$ 15,374,769</u>

The following department over expended their FY2012 budget:

	Amended Budget	Actual	Variance
Work Release	\$ 2,634,837	\$ 2,715,455	\$ (80,618)

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

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Cash, Investments and Equity in Pooled Invested Cash**

1. *Deposits*

**Primary Government**

At year-end, Frederick County's carrying amount of deposits was \$57,995,724 and the bank balance was \$59,567,021. The County's deposits are categorized below to give an indication of the level of custodial credit risk assumed by the County at year-end. The bank's balances were collateralized as follows:

Federal Deposit Insurance Corporation (FDIC)	\$ 43,576,525
National Credit Union Administration (NCUA)	1,005
Held by the government's agent, in the government's name	15,989,491
<b>Total Bank Balance</b>	<b><u>\$ 59,567,021</u></b>

The County's cash and investments as of June 30, 2012, totaled \$373,754,335 as presented in the Statement of Net Assets. 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 Assets:

Total Primary Government - Exhibit II-A-1	
Cash	\$ 15,670,198
Equity in Pooled Invested Cash	208,561,802
Investments	126,268,043
Restricted Cash and Cash Equivalents	23,254,292
<b>Total</b>	<b><u>\$ 373,754,335</u></b>
Deposit & Investment Summary:	
Investments	\$ 323,627,211
Cash on Hand	15,333
Deposits	58,525,705
Less: Component Units and Agency Fund Cash Equivalents	
Pension Trust	(1,326,893)
OPEB Trust	(4,235,737)
Frederick County Public Libraries	(27,188)
Agency Funds	(2,824,096)
<b>Total</b>	<b><u>\$ 373,754,335</u></b>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Pension Trust Fund**

At June 30, 2012, the carrying amount of the Pension Trust Fund's deposits was \$394,115 and the bank balance was \$450,631. The deposits of the Pension Trust Fund were not exposed to custodial risk at June 30, 2012.

**Component Units**

Deposits and investments of the BOE, FCC and FCPL are governed by the same law governing the County's investments. At June 30, 2012, BOE's cash on hand for petty cash was \$11,325. The carrying amount of the Board's deposits was \$11,776,174 and the bank balance was \$14,512,550. The deposits of the Board were not exposed to custodial risk at June 30, 2012.

At June 30, 2012, FCC's cash on hand for petty cash was \$8,152. The carrying amount of the College's deposits was \$7,191,546 and the bank balance was \$7,785,769. The deposits of the College were not exposed to custodial risk at June 30, 2012.

At June 30, 2012, the carrying amount and bank balance of FCPL's deposits was \$5,528.

*2. Investments*

**Primary Government**

As of June 30, 2012, Frederick County held the following investments and maturities. The government's investment balances were as follows:

<b>Investment Type (All funds)</b>	<b>Fair Value</b>	<b>0-18 Month Maturities</b>		<b>18-24 Month Maturities</b>		<b>&gt; 24 Month Maturities</b>	
		<b>Maturities</b>	<b>Maturities</b>	<b>Maturities</b>	<b>Maturities</b>	<b>Maturities</b>	<b>Maturities</b>
U. S. Treasuries	\$ 44,490,019	\$ 835,187		\$ 973,103		\$ 42,681,729	
Repurchase Agreements	6,409,715	6,409,715		-		-	
MD Local Government Investment Pool	130,286,600	130,286,600		-		-	
Money Market Funds	67,072,627	67,072,627		-		-	
Federal Agency Securities	75,368,250	75,368,250		-		-	
Total Fair Value	<b>\$ 323,627,211</b>	<b>\$ 279,972,379</b>		<b>\$ 973,103</b>		<b>\$ 42,681,729</b>	

**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.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**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
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:

<b>Investment</b>	<b>Fair Value</b>	<b>Moody's</b>	<b>Standard &amp; Poors</b>	<b>Fitch Ratings</b>
MD Local Government Investment Pool	\$ 130,286,600	not rated	AAAm	not rated
Repurchase Agreement	6,409,715	P1	A-1	F1+
Federal Home Loan Bank (FHLB)	55,012,750	AAA	AA+	not rated
Federal National Mortgage Assoc. (FNMA)	10,355,600	AA2	A	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. A portion of the portfolio shall be invested in marketable U. S. Treasury bills at all times. More than

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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.

<b>Investment Type</b>	<b>Fair Value</b>	<b>% of Portfolio</b>
U. S. Treasuries	\$ 44,490,019	13.747 %
Repurchase Agreements	6,409,715	1.981
MD Local Government Investment Pool (MLGIP)	130,286,600	40.258
Money Market Funds	67,072,627	20.725
Federal Home Loan Bank (FHLB)	55,012,750	16.999
Federal National Mortgage Assoc. (FNMA)	10,355,600	3.200
Federal Agricultural Mortgage Corp. (FRMMC)	9,999,900	3.090
<b>Total Fair Value</b>	<b><u>\$ 323,627,211</u></b>	<b><u>100.000 %</u></b>

**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

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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.

As of June 30, 2012, the Plan held the following investments and maturities:

<b><u>Investment Type (All funds)</u></b>	<b>Fair Value</b>	<b>0 - 18 Month Maturities</b>	<b>18 - 24 Month Maturities</b>	<b>&gt; 24 Month Maturities</b>
Money Market Funds	\$ 4,935,199	\$ 4,935,199	\$ -	\$ -
Mutual Funds	159,434,865	159,434,865	-	-
U.S. Government Securities (Fixed Income)	18,613,542	1,817,530	1,066,980	15,729,032
Corporate Bonds and Notes (Fixed Income)	15,825,185	2,485,700	673,576	12,665,909
Other Government Agencies (Fixed Income)	2,307,824	-	-	2,307,824
Common Stocks	114,074,405	114,074,405	-	-
<b>Total Fair Value</b>	<b>\$ 315,191,020</b>	<b>\$ 282,747,699</b>	<b>\$ 1,740,556</b>	<b>\$ 30,702,765</b>

**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:

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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;
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, 2012, the Plan's fixed income investments had the following characteristics:

<u>Moody's Rating or Comparable</u>	<u>Fair Value</u>
AAA to A1	\$ 16,055,873
BAA3 to BA1	6,788,455
CAA2 to C	-
Not rated	13,902,223
Total Fair Value	<u><u>\$ 36,746,551</u></u>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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, 2012.

**Component Units**

The Board of Education's investments at June 30, 2012 are categorized in the following table:

Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
	Less than 1	1-5	6-10	
\$ 1,247,657	\$ 1,247,657	\$ -	\$ -	0.14%
17,201,338	17,201,338	-	-	0.20%
12,997	12,997	-	-	Various
13,447,383	13,447,383	-	-	0.00%
25,787,158	25,787,158	-	-	1.30%
<b>\$ 57,696,533</b>	<b>\$ 57,696,533</b>	<b>\$ -</b>	<b>\$ -</b>	

Investment income includes the following for the year ended June 30, 2012:

Total net investment income per statement of activities at June 30, 2012 was \$63,295.

FCC's investments at June 30, 2012 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	<b>\$ 8,416,246</b>	<b>\$ 8,416,246</b>	<b>\$ -</b>	<b>\$ -</b>	0.14%

Investment income includes the following for the year ended June 30, 2012:

Total net investment income for FCC (excluding the FCC Foundation) at June 30, 2012 was \$17,899. The Frederick Community College Foundation investments at June 30, 2012 are:

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

Investment Type	June 30, 2012			June 30, 2011		
	Cost	Market	Unrealized Gains (Losses)	Cost	Market	Unrealized Gains (Losses)
USMF Fund	\$ 10,097,541	\$ 9,546,180	\$ (551,361)	\$ 9,650,411	\$ 9,460,944	\$ (189,467)
Charitable Remainder Trust	486,758	334,540	(152,219)	486,758	351,990	(134,768)
Total Investments	<u>\$ 10,584,299</u>	<u>\$ 9,880,720</u>	<u>\$ (703,580)</u>	<u>\$ 10,137,169</u>	<u>\$ 9,812,934</u>	<u>\$ (324,235)</u>

On June 30, 2012, the Foundation had 354,752.1126 units of the University System of Maryland Foundation, Inc. Unitized Investment Fund valued at \$26.90944 per unit with a value of \$9,546,180.

FCPL's investments at June 30, 2012 were as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			Interest Rate At June 30
		Less than 1	1-5	6-10	
MLGIP	\$ 248,262	\$ 283,338	\$ -	\$ -	0.14%
Certificates of Deposit	196,034	194,259	-	-	Various
Total Investments	<u>\$ 444,296</u>	<u>\$ 477,597</u>	<u>\$ -</u>	<u>\$ -</u>	

Investment income includes the following for the year ended June 30, 2012:

Total net investment income per statement of activities - \$2,043.

*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. At June 30, 2012, 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.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**B. Receivables and Payables**

1. *Accounts and Other Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The associated allowance for doubtful accounts has been established in the following governmental and business-type funds:

Fire/Rescue Tax Districts	\$ 522,901
Water and Sewer	1,092
Solid Waste	53,499
Citizen's Nursing Home	229,918
Montevue Home	34,429

2. *Due To/From Primary Government and Component Units*

The receivable and payable balances between the primary government and its component units at June 30, 2012, are reconciled as follows:

	BOE	FCC	FCPL	TOTAL
Due from component units per Primary Government	\$ 11,822	\$ 4,380,611	\$ -	\$ 4,392,433
Less: Not recorded as payable by component unit in FY12	(11,822)	(174,213)	-	(186,035)
Due to primary government per Component Units	<u>\$ -</u>	<u>\$ 4,206,398</u>	<u>\$ -</u>	<u>\$ 4,206,398</u>
Due to component units per Primary Government	\$ 3,844,352	\$ -	\$ 2,403,461	\$ 6,247,813
Plus: Receivables recorded by component unit in FY12	66,608	-	159	66,767
Due from primary government per Component Units	<u>\$ 3,910,960</u>	<u>\$ -</u>	<u>\$ 2,403,620</u>	<u>\$ 6,314,580</u>

**C. Capital Assets**

With the implementation of GASB Statement No. 34 for the year ended June 30, 2002, infrastructure assets were valued for the first time. This valuation was performed by a third party. Capital Asset activity for the year ended June 30, 2012 is as follows:

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 87,426,055	\$ 3,306,402	\$ (1,811,018)	\$ 88,921,439
Construction in progress	48,030,810	28,072,889	(47,426,292)	28,677,407
Total capital assets at historical cost not being depreciated	<u>135,456,865</u>	<u>31,379,291</u>	<u>(49,237,310)</u>	<u>117,598,846</u>
Capital assets being depreciated:				
Buildings and improvements	191,889,237	41,289,370	(354,800)	232,823,807
Equipment	93,384,089	5,393,328	(1,651,220)	97,126,197
Infrastructure	344,762,496	5,447,191	(523,787)	349,685,900
Total capital assets at historical cost being depreciated	<u>630,035,822</u>	<u>52,129,889</u>	<u>(2,529,807)</u>	<u>679,635,904</u>
Less accumulated depreciation for:				
Buildings and improvements	61,104,965	5,820,515	(49,672)	66,875,808
Equipment	57,250,791	8,658,396	(1,449,039)	64,460,148
Infrastructure	180,000,036	9,133,495	(254,356)	188,879,175
Total accumulated depreciation	<u>298,355,792</u>	<u>23,612,406</u>	<u>(1,753,067)</u>	<u>320,215,131</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>331,680,030</u>	<u>28,517,483</u>	<u>(776,740)</u>	<u>359,420,773</u>
Governmental activities capital assets, net	<u><u>\$ 467,136,895</u></u>	<u><u>\$ 59,896,774</u></u>	<u><u>\$ (50,014,050)</u></u>	<u><u>\$ 477,019,619</u></u>
Depreciation expense was charged to governmental functions as follows:				
General government				\$ 2,532,902
Public safety				5,429,013
Public works				2,739,179
Health				212,302
Social services				541,815
Rec and culture				2,986,637
Conservation of Natural Resources				4,527
Economic Development and Opportunity				32,536
Infrastructure				9,133,495
Total depreciation expense				<u><u>\$ 23,612,406</u></u>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

	<b>Primary Government</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,088,479	\$ -	\$ -	\$ 7,088,479
Construction in progress	<u>99,171,959</u>	<u>30,333,810</u>	<u>(29,435,577)</u>	<u>100,070,192</u>
Total capital assets at historical cost not being depreciated	<u>106,260,438</u>	<u>30,333,810</u>	<u>(29,435,577)</u>	<u>107,158,671</u>
Capital assets being depreciated:				
Buildings and improvements	197,311,468	8,837,010	(1,401,829)	204,746,649
Equipment	<u>50,054,573</u>	<u>680,046</u>	<u>(503,240)</u>	<u>50,231,379</u>
Infrastructure	<u>297,557,005</u>	<u>19,631,015</u>	<u>-</u>	<u>317,188,020</u>
Total capital assets at historical cost being depreciated	<u>544,923,046</u>	<u>29,148,071</u>	<u>(1,905,069)</u>	<u>572,166,048</u>
Less accumulated depreciation for:				
Buildings and improvements	58,542,192	4,985,778	(569,680)	62,958,290
Equipment	<u>28,592,134</u>	<u>2,456,818</u>	<u>(501,373)</u>	<u>30,547,579</u>
Infrastructure	<u>46,405,446</u>	<u>4,156,031</u>	<u>-</u>	<u>50,561,477</u>
Total accumulated depreciation	<u>133,539,772</u>	<u>11,598,627</u>	<u>(1,071,053)</u>	<u>144,067,346</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>411,383,274</u>	<u>17,549,444</u>	<u>(834,016)</u>	<u>428,098,702</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 517,643,712</u>	<u>\$ 47,883,254</u>	<u>\$ (30,269,593)</u>	<u>\$ 535,257,373</u>
Depreciation expense was charged to business-type functions as follows:				
Citizens Nursing Home				\$ 213,082
Montevue Home				194,967
Bell Court				65,401
Permitting & Development Review				225,037
Solid Waste				1,340,126
Water & Sewer				9,560,014
Total depreciation expense				<u>\$ 11,598,627</u>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

Component units' capital asset activity for the year ended June 30, 2012 was as follows:

<b>BOE</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 46,295,756	\$ -	\$ -	\$ 46,295,756
Construction in progress	5,367,928	27,402,740	(3,616,398)	29,154,270
Total capital assets at historical cost not being depreciated	<u>51,663,684</u>	<u>27,402,740</u>	<u>(3,616,398)</u>	<u>75,450,026</u>
Capital assets being depreciated:				
Building and improvements	802,868,609	3,351,963	(3,246,636)	802,973,936
Furniture and equipment	81,045,806	6,161,775	(5,929,846)	81,277,735
Total capital assets at historical cost being depreciated	<u>883,914,415</u>	<u>9,513,738</u>	<u>(9,176,482)</u>	<u>884,251,671</u>
Less accumulated depreciation for:				
Building and improvements	222,700,283	22,454,229	(3,246,636)	241,907,876
Furniture and equipment	52,991,257	5,107,876	(5,693,607)	52,405,526
Total accumulated depreciation	<u>275,691,540</u>	<u>27,562,105</u>	<u>(8,940,243)</u>	<u>294,313,402</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>608,222,875</u>	<u>(18,048,367)</u>	<u>(236,239)</u>	<u>589,938,269</u>
BOE's capital assets, net of accumulated depreciation	<u>\$ 659,886,559</u>	<u>\$ 9,354,373</u>	<u>\$ (3,852,637)</u>	<u>\$ 665,388,295</u>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

<b>FCC</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 271,620	\$ -	\$ -	\$ 271,620
Construction in progress	<u>712,494</u>	<u>11,488,830</u>	<u>(191,288)</u>	<u>12,010,036</u>
Total capital assets at historical cost not being depreciated	<u>984,114</u>	<u>11,488,830</u>	<u>(191,288)</u>	<u>12,281,656</u>
Capital assets being depreciated:				
Library collection	1,900,441	33,517	-	1,933,958
Building and improvements	80,799,857	1,077,436	(38,202)	81,839,091
Furniture and equipment	<u>4,083,057</u>	<u>368,969</u>	<u>-</u>	<u>4,452,026</u>
Total capital assets at historical cost being depreciated	<u>86,783,355</u>	<u>1,479,922</u>	<u>(38,202)</u>	<u>88,225,075</u>
Less accumulated depreciation for:				
Library collection	1,740,464	37,949	-	1,778,413
Building and improvements	26,149,328	2,260,666	(31,517)	28,378,477
Furniture and equipment	<u>2,684,372</u>	<u>319,508</u>	<u>-</u>	<u>3,003,880</u>
Total accumulated depreciation	<u>30,574,164</u>	<u>2,618,123</u>	<u>(31,517)</u>	<u>33,160,770</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>56,209,191</u>	<u>(1,138,201)</u>	<u>(6,685)</u>	<u>55,064,305</u>
FCC's capital assets, net of accumulated depreciation	<u>\$ 57,193,305</u>	<u>\$ 10,350,629</u>	<u>\$ (197,973)</u>	<u>\$ 67,345,961</u>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

<b>FCPL</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balance</b>
Capital assets being depreciated:				
Library collection	\$ 10,338,792	\$ 1,173,285	\$ (1,314,779)	\$ 10,197,298
Furniture and equipment	222,794	22,900	(13,750)	231,944
Total capital assets at historical cost being depreciated	<u>10,561,586</u>	<u>1,196,185</u>	<u>(1,328,529)</u>	<u>10,429,242</u>
Less accumulated depreciation for:				
Library collection	6,566,561	1,475,939	(1,294,445)	6,748,055
Furniture and equipment	95,031	22,037	(8,250)	108,818
Total accumulated depreciation	<u>6,661,592</u>	<u>1,497,976</u>	<u>(1,302,695)</u>	<u>6,856,873</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>3,899,994</u>	<u>(301,791)</u>	<u>(25,834)</u>	<u>3,572,369</u>
FCPL's capital assets, net of accumulated depreciation	<u>\$ 3,899,994</u>	<u>\$ (301,791)</u>	<u>\$ (25,834)</u>	<u>\$ 3,572,369</u>

**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>Other Funds</u>	
General Fund	\$ 384,799	\$ 384,799	
Total Due to Other Funds	<u>\$ 384,799</u>	<u>\$ 384,799</u>	

Interfund balances due from the nonmajor governmental funds include \$384,799 from the Grants Fund. The amount due from the Grant Fund is primarily the additional cash amounts needed during the year ended June 30, 2012, 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.

2. *Interfund Transfers – Primary Government*

Interfund transfers for the year ended June 30, 2012 consists of the following:

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Total Transfers to Other Funds</u>
	<u>Agricultural Preservation</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Nonmajor Enterprise</u>	
General Fund	\$ 189,022	\$ 6,644,110	\$ 9,715,427	\$ 40,084	5,972,846	\$ 22,561,489
Nonmajor governmental	-	400,000	-	-	-	400,000
Total Transfers in from Other Funds	<u>\$ 189,022</u>	<u>\$ 7,044,110</u>	<u>\$ 9,715,427</u>	<u>\$ 40,084</u>	<u>\$ 5,972,846</u>	<u>\$ 22,961,489</u>

Primary activities include:

- Transfers of pay-go funding from the General Fund and various non-major governmental funds to the Capital Projects Fund;
- Transfers of matching County grants funding from the General Fund to the Grants Fund and;

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

- 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 2012 were \$1,548,426.

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

<b>Years Ending</b>	<b>June 30,</b>	<b>Total Payment</b>
	2013	\$ 810,113
	2014	489,154
	2015	437,338
	2016	402,438
	2017	379,547
	2018-2022	1,978,607
	2023-2027	1,032,938
	2028-2032	414,891
	2033-2037	345,742
	<b>Total</b>	<b>\$ 6,290,768</b>

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 2012 totaled \$130,084.

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

<b>Years Ending</b>	<b>June 30,</b>	<b>Total Payment</b>
	2013	\$ 126,808
	2014	21,011
	2015	-
	2016	-
	2017	-
	2018-thereafter	-
		<b>\$ 147,819</b>

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 2012 totaled \$301,473.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

Future minimum lease revenues for these rentals are as follows:

<b>Years Ending</b> <b>June 30,</b>	<b>Total Payment</b>
2013	\$ 79,396
2014	38,400
2015	38,400
2016	38,400
2017	38,400
2018-thereafter	<u>307,200</u>
	<u><u>\$ 540,196</u></u>

**F. Non-Current Liabilities**

1. *Changes in Non-Current Liabilities*

Primary Government:

	<b>Balance</b> <b>July 1, 2011</b>	<b>Additions</b>	<b>Principal</b> <b>Repayments</b> <b>&amp; Reductions</b>	<b>Balance</b> <b>June 30, 2012</b>	<b>Due Within</b> <b>One Year</b>
	<b>July 1, 2011</b>			<b>Balance</b> <b>June 30, 2012</b>	
<b>Governmental Activities:</b>					
Bonds Payable	\$ 409,778,585	\$ 124,177,012	\$ (96,293,517)	\$ 437,662,080	\$ 28,033,086
Unamortized Premium on Bonds	14,106,899	14,698,750	(4,920,611)	23,885,038	4,525,580
Deferred Loss on Bond Refunding	(8,766,439)	(10,788,807)	1,456,118	(18,099,128)	(2,021,452)
Installment Purchase Agreements	53,023,478	1,587,605	-	54,611,083	827,100
Notes Payable	2,092,380	-	(847,510)	1,244,870	869,432
Capital Lease Obligations	4,071,505	2,679,047	(3,233,658)	3,516,894	1,256,275
Compensated Absences	9,449,793	9,819,531	(10,299,901)	8,969,423	598,591
Net OPEB Obligation	22,194,981	-	-	22,194,981	-
Termination Benefits	223,310	-	(44,271)	179,039	-
Total Governmental Activity- Long Term Liabilities	<u>\$ 506,174,492</u>	<u>\$ 142,173,138</u>	<u>\$ (114,183,350)</u>	<u>\$ 534,164,280</u>	<u>\$ 34,088,612</u>

Payments on the non-current liabilities above (excluding compensated absences), that pertain to the County's governmental activities are made by the General, Capital Projects, Citizens Care and Rehabilitation Center Building Fund, Parks Acquisition and Development, Fire/Rescue Tax Districts, Agricultural Preservation, Impact Fee, Economic Development Loan, School Construction and Hotel Rental Tax Funds. A portion of

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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. At June 30, 2012, Internal Service Funds compensated absences totaling \$145,505 are included in the above amounts.

	<b>Balance</b> <b>July 1, 2011</b>	<b>Additions</b>	<b>Principal</b>		<b>Balance</b> <b>June 30, 2012</b>	<b>Due Within One Year</b>
			<b>Repayments &amp; Reductions</b>	<b> </b>		
<b>Business-type Activities:</b>						
Bonds Payable	\$ 145,506,415	\$ 32,712,989	\$ (42,946,484)		\$ 135,272,920	\$ 9,401,913
Unamortized Premium on Bonds	4,784,765	5,648,687	(1,597,323)		8,836,129	1,455,828
Deferred Loss on Bond Refundings	(2,713,842)	(5,480,415)	522,194		(7,672,063)	(786,462)
Notes Payable	41,792,778	11,246,879	(3,050,075)		49,989,582	3,144,841
Landfill Closure Costs	13,965,657	267,567	(259,558)		13,973,666	302,950
Compensated Absences	1,617,526	2,249,318	(2,407,524)		1,459,320	146,859
Termination Benefits	23,829	3,544			27,373	-
Total Business-type Activities - Long	<u>\$ 204,977,128</u>	<u>\$ 46,648,569</u>	<u>\$ (49,738,770)</u>		<u>\$ 201,886,927</u>	<u>\$ 13,665,929</u>
Term Liabilities						

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 at June 30, 2012 was \$1,576,441,371 and the legal debt margin was \$1,391,178,868

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**Component Units:**

	<b>Balance</b> <b>July 1, 2011</b>	<b>Net Changes</b>	<b>Balance</b> <b>June 30, 2012</b>	<b>Due Within</b> <b>One Year</b>
<b>Board of Education</b>				
Capital lease obligations	\$ 16,283,440	\$ (436,265)	\$ 15,847,175	\$ 456,907
Compensated absences	7,252,405	(604,915)	6,647,490	5,002,468
Net OPEB liability	122,913,471	12,204,017	135,117,488	-
Termination benefits payable	20,835,195	(1,698,021)	19,137,174	2,074,134
Board of Education - Long-term Liabilities	<u>\$ 167,284,511</u>	<u>\$ 9,464,816</u>	<u>\$ 176,749,327</u>	<u>\$ 7,533,509</u>
<b>Frederick Community College</b>				
Certificates of Participation	\$ 7,511,476	\$ 5,664	\$ 7,517,140	\$ 255,000
Compensated absences	1,611,878	(58,192)	1,553,686	26,185
Net OPEB liability	144,865	53	144,918	-
Frederick Community College - Long-term Liabilities	<u>\$ 9,268,219</u>	<u>\$ (52,475)</u>	<u>\$ 9,215,744</u>	<u>\$ 281,185</u>
<b>Frederick County Public Libraries</b>				
Compensated absences	\$ 442,389	\$ 2,458	\$ 444,847	\$ 28,151
Net OPEB liability	1,442,354	-	1,442,354	-
Frederick County Public Libraries - Long-term Liabilities	<u>\$ 1,884,743</u>	<u>\$ 2,458</u>	<u>\$ 1,887,201</u>	<u>\$ 28,151</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 \$121,540,488. This represents the remaining authorization under Chapter 382 of the Laws of Maryland of 2007 (\$21,540,489) and the authority granted under Chapter 54 of the Laws of Maryland of 2012 (\$100,000,000), as of June 30, 2012.

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)*

<b>Government Activities</b>	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Due Serially to</b>	<b>Range of Interest Rates</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/12</b>
Pub Facilities Refunding Bonds of 1998A	General	10/15/98	7/1/2015	3.30-5.00%	\$ 19,346,419	\$ 8,403,368
Public Facilities Refunding Bonds of 2002, Serie	General	04/01/02	7/1/2016	5.00-5.25%	13,999,267	2,416,872
Public Facility GO Bonds of 2002	General	11/01/02	11/1/2022	2.00-5.00%	38,199,998	1,783,079
Pub Facilities & Refunding Bonds of 2003	General	09/01/03	8/1/2018	2.00-4.25%	33,013,847	3,568,002
Pub Facilities & Refunding Bonds of 2003	Impact Fee	09/01/03	8/1/2018	2.00-4.25%	6,269,108	858,026
Pub Facilities & Refunding Bonds of 2003	Fire-Urban	09/01/03	8/1/2018	2.00-4.25%	2,505,905	342,973
Pub Facility Refunding Bonds of 2005	General	05/01/05	8/1/2020	3.50%-5.00%	62,517,782	53,941,413
Pub Facility Refunding Bonds of 2005	Impact Fee	05/01/05	8/1/2020	3.00%-5.00%	29,264,191	25,619,730
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%	37,886,000	13,652,650
Public Facilities Bonds of 2007	Hotel Rental	05/15/07	6/1/2027	4.00%-5.00%	1,285,000	463,064
Public Facilities Bonds of 2007	Impact Fee	05/15/07	6/1/2027	4.00%-5.00%	8,172,000	2,944,873
Public Facilities Bonds of 2007	Fire-Urban	05/15/07	6/1/2027	4.00%-5.00%	2,402,780	869,552
Public Facilities Bonds of 2007	Fire-Sub	05/15/07	6/1/2027	4.00%-5.00%	110,220	36,036
Public Facilities Bonds of 2008	CCRC	06/15/08	6/1/2028	3.50%-5.00%	6,700,000	3,108,604
Public Facilities Bonds of 2008	General	06/15/08	6/1/2028	3.50%-5.00%	36,402,805	16,889,838
Public Facilities Bonds of 2008	Impact Fee	06/15/08	6/1/2028	3.50%-5.00%	11,094,300	5,147,431
Public Facilities Bonds of 2008	Fire-Urban	06/15/08	6/1/2028	3.50%-5.00%	2,122,252	984,663
Public Facilities Bonds of 2008	School Const	06/15/08	6/1/2028	3.50%-5.00%	3,094,748	1,435,873
Public Facilities Bonds of 2008	Fire-Sub	06/15/08	6/1/2028	3.50%-5.00%	1,640,895	761,327
Public Facilities Bonds of 2010A	CCRC	01/26/10	2/1/2020	2.00%-5.00%	2,550,474	2,132,906
Public Facilities Bonds of 2010A	General	01/26/10	2/1/2020	2.00%-5.00%	25,073,567	20,968,481
Public Facilities Bonds of 2010A	Impact Fee	01/26/10	2/1/2020	2.00%-5.00%	148,431	124,129
Public Facilities Bonds of 2010A	Fire-Urban	01/26/10	2/1/2020	2.00%-5.00%	1,477,863	1,235,905
Public Facilities Bonds of 2010A	School Const	01/26/10	2/1/2020	2.00%-5.00%	17,815,220	14,898,483
Public Facilities Bonds of 2010A	Fire-Sub	01/26/10	2/1/2020	2.00%-5.00%	147,902	123,687
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%	37,844,476	37,844,476
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)	Fire-Urban	01/26/10	2/1/2030	4.90%-5.90%	2,230,595	2,230,595

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

<b>Government Activities</b>	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Due Serially to</b>	<b>Range of Interest Rates</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/12</b>
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 2010B (BAB)	Fire-Sub	01/26/10	2/1/2030	4.90%-5.90%	223,234	223,234
Pub Fac Bonds of 2010C Refunding	CCRC	04/27/10	12/1/2020	2.00%-5.00%	628,280	540,053
Pub Fac Bonds of 2010C Refunding	General	04/27/10	12/1/2020	2.00%-5.00%	37,089,587	31,881,202
Pub Fac Bonds of 2010C Refunding	Impact Fee	04/27/10	12/1/2020	2.00%-5.00%	16,640,022	14,303,311
Pub Fac Bonds of 2010C Refunding	Fire-Urban	04/27/10	12/1/2020	2.00%-5.00%	209,427	180,018
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%	41,790,146	41,790,146
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	Fire-Urban	08/04/11	8/1/2031	2.50%-5.00%	2,457,623	2,457,623
Public Facilities Bonds of 2011	School Const	08/04/11	8/1/2031	2.50%-5.00%	365,000	365,000
Public Facilities Bonds of 2011	Fire-Sub	08/04/11	8/1/2031	2.50%-5.00%	175,231	175,231
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%	39,680,836	39,680,836
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	Fire-Urban	02/09/12	8/1/2024	4.00%	2,907,610	2,907,610
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 2012 Refunding	Fire-Sub	02/09/12	8/1/2024	4.00%	711,570	711,570
					<b>\$ 625,854,820</b>	<b>\$ 437,662,080</b>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

The annual requirements to amortize governmental activities bond debt as of June 30, 2012 are as follows:

<b>Years Ending June 30,</b>	<b>Public Facilities Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 28,033,086	\$ 19,224,651
2014	30,140,447	18,260,803
2015	31,155,176	16,960,955
2016	33,047,794	15,589,301
2017	32,059,424	14,152,600
2018-2022	146,133,639	48,228,340
2023-2027	88,966,805	23,548,006
2028-2032	48,125,708	5,088,436
	<u>\$ 437,662,080</u>	<u>\$ 161,053,092</u>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

<b>Business Type Activities</b>	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Range of Interest Rates</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/12</b>
Pub Facilities Refunding Bonds of 1998A	SW	10/15/98	07/01/15	3.30-5.00%	\$ 6,294,581	\$ 2,734,132
Pub Facilities Refunding Bonds of 1998A	W&S	10/15/98	07/01/15	5.00-5.25%	2,849,000	1,237,500
Public Facilities Refunding Bonds of 2002, Series A	W&S	4/1/02	07/01/16	5.00-5.25%	8,590,733	1,483,128
Public Facility GO Bonds of 2002	SW	11/1/02	11/01/12	2.00-5.00%	6,820,000	318,340
Public Facility GO Bonds of 2002	W&S	11/1/02	11/01/12	2.00-5.00%	16,680,000	778,580
Pub Facilities & Refunding Bonds of 2003	W&S	9/1/03	08/01/12	2.00-4.25%	7,216,140	196,000
Pub Facility Refunding Bonds of 2005	SW	5/1/05	08/01/20	3.00%-5.00%	3,141,667	2,890,278
Pub Facility Refunding Bonds of 2005	W&S	5/1/05	08/01/20	3.00%-5.00%	12,091,361	10,903,580
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	DPDR	5/15/07	06/01/27	4.00%-5.00%	3,034,000	1,093,336
Public Facilities Bonds of 2007	SW	5/15/07	06/01/27	4.00%-5.00%	7,200,000	2,594,602
Public Facilities Bonds of 2007	W&S	5/15/07	06/01/27	4.00%-5.00%	31,790,000	11,455,887
Public Facilities Bonds of 2008	SW	6/15/08	06/01/28	3.50%-5.00%	815,000	378,136
Public Facilities Bonds of 2008	W&S	6/15/08	06/01/28	3.50%-5.00%	17,510,000	8,124,128
Public Facilities Bonds of 2010A	SW	1/26/10	02/01/20	2.00%-5.00%	318,809	266,613
Public Facilities Bonds of 2010A	W&S	1/26/10	02/01/20	2.00%-5.00%	12,172,734	10,179,795
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	DPDR	4/27/10	12/01/20	2.00%-5.00%	3,218,967	2,766,937
Pub Fac Bonds of 2010C Refunding	SW	4/27/10	12/01/20	2.00%-5.00%	4,266,101	3,667,025
Pub Fac Bonds of 2010C Refunding	W&S	4/27/10	12/01/20	2.00%-5.00%	17,312,615	14,881,454
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	DPDR	2/9/12	08/01/24	4.00%	1,384,750	1,384,750
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%	<u>21,615,422</u>	<u>21,615,422</u>
					<u>\$ 220,645,177</u>	<u>\$ 135,272,920</u>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

The annual requirements to amortize business-type bond debt as of June 30, 2012 are as follows:

<b>Years Ending June 30,</b>	<b>Public Facilities Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 9,401,913	\$ 5,898,889
2014	9,414,553	5,617,082
2015	9,979,824	5,199,703
2016	10,382,206	4,753,422
2017	9,695,576	4,297,754
2018-2022	47,991,361	14,539,411
2023-2027	30,723,195	6,089,036
2028-2030	7,684,292	816,029
	<u>\$ 135,272,920</u>	<u>\$ 47,211,326</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)*

<b>Installment Purchase Agreements</b>	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/12</b>
Installment Purchase Agreement #02-04	Ag Pres	05/15/03	05/15/23	4.95%	\$ 484,567	\$ 484,567
Installment Purchase Agreement #02-08	Ag Pres	05/15/03	05/15/13	3.82%	171,052	171,052
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 #02-19	Ag Pres	07/14/03	05/15/13	3.84%	656,048	656,048
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)*

<b>Installment Purchase Agreements</b>	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/12</b>
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)*

<b>Installment Purchase Agreements</b>	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/12</b>
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)*

<b>Installment Purchase Agreements</b>	<b>Paying Fund</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Interest Rate</b>	<b>Amount of Original Issue</b>	<b>Amount Outstanding 6/30/12</b>
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
<b>Total Installment Purchase Agreements</b>					<b>\$ 54,611,083</b>	<b>\$ 54,611,083</b>

The annual requirements to amortize installment purchase agreement debt as of June 30, 2012 are as follows:

<b>Years Ending June 30,</b>	<b>Installment Purchase Agreements</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 827,100	\$ 2,471,477
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
2018-2022	8,146,673	9,264,650
2023-2027	18,367,466	6,179,768
2028-2031	<u>15,214,802</u>	<u>1,841,100</u>
	<b>\$ 54,611,083</b>	<b>\$ 29,536,696</b>

#### 4. Capital Lease Obligations

##### Primary Government

The County has entered into various lease agreements as lessee for financing the acquisition of numerous pieces of telecommunications, highway, and 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	\$ 15,675,106
Less: Accumulated depreciation	(8,783,450)
Total:	<u><u>\$ 6,891,656</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

<u>Years Ending June 30,</u>	<u>Total Payment</u>
2013	\$ 1,314,359
2014	816,995
2015	584,375
2016	584,375
2017	<u>337,961</u>
	<u>3,638,065</u>
Less: amount representing interest	(121,171)
Present value-net minimum lease payments	<u><u>\$ 3,516,894</u></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 FY2011 were \$1,178,482. 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	15,316,296
Less: Accumulated depreciation	<u>(11,580,014)</u>
Total	<u><u>\$ 20,097,442</u></u>

As of June 30, 2012, the minimum obligation under capital leases was as follows:

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

<b>Years Ending June 30,</b>	<b>Governmental Activities</b>
2013	\$ 1,178,492
2014	1,178,504
2015	1,178,522
2016	1,178,544
2017	1,178,571
2018-2022	5,893,442
2023-2027	5,894,980
2028-2032	5,897,436
2033	<u>1,179,779</u>
Total Obligations	24,758,270
Less: Portion representing interest	(8,911,095)
Present value of lease obligation	<u><u>\$ 15,847,175</u></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.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

The annual requirements to amortize the certificates of participation as of June 30, 2012 are as follows:

Ending June 30,	Certificates of Participation			
	Princial	Less Discount	Net	Interest
2013	\$ 255,000	\$ 5,664	\$ 249,336	\$ 469,278
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
2018-2022	1,435,000	26,931	1,408,069	1,975,463
2023-2027	1,605,000	26,003	1,578,997	1,544,113
2028-2032	1,925,000	26,003	1,898,997	945,000
2033-2035	1,350,000	15,603	1,334,397	205,500
	<u>\$ 7,640,000</u>	<u>\$ 122,860</u>	<u>\$ 7,517,140</u>	<u>\$ 6,940,834</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 at June 30, 2012 was \$316,502. 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 at June 30, 2012 was \$96,650.

**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

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

\$7,036,995. Under the Reformed Plan, established in 1999, this liability was increased to \$7,388,271. The balance due at June 30, 2012 is \$831,718.

<b>Governmental Activity:</b>	<b>Paying Fund</b>	<b>Amount of Original Issue</b>	<b>Date of Debt Issue</b>	<b>Date of Debt Maturity</b>	<b>Annual Rate/ Payment Frequency</b>	<b>Amount Outstanding 06/30/12</b>
MD Industrial Land Act Loan - Dan Jay LLC	Econ Dev	\$ 630,000	02/11/94	02/11/21	5.23%/Quarterly	\$ 316,502
MD Industrial Land Act Loan - State Farm	General	181,059	05/12/94	05/12/21	5.93%/Quarterly	96,650
Maryland State Retirement System	General	7,388,271	06/30/93	12/31/12	7.5%/Annually	831,718
<b>Total Notes Payable</b>		<b><u>\$ 8,199,330</u></b>				<b><u>\$ 1,244,870</u></b>

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

<b>Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 869,432	\$ 52,157
2014	39,786	19,459
2015	41,973	17,272
2016	44,281	14,964
2017	46,716	12,529
2018-2021	<b><u>202,682</u></b>	<b><u>22,970</u></b>
	<b><u>\$ 1,244,870</u></b>	<b><u>\$ 139,351</u></b>

***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, 2012, the County has authorized and approved borrowings in an aggregate principal amount of \$91,083,097 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, 2012, \$58,286,942 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, 2012 is \$49,989,582. These loans have interest rates of 1.00 – 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 2012, \$259,558 of operating activities such as leachate treatment and well testing related to Site A were incurred. The liability for Site A closure was decreased \$220,106 to reflect the variance between estimated and actual costs. The total remaining estimated costs for closure and post closure care of Site A are \$3,552,950 as of June 30, 2012. This entire amount is reported as a liability for Site A.

As of June 30, 2012, the Site B landfill had capacity used of 2,024,541 tons, which is 49.13 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 \$21,212,194. The resulting liability is \$10,420,716, with \$10,791,478 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 \$13,973,666 as of June 30, 2012. 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

#### General Obligation Public Facilities Refunding Bonds, Series 2011 B:

On August 4, 2011, the County issued the General Obligation Public Facilities Refunding Bonds, Series 2011B, in the amount of \$16,005,000. These bonds carry an average interest rate of 3.5 percent. The gross proceeds of \$17.5 million (including premium) were used to advance refund certain maturities in the amount of \$16.3 million of the General Obligation Public Facilities Bonds of 2002. As a result certain maturities of the 2002 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 \$1.15 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 2018. 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 \$1,020,073, and to obtain an economic gain of \$851,070.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**General Obligation Public Facilities Refunding Bonds of 2012**

On February 23, 2012, the County issued the General Obligation Public Facilities Refunding Bonds of 2012, in the amount of \$85,075,000. These bonds carry an average interest rate of 3.9556 percent. The gross proceeds of \$100.54 million (including premium) were used to advance refund certain maturities in the amount of \$84,055,000. As a result these certain maturities have been removed from the government-wide statement of net assets. Below is a list of the refunded bond amounts by bond issue.

<b>Bond Issue</b>	<b>Par Amount</b>
General Obligation Public Facilities & Refunding Bonds of 2003	\$ 11,385,000
General Obligation Public Facilities Bonds of 2007	41,955,000
General Obligation Public Facilities Bonds of 2008	30,715,000
Total Refunded Bonds	<u>\$ 84,055,000</u>

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$15.12 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 2024. 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 2025 by \$6,194,021, and to obtain an economic gain of \$4,931,605.

**Total Defeased Bonds**

As of June 30, 2012, there remains \$180,290,000 of outstanding defeased debt.

**G. Fund Balances/Net Assets**

1. *Governmental Activities- Nonspendable*

	<b>General Fund</b>	<b>Agricultural Preservation</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Inventory	\$ 1,094,822	\$ -	\$ -	\$ -	\$ 1,094,822
Prepaid	64,272	-	-	-	64,272
Long-term receivables	86,751	-	-	5,691,679	5,778,430
Agricultural compliance monitoring	-	199,067	-	-	199,067
<b>Total nonspendable fund balances</b>	<b><u>\$ 1,245,845</u></b>	<b><u>\$ 199,067</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,691,679</u></b>	<b><u>\$ 7,136,591</u></b>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

2. *Governmental Activities – Restricted*

	<b>General Fund</b>	<b>Agricultural Preservation</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Debt service	\$ 1,481,720	\$ -	\$ -	\$ 475,483	\$ 1,957,203
Enabling legislation *	20,452,457	- -	- -	- -	20,452,457
School and library construction	- -	- -	3,114,976	- -	3,114,976
Parks construction	- -	- -	72,209	- -	72,209
Roads and bridges construction	- -	- -	8,820,077	- -	8,820,077
General government/other construction	- -	- -	14,371,531	- -	14,371,531
Sheriff's activities	- -	- -	- -	47,363	47,363
Rural Legacy	- -	1,693,988	- -	- -	1,693,988
<b>Total restricted fund balances</b>	<b><u>\$ 21,934,177</u></b>	<b><u>\$ 1,693,988</u></b>	<b><u>\$ 26,378,793</u></b>	<b><u>\$ 522,846</u></b>	<b><u>\$ 50,529,804</u></b>

\* Section 2-7-1(a) (2) of the Frederick County, Maryland Code of Ordinances 2004 and 2005 S-Z Supplement provides for the County to maintain an “unappropriated undesignated” 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. At June 30, 2012 the required balance is \$20,452,457. This is classified as “restricted” fund balance in accordance with the promulgations of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

The ordinance stipulates that the 5 percent set-aside, noted above, be included in the unreserved, undesignated General Fund balance in the governmental fund statements. Also due to the restricting nature of the set-aside, the 5 percent is reported as restricted net assets in the governmental activities column of the government-wide Statement of Net Assets.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

3. *Governmental Activities – Committed*

	<b>General Fund</b>	<b>Agricultural Preservation</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Bond rating enhancement	\$ 1,200,000	\$ -	\$ -	\$ -	\$ 1,200,000
Length of Service Award Program	172,590	-	-	-	172,590
Encumbrances	983,290	-	-	-	983,290
School and library construction	-	-	4,279,448	-	4,279,448
Parks construction	-	-	12,009,664	-	12,009,664
Roads and bridges construction	-	-	1,954,544	-	1,954,544
General government/other construction	-	-	20,769,218	-	20,769,218
Fire/Rescue services	-	-	-	956,594	956,594
Electric lighting	-	-	-	3,698	3,698
Tourism	-	-	-	-	-
Sheriffs activities	-	-	-	471,822	471,822
Installment purchase agreements	-	47,891,300	-	-	47,891,300
Total committed fund balances	<u>\$ 2,355,880</u>	<u>\$ 47,891,300</u>	<u>\$ 39,012,874</u>	<u>\$ 1,432,114</u>	<u>\$ 90,692,168</u>

4. *Governmental Activities – Assigned*

	<b>General Fund</b>	<b>Agricultural Preservation</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Snow removal	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Lobbying monitoring	7,636	-	-	-	7,636
FY 13 budget	38,855,177	-	-	-	38,855,177
FY 14 budget	34,564,993	-	-	-	34,564,993
Encumbrances	636,464	-	-	-	636,464
Grant activities	-	-	-	795,918	795,918
Fire/Rescue services	-	-	-	5,156,390	5,156,390
Electric lighting	-	-	-	2,869	2,869
Loan activities	-	-	-	979,185	979,185
Agricultural Preservation	-	4,352,564	-	-	4,352,564
Total assigned fund balances	<u>\$ 75,064,270</u>	<u>\$ 4,352,564</u>	<u>\$ -</u>	<u>\$ 6,934,362</u>	<u>\$ 86,351,196</u>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

*5. Net Assets Restricted by Enabling Legislation*

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

	Governmental Activities	Business-type Activities
Restricted by Enabling Legislation	\$ 122,167,888	\$ -
Other Amounts Restricted by 3rd Parties	<u>24,772,578</u>	<u>456,221</u>
<b>Total Restricted Net Assets</b>	<b>\$ 146,940,466</b>	<b>\$ 456,221</b>

*6. Business-Type Activities with Unrestricted Net Assets*

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, 2012, the calculation of these reserves is \$79,440,364 (detailed below). These reserves are a part of the \$427,120,704 net asset balance.

Reserved for:	
Operating Reserves	\$ 4,334,132
3 R Reserves	1,665,462
Tap Credits	2,818,439
Cash Funding of Capital Projects	5,372,397
System Development	<u>65,249,934</u>
Total Water and Sewer Reserves	<u>79,440,364</u>
Unfunded reserves	<u>(2,587,398)</u>
<b>Unrestricted net assets</b>	<b><u>\$ 76,852,966</u></b>

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

*7. Investment in Capital Assets Net of Related Debt*

As of June 30, 2012, Investment in capital assets, net of related debt in the Government-Wide Statement of Net Assets were calculated as follows:

	Governmental Activities	Business-type Activities
Capital Assets (Exhibit II-A-1)	\$ 477,019,619	\$ 535,257,373
Debt related to Capital Assets	(235,740,534)	(181,210,901)
Unspent bond proceeds included in debt related to capital assets	<u>20,403,134</u>	-
Investment in Capital Assets net of related debt (Exhibit II-A-1)	<u>\$ 261,682,219</u>	<u>\$ 354,046,472</u>

**NOTE 4. OTHER INFORMATION**

**A. Commitments and Contingencies**

*1. Construction Commitments*

As of June 30, 2012, the County had the following commitments with respect to unfinished capital projects:

	Total Project Budget	Total Expenditures	Amount Funded	Required Future Funding
General government	\$ 60,425,350	\$ 26,394,942	\$ 47,751,391	\$ 12,673,959
Roads and Bridges	34,605,724	15,556,201	23,174,821	11,430,903
Board of Education	108,200,629	98,223,877	76,249,929	31,950,700
Frederick Community College	31,987,662	19,456,856	25,535,042	6,452,620
Parks and Recreation	20,211,708	6,983,990	15,967,196	4,244,512
Watershed Restoration	659,275	283,669	659,275	-
Municipal	1,003,964	427,205	921,879	82,085
	<u>\$ 257,094,312</u>	<u>\$ 167,326,740</u>	<u>\$ 190,259,533</u>	<u>\$ 66,834,779</u>

## NOTES TO FINANCIAL STATEMENTS

*(Continued)*

### *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, 2012 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 at June 30, 2012.

### *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 (44.84 percent), Medicare (24.22 percent), and Private Pay (19.20 percent).

The Solid Waste Enterprise Fund has three customers which account for 22.54 percent of total operating revenues. Two commercial haulers accounted for \$4,055,623, or 16.56 percent of the fiscal year 2012 operating revenues. A single municipality accounted for \$1,464,306 or 5.98 percent of the fiscal year 2012 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.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

**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.

**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 at June 30, 2012.

**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):

Payee	Amount of Original Issue	Date of Debt Issue	Date of Debt Maturity	Interest Rate	Payment Frequency	Amount Outstanding 6/30/2012
Toys'R-Us	\$ 1,890,094	09/26/96	09/15/18	8.16%	Annually	\$ 965,494

## NOTES TO FINANCIAL STATEMENTS

*(Continued)*

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. 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.

### 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.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

The type and number of employees covered as of June 30, 2012, 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	114	463	-	-
Terminated employees entitled to benefits	-	-	145	201
Active employees	596	1,262	-	-

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

Non-Uniformed Employees hired on or before June 30, 2011 may retire at the earlier of age 60 or 25 years of service and are 100 percent vested after five years of service. Non-Uniformed Employees hired on or after July 1, 2011 through June 30, 2012 may retire at age 65 or 30 years of service and are 100 percent vested after five years of service. Non-Uniformed Employees hired on or after July 1, 2012 may retire at age 65 or 30 years of service and are 100 percent vested after ten years of service. Retirement benefits are calculated by formula which provides a 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 contribution rate at 19.4 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.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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 FY2012 was 19.4 percent.

*Annual Pension Cost*

During the fiscal year ending June 30, 2012 contributions to the plan were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at July 1, 2011.

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 gain during FY2011 caused primarily by the gain from salary increases that were less than our assumption and significantly more terminations than expected. This gain was partially offset by the continued recognition of prior year losses on investment returns. Salary increases that were less than our assumption during FY2011 helped improve the funded status of the plan.

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, 2011 there are three plan change bases which are currently outstanding – the COLA plan change (16 years remaining), July 1, 2000 plan improvements for all employees (18 years remaining) and the July 1, 2009 disability plan changes (27 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:

<b>Fiscal Years</b>	<b>Annual Pension Cost</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
2012	\$ 18,787,085	100%	\$ -
2011	20,207,459	100	-
2010	20,438,562	100	-

At June 30, 2012, the plan's net assets are \$316,448,361.

**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 )
07/01/11	\$ 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
07/01/09	236,064,896	299,810,414	63,745,518	78.7	111,177,209	57.0

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.

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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

Maryland State Retirement and Pension Systems  
 301 West Preston Street  
 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 principal balance outstanding as of June 30, 2012 was \$831,718. Interest and principal payments due to maturity as of June 30, 2012, are \$862,344. The County has a remaining payment of \$862,344 to amortize which includes interest on the liability. The required contributions and the percentage of that amount contributed for the past three years are as follows:

<b>Fiscal Years</b>	<b>Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contribution</b>
2012	\$ 862,344	\$ 862,344	100%
2011	862,344	862,344	100
2010	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

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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.

*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. FCPS's share of contributions for teachers and administrative employees is substantially the responsibility of the State. Total contributions were \$36,705,953 in fiscal year 2012. 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 2012 the current and prior Superintendent of Schools were the only participants 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, 2012 a \$20,000 contributions 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 \$1,208,270 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 \$711,745 to these plans while FCC provided \$174,232. 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

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

with 30 years of service or at age 62 or older with specified years of service. For both systems, vesting starts after five years of service. Benefits under both plans are established under Titles 22 and 23 of the State Personnel and Pensions Article of the Annotated Code of Maryland. Obligations to contribute to the plans were established under the above-referenced article of the Maryland Code. Members of the Retirement System and the Pension System contribute seven percent and five percent of their gross employee compensation, respectively. The FCPL's share of contributions for its employees is primarily the responsibility of the State. During the fiscal year ended June 30, 2012, the State paid \$692,018 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 2012, LOSAP provided 183 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 \$543,228 in fiscal year 2012 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>

## NOTES TO FINANCIAL STATEMENTS

*(Continued)*

### *Summary of Significant Accounting Policies*

**Basis of Accounting:** The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments:** Investments are reported at fair value, which for the Plan is determined by market price.

### *Funding Policy and Contributions*

Benefits are based on the employee's hire date. For employees hired on or before July 1, 1992, the County pays approximately 84 percent of the cost of premiums for medical and hospitalization costs. Employees hired after July 1, 1992 and before August 1, 2008, also must have worked for the County for a minimum of ten years; these employees pay 50 percent of the cost of premiums. Employees hired after August 1, 2008, also must have worked for the County for a minimum of ten consecutive years; these employees will pay 75 percent of the cost of the premium with 10 to 14.9 years of service, 65 percent with 15 to 19.9 years, 55 percent with 20 to 24.9 years, and 45 percent with over 25 years of service. If a retiree elects to discontinue coverage at the time of retirement or later, they have the option of re-enrolling in the County plan. Therefore, the number of retirees participating in the plan varies throughout the year. For fiscal year 2012, the County contributed \$19,252,000 to the Plan, including \$5,031,401 for current premiums (approximately 85 percent of total premiums including the implicit subsidy) and an additional \$14,220,599 to prefund benefits. Plan members receiving benefits contributed \$1,002,316 approximately 15 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), and 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:

**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

Annual required contribution	\$ 18,943,000
Interest on net OPEB obligation	1,841,000
Amortization of net OPEB obligation	<u>(1,532,000)</u>
Annual OPEB cost	19,252,000
Contribution made	<u>(19,252,000)</u>
Increase in net OPEB obligation	-
Net OPEB - beginning of year	23,637,335
Net OPEB obligation - end of year	<u>\$ 23,637,335</u>
Recorded in the Primary Government	\$ 22,194,981
Recorded in the FCPL Component Unit	1,442,354
Total Net OPEB obligation - end of year	<u>\$ 23,637,335</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2012, 2011, and 2010 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation (Asset)
			\$ 23,637,335
2012	\$ 19,252,000	100	
2011	20,782,000	56.44%	23,637,335
2010	18,637,000	60.91	14,585,236

*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	Actuarial Accrued Liability	Percentage of the Actuarial Accrued Liability	Unfunded Actuarial Liability	Annual Covered Payroll	Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll
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%
07/01/09	15,499,400	189,613,000	8.2%	174,113,600	111,777,209	155.8%

## NOTES TO FINANCIAL STATEMENTS

*(Continued)*

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

### *Actuarial Methods and Assumptions*

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

In the July 1, 2011, 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 5.2 percent by the year 2080, c) an inflation rate of 3.2 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, 2012 there were 1,468 retirees (of which 349 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 2011, the Board contributed \$20,241.983 to the Plan. Of this amount \$5,906,135 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 \$6,311,516 or approximately 59 percent of the total premiums. The rates for fiscal year 2012 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).

## NOTES TO FINANCIAL STATEMENTS

*(Continued)*

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 implicit subsidy to retirees. The required contribution is based on projected “pay-as-you-go” financing requirements. For fiscal year 2012, 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 2012 approximately 20.5 percent of the County's eligible employees elected to participate in the plan.

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

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

### **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

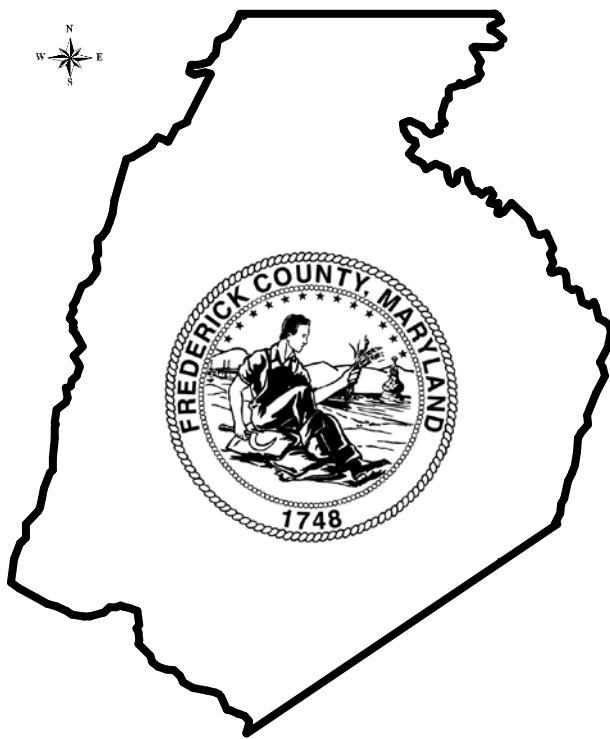
**NOTES TO FINANCIAL STATEMENTS**  
*(Continued)*

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: Montgomery County, Baltimore County, Anne Arundel County, Frederick County, Harford County, Howard County, Carroll County, and City of Baltimore. The Maryland Environmental Service is an ex-officio member. As a participating government in NMWDA, the County paid fiscal year 2012 membership dues and fees for services amounting to \$98,325.

**H. Subsequent Events**

The County sold Taxable General Obligation Public Facilities Bonds, Series 2012B in the amount of \$61,370,000 to advance refund \$53,795,000 of Tax-exempt General Obligation Public Facility Refunding Bonds of 2005 on August 23, 2012. These bonds mature August 1, 2014 through 2020.

# 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
			Percentage of the Actuarial Accrued Liability	Unfunded Actuarial Liability			
07/01/06	\$ 154,083,195	\$ 208,734,631	73.8 %	\$ 54,657,437	\$ 85,367,369		64.0 %
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

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**

<b>Fiscal Years</b>	<b>Annual Required Contribution (ARC)</b>	<b>ARC Recognized in Plan Financial Statements</b>	<b>Percentage Recognized</b>
2007	\$ 14,019,851	\$ 14,019,851	100%
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

**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
07/01/07	\$ -	\$ 148,969,000	0 %	\$ 148,969,000	\$ 95,573,594	155.9 %
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

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

<b>Fiscal Years</b>	<b>Annual Required Contribution (ARC)</b>	<b>Contribution Recognized in Plan Financial Statements</b>	<b>Percentage Contributed</b>
2008	\$ 13,858,000	\$ 16,449,487	119%
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

# 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, 2012**

	Special Revenue Funds						<b>Total Non Major Governmental Funds (See Exhibit II-A-3)</b>
	<b>Grants</b>	<b>Fire/Rescue Tax Districts</b>	<b>Electric Lighting Tax Districts</b>	<b>Hotel Rental Tax</b>	<b>Sheriff's Activities</b>	<b>Loan Activities</b>	
<b>Assets</b>							
Cash	\$ 2,814	\$ -	\$ -	\$ 210,088	\$ 82,671	\$ 975,129	\$ 85,485
Equity in pooled invested cash	-	8,256,327	7,274	210,088	500,844	975,129	9,949,662
Total cash and cash equivalents	<u>2,814</u>	<u>8,256,327</u>	<u>7,274</u>	<u>210,088</u>	<u>583,515</u>	<u>975,129</u>	<u>10,035,147</u>
Receivables, net of allowance for uncollectibles:							
Property taxes	-	52,230	19	-	-	-	52,249
Accounts	258,029	3,073,801	-	127,171	33,981	4,056	3,497,038
Intergovernmental	2,439,349	-	-	-	-	-	2,439,349
Prepays	386	-	-	-	-	-	386
Due from component units	11,822	-	-	-	-	-	11,822
Long term receivables, net of allowance for uncollectibles:							
MILA loans	-	-	-	-	-	316,503	316,503
Fire/ Rescue loans	-	-	-	-	-	108,170	108,170
Non-profit organization loans	-	-	-	3,107,259	-	-	3,107,259
Small business loans	-	-	-	-	-	62,926	62,926
Housing loans	1,474,500	-	-	-	-	4,046,083	5,520,583
Cash and cash equivalents - restricted	<u>435,206</u>			<u>40,277</u>			<u>475,483</u>
Total assets	<u><u>4,186,900</u></u>	<u><u>11,817,564</u></u>	<u><u>7,293</u></u>	<u><u>3,484,795</u></u>	<u><u>617,496</u></u>	<u><u>5,512,867</u></u>	<u><u>25,626,915</u></u>
<b>Liabilities and fund balance</b>							
<b>Liabilities</b>							
Accounts payable	\$ 165,735	\$ 98,918	\$ -	\$ 12	\$ 40,641	\$ -	\$ 305,306
Accrued liabilities	266,946	360,382	726	337,247	-	-	965,301
Payroll and benefit deductions	400,867	1,262,874	-	-	-	-	1,663,741
Due to other funds	384,799	-	-	-	-	-	384,799
Due to third parties	-	602,926	-	-	57,670	-	660,596
Due to other governmental units	84,373	-	-	-	-	-	84,373
Other liabilities	428,820	-	-	-	-	316,503	745,323
Deferred revenue	184,942	2,944,274	-	3,107,259	-	-	6,236,475
Total liabilities	<u><u>1,916,482</u></u>	<u><u>5,269,374</u></u>	<u><u>726</u></u>	<u><u>3,444,518</u></u>	<u><u>98,311</u></u>	<u><u>316,503</u></u>	<u><u>11,045,914</u></u>
<b>Fund balances</b>							
Nonspendable	1,474,500	-	-	-	-	4,217,179	5,691,679
Restricted	-	435,206	-	40,277	47,363	-	522,846
Committed	-	956,594	3,698	-	471,822	-	1,432,114
Assigned	795,918	5,156,390	2,869	-	-	979,185	6,934,362
Total fund balance	<u><u>2,270,418</u></u>	<u><u>6,548,190</u></u>	<u><u>6,567</u></u>	<u><u>40,277</u></u>	<u><u>519,185</u></u>	<u><u>5,196,364</u></u>	<u><u>14,581,001</u></u>
Total liabilities and fund balance	<u><u>4,186,900</u></u>	<u><u>11,817,564</u></u>	<u><u>7,293</u></u>	<u><u>3,484,795</u></u>	<u><u>617,496</u></u>	<u><u>5,512,867</u></u>	<u><u>25,626,915</u></u>

**FREDERICK COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**SHERIFF'S ACTIVITIES - SPECIAL REVENUE FUNDS**  
**JUNE 30, 2012**

	<b>Sheriff's Drug Enforcement</b>	<b>Narcotics Task Force</b>	<b>Inmates' Canteen</b>	<b>Total Sheriff's Activities (See Exhibit II-B-1)</b>
<b>Assets</b>				
Cash	\$ 25,000	\$ -	\$ 57,671	\$ 82,671
Equity in pooled invested cash	33,038	124,777	343,029	500,844
Total cash and cash equivalents	<u>58,038</u>	<u>124,777</u>	<u>400,700</u>	<u>583,515</u>
Receivables, net of allowance for uncollectibles:				
Accounts	-	-	33,981	33,981
Total assets	<u>\$ 58,038</u>	<u>\$ 124,777</u>	<u>\$ 434,681</u>	<u>\$ 617,496</u>
<b>Liabilities and fund balance</b>				
Liabilities				
Accounts payable	\$ -	\$ 9,437	\$ 31,204	\$ 40,641
Due to third parties	-	-	57,670	57,670
Total liabilities	<u>-</u>	<u>9,437</u>	<u>88,874</u>	<u>98,311</u>
Fund balances				
Restricted	32,875	14,488	-	47,363
Committed	25,163	100,852	345,807	471,822
Total fund balance	<u>58,038</u>	<u>115,340</u>	<u>345,807</u>	<u>519,185</u>
Total liabilities and fund balance	<u>\$ 58,038</u>	<u>\$ 124,777</u>	<u>\$ 434,681</u>	<u>\$ 617,496</u>

**FREDERICK COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**LOAN ACTIVITIES - SPECIAL REVENUE FUNDS**  
**JUNE 30, 2012**

	<b>Housing Initiative</b>	<b>Non-Profit Organizations Loans</b>	<b>Fire/Rescue Loans</b>	<b>Economic Development Loans</b>	<b>Total Loan Activities (See Exhibit II-B-1)</b>
<b>Assets</b>					
Equity in pooled invested cash	\$ 874,248	\$ 20,000	\$ 74,299	\$ 6,582	\$ 975,129
Total cash and cash equivalents	874,248	20,000	74,299	6,582	975,129
Receivables, net of allowance for uncollectibles:					
Accounts	-	-	4,056	-	4,056
Long term receivables, net of allowance for uncollectibles:					
MILA loans	-	-	-	316,503	316,503
Fire/ Rescue loans	-	-	108,170	-	108,170
Small business loans	-	-	-	62,926	62,926
Housing loans	4,046,083	-	-	-	4,046,083
Total assets	<u>\$ 4,920,331</u>	<u>\$ 20,000</u>	<u>\$ 186,525</u>	<u>\$ 386,011</u>	<u>\$ 5,512,867</u>
<b>Liabilities and fund balance</b>					
Liabilities					
Other liabilities	\$ -	\$ -	\$ -	\$ 316,503	\$ 316,503
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,503</u>	<u>316,503</u>
Fund balances					
Nonspendable	4,046,083	-	108,170	62,926	4,217,179
Assigned	874,248	20,000	78,355	6,582	979,185
Total fund balance	<u>4,920,331</u>	<u>20,000</u>	<u>186,525</u>	<u>69,508</u>	<u>5,196,364</u>
Total liabilities and fund balance	<u>\$ 4,920,331</u>	<u>\$ 20,000</u>	<u>\$ 186,525</u>	<u>\$ 386,011</u>	<u>\$ 5,512,867</u>

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	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	
<b>Revenues</b>							
Fire tax levy	\$ -	\$ 31,412,242	\$ -	\$ -	\$ -	\$ -	\$ 31,412,242
Lighting tax levy	-	-	12,289	-	-	-	12,289
Other local taxes	-	-	-	1,203,918	-	-	1,203,918
Grants from federal government	14,618,259	-	-	-	-	-	14,618,259
Grants from state government	3,398,475	-	-	-	-	27,840	3,426,315
Charges for services	937,764	3,398,554	-	-	364,163	175,319	4,875,800
Fines and forfeitures	-	-	-	-	58,835	-	58,835
Interest from loans	-	-	-	-	-	25,632	25,632
Investment earnings	225	55,735	36	732	1,909	4,188	62,825
Build America Bond Subsidy	-	47,344	-	-	-	-	47,344
Miscellaneous revenue	156,444	60,276	-	86,317	60,200	122	363,359
Total revenues	<u>19,111,167</u>	<u>34,974,151</u>	<u>12,325</u>	<u>1,290,967</u>	<u>485,107</u>	<u>233,101</u>	<u>56,106,818</u>
<b>Expenditures</b>							
General government	2,366,087	-	-	-	-	-	2,366,087
Public safety	1,302,279	40,552,362	-	-	545,714	-	42,400,355
Public works	6,628,566	-	14,917	-	-	-	6,643,483
Health	1,144,985	-	-	-	-	-	1,144,985
Social services	1,978,256	-	-	-	-	-	1,978,256
Conservation of natural resources	521,642	-	-	-	-	-	521,642
Community development and public housing	6,313,630	-	-	-	-	32,342	6,345,972
Economic development and opportunity	4,237,505	-	-	1,279,615	-	24,483	5,541,603
Debt service	-	2,338,622	-	119,287	-	45,309	2,503,218
Total expenditures	<u>24,492,950</u>	<u>42,890,984</u>	<u>14,917</u>	<u>1,398,902</u>	<u>545,714</u>	<u>102,134</u>	<u>69,445,601</u>
Excess (deficiency) of revenues over expenditures	<u>(5,381,783)</u>	<u>(7,916,833)</u>	<u>(2,592)</u>	<u>(107,935)</u>	<u>(60,607)</u>	<u>130,967</u>	<u>(13,338,783)</u>
<b>Other financing sources (uses)</b>							
Transfers in from General Fund	5,265,427	4,450,000	-	-	-	-	9,715,427
Transfers in from Special Taxing Districts-Fire	122,100	-	-	-	-	-	122,100
Transfers out to Grants Fund	-	(122,100)	-	-	-	-	(122,100)
Transfers out to Capital Projects Fund	-	(100,000)	-	-	-	(300,000)	(400,000)
Proceeds from refunding bonds	-	3,619,180	-	586,488	-	-	4,205,668
Payment to refunded bond escrow agent	-	(4,222,740)	-	(694,858)	-	-	(4,917,598)
Premium on public facilities bonds	-	783,600	-	181,525	-	-	965,125
Capital leases	-	836,610	-	-	-	-	836,610
Sale of capital assets	-	53,820	-	-	-	-	53,820
Total other financing sources (uses)	<u>5,387,527</u>	<u>5,298,370</u>	<u>-</u>	<u>73,155</u>	<u>-</u>	<u>(300,000)</u>	<u>10,459,052</u>
Net change in fund balances	5,744	(2,618,463)	(2,592)	(34,780)	(60,607)	(169,033)	(2,879,731)
Fund balance - beginning of year	<u>2,264,674</u>	<u>9,166,653</u>	<u>9,159</u>	<u>75,057</u>	<u>579,792</u>	<u>5,365,397</u>	<u>17,460,732</u>
Fund balance - end 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>

**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, 2012**

	<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>
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 364,163	\$ 364,163
Fines and forfeitures	17,068	41,767	-	58,835
Investment earnings	148	511	1,250	1,909
Miscellaneous revenue	-	60,200	-	60,200
Total revenues	<u>17,216</u>	<u>102,478</u>	<u>365,413</u>	<u>485,107</u>
<b>Expenditures</b>				
Public safety	10,198	163,951	371,565	545,714
Total expenditures	<u>10,198</u>	<u>163,951</u>	<u>371,565</u>	<u>545,714</u>
Excess (deficiency) of revenues over expenditures	<u>7,018</u>	<u>(61,473)</u>	<u>(6,152)</u>	<u>(60,607)</u>
Net change in fund balances	7,018	(61,473)	(6,152)	(60,607)
Fund balance - beginning of year	<u>51,020</u>	<u>176,813</u>	<u>351,959</u>	<u>579,792</u>
Fund balance - end of year	<u>\$ 58,038</u>	<u>\$ 115,340</u>	<u>\$ 345,807</u>	<u>\$ 519,185</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, 2012**

	<b>Housing Initiative</b>	<b>Non-Profit Organizations Loans</b>	<b>Fire/Rescue Loans</b>	<b>Economic Development Loans</b>	<b>Total Loan Activities (See Exhibit II-B-4)</b>
<b>Revenues</b>					
Grants from state government	\$ -	\$ -	\$ -	\$ 27,840	\$ 27,840
Charges for services	174,436	-	-	883	175,319
Interest from loans	-	-	5,641	19,991	25,632
Investment earnings	3,448	-	230	510	4,188
Miscellaneous revenue	-	-	-	122	122
<b>Total revenues</b>	<b>177,884</b>	<b>-</b>	<b>5,871</b>	<b>49,346</b>	<b>233,101</b>
<b>Expenditures</b>					
Community development and public housing	32,342	-	-	-	32,342
Economic development and opportunity	-	-	-	24,483	24,483
Debt service	-	-	-	45,309	45,309
<b>Total expenditures</b>	<b>32,342</b>	<b>-</b>	<b>-</b>	<b>69,792</b>	<b>102,134</b>
Excess (deficiency) of revenues over expenditures	<b>145,542</b>	<b>-</b>	<b>5,871</b>	<b>(20,446)</b>	<b>130,967</b>
<b>Other financing sources (uses)</b>					
Transfer out to capital projects fund	-	-	-	(300,000)	(300,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(300,000)</b>	<b>(300,000)</b>
Net change in fund balances	145,542	-	5,871	(320,446)	(169,033)
Fund balance - beginning of year	<b>4,774,789</b>	<b>20,000</b>	<b>180,654</b>	<b>389,954</b>	<b>5,365,397</b>
Fund balance - end of year	<b>\$ 4,920,331</b>	<b>\$ 20,000</b>	<b>\$ 186,525</b>	<b>\$ 69,508</b>	<b>\$ 5,196,364</b>

**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, 2012**

	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)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ 31,187,377	\$ 31,412,242	\$ 224,865	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	3,214,000	2,816,738	(397,262)
Other local taxes	-	-	-	-	-	-	-	-	-
Grants from federal government	19,650,477	14,618,259	(5,032,218)	-	-	-	-	-	-
Grants from state government	4,301,560	3,398,475	(903,085)	-	-	-	-	-	-
Charges for services	976,243	937,764	(38,479)	3,584,000	3,398,554	(185,446)	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	-	225	225	100,000	55,735	(44,265)	50,000	39,852	(10,148)
Build America Bonds Subsidy	-	-	-	48,001	47,344	(657)	518,794	518,794	-
Miscellaneous revenue	187,162	156,444	(30,718)	16,892	60,276	43,384	-	-	-
Total revenues	<u>25,115,442</u>	<u>19,111,167</u>	<u>(6,004,275)</u>	<u>34,936,270</u>	<u>34,974,151</u>	<u>37,881</u>	<u>3,782,794</u>	<u>3,375,384</u>	<u>(407,410)</u>
<b>Expenditures</b>									
General government	2,999,733	2,367,426	632,307	-	-	-	-	-	-
Public safety	3,593,128	1,302,279	2,290,849	41,083,044	40,695,626	387,418	-	-	-
Public works	7,637,865	6,628,566	1,009,299	-	-	-	-	-	-
Health	1,589,372	1,144,985	444,387	-	-	-	-	-	-
Social services	2,549,736	1,981,731	568,005	-	-	-	-	-	-
Conservation of natural resources	1,594,362	521,642	1,072,720	-	-	-	-	-	-
Community development and public housing	6,562,528	6,273,630	288,898	-	-	-	-	-	-
Economic development and opportunity	5,440,620	4,237,505	1,203,115	-	-	-	-	-	-
Debt service	-	-	-	2,476,274	2,338,622	137,652	3,936,094	3,857,333	78,761
Total expenditures	<u>31,967,344</u>	<u>24,457,764</u>	<u>7,509,580</u>	<u>43,559,318</u>	<u>43,034,248</u>	<u>525,070</u>	<u>3,936,094</u>	<u>3,857,333</u>	<u>78,761</u>
Excess (deficiency) of revenues over expenditures	<u>(6,851,902)</u>	<u>(5,346,597)</u>	<u>1,505,305</u>	<u>(8,623,048)</u>	<u>(8,060,097)</u>	<u>562,951</u>	<u>(153,300)</u>	<u>(481,949)</u>	<u>(328,649)</u>
<b>Other financing sources (uses)</b>									
Appropriated fund balance	804,808	600,741	(204,067)	-	-	-	1,653,300	-	(1,653,300)
Transfers in from general fund	5,890,334	5,265,426	(624,908)	4,450,000	4,450,000	-	-	-	-
Transfers in from fire/rescue tax district fund	156,760	122,100	(34,660)	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(100,000)	(100,000)	-	(1,500,000)	(1,500,000)	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	(122,100)	(122,100)	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	-	-	-	1,255,950	1,255,950
Payment to refunded bond escrow agent	-	-	-	-	(4,222,740)	(4,222,740)	-	(1,489,775)	(1,489,775)
Premium on public facilities bonds	-	-	-	-	4,402,780	4,402,780	-	-	-
Proceeds of capital lease	-	-	-	836,610	836,610	-	-	263,030	263,030
Sale of capital assets	-	-	-	-	53,820	53,820	-	-	-
Total other financing sources (uses)	<u>6,851,902</u>	<u>5,988,267</u>	<u>(863,635)</u>	<u>5,064,510</u>	<u>5,298,370</u>	<u>233,860</u>	<u>153,300</u>	<u>(1,470,795)</u>	<u>(1,624,095)</u>
Net change in fund balances	<u>\$ -</u>	<u>641,670</u>	<u>\$ 641,670</u>	<u>\$ (3,558,538)</u>	<u>(2,761,727)</u>	<u>\$ 796,811</u>	<u>\$ -</u>	<u>(1,952,744)</u>	<u>\$ (1,952,744)</u>
Fund balance - beginning of year		2,264,674			9,166,653				-
Net change in reserves and adjustments to GAAP basis		<u>(635,926)</u>			<u>143,264</u>			<u>1,952,744</u>	
Fund balance - end of year		<u>\$ 2,270,418</u>			<u>\$ 6,548,190</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, 2012

	Impact Fees			Development Road Improvement			Electric Lighting Tax Districts		
	Final Amended Budget	Impact Fees Actual	Variance - Positive (Negative)	Final Amended Budget	Development Road Improvement Actual	Variance - Positive (Negative)	Final Amended Budget	Electric Lighting Tax Districts Actual	Variance - Positive (Negative)
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,185	\$ 12,289	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	104
Other local taxes	-	-	-	900,000	71,375	(828,625)	-	-	-
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	6,906,532	7,168,483	261,951	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	306,385	180,917	(125,468)	25,000	29,223	4,223	-	36	36
Build America Bonds Subsidy	4,322	4,322	-	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>7,217,239</b>	<b>7,353,722</b>	<b>136,483</b>	<b>925,000</b>	<b>100,598</b>	<b>(824,402)</b>	<b>12,185</b>	<b>12,325</b>	<b>140</b>
<b>Expenditures</b>									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	14,988	14,917	71
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	-	-	-	-	-	-
Debt service	7,871,911	7,747,213	124,698	-	-	-	-	-	-
<b>Total expenditures</b>	<b>7,871,911</b>	<b>7,747,213</b>	<b>124,698</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,988</b>	<b>14,917</b>	<b>71</b>
Excess (deficiency) of revenues over expenditures	(654,672)	(393,491)	261,181	925,000	100,598	(824,402)	(2,803)	(2,592)	211
<b>Other financing sources (uses)</b>									
Appropriated fund balance	654,672	-	(654,672)	375,000	-	(375,000)	2,803	-	(2,803)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(1,300,000)	(1,300,000)	-	-	-	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Proceeds from refunding bonds	-	10,596,387	10,596,387	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(12,392,255)	(12,392,255)	-	-	-	-	-	-
Premium on public facilities bonds	-	1,855,514	1,855,514	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>654,672</b>	<b>59,646</b>	<b>(595,026)</b>	<b>(925,000)</b>	<b>(1,300,000)</b>	<b>(375,000)</b>	<b>2,803</b>	<b>-</b>	<b>(2,803)</b>
Net change in fund balances	\$ -	\$ (333,845)	\$ (333,845)	\$ -	\$ (1,199,402)	\$ (1,199,402)	\$ -	\$ (2,592)	\$ (2,592)
Fund balance - beginning of year	-	-	-	-	-	-	-	9,159	-
Net change in reserves and adjustments to GAAP basis		333,845			1,199,402				
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,567	\$ -

(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, 2012

	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)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>									
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-	-	-	-
Other local taxes	2,410,040	1,501,168	(908,872)	1,038,000	1,203,918	165,918	804,000	704,224	(99,776)
Grants from federal government	-	-	-	-	-	-	-	-	-
Grants from state government	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Interest from loans	-	-	-	-	-	-	-	-	-
Investment earnings	100,000	47,927	(52,073)	500	732	-	50,000	33,013	(16,987)
Build America Bonds Subsidy	-	-	-	-	-	-	74,272	74,272	-
Miscellaneous revenue	-	-	-	98,732	86,317	(6,289)	-	-	-
Total revenues	<u>2,510,040</u>	<u>1,549,095</u>	<u>(960,945)</u>	<u>1,137,232</u>	<u>1,290,967</u>	<u>159,629</u>	<u>928,272</u>	<u>811,509</u>	<u>(116,763)</u>
<b>Expenditures</b>									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-	-	-	-
Community development and public housing	-	-	-	-	-	-	-	-	-
Economic development and opportunity	-	-	-	1,038,500	1,279,615	(241,115)	-	-	-
Debt service	72,000	27,566	44,434	98,732	119,287	(20,555)	1,352,021	1,314,714	37,307
Total expenditures	<u>72,000</u>	<u>27,566</u>	<u>44,434</u>	<u>1,137,232</u>	<u>1,398,902</u>	<u>(261,670)</u>	<u>1,352,021</u>	<u>1,314,714</u>	<u>37,307</u>
Excess (deficiency) of revenues over expenditures	<u>2,438,040</u>	<u>1,521,529</u>	<u>(916,511)</u>	-	<u>(107,935)</u>	<u>(102,041)</u>	<u>(423,749)</u>	<u>(503,205)</u>	<u>(79,456)</u>
<b>Other financing sources (uses)</b>									
Appropriated fund balance	(1,823,540)	-	1,823,540	-	-	-	423,749	-	(423,749)
Transfers in from general fund	-	-	-	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-	-	-	-
Transfers out to capital projects fund	(614,500)	(614,500)	-	-	-	-	-	-	-
Transfers out to general fund	-	-	-	-	-	-	-	-	-
Transfers out to grants fund	-	-	-	-	-	-	-	-	-
Proceeds from bond refunding	-	-	-	-	586,488	586,488	-	2,719,079	2,719,079
Payment to refunded bond escrow agent	-	-	-	-	(694,858)	(694,858)	-	(3,225,308)	(3,225,308)
Premium on public facilities bonds	-	64,887	64,887	-	181,525	181,525	-	1,055,177	1,055,177
Total other financing sources (uses)	<u>(2,438,040)</u>	<u>(549,613)</u>	<u>1,888,427</u>	-	<u>73,155</u>	<u>73,155</u>	<u>423,749</u>	<u>548,948</u>	<u>125,199</u>
Net change in fund balances	<u>\$ -</u>	<u>971,916</u>	<u>\$ 971,916</u>	<u>\$ -</u>	<u>(34,780)</u>	<u>\$ (28,886)</u>	<u>\$ -</u>	<u>45,743</u>	<u>\$ 45,743</u>
Fund balance - beginning of year (restated)	-	-	-	-	75,057	-	-	-	-
Net change in reserves and adjustments to GAAP basis	\$ <u>(971,916)</u>	-	-	-	-	-	\$ <u>(45,743)</u>	-	-
Fund balance - end of year	<u>\$ -</u>	-	-	-	<u>\$ 40,277</u>	-	<u>\$ 45,743</u>	<u>\$ 45,743</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, 2012

	Housing Initiative			Economic Development Loans		
	Final Amended Budget	Actual	Variance - Positive (Negative)	Final Amended Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>						
Fire tax levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting tax levy	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Grants from federal government	-	-	-	-	-	-
Grants from state government	-	-	-	27,840	27,840	-
Charges for services	-	-	-	600	883	283
Interest from loans	-	-	-	17,469	19,991	2,522
Investment earnings	1,500	3,448	-	2,000	510	(1,490)
Miscellaneous revenue	-	259,867	259,867	-	122	122
Total revenues	1,500	263,315	259,867	47,909	49,346	1,437
<b>Expenditures</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Community development and public housing	562,427	562,426	-	-	-	-
Economic development and opportunity	-	-	-	45,050	24,483	20,567
Debt service	-	-	-	45,309	45,309	-
Total expenditures	562,427	562,426	-	90,359	69,792	20,567
Excess (deficiency) of revenues over expenditures	(560,927)	(299,111)	259,867	(42,450)	(20,446)	22,004
<b>Other financing sources (uses)</b>						
Appropriated fund balance	560,927	-	(560,927)	-	-	-
Transfers in from general fund	-	-	-	342,450	-	(342,450)
Transfers in from capital projects fund	-	-	-	-	-	-
Transfers in from fire/rescue tax district fund	-	-	-	-	-	-
Transfers out to capital projects fund	-	-	-	(300,000)	(300,000)	-
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	\$ 560,927	\$ -	\$ (560,927)	\$ 42,450	\$ (300,000)	\$ (342,450)
	\$ -	\$ (299,111)	\$ (301,060)	\$ -	\$ (320,446)	\$ (320,446)
Fund balance - beginning of year		4,774,789			389,954	
Net change in reserves and adjustments to GAAP basis		444,653			-	
Fund balance - end of year	\$ 4,920,331			\$ 69,508		

**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, 2012**

	<u>Project Budget</u>	<u>Current Year Actual</u>	<u>Total To Date</u>	<u>Variance - Positive (Negative)</u>
<b>Revenues</b>				
Grants from federal government				
ARRA	\$ 2,025,730	\$ 1,022,939	\$ 1,083,333	\$ (942,397)
Highways	6,813,694	50	-	(6,813,694)
Miscellaneous grants	2,010,878	753,166	1,602,981	(407,897)
Grants from state government:				
Highways	1,829,000	829,006	833,636	(995,364)
Program open space	1,156,333	1,287,340	-	(1,156,333)
Detention center	869,411	4,279	20,349	(849,062)
Education	5,624,543	-	40,633	(5,583,910)
Miscellaneous	315,401	-	93,695	(221,706)
Total revenues	<u>20,644,990</u>	<u>3,896,780</u>	<u>3,674,627</u>	<u>(16,970,363)</u>
<b>Expenditures</b>				
General government	60,425,350	7,217,132	26,394,942	34,030,408
Roads and bridges	34,605,724	5,047,351	15,556,201	19,049,523
Board of Education	108,200,629	9,486,072	98,223,877	9,976,752
Frederick Community College	31,987,662	945,602	19,456,856	12,530,806
Parks and recreation	20,211,708	2,609,197	6,983,990	13,227,718
Watershed restoration	659,275	48,860	283,669	375,606
Municipal	1,003,964	401,529	427,205	576,759
Total expenditures	<u>257,094,312</u>	<u>25,755,743</u>	<u>167,326,740</u>	<u>89,767,572</u>
Excess (deficiency) of revenues over expenditures	<u>(236,449,322)</u>	<u>(21,858,963)</u>	<u>(163,652,113)</u>	<u>72,797,209</u>
<b>Other financing sources (uses)</b>				
Transfers in from general fund	34,907,569	6,644,110	34,907,569	-
Transfers in from impact fees fund	12,090,130	-	12,090,130	-
Transfers in from parks acquisition & development fund	12,301,494	614,500	12,301,494	-
Transfers in from special tax district	143,327	100,000	143,327	-
Transfers in from development road improvement fund	10,806,045	1,300,000	10,806,045	-
Transfers in from nursing home construction fund	1,219,852	-	1,219,852	-
Transfers in from school construction fund	1,500,000	1,500,000	1,500,000	-
Transfers in from economic development loan fund	300,000	300,000	300,000	-
Transfers in from water and sewer fund	901	-	901	-
Transfers in from DPDR	9,169	-	9,169	-
General obligation bonds issued	<u>163,170,835</u>	<u>55,810,000</u>	<u>113,306,419</u>	<u>(49,864,416)</u>
Total other financing sources (uses)	<u>236,449,322</u>	<u>66,268,610</u>	<u>186,584,906</u>	<u>(49,864,416)</u>
Net change in fund balances	<u>\$ -</u>	<u>44,409,647</u>	<u>\$ 22,932,793</u>	<u>\$ 22,932,793</u>
Net change in reserves and adjustment to GAAP basis		(22,780,878)		
Fund balance - beginning of year		43,762,898		
Fund balance - end of year		<u>\$ 65,391,667</u>		

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2012**

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-9)	
	Nursing Homes		Public Housing			
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments	Permitting & Development Review		
<b>Assets</b>						
Current assets:						
Cash	\$ 64,402	\$ 24,984	\$ 14,083	\$ -	\$ 103,469	
Equity in pooled invested cash	527,757	1,196,556	-	5,049,810	6,774,123	
Restricted cash and cash equivalents	-	-	456,221	-	456,221	
Total cash and cash equivalents	592,159	1,221,540	470,304	5,049,810	7,333,813	
Receivables, net of allowance for uncollectible accounts	2,166,433	17,369	1,413	-	2,185,215	
Inventories	-	-	-	-	-	
Prepaid items	26,451	-	557	-	27,008	
Total current assets	2,785,043	1,238,909	472,274	5,049,810	9,546,036	
Noncurrent assets:						
Capital assets:						
Land	-	-	132,200	513,942	646,142	
Buildings and improvements	3,319,323	2,254,016	1,877,880	6,264,082	13,715,301	
Equipment	1,216,163	102,138	175,000	996,279	2,489,580	
Accumulated depreciation	(4,509,114)	(2,356,154)	(923,572)	(2,037,562)	(9,826,402)	
Deferred bond issue expense	-	-	-	27,761	27,761	
Total noncurrent assets	26,372	-	1,261,508	5,764,502	7,052,382	
Total assets	2,811,415	1,238,909	1,733,782	10,814,312	16,598,418	
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	82,369	4,941	966	2,018	90,294	
Payroll and benefit deductions	386,458	82,159	580	109,541	578,738	
Accrued expenses	793,343	11,416	6,859	33,581	845,199	
Due to other government units	-	-	-	5,350	5,350	
Due to component units	-	-	-	2,500	2,500	
Deferred revenues	3,163	-	-	3,767,265	3,770,428	
Security deposits	-	-	10,218	-	10,218	
Other liabilities	58,501	22,908	-	-	81,409	
Current portion general obligation bonds and notes	-	-	-	355,860	355,860	
Current portion of compensated absences	59,812	8,766	-	19,496	88,074	
Total current liabilities	1,383,646	130,190	18,623	4,295,611	5,828,070	
Noncurrent liabilities:						
Long term portion general obligation bonds and notes	-	-	-	4,950,798	4,950,798	
Liability for compensated absences	368,852	88,700	-	174,416	631,968	
Accrued termination benefits	-	-	-	20,285	20,285	
Total noncurrent liabilities	368,852	88,700	-	5,145,499	5,603,051	
Total liabilities	1,752,498	218,890	18,623	9,441,110	11,431,121	
<b>Net Assets</b>						
Invested in capital assets, net of related debt	26,372	-	1,261,508	430,083	1,717,963	
Restricted	-	-	456,221	-	456,221	
Unrestricted	1,032,545	1,020,019	(2,570)	943,119	2,993,113	
Total net assets	\$ 1,058,917	\$ 1,020,019	\$ 1,715,159	\$ 1,373,202	\$ 5,167,297	

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Total Nonmajor Enterprise Funds (See Exhibit II-A-10)</b>	
	<b>Nursing Homes</b>		<b>Public Housing</b>			
	<b>Citizens Care &amp; Rehabilitation Center</b>	<b>Montevue Home</b>	<b>Bell Court Apartments</b>	<b>Permitting &amp; Development Review</b>		
<b>Operating revenues</b>						
Charges for health care services, net of contractual adjustments	\$ 12,728,307	\$ 923,365	\$ -	\$ -	\$ 13,651,672	
License and permit revenue	-	-	-	2,296,840	2,296,840	
Fee revenue	-	-	-	1,144,392	1,144,392	
Rental charges	-	-	108,478	395,996	504,474	
Total net charges for services	<u>12,728,307</u>	<u>923,365</u>	<u>108,478</u>	<u>3,837,228</u>	17,597,378	
Other revenues	589,315	660	-	1,000	590,975	
Total operating revenues	<u>13,317,622</u>	<u>924,025</u>	<u>108,478</u>	<u>3,838,228</u>	18,188,353	
<b>Operating expenses</b>						
Personnel services	10,899,356	2,116,993	25,167	3,159,546	16,201,062	
Other operating expenses (including administrative overhead)	4,837,233	866,039	35,584	709,508	6,448,364	
Supplies	946,581	103,413	-	18,136	1,068,130	
Repairs and maintenance	8,226	21,935	23,359	6,740	60,260	
Depreciation	213,082	194,967	65,400	225,037	698,486	
Total operating expenses	<u>16,904,478</u>	<u>3,303,347</u>	<u>149,510</u>	<u>4,118,967</u>	24,476,302	
Operating income (loss)	<u>(3,586,856)</u>	<u>(2,379,322)</u>	<u>(41,032)</u>	<u>(280,739)</u>	(6,287,949)	
<b>Nonoperating revenues (expenses)</b>						
Donations	4,371	1,740	-	-	6,111	
Investment earnings	-	16	3,856	10,033	13,905	
Gain (loss) on sale/disposal of capital assets	-	-	-	-	-	
Interest expense	-	-	-	(177,153)	(177,153)	
Total nonoperating revenues (expenses)	<u>4,371</u>	<u>1,756</u>	<u>3,856</u>	<u>(167,120)</u>	(157,137)	
Net income (loss) before transfers	<u>(3,582,485)</u>	<u>(2,377,566)</u>	<u>(37,176)</u>	<u>(447,859)</u>	(6,445,086)	
Transfers in	3,201,892	2,770,954	-	-	5,972,846	
Total transfers	<u>3,201,892</u>	<u>2,770,954</u>	<u>-</u>	<u>-</u>	5,972,846	
Change in net assets	(380,593)	393,388	(37,176)	(447,859)	(472,240)	
Net assets - beginning of year	<u>1,439,510</u>	<u>626,631</u>	<u>1,752,335</u>	<u>1,821,061</u>	5,639,537	
Net assets - end of year	<u>\$ 1,058,917</u>	<u>\$ 1,020,019</u>	<u>\$ 1,715,159</u>	<u>\$ 1,373,202</u>	\$ 5,167,297	

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Business-type Activities-Enterprise Funds</b>				<b>Total Nonmajor Enterprise Funds (See Exhibit II-A-11)</b>	
	<b>Nursing Homes</b>		<b>Public Housing</b>			
	<b>Citizens Care &amp; Rehabilitation Center</b>	<b>Montevue Home</b>	<b>Bell Court Apartments</b>	<b>Permitting &amp; Development Review</b>		
<b>Cash flows from operating activities</b>						
Cash received from residents and customers	\$ 12,000,008	\$ 902,961	\$ 109,040	\$ 3,457,243	\$ 16,469,252	
Cash received from (paid to) interfund services	-	-	-	395,996	395,996	
Cash paid to suppliers	(4,634,225)	(970,868)	(56,716)	(1,014,615)	(6,676,424)	
Cash paid to employees	(10,944,286)	(2,106,884)	(25,329)	(2,882,554)	(15,959,053)	
Other	-	-	-	4,600	4,600	
Net cash provided (used) by operating activities	<u>(3,578,503)</u>	<u>(2,174,791)</u>	<u>26,995</u>	<u>(39,330)</u>	<u>(5,765,629)</u>	
<b>Cash flows from noncapital financing activities</b>						
Transfers in	3,201,892	2,770,954	-	-	5,972,846	
Cash received from donations	4,371	1,740	-	-	6,111	
Cash received from (paid to) patient and resident funds	14,225	(31)	-	-	14,194	
Cash received from (paid to) memorial and employee funds	-	(22)	-	-	(22)	
Net cash provided by noncapital financing activities	<u>3,220,488</u>	<u>2,772,641</u>	<u>-</u>	<u>-</u>	<u>5,993,129</u>	
<b>Cash flows from capital and related financing activities</b>						
Acquisition and construction of capital assets	-	-	-	-	-	
Proceeds from debt issues	-	-	-	(89,586)	(89,586)	
Payment of bond and note principal	-	-	-	(301,223)	(301,223)	
Interest paid on bonds	-	-	-	(215,105)	(215,105)	
Net cash provided (used) by capital & related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(605,914)</u>	<u>(605,914)</u>	
<b>Cash flows from investing activities</b>						
Interest received on investments	-	16	4,141	10,033	14,190	
Net cash provided by investing activities	<u>-</u>	<u>16</u>	<u>4,141</u>	<u>10,033</u>	<u>14,190</u>	
Net increase (decrease) in cash and cash equivalents	(358,015)	597,866	31,136	(635,211)	(364,224)	
Cash and cash equivalents - beginning of year (restated)	950,174	623,674	439,168	5,685,021	7,698,037	
Cash and cash equivalents - end of year	<u>\$ 592,159</u>	<u>\$ 1,221,540</u>	<u>\$ 470,304</u>	<u>\$ 5,049,810</u>	<u>\$ 7,333,813</u>	

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds (See Exhibit II-A-11)
	Nursing Homes		Public Housing	Permitting & Development Review	
	Citizens Care & Rehabilitation Center	Montevue Home	Bell Court Apartments		
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (3,586,856)	\$ (2,379,322)	\$ (41,032)	\$ (280,739)	\$ (6,287,949)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	213,082	194,967	65,400	225,037	698,486
Change in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(211,436)	(1,010)	-	-	(212,446)
Inventories	46,753	-	-	-	46,753
Prepaid items	(26,451)	-	(557)	-	(27,008)
Increase (decrease) in:					
Accounts payable	70,908	(1,504)	844	(1,275)	68,973
Accrued expenses	198,624	7,521	1,778	33,329	241,252
Deferred revenues	-	-	-	15,011	15,011
Liability for compensated leave	(73,006)	4,022	-	(35,293)	(104,277)
Other liabilities	(210,121)	535	562	4,600	(204,424)
Net cash provided (used) by operating activities	\$ <u>(3,578,503)</u>	\$ <u>(2,174,791)</u>	\$ <u>26,995</u>	\$ <u>(39,330)</u>	\$ <u>(5,765,629)</u>
Noncash investing, capital, and financing activities:					
None					

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2012**

	<u>Voice Services</u>	<u>Fleet Services</u>	<b>Total Internal Service Funds (See Exhibit II-A-9)</b>
<b>Assets</b>			
Current assets:			
Equity in pooled invested cash	\$ 998,709	\$ 10,908,864	\$ 11,907,573
Total cash and cash equivalents	<u>998,709</u>	<u>10,908,864</u>	<u>11,907,573</u>
Receivables, net of allowance for uncollectible accounts	76,700	20,978	97,678
Due from component units	43	-	43
Inventories	-	369,889	369,889
Prepaid items	71,352	-	71,352
Total current assets	<u>1,146,804</u>	<u>11,299,731</u>	<u>12,446,535</u>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	-	1,833,133	1,833,133
Equipment	1,674,999	25,211,721	26,886,720
Accumulated depreciation	<u>(1,408,171)</u>	<u>(19,199,069)</u>	<u>(20,607,240)</u>
Total noncurrent assets	<u>266,828</u>	<u>7,845,785</u>	<u>8,112,613</u>
Total assets	<u>1,413,632</u>	<u>19,145,516</u>	<u>20,559,148</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	550	105,366	105,916
Payroll and benefit deductions	19,068	63,504	82,572
Accrued expenses	-	97,321	97,321
Current portion of compensated absences	-	6,199	6,199
Total current liabilities	<u>19,618</u>	<u>272,390</u>	<u>292,008</u>
Noncurrent liabilities:			
Liability for compensated absences	35,305	104,000	139,305
Total noncurrent liabilities	<u>35,305</u>	<u>104,000</u>	<u>139,305</u>
Total liabilities	<u>54,923</u>	<u>376,390</u>	<u>431,313</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	266,828	7,845,785	8,112,613
Unrestricted	1,091,881	10,923,341	12,015,222
Total net assets	<u>\$ 1,358,709</u>	<u>\$ 18,769,126</u>	<u>\$ 20,127,835</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, 2012**

	<b>Voice Services</b>	<b>Fleet Services</b>	<b>Total Internal Service Funds</b> <u>(See Exhibit II-A-10)</u>
<b>Operating revenues</b>			
Service charges	\$ 1,322,657	\$ 10,321,784	\$ 11,644,441
Total operating revenues	<u>1,322,657</u>	<u>10,321,784</u>	<u>11,644,441</u>
<b>Operating expenses</b>			
Personnel services	535,799	1,963,391	2,499,190
Other operating expenses (including administrative overhead)	464,034	711,636	1,175,670
Supplies	5,912	4,401,071	4,406,983
Repairs and maintenance	193,569	386,076	579,645
Depreciation	101,658	2,572,402	2,674,060
Total operating expenses	<u>1,300,972</u>	<u>10,034,576</u>	<u>11,335,548</u>
Operating income (loss)	<u>21,685</u>	<u>287,208</u>	<u>308,893</u>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	3,179	33,404	36,583
Miscellaneous income	-	6,158	6,158
Insurance recovery	-	32,334	32,334
Gain (loss) on disposition of capital assets	-	86,413	86,413
Total nonoperating revenues (expenses)	<u>3,179</u>	<u>158,309</u>	<u>161,488</u>
Net income (loss) before contributions and transfers	<u>24,864</u>	<u>445,517</u>	<u>470,381</u>
Transfers out	-	-	-
Transfers in	-	-	-
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	24,864	445,517	470,381
Net assets - beginning of year	<u>1,333,845</u>	<u>18,323,609</u>	<u>19,657,454</u>
Net assets - end of year	<u>\$ 1,358,709</u>	<u>\$ 18,769,126</u>	<u>\$ 20,127,835</u>

**FREDERICK COUNTY, MARYLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Voice Services</b>	<b>Fleet Services</b>	<b>Total Internal Service Funds (See Exhibit II-A-11)</b>
<b>Cash flows from operating activities</b>			
Cash received from residents and customers	\$ 1,334,521	\$ 10,433,277	\$ 11,767,798
Cash paid to suppliers	(663,993)	(5,599,266)	(6,263,259)
Cash paid to employees	<u>(532,044)</u>	<u>(1,991,494)</u>	<u>(2,523,538)</u>
Net cash provided by operating activities	<u>138,484</u>	<u>2,842,517</u>	<u>2,981,001</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers in (out)	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(85,514)	(506,138)	(591,652)
Recoveries for damages	-	32,335	32,335
Proceeds from sale of capital assets	<u>-</u>	<u>187,833</u>	<u>187,833</u>
Net cash provided (used) by capital & related financing activities	<u>(85,514)</u>	<u>(285,970)</u>	<u>(371,484)</u>
<b>Cash flows from investing activities</b>			
Interest received on investments	<u>3,180</u>	<u>33,404</u>	<u>36,584</u>
Net cash provided by investing activities	<u>3,180</u>	<u>33,404</u>	<u>36,584</u>
Net increase (decrease) in cash and cash equivalents	56,150	2,589,951	2,646,101
Cash and cash equivalents - beginning of year	<u>942,559</u>	<u>8,318,913</u>	<u>9,261,472</u>
Cash and cash equivalents - end of year	<u>\$ 998,709</u>	<u>\$ 10,908,864</u>	<u>\$ 11,907,573</u>

(continued)

FREDERICK COUNTY, MARYLAND  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Voice Services	Fleet Services	Total Internal Service Funds (See Exhibit II-A-11)
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 21,685	\$ 287,208	\$ 308,893
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	101,658	2,572,402	2,674,060
Miscellaneous non operating income	-	6,158	6,158
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	11,864	105,335	117,199
Inventory	-	(116,034)	(116,034)
Prepaid items	(442)	5,111	4,669
Increase (decrease) in:			
Accounts payable	(36)	9,344	9,308
Accrued expenses	1,909	(2,925)	(1,016)
Liability for compensated leave	1,846	(24,082)	(22,236)
Net cash provided by operating activities	<u>\$ 138,484</u>	<u>\$ 2,842,517</u>	<u>\$ 2,981,001</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, 2012**

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	
<b>Tax Agency Fund</b>				
Assets				
Cash and cash equivalents	\$ 254,870	\$ 34,879	\$ 203,461	\$ 86,288
Equity in pooled invested cash	<u>563,832</u>	<u>2,033,742</u>	<u>2,021,175</u>	<u>576,399</u>
Total Assets	<u><u>\$ 818,702</u></u>	<u><u>\$ 2,068,621</u></u>	<u><u>\$ 2,224,636</u></u>	<u><u>\$ 662,687</u></u>
Liabilities				
Due to third parties	<u>\$ 818,702</u>	<u>\$ 3,580,372</u>	<u>\$ 3,736,387</u>	<u>\$ 662,687</u>
<b>Subdivision and Driveway Deposits Fund</b>				
Assets				
Equity in pooled invested cash	<u>\$ 2,733,482</u>	<u>\$ 550,757</u>	<u>\$ 1,147,150</u>	<u>\$ 2,137,089</u>
Liabilities				
Due to third parties	<u>\$ 3,390</u>	<u>\$ -</u>	<u>\$ 1,605</u>	<u>\$ 1,785</u>
Performance deposits	<u>2,730,092</u>	<u>550,757</u>	<u>1,145,545</u>	<u>2,135,304</u>
Total Liabilities	<u><u>\$ 2,733,482</u></u>	<u><u>\$ 550,757</u></u>	<u><u>\$ 1,147,150</u></u>	<u><u>\$ 2,137,089</u></u>
<b>Work Release Fund</b>				
Assets				
Cash and cash equivalents	<u>\$ 27,138</u>	<u>\$ 563,804</u>	<u>\$ 570,496</u>	<u>\$ 20,446</u>
Liabilities				
Due to third parties	<u>\$ 27,138</u>	<u>\$ 563,804</u>	<u>\$ 570,496</u>	<u>\$ 20,446</u>
<b>Tax Incremental Financing Bond Fund</b>				
Assets				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 228,788</u>	<u>\$ 224,914</u>	<u>\$ 3,874</u>
Liabilities				
Due to third parties	<u>\$ -</u>	<u>\$ 236,699</u>	<u>\$ 232,825</u>	<u>\$ 3,874</u>
<b>Totals - All Agency funds</b>				
Assets				
Cash and cash equivalents	\$ 282,008	\$ 827,471	\$ 998,871	\$ 110,608
Equity in pooled invested cash	<u>3,297,314</u>	<u>2,584,499</u>	<u>3,168,325</u>	<u>2,713,488</u>
Total assets	<u><u>\$ 3,579,322</u></u>	<u><u>\$ 3,411,970</u></u>	<u><u>\$ 4,167,196</u></u>	<u><u>\$ 2,824,096</u></u>
Liabilities				
Due to third parties	\$ 849,230	\$ 4,380,875	\$ 4,541,313	\$ 688,792
Performance deposits	<u>2,730,092</u>	<u>550,757</u>	<u>1,145,545</u>	<u>2,135,304</u>
Total liabilities	<u><u>\$ 3,579,322</u></u>	<u><u>\$ 4,931,632</u></u>	<u><u>\$ 5,686,858</u></u>	<u><u>\$ 2,824,096</u></u>

**FREDERICK COUNTY, MARYLAND**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE (1)**  
**JUNE 30, 2012**

	<u>2012</u>
<b>Governmental funds capital assets</b>	
Land and improvements	\$ 120,866,882
Buildings	199,045,231
Equipment	70,239,478
Infrastructure	349,685,900
Construction in progress	28,677,407
Total governmental funds capital assets	<u>\$ 768,514,898</u>
<b>Investment in governmental funds capital assets by source</b>	
Capital projects fund (2)	\$ 636,527,203
General fund	2,133,243
Special revenue funds	94,931,594
Donations	34,922,858
Total governmental funds capital assets	<u>\$ 768,514,898</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,719,852 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Assets.

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

**FREDERICK COUNTY, MARYLAND**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION (1)**  
**JUNE 30, 2012**

<b>Function</b>	<b>Land and Improvements</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
General government	\$ 3,987,401	\$ 39,260,395	\$ 15,410,596	\$ -	\$ -	\$ 58,658,392
Public safety	6,763,830	59,511,228	38,624,368	-	-	104,899,426
Public works	4,578,781	10,147,296	10,398,883	-	-	25,124,960
Public health	-	7,584,601	52,772	-	-	7,637,373
Social services	531,518	36,668,483	1,590,636	-	-	38,790,637
Recreation and culture	38,271,915	44,815,228	4,039,254	-	-	87,126,397
Conservation of natural resources	66,515,468	-	100,288	-	-	66,615,756
Economic Development and Opportunity	217,969	1,058,000	22,681	-	-	1,298,650
Infrastructure	-	-	-	349,685,900	-	349,685,900
Construction in progress	-	-	-	-	28,677,407	28,677,407
<b>Total governmental funds capital assets</b>	<b>\$ 120,866,882</b>	<b>\$ 199,045,231</b>	<b>\$ 70,239,478</b>	<b>\$ 349,685,900</b>	<b>\$ 28,677,407</b>	<b>\$ 768,514,898</b>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,719,852 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Assets.

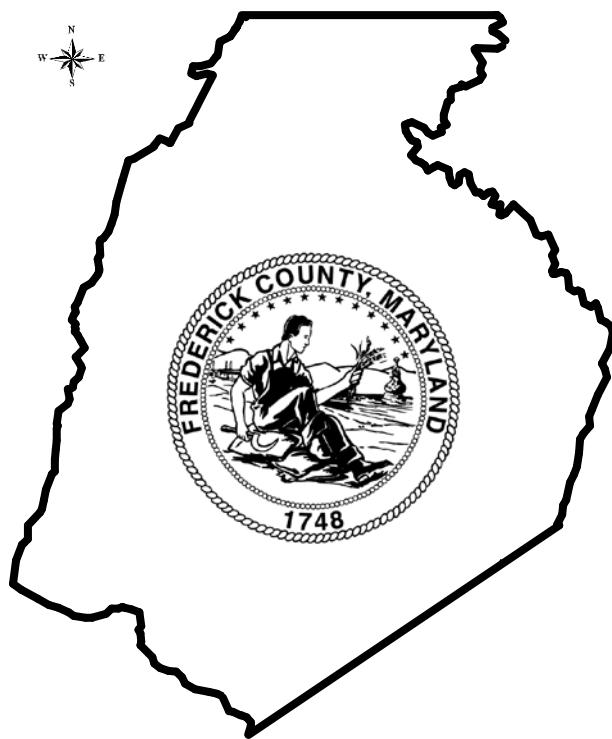
**FREDERICK COUNTY, MARYLAND**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION (1)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Function</b>	<b>Governmental Funds Capital Assets July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2012</b>
General government	\$ 54,004,705	\$ 5,375,725	\$ 722,038	\$ 58,658,392
Public safety	103,376,065	2,581,595	1,058,234	104,899,426
Public works	22,681,415	2,476,608	33,063	25,124,960
Public health	7,637,373	-	-	7,637,373
Social services	10,350,758	28,453,832	13,953	38,790,637
Recreation and culture	79,821,466	7,304,931	-	87,126,397
Conservation of natural resources	64,938,017	3,204,757	1,527,018	66,615,756
Economic Development and Opportunity	1,298,650	-	-	1,298,650
Infrastructure	344,762,497	5,447,190	523,787	349,685,900
Construction in progress	<u>48,030,810</u>	<u>28,072,889</u>	<u>47,426,292</u>	<u>28,677,407</u>
 Total governmental funds capital assets	 <u>\$ 736,901,756</u>	 <u>\$ 82,917,527</u>	 <u>\$ 51,304,385</u>	 <u>\$ 768,514,898</u>

(1) This schedule presents only the capital asset balances related to Governmental Funds. Accordingly, the capital assets reported in Internal Service Funds totaling \$28,719,852 are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the Statement of Net Assets.

(This page is intentionally blank)

# STATISTICAL SECTION





# STATISTICAL TABLE OF CONTENTS

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	148 - 153
Revenue Capacity These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	154 - 157
Debt Capacity These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	158 - 161
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	162 - 163
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	164 - 168

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 ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
 (accrual basis of accounting)

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>Fiscal Year</b>					
					<b>2008</b>	<b>2007 (3)</b>	<b>2006 (3)</b>	<b>2005</b>	<b>2004 (3)</b>	<b>2003 (3)</b>
Governmental activities										
Investment in capital assets, net of related debt	\$ 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	\$ 225,304,760
Restricted (1)	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	20,309,590
Unrestricted (Deficit) (2)	(191,281,325)	(228,733,110)	(288,083,336)	(167,092,969)	(59,630,068)	(62,896,588)	(56,507,349)	(7,182,824)	(38,026,756)	(45,363,809)
Total governmental activities net assets	<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>	<u>200,250,541</u>
Business-type activities										
Investment in capital assets, net of related debt	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	142,219,673
Restricted	456,221	4,371,265	9,714,241	679,335	15,750,610	24,851,353	3,206,982	229,896	191,252	1,971,389
Unrestricted (Deficit)	101,593,763	98,317,538	77,554,957	80,856,215	96,536,501	87,412,069	104,778,749	88,146,766	90,132,660	75,404,737
Total business-type activities net assets	<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>	<u>219,595,799</u>
Primary government										
Investment in capital assets, net of related debt	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	367,524,433
Restricted (1)	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	22,280,979
Unrestricted (Deficit) (2)	(89,687,562)	(130,415,572)	(210,528,379)	(86,236,754)	36,906,433	24,515,481	48,271,400	80,963,942	52,105,904	30,040,928
Total primary government net assets	<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>	<u>\$ 419,846,340</u>

(1) Due to the implementation of GASB Statement No. 46 in fiscal year 2006, higher restricted net assets are being reported than in previous years.

(2) Deficits occur in unrestricted net assets 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 ASSETS, LAST TEN FISCAL YEARS**  
 (accrual basis of accounting)

	Fiscal Year									
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007 (1)</b>	<b>2006 (1)</b>	<b>2005</b>	<b>2004 (1)</b>	<b>2003 (1)</b>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 36,887,646
Public safety	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	48,823,335
Public works	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	5,651,044
Health	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	20,753,454
Social services	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	2,406,499
Education	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	192,710,690
Parks, recreation and culture	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	8,162,835
Conservation of natural resources	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	2,999,473
Community development and public housing	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	2,950,729
Economic development and opportunity	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	11,047,285
Miscellaneous	-	-	-	-	-	-	-	3,803,446	4,397,069	2,291,509
Intergovernmental	-	-	-	-	-	-	-	6,006,926	4,796,634	16,383,165
Interest on long term debt	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	9,865,763
Total governmental activities expenses	<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>	<u>\$ 360,933,427</u>
Business-type activities:										
Water and sewer	31,926,579	29,622,835	28,894,767	27,858,760	25,789,356	23,082,586	21,623,009	19,977,977	19,795,831	17,681,970
Solid waste management	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	9,618,690
Nursing homes	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	12,346,634
Public housing	149,510	143,837	174,279	138,883	121,973	127,423	106,859	107,323	111,334	(1,715,127)
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	108,101
Total business-type activities expenses	<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>	<u>\$ 38,040,268</u>
Total primary government expenses	<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>	<u>\$ 398,973,695</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 6,789,686
Public safety	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	1,697,058
Public works	747,519	785,085	657,612	681,480	798,599	699,799	838,845	743,694	759,069	1,991,378
Health	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	6,806,508
Social services	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	383,575
Parks, recreation and culture	1,161,925	1,045,575	859,500	796,378	727,658	640,439	554,694	466,417	472,016	388,072
Conservation of natural resources	181,256	183,549	-	183,704	193,410	198,663	213,945	129,844	120,408	95,161
Community development and public housing	174,436	-	-	-	-	-	-	-	-	200
Economic development and opportunity	30,247	65,258	94,066	131,241	75,736	250,412	353,402	374,485	402,481	240,751
Operating grants and contributions:	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	35,879,493
Capital grants and contributions:	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	5,677,857
Total governmental activities program revenues	<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>	<u>\$ 59,949,739</u>

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007 (1)	2006 (1)	2005	2004 (1)	2003 (1)
<b>Business-type activities:</b>										
Charges for services:										
Water and sewer	\$ 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	\$ 16,363,465
Solid waste management	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	8,941,431
Nursing homes	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	9,080,715
Public housing	108,478	94,815	94,164	94,347	95,121	88,299	84,584	82,043	81,765	81,206
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:										
Capital grants and contributions:	15,481,330	40,907,293	27,684,963	32,266,084	12,881,554	13,869,468	21,425,241	10,234,860	8,810,279	6,303,545
Total business-type activities program revenues	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	44,082,641
Total primary government program revenues	\$ 131,103,677	\$ 156,177,233	\$ 143,594,664	\$ 166,597,397	\$ 134,035,356	\$ 140,968,337	\$ 152,953,681	\$ 120,241,934	\$ 109,226,805	\$ 104,032,380
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (300,983,688)
Business-type activities	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	6,042,373
Total primary government net expense	\$ (446,318,847)	\$ (424,227,218)	\$ (489,725,370)	\$ (497,589,365)	\$ (467,781,413)	\$ (385,069,241)	\$ (350,976,552)	\$ (327,221,807)	\$ (328,308,014)	\$ (294,941,315)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Local property taxes	\$ 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	\$ 139,943,351
Local income taxes	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	163,872,631
Other local taxes	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	36,781,991
Intergovernmental	3,200,000	3,676,983	-	-	-	-	-	-	-	-
Build America Bonds Subsidy	1,374,895	1,374,892	591,969	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs										
Investment earnings	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	2,513,741
Miscellaneous	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	2,024,366
Transfers	(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)	(2,441,659)
Total governmental activities	\$ 474,302,088	\$ 485,995,481	\$ 453,463,167	\$ 442,275,130	\$ 452,654,729	\$ 430,275,452	\$ 406,174,141	\$ 386,672,865	\$ 352,627,438	\$ 342,694,411
Business-type activities:										
Build America Bonds Subsidy	363,764	363,764	156,620	-	-	-	-	-	-	-
Investment earnings	447,281	642,203	892,586	4,244,887	6,719,219	7,525,143	4,226,175	2,848,200	654,240	4,155,084
Miscellaneous	6,111	56,804	661,855	27,662	729,699	635,984	240,664	465,661	694,704	659,649
Transfers	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	2,441,659
Total business-type activities	\$ 6,830,086	\$ 6,889,294	\$ 10,092,540	\$ 9,679,550	\$ 14,835,858	\$ 11,826,237	\$ 10,777,377	\$ 7,182,596	\$ 8,295,274	\$ 7,256,392
Total primary government	\$ 481,132,174	\$ 492,884,775	\$ 463,555,707	\$ 451,954,680	\$ 467,490,587	\$ 442,101,689	\$ 416,951,518	\$ 393,855,461	\$ 360,882,712	\$ 349,950,803
<b>Change in Net Assets</b>										
Governmental activities	\$ 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	\$ 41,710,723
Business-type activities	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	13,298,765
Total primary government	\$ 34,813,327	\$ 68,657,557	\$ (26,169,663)	\$ (45,634,685)	\$ (290,826)	\$ 57,032,448	\$ 65,974,966	\$ 66,633,654	\$ 32,574,698	\$ 55,009,488

(1) Restated

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

	Fiscal Year									
	2012	2011	2010(1)	2009(1)	2008(1)	2007(1)	2006(1)	2005(1)	2004 (1)(2)	2003(1)
General Fund										
Nonspendable	\$ 1,245,845	\$ 1,648,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	21,934,177	21,961,726	-	-	-	-	-	-	-	-
Committed	2,355,880	1,246,864	-	-	-	-	-	-	-	-
Assigned	75,064,269	60,368,123	-	-	-	-	-	-	-	-
Total General Fund	<u>100,600,171</u>	<u>85,225,402</u>	<u>-</u>							
All other Governmental Funds										
Nonspendable										
Special revenue funds	5,890,746	5,527,435	-	-	-	-	-	-	-	-
Restricted										
Capital project funds	26,378,793	15,301,345	-	-	-	-	-	-	-	-
Special revenue funds	2,216,834	1,885,830	-	-	-	-	-	-	-	-
Committed										
Capital project funds	39,012,874	28,461,553	-	-	-	-	-	-	-	-
Special revenue funds	49,323,414	49,659,195	-	-	-	-	-	-	-	-
Assigned										
Special revenue funds	11,286,926	5,915,306	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>134,109,587</u>	<u>106,750,664</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	3,755,322
Unreserved	-	-								
Designated	-	-	34,083,914	28,147,175	46,788,577	79,230,104	51,885,900	32,472,096	25,295,120	30,347,809
Undesignated	-	-	20,360,666	21,364,533	20,973,351	18,339,726	53,857,163	56,594,257	41,588,839	29,246,543
Total General Fund	<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>	<u>63,349,674</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	14,563,201
Unreserved	-	-								
Designated	-	-	77,153,427	64,476,579	59,773,405	52,212,007	59,411,063	40,894,139	24,870,777	17,267,415
Special revenue funds	-	-								
Undesignated	-	-	11,442,860	17,869,398	97,993,054	70,046,722	12,503,245	(9,658,250)	25,306,231	20,349,294
Capital project funds	-	-	23,122,490	27,235,110	24,370,105	25,313,519	25,958,899	20,424,923	20,753,183	11,146,359
Total all other governmental funds	<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>	<u>63,326,269</u>
Total Governmental Fund Balance	<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>	<u>\$ 126,675,943</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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Local property taxes	\$ 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	\$ 154,346,972
Local income taxes	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	131,949,827
Other local taxes	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	36,707,193
Licenses and permits	532,074	517,020	508,039	529,307	525,736	555,708	831,982	979,054	847,080	2,294,473
Grants from federal government	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	9,987,246
Grants from state government	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	31,570,104
Intergovernmental	3,200,000	3,676,983	-	-	-	-	-	-	-	-
Charges for services	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	16,503,345
Fines and forfeitures	212,745	272,540	225,230	399,997	428,472	304,985	308,518	330,530	424,633	210,678
Interest from loans	25,632	26,130	36,243	39,347	59,566	89,802	19,512	11,078	8,440	11,197
Investment earnings	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	2,519,684
Build America bond subsidy	1,374,895	1,393,990	-	-	-	-	-	-	-	-
Miscellaneous	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	1,621,683
Total revenues	<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>	<u>387,722,402</u>
<b>Expenditures</b>										
Current										
General government	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	26,191,150
Public safety	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	46,004,951
Public works	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	17,635,413
Health	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	20,733,669
Social services	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	3,808,898
Education	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	166,000,881
Parks, recreation and culture	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	7,536,930
Conservation of natural resources	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	3,358,264
Community development and public housing	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	2,950,166
Economic development and opportunity	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	10,990,348
Miscellaneous	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	2,356,025
Intergovernmental	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	3,866,509
Debt service										
Principal	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	10,844,799
Interest	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	10,355,454
Capital projects	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	54,327,298
Total expenditures	<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>	<u>386,960,755</u>
Excess of revenues over expenditures	(13,335,490)	(37,902,187)	(85,357,009)	(86,520,019)	(69,687,469)	(1,925,470)	(2,840,724)	12,896,284	4,712,520	761,647

(continued)

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

	Fiscal Year									
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in from:										
General Fund	\$ 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	\$ 29,266,440
Special Revenue Funds	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	16,210,471
Capital Projects Fund	-	4,500,000	2,691,419	-	-	-	-	-	-	-
Enterprise Funds	-	-	38,360	-	-	-	-	-	-	-
Internal Service Funds	-	1,674,000	1,000,000	997,039	-	-	-	18,212	-	-
Transfer out to:										
General Fund	-	(5,047,695)	(2,487,108)	-	-	-	-	-	(184,481)	-
Special Revenue Funds	(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)	(8,674,575)
Capital Projects Fund	(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)	(36,802,336)
Enterprise Funds	(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)	(2,441,659)
Internal Service Funds	-	(129,592)	(250,648)	(15,527)	(976,979)	(796,768)	(1,690,917)	(14,804)	(220,000)	-
Transfer to component units	-	-	-	-	-	-	-	-	-	-
Proceeds from public facilities and refunding bonds	120,557,832	-	173,041,815	-	61,055,000	49,856,000	82,958,476	91,781,972	41,792,400	50,157,925
Payment to refunded bond escrow agent	(81,114,121)	-	(59,789,074)	-	-	-	(13,710,975)	(96,489,172)	(13,032,948)	(1,178,545)
Bond premium on public facilities and refunding bonds	18,317,929	-	10,503,504	-	2,385,238	919,527	4,751,327	8,870,030	654,580	588,545
Installment purchase agreement	1,587,605	4,467,570	6,509,802	2,437,428	7,948,699	-	-	-	-	-
Repayment of bond anticipation notes	-	-	-	-	-	-	-	-	-	-
Proceeds of capital lease	2,679,047	-	-	2,120,000	2,394,000	5,325,000	731,000	852,100	2,515,000	2,961,260
Sale of capital assets	53,820	-	45,918	7,023	17,475	1,250	14,550	18,000	6,900	2,000
Total other financing sources (uses)	<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>	<u>50,089,526</u>
Net change in fund balances	<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>	<u>\$ 50,851,173</u>
Total expenditures	\$ 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	\$ 386,960,755
Less: Capital outlay	(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)	(9,657,295)
Noncapital expenditures	<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>	<u>\$ 377,303,460</u>
Debt service	<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>	<u>\$ 21,200,253</u>
Debt service as a percentage of noncapital expenditures	9.62%	9.08%	7.51%	7.28%	6.83%	7.10%	5.61%	8.10%	6.68%	5.62%

**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)
2012	\$ 20,114,709,447	\$ 4,638,038,491	\$ 1,259,251,162	\$ 25,979,764,052	0.936	\$ 294,258,800	2.34	\$ 26,274,022,852	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
2003	n/a	n/a	n/a	13,852,072,854	1.000	365,088,270	2.50	14,217,161,124	1.039

**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)**

	<b>Fiscal Year</b>									
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Direct Property Tax Rates</b>										
Frederick County	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total Direct Property Tax Rates	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 0.936	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
<b>Overlapping property tax rates</b>										
<u>Fire and lighting tax districts</u>										
Suburban Fire/Rescue	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.065	\$ 0.065	\$ 0.045	
Urban Fire/Rescue	0.128	0.128	0.128	0.128	0.128	0.128	0.135	0.135	0.135	0.100
Braddock lighting tax district	0.010	0.006	0.006	0.006	0.006	0.012	0.016	0.020	0.024	0.024
Libertytown lighting tax district	0.013	0.013	0.013	0.013	0.013	0.018	0.021	0.022	0.020	0.020
New Addition lighting tax district	0.010	0.007	0.007	0.007	0.007	0.012	0.014	0.021	0.028	0.028
State	0.112	0.112	0.112	0.112	0.112	0.112	0.132	0.132	0.132	0.084
<u>Municipalities</u>										
Brunswick	0.462	0.462	0.422	0.422	0.432	0.452	0.452	0.488	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	0.650	0.650	0.650	0.650	0.670	0.690	0.690	0.690	0.640	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	0.165	0.165	0.174	0.183	0.188	0.193	0.202	0.206
Myersville	0.274	0.274	0.274	0.274	0.274	0.274	0.274	0.274	0.236	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	0.260	0.260	0.260	0.270	0.280	0.265	0.270	0.273	0.248	0.248
Walkersville	0.170	0.156	0.156	0.156	0.156	0.156	0.166	0.176	0.176	0.176
Woodsboro	0.130	0.120	0.120	0.120	0.120	0.129	0.138	0.152	0.152	0.152

Source: County Treasurer's Office

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

<b>Name of Taxpayer</b>	<b>Fiscal Year 2012</b>				<b>Fiscal Year 2003</b>			
	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total County Taxable Assessed Value</b>	<b>%</b>	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total County Taxable Assessed Value</b>	<b>%</b>
Potomac Edison/Alleghany Power	\$ 128,924,550	1	0.49	%	\$ 161,733,560	1	1.14	%
Verizon Maryland/Bell Atlantic	72,663,370	2	0.28		104,622,010	2	0.74	
PR Financing Limited Partnership	70,287,900	3	0.27		-	-	-	
Medimmune, Inc.	52,191,900	4	0.20		-	-	-	
River X, LLC	45,635,733	5	0.17		-	-	-	
Washington Gas Light Company	41,979,730	6	0.16		32,221,093	9	0.23	
State Farm Mutual Auto Insurance	41,615,200	7	0.16		38,520,800	8	0.27	
Writ Frederick Crossing Land, LLC	39,208,500	8	0.15		-	-	-	
Costco Wholesale Corporation	38,937,133	9	0.15		-	-	-	
RIV 402, LLC	38,204,400	10	0.15		-	-	-	
Dominion Transmission Corp	-		-		101,687,100	3	0.72	
Crown American Financing Part.	-		-		71,984,198	4	0.51	
M.O.R. Westview	-		-		47,354,664	5	0.33	
Manekin/Morecop	-		-		44,690,058	6	0.31	
Eastalco Aluminum Company	-		-		40,159,902	7	0.28	
First Real Estate Inv. Trust	-		-		28,491,520	10	0.20	
<b>Totals</b>	<b>\$ 569,648,416</b>		<b>2.17</b>	<b>%</b>	<b>\$ 671,464,905</b>		<b>4.72</b>	<b>%</b>

Source: County Treasurer's Office

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

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year (Original Levy)</b>		<b>Total Adjusted Levy</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
	<b>Amount</b>	<b>Percentage of Original Levy</b>		<b>Amount</b>	<b>Percentage of Adjusted Levy</b>		<b>Amount</b>	<b>Percentage of Adjusted Levy</b>
2012	\$ 240,261,872	\$ (1,868,202)	\$ 238,393,670	\$ 238,135,801	99.89 %	\$ -	\$ 238,135,801	99.89 %
2011	245,857,629	(2,208,994)	243,648,635	243,347,532	99.88	177,925	\$ 243,525,457	99.95
2010	243,164,858	(1,913,319)	241,251,539	240,846,665	99.83	324,876	241,171,541	99.97
2009	227,624,313	(1,559,310)	226,065,003	225,751,007	99.86	278,642	226,029,649	99.98
2008	207,783,675	(2,264,381)	205,519,294	205,408,797	99.95	99,973	205,508,770	99.99
2007	184,843,834	(718,504)	184,125,330	183,777,116	99.81	341,328	184,118,444	100.00
2006	172,329,130	(847,822)	171,481,308	171,182,698	99.83	320,491	171,503,189	100.01
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
2003	136,136,573	10,178,330	146,314,903	145,762,664	99.62	552,258	146,314,922	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 2002 through 2005 "adjustments" included additions, abatements and new construction bills. For fiscal years 2006 through 2012, only additions and abatements are included in this column.

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

Fiscal Year	Governmental Activities						Total Governmental Activities
	General Obligation Bonds	Bond Anticipation Notes	Capital Leases	Notes Payable	Agricultural Preservation Installment Purchase Agreements		
2012	\$ 437,662,079	\$ -	\$ 3,516,894	\$ 1,244,870	\$ 54,611,083	\$ 497,034,926	
2011	409,778,585	-	4,071,505	2,092,380	53,023,478	468,965,948	
2010	435,384,332	-	5,850,235	2,922,118	48,555,908	492,712,593	
2009	340,403,603	-	7,775,416	3,699,879	42,046,106	393,925,004	
2008	363,376,795	-	7,842,795	4,429,258	39,608,678	415,257,526	
2007	322,446,867	-	7,628,193	5,923,287	31,659,979	367,658,326	
2006	290,551,046	-	4,235,122	6,640,103	20,751,405	322,177,676	
2005	234,327,973	-	4,980,289	7,322,577	15,767,333	262,398,172	
2004	243,799,506	8,150,000	5,538,335	7,973,065	8,774,670	274,235,576	
2003	225,822,602	11,130,000	3,941,770	8,586,170	1,147,228	250,627,770	

Business-Type Activities							
Fiscal Year	General Obligation Bonds	Bond Anticipation Notes	Notes Payable (2)	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2012	\$ 135,272,920	\$ -	\$ 51,144,933	\$ 186,417,853	\$ 683,452,779	N/A	\$ 2,889
2011	145,506,415	-	44,100,674	189,607,089	658,573,037	N/A	2,798
2010	155,260,668	-	31,250,960	186,511,628	679,224,221	N/A	2,910
2009	133,276,397	-	29,576,033	162,852,430	556,777,435	5.5%	2,375
2008	142,783,205	-	28,293,975	171,077,180	586,334,706	5.8%	2,520
2007	133,058,132	-	29,688,011	162,746,143	530,404,469	5.4%	2,295
2006	98,068,957	-	29,602,176	127,671,133	449,848,809	4.8%	1,965
2005	71,517,028	-	28,917,294	100,434,322	362,832,494	4.2%	1,627
2004	76,585,495	-	31,062,443	107,647,938	381,883,514	4.7%	1,745
2003	81,447,398	-	33,219,749	114,667,147	365,294,917	4.8%	1,708

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

(1) See Exhibit III-A-13 for personal income and population data. (All information updated as of June 30, 2012)

(2) Notes payable includes Interfund Solid Waste Cart Loan of \$1,155,350.

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

<b>Fiscal Year</b>	<b>General Obligation Debt</b>	<b>Installment Purchase Agreements (1)</b>	<b>Less Amounts to be Paid with Other Resources</b>	<b>Total Net General Obligation Debt Outstanding</b>	<b>Percentage of Total Estimated Actual Value of Taxable Property (2)</b>	<b>Per Capita (3)</b>
2012	\$ 572,934,999	\$ 54,611,083	\$ (332,208,152)	\$ 295,337,930	1.12%	\$ 1,249
2011	555,285,000	53,023,478	(334,248,799)	274,059,679	1.02%	1,164
2010	590,645,000	48,555,908	(346,222,700)	292,978,208	1.10%	1,255
2009	473,680,000	42,046,106	(267,621,157)	248,104,949	0.99%	1,049
2008	506,160,000	39,608,678	(279,834,495)	265,934,183	1.16%	1,135
2007	455,504,999	31,659,979	(241,586,012)	245,578,966	1.20%	1,055
2006	388,620,003	20,751,405	(187,272,256)	222,099,152	1.20%	961
2005	305,845,001	15,767,333	(135,488,237)	186,124,097	1.15%	813
2004	320,385,001	8,774,670	(135,697,951)	193,461,720	1.29%	868
2003	307,270,000	1,147,228	(125,772,002)	182,645,226	1.28%	835

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

(1) Installment Purchase Agreements are included because they require the County's bond authority to be issued.

(2) See Exhibit III-A-5 for real property tax values.

(3) See Exhibit III-A-13 for population data.

**FREDERICK COUNTY, MARYLAND**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2012**

<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>497,034,926</u>	100 %	\$ <u>497,034,926</u>
Overlapping Debt:			
Component Units:			
Frederick County Public Schools	15,847,175	100 %	15,847,175
Frederick Community College	7,262,140	100 %	7,262,140
Towns, Cities and Villages:			
Brunswick	459,001	100 %	459,001
Emmitsburg	351,097	100 %	351,097
Frederick City	67,734,303	100 %	67,734,303
Middletown	1,038,605	100 %	1,038,605
Myersville	3,414,898	100 %	3,414,898
Subtotal Overlapping:	<u>96,107,219</u>		<u>96,107,219</u>
Totals	\$ <u>593,142,145</u>		\$ <u>593,142,145</u>

Source: Division of Finance

(1) Debt repaid by general government activities

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Debt limitation - 6% of total assessed value	\$ 1,614,294,873	\$ 1,596,671,653	\$ 1,496,803,097	\$ 1,373,425,595	\$ 1,231,244,335	\$ 1,113,792,014	\$ 974,034,339	\$ 903,297,979	\$ 853,029,667
Total debt applicable to limit (2)	<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>	<u>114,667,147</u>
Legal debt margin	<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>\$ 1,075,464,998</u>	<u>\$ 990,270,881</u>	<u>\$ 873,600,018</u>	<u>\$ 795,650,041</u>	<u>\$ 738,362,520</u>
Total net debt applicable to the limit as a percentage of debt limit	11.41%	11.49%	10.63%	12.46%	12.65%	11.09%	10.31%	11.92%	13.44%

**Legal debt margin calculation for fiscal year 2012**

Assessed valuations (1)	<u>\$ 26,274,022,852</u>
Debt limitation - 6% of total assessed value	1,576,441,371
Debt applicable to limitation	
Total bonds payable	135,272,920
Total notes payable	<u>49,989,583</u>
Total debt applicable to limit (2)	<u>185,262,503</u>
Legal debt margin	<u>\$ 1,391,178,868</u>
Total net debt applicable to the limit as a percentage of debt limit	11.75%

(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. FY 2003 and prior have been restated to only include bonds and notes.

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

Year	Population(1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	Public School Enrollment (3)	Community College Academic State FTE (4)			Unemployment Rate (5)
					<u>Credit</u>	<u>Non-Credit</u>	<u>Total</u>	
2012	236,551	N/A	N/A	40,487	4,069	571	4,640	5.9%
2011	235,400	N/A	N/A	40,484	4,055	553	4,608	6.5
2010	233,385	N/A	N/A	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
2003	213,900	7,588,502	35,647	38,621	2,651	289	2,940	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, 2012)  
 (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>	2012			2003			<u>Percentage of Total County Employment</u> *
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u> *	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u> *	
Fort Detrick	9,200 *	1	10.08 %	7,300 *	1	8.41 %	
Frederick County Board of Education	5,538	2	6.07	4,505	2	5.19	
Frederick Memorial Healthcare System	2,652	3	2.91	2,270	3	2.61	
Frederick County Government	2,300	4	2.52	1,931	4	2.22	
SAIC - Frederick	1,965	5	2.15	-	-	-	
Wells Fargo Home Mortgage	1,881	6	2.06	1,700	5	1.96	
Bechtel Corporation (formerly Bechtel Power)	1,578	7	1.73	1,457	7	1.68	
Frederick Community College	899	8	0.99	1,137	8	1.31	
Frederick City Government	852	9	0.93	709	-	0.82	
United Health Care (formerly MAMSI)	832	10	0.91	1,565	6	1.80	
CitiMortgage (formerly First Nationwide Mortgage)	-	-	-	813	10	0.94	
State Farm Insurance	793	-	0.87	1,000	9	1.15	
	<u>28,490</u>		<u>31.22 %</u>	<u>24,387</u>		<u>28.09 %</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>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>	<u>2003</u>
General government	303	332	356	378	384	350	335	335	326	305
Public safety	820	801	831	864	846	762	704	646	584	561
Public works	376	407	422	443	421	395	383	359	363	357
Health	298	318	326	333	337	316	313	292	299	300
Social services	105	109	138	149	141	136	126	125	128	127
Parks, recreation and culture	45	46	46	48	50	49	50	42	42	44
Library	114	119	117	123	121	116	108	91	89	88
Conservation of natural resources	7	5	7	7	7	7	7	7	7	6
Community dev. & public housing	9	9	11	11	11	8	7	6	6	6
Economic dev. & opportunity	31	33	114	119	114	104	111	106	110	120
Total	<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>	<u>1,914</u>

**Source:** Division of Finance

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2003</u>
<b>General Government</b>										
Human Resources										
Employment announcements issued	256	180	110	133	272	265	182	170	180	215
Employment applications received/reviewed	8,993	7,515	4,698	5,127	7,968	6,989	6,000	7,000	6,000	6,000
Finance/Accounting										
Accounts payable checks generated	21,056	22,310	21,580	22,719	29,216	23,557	28,000	31,000	31,000	29,840
Procurement & Contracting										
Formal bids, RFP's, sole source & emergencies	211	204	203	210	204	207	225	200	*	*
Treasurer										
Invoices prepared	2,148	2,573	2,413	2,318	2,291	2,235	1,920	1,800	1,700	1,550
Property tax bills/delinquent notices mailed	107,045	106,612	101,345	103,892	101,648	106,403	87,207	93,000	87,000	87,000
Building Maintenance										
Buildings	147	142	145	145	136	121	116	114	110	106
Work orders/service requests	5,888	5,815	4,231	5,043	4,040	3,767	4,486	4,272	3,758	3,654
Square feet of properties managed	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	1,016,495
Facility Services										
Number of leases managed	39	33	41	39	37	35	37	37	44	38
Square feet of leased property managed	148,257	141,742	161,996	159,227	169,258	166,769	155,303	155,303	172,519	172,931
Pieces of outgoing U.S. mail	298,733	326,858	334,375	400,976	415,488	425,899	400,560	485,000	465,458	455,136
Elections										
Registered voters	141,136	136,014	135,264	132,866	127,227	124,000	124,000	122,000	113,000	118,000
Liquor Board										
Regular liquor licenses	304	304	284	300	299	294	298	295	290	295
Liquor inspections	5,399	5,864	4,449	3,463	3,652	3,260	3,260	3,200	3,130	3,600
Internal Audit										
Internal Audits performed	4	8	10	11	9	19	16	21	20	21
Circuit Court										
New cases filed	10,710	10,431	12,499	12,429	11,168	10,053	9,303	7,939	6,106	10,071
<b>Public Safety</b>										
Housing units constructed	845	581	788	665	738	1,143	2,087	1,653	1,781	1,924
Sheriff's Office										
Administration Bureau										
Civil Process papers served	19,440	20,648	28,286	30,993	24,771	21,596	25,200	24,500	29,050	*
Courthouse Security										
Prisoners handled: adult/juvenile	4,332	4,241	4,535	4,684	4,844	5,336	5,200	5,250	4,050	3,730
Operations: Law Enforcement										
Arrests: adult/juvenile	3,520	3,826	3,892	4,226	4,197	4,376	4,961	4,386	4,700	5,119
Calls for service	98,876	99,047	101,728	96,469	88,434	68,159	58,687	68,340	65,000	*
Adult Detention Center										
Average daily populaton	395	442	416	425	484	498	464	466	452	429
Emergency Communications										
Fire/EMS dispatches	32,199	32,453	30,457	27,674	26,642	26,378	25,591	22,827	25,368	26,470
Police dispatches	151,793	142,662	150,634	144,158	131,355	109,285	102,598	79,297	83,761	80,692
911 calls	141,010	128,383	117,346	109,111	107,353	109,601	107,127	109,210	109,795	98,871
Animal Control										
Calls for service	10,263	9,726	9,373	9,022	8,110	7,771	7,061	6,960	6,838	6,469

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2003</u>
<b>Public Works</b>										
Water facilities										
Customers	20,763	20,549	20,263	20,062	20,131	20,081	19,692	17,578	17,039	16,628
Annual production (1,000 gals.)	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	1,639,941
Sewer facilities										
Customers	28,550	28,221	27,874	27,559	25,923	25,890	24,787	24,614	23,724	23,153
Fleet Services										
Work orders	5,429	5,716	5,613	6,066	5,507	5,372	4,277	7,695	6,300	5,557
Vehicles maintained	961	967	1,045	1,016	994	959	888	820	802	788
Highway Operations										
County roads - mileage maintained	1,271	1,264	1,264	1,264	1,258	1,257	1,256	1,245	1,237	1,235
Tar and chip maintenance (miles)	11	21	12	32	41	59	95	*	53	54
Usage of salt & cinders (tons)	7,268	15,263	16,998	14,793	22,911	24,144	25,000	18,900	27,118	*
Transportation Engineering										
Bridges inspected	138	116	136	114	170	170	170	172	265	*
Road overlay (miles)	26	3	37	48	32	25	26	26	22	49
Construction Management										
CIP and developer funded subdivision projects completed	23	41	74	69	106	77	193	163	80	170
TransIT										
Passenger trips	909,804	835,880	786,711	791,961	737,974	709,701	651,306	553,344	460,738	378,094
Revenue vehicle miles	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	749,759
Revenue vehicle hours	81,995	83,154	86,305	85,770	85,829	83,467	80,541	83,038	76,641	67,913
<b>Health</b>										
Health Department										
Public health nursing contacts	21,130	21,499	22,632	25,575	25,839	35,046	31,379	29,866	*	*
Mental health visits	12,165	10,724	10,133	10,182	10,691	10,803	5,958	7,053	*	*
Substance abuse visits	25,764	26,464	28,860	29,630	30,474	32,063	10,932	13,734	*	*
Dental visits for children	3,899	4,242	4,384	4,851	5,056	4,410	4,486	4,556	*	*
Environmental health reviews/inspections	14,304	14,799	14,668	16,684	14,664	15,132	14,041	13,588	*	*
School health program										
Children served	39,293	40,484	40,210	40,155	40,566	40,315	39,741	39,564	39,004	38,621
Health room visits	289,766	304,730	307,925	270,234	271,815	248,626	160,000	147,070	150,000	201,000
Developmental Center										
Infants & Toddlers Program children served	697	638	583	548	529	533	*	*	*	*
School-based services visits	13,959	14,378	14,734	12,442	11,512	10,551	*	*	*	*
Audiology services visits	767	809	835	801	877	860	969	861	921	1,049
<b>Social Services</b>										
Social Services										
Child & Adult Care Food Program										
Home visits	855	843	825	900	900	900	1,344	1,026	981	*
Department of Aging										
Home delivered meals served to elderly	50,305	50,220	45,490	44,624	50,042	52,141	20,000	21,000	27,000	25,000
Congregate meals served	13,474	15,522	15,338	16,936	16,638	16,656	19,000	21,500	23,000	30,000

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2003</u>
<b>Parks, recreation and culture</b>										
Parks & Recreation										
Parks acres maintained	2,066	2,066	2,066	1,792	1,572	1,534	1,534	1,511	1,511	1,511
Recreation center attendance	99,106	95,135	99,247	90,645	77,138	76,844	54,718	45,000	46,066	42,400
<b>Conservation of natural resources</b>										
Agriculture										
Farms	1,442	1,442	1,442	1,442	1,273	1,273	1,273	1,273	1,273	1,304
Acreage	202,087	202,087	202,087	202,087	195,827	195,827	195,827	195,827	195,827	215,927
Preserved land										
Farms	397	390	376	355	298	274	244	220	195	168
Acreage	53,572	52,802	50,946	47,538	40,163	37,807	33,836	30,782	27,396	23,147
<b>Community development and public housing</b>										
Bell Court housing project (28 units)										
Occupancy rate	100%	100%	100%	100%	100%	99%	99%	99%	99%	98%
<b>Economic development and opportunity</b>										
Workforce Services										
One - stop services - customers served	4,538	6,547	5,122	2,744	2,365	2,507	2,310	2,310	2,310	2,000
One - stop services - youth customers served	212	242	214	200	330	*	*	*	*	*
Job orders received	3,743	4,446	2,761	1,765	2,116	*	*	*	*	*
Customized training provided (trainees)	1,044	1,413	998	2,319	1,663	*	*	*	*	*
Maryland Business works projects (trainees)	Grant Ended	351	187	190	310	*	*	*	*	*
Recruitment for business	60	32	90	81	*	*	*	*	*	*
Customized & onsite recruitment events	454	364	18	28	31	*	*	*	*	*
Website unique visitors	93,875	82,422	79,697	55,605	21,774	*	*	*	*	*
Business Development and Retention Division										
Average web hits per month	420,018	422,119	390,112	370,934	365,115	326,761	280,396	251,629	169,475	98,791
Inquiries	2,001	2,590	3,847	3,943	3,343	3,273	2,507	*	*	*
Prospects	128	150	164	311	440	405	482	*	*	*
Projects	499	513	541	513	422	396	137	184	187	125
Companies visited	308	311	348	429	424	455	486	321	349	356
Companies assisted	290	270	272	335	418	360	244	544	593	650

\* = 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>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>	<u>2003</u>	<u>2002</u>
<b>General Government</b>											
Building maintenance											
Buildings managed	147	142	145	145	136	121	116	114	110	106	73
<b>Public Safety</b>											
Fire/rescue stations	30	30	30	30	30	30	30	30	30	30	30
Adult Detention Center average daily population	395	442	416	425	484	498	464	466	452	429	449
<b>Public Works</b>											
County roads - mileage	1,271	1,264	1,264	1,264	1,258	1,257	1,256	1,245	1,237	1,235	1,221
Water facilities											
Plants/Distribution Systems	12	12	12	12	14	14	14	14	14	15	15
Daily capacity (1,000 gals.)	18,124	18,124	12,432	12,432	12,432	10,193	10,193	9,485	9,485	9,645	9,645
Miles of water mains	302	293	290	289	284	271	253	243	231	228	211
Hydrants	2,602	2,482	2,453	2,428	2,357	2,259	2,085	1,924	1,778	1,778	1,583
Sewer facilities											
Plants/Collection Systems	14	15	15	16	16	16	17	17	17	16	16
Daily capacity (1,000 gals.)	8,677	8,677	8,677	7,727	7,677	7,677	7,707	7,707	7,701	7,701	7,766
Miles of sewer mains	363	357	353	352	344	339	327	313	303	293	283
Bridges											
Bridges (over 20' spans)	219	219	219	219	215	215	214	214	213	213	213
Fleet services											
Vehicles	961	967	1,045	1,016	994	959	888	820	802	788	777
<b>Parks, Recreation and Culture</b>											
County park acreage	2,066	2,066	2,066	1,792	1,572	1,534	1,534	1,511	1,511	1,511	1,526
County facilities	36	36	36	31	30	30	29	29	29	29	*

\* Information not available

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